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INDIANA UTILITY
REGULATORY COMMISSION

Petitioner's Exhibit No. 21-S
Cause No. 45468
Vectren North
Page 1 of 26

INDIANA GAS COMPANY, INC.

d/b/a CENTERPOINT ENERGY INDIANA NORTH

(CEI NORTH OR VECTREN NORTH)

IURC CAUSE NO. 45468

SETTLEMENT TESTIMONY

OF

JASON R. MATHEWS

MANAGER, REGULATORY REPORTING

ON

STIPULATION AND SETTLEMENT AGREEMENT

SPONSORING PETITIONER'S ATTACHMENT JRM-S1 AND SPONSORING SETTLING

PARTIES' JOINT EXHIBIT NO. 1

Glossary of Acronyms

| | |
|--|---|
| ALG | Average Life Group |
| CenterPoint | CenterPoint Energy, Inc. |
| CSIA | Compliance and System Improvement Adjustment |
| EER | Energy Efficiency Rider |
| EEFC | Energy Efficiency Funding Component |
| ELG | Equal Life Group |
| IURC or Commission | Indiana Utility Regulatory Commission |
| NOI | Net Operating Income |
| O&M | Operations and Maintenance |
| Vectren South or CEI South | Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South, formerly Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. |
| PHMSA | Pipeline and Hazardous Materials Safety Administration |
| SRC | Sales Reconciliation Component |
| TCJA | Tax Cuts and Jobs Act |
| TSCR | Tax Savings Credit Rider |
| TDSIC | Transmission, Distribution, Storage Improvement Charge |
| USF | Universal Service Fund |
| Vectren | Vectren Corporation |
| Petitioner, Vectren North, CEI North, or the Company | Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North, formerly Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. |
| Vectren Ohio or CEOH | Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio, formerly Vectren Energy Delivery of Ohio, Inc. |
| VUHI | Vectren Utility Holdings Inc. |

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SETTLEMENT TESTIMONY OF JASON R. MATHEWS

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Jason R. Mathews. My business address is 211 NW Riverside Drive,
5 Evansville, Indiana, 47708.

6

7 **Q. By whom are you employed?**

8 A. I am employed by Vectren Corporation ("Vectren"), a wholly-owned subsidiary of
9 CenterPoint Energy, Inc. ("CenterPoint").

10

11 **Q. On whose behalf are you testifying in this proceeding?**

12 A. I am testifying on behalf of Indiana Gas Company, Inc. d/b/a CenterPoint Energy
13 Indiana North¹ (formerly known as "Indiana Gas Company, Inc. d/b/a Vectren Energy
14 Delivery of Indiana, Inc." and hereinafter referred to as "Petitioner", "Vectren North",
15 "CEI North", or "the Company"). Vectren North is a wholly-owned subsidiary of
16 Vectren.

17

18 **Q. Are you the same Jason R. Mathews who pre-filed rebuttal testimony in this
19 Cause?**

20 A. Yes.

¹ As of January 25, 2021, Vectren North operates under a new assumed business name: Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("Vectren North" or "CEI North").

1

2 **Q. What is the purpose of your settlement testimony in this proceeding?**

3 A. The purpose of my testimony is to present and support the Stipulation and Settlement
4 Agreement ("the Settlement Agreement") entered into by and among the Indiana
5 Office of Utility Consumer Counselor ("OUCC"), the Vectren North Industrial Group
6 ("Industrial Group"), Direct Energy Business Marketing, LLC ("Direct Energy"), Citizens
7 Action Coalition of Indiana, Inc. ("CAC"), and Vectren North (collectively the "Settling
8 Parties" and individually a "Settling Party"), which was filed as Settling Parties' Joint
9 Exhibit No. 1 in this Cause on June 25, 2021. The Settlement Agreement represents
10 reasonable resolutions of all issues in this proceeding and supports a Commission
11 Order adopting the terms. I will explain the Settlement Agreement, the corresponding
12 revenue requirement and why it should be approved by the Commission, without
13 modification.

14

15 **Q. Have all parties joined the Settlement Agreement?**

16 A. No. While this is a settlement of all issues among all the parties that filed testimony in
17 Cause No. 45468 (the "Vectren North Rate Case" or "Rate Case") and one party –
18 CAC – that intervened but did not pre-file testimony, two parties that intervened but
19 did not pre-file testimony are not a party to the Settlement Agreement – Nucor
20 Corporation ("Nucor") and Steel Dynamics, Inc. ("SDI"). While neither Nucor nor SDI
21 are a Settling Party, they have indicated to Petitioner they will not oppose the
22 Settlement Agreement in this Cause No. 45468. The Settlement Agreement is a
23 comprehensive settlement that addresses all pending issues in the Rate Case.

24

1 While the Settling Parties have reviewed and had an opportunity to comment on the
2 testimony I am providing prior to its filing, I note that the other Settling Parties may not
3 agree with all opinions and explanations contained in my testimony. This is also the
4 case with respect to Petitioner's view of the other Settling Parties' testimony. However,
5 neither my testimony nor that presented by any other Settling Party changes the
6 substance of the Settlement Agreement in any manner.

7

8 **Q. Are you sponsoring any attachments to settlement in this proceeding?**

9 A. Yes. I am sponsoring the Settling Parties' Joint Exhibit No. 1, which is a separately
10 filed copy of the Settlement Agreement and its Appendix A; both of which were filed
11 with the Commission on June 25, 2021 under this Cause No. 45468.

12

13 In addition, I am sponsoring the following attachments to Petitioner's Exhibit No. 21-
14 S:

- 15 • Petitioner's Exhibit No. 21-S, Attachment JRM-S1: Allocation Factors for
16 Transmission, Distribution, and Storage Improvement Charge ("TDSIC")
17 Component and Compliance Component within the CSIA.

18

19 **Q. Were the testimony and attachments prepared by you or under your
20 supervision?**

21 A. Yes, they were.

22

23

24 **II. OVERVIEW OF THE SETTLEMENT AGREEMENT**

25

1 **Q. Please provide an overview of the Settlement Agreement.**

2 A. The Settlement Agreement resolves all pending issues in the Rate Case.

3

4 • In its case-in-chief, Petitioner sought a revenue requirement increase of \$20.8
5 million with a proposed Return on Equity of 10.15% and an investor provided
6 capitalization of 44.38% debt and 55.62% equity. Further, since the Petitioner's
7 initial filing was based on 2021 budget information, the Petitioner proposed, in its
8 case-in-chief, to update its rates in two phases, with the Phase 1 occurring upon
9 issuance of an Order in this Cause and based on the actual rate base and capital
10 structure as of June 30, 2021; and Phase 2 occurring at the conclusion of the 2021
11 test year and involving an update to certain financial schedules that have an impact
12 on the Company's revenue requirement, specifically, an update to the actual rate
13 base and capital structure as of the end of the test year and an update to the full
14 test year revenue requirement for actual results for calendar year 2021 with
15 depreciation expense annualized based on December 31, 2021 plant in-service
16 balances.

17 • The OUCC initially proposed a revenue requirement decrease of \$(26.9) million;
18 and the Industrial Group proposed a revenue requirement decrease of \$(9.9)
19 million, with Returns on Equity ranging from 9.2% to 9.25%, respectively.

20 • While Direct Energy did not propose revised overall revenue requirements, Direct
21 Energy recommended revisions to Petitioner's Rate 245 Transportation Customer
22 Threshold, among other transport customer tariff changes.

23 • Based on errata and rebuttal testimony, Petitioner revised its request for a revenue
24 requirement increase from \$20.8 million to \$19.9 million.

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Under the Settlement Agreement, the Settling Parties have agreed that Vectren North's requested relief in this Cause should be granted in its entirety, subject to certain terms and conditions as specifically set forth in the Settlement Agreement. I will discuss other key terms of the Settlement Agreement below, but as to how the Settlement Agreement relates to the revenue requirement decrease, as reflected in Paragraph B.2 of the Settlement Agreement and Settlement Agreement Appendix A, the Settling Parties have agreed to a revenue requirement decrease of \$(5.967) million from present rates, which is a decrease of \$(26,726,619) from the amount requested in Petitioner's original case-in-chief, and a Return on Equity of 9.8%. In addition, the Settling Parties have agreed the terms of the Settlement Agreement are reasonable and in the public interest.

Q. Does the Company view the Settlement Agreement as a reasonable resolution of the issues in this Rate Case and in the public interest?

A. Yes. During discussions, various positions were presented with the Settling Parties conducting thorough review and discussions around Vectren North's filing in this proceeding. The resulting Settlement Agreement reflects negotiated positions relative to those presented by the Settling Parties in direct and rebuttal testimony; captures all of the issues reviewed by the parties in this case; and represents a fair and reasonable result on the disputed aspects of the Rate Case. While the Settlement Agreement reflects a rate decrease, the Company views the Settlement Agreement as a reasonable resolution of the issues in the Rate Case that will allow the Company to continue providing safe and reliable service to its customers, while fulfilling the commitments we made in the Settlement Agreement. It is my opinion that the

1 Settlement Agreement is in the public interest; reasonably resolves all issues in the
2 Rate Case without further expenditure of the time and resources of the Commission
3 and the parties in the litigation of these matters; and should be approved in its entirety
4 by the Commission, without modification.

5

6 **Q. Was the Settlement Agreement the result of an arm's-length transaction**
7 **between the parties?**

8 A. Yes. The Settlement Agreement represents the result of arm's-length negotiations by
9 a diverse group of stakeholders with differing views on the issues raised in the Rate
10 Case. Settling Party experts were involved with legal counsel in the development of
11 both the conceptual framework and the terms of the Settlement Agreement. The
12 Settling Parties devoted many days to discussions, collaborative exchange of
13 information and settlement negotiations.

14

15 **Q. How is the Settlement Agreement organized?**

16 A. Please refer to Settling Parties' Joint Exhibit No. 1, which is a copy of the Settlement
17 Agreement containing the one Appendix (Appendix A) described earlier. The
18 Settlement Agreement is outlined as follows:

- 19
- 20 • Section A provides background on Vectren North's Current Rates and Charges
and the status of the Rate Case pending under this Cause.
 - 21 • Section B.1 discusses the two phases in which Vectren North will implement its
22 authorized decrease to base rates and charges for natural gas utility service.
 - 23 • Section B.2 addresses the decrease to Vectren North's revenue requirement and
24 authorized net operating income ("NOI").

- 1 • Sections B.3 through B.6 discuss the resolution of issues impacting the agreed
2 upon revenue and resulting rate decrease, including: (a) original cost rate base;
3 (b) capital structure; (c) fair return; (d) depreciation and amortization expense; (e)
4 pro forma revenues; and (f) operating and maintenance (“O&M”) expense.
- 5 • Sections B.7 and B.13 address resolution of issues related to customer deposits
6 and transparency of customer bills, respectively.
- 7 • Section B.8.a addresses the Company’s commitment related to incremental O&M
8 expense associated with Petitioner’s future semi-annual CSIA filings.
- 9 • Section B.8.b describes the allocators to be used for the Company’s TDSIC and
10 Compliance Components of Petitioner’s CSIA mechanism.
- 11 • Section B.9 addresses the Company’s proposed Universal Service Program.
- 12 • Section B.10 addresses the Company’s proposed Tax Savings Credit Rider
13 (“TSCR”).
- 14 • Section B.11 addresses the Company’s proposed Energy Efficiency Rider (“EER”)
15 extension.
- 16 • Section B.12 addresses Petitioner’s Bad Debt Expense and Unaccounted for Gas
17 (“UAFG”) within the GCA.
- 18 • Section B.14 addresses the Company’s proposed tariff changes and addresses
19 resolution of issues related to concerns over Petitioner’s volumetric threshold for
20 Rate 245 customers.
- 21 • Sections B.15 and B.16 address cost of service/cost allocation and rate design.
- 22 • Section C addresses the effect, scope and approval of the stipulation.
- 23

1 I will discuss the various individual Settlement Agreement terms; however, it is
2 important to recognize that the Settlement Agreement is presented as a complete
3 negotiated package of terms that, taken as a whole, reflects compromise and the give
4 and take of negotiations.

5

6 **Q. Are you aware of the obligation of the parties to support a settlement agreement**
7 **with probative evidence?**

8 A. Yes, and my testimony provides that required information. Below, I will discuss the
9 individual Settlement Terms in more detail. I should explain that in the context of a
10 forward-looking test period, there is a difference in terms of what that evidence may
11 entail.

12

13

14 **III. SETTLEMENT TERMS**

15

16 **Q. Please describe Section A.1 of the Settlement Agreement which provides**
17 **background on Vectren North's current rates and charges.**

18 A. Section A.1 outlines the current status of Vectren North's rates and charges including
19 (a) base rates and charges, (b) the Gas Cost Adjustment ("GCA"), (c) the EER, (d) the
20 CSIA and (e) the Universal Service Fund ("USF"). Vectren North's existing base rates
21 and charges were established in its thirty-day filing #50170, effective June 1, 2018,
22 pursuant to the Commission's Order in Cause No. 45032. These rates reduced
23 Vectren North's existing base rates and changes, as determined in its previous gas
24 base rate case Cause No. 43298, to reflect the impacts to consumers from the Tax

1 Cuts and Jobs Act of 2017.

2

3 Vectren North files a quarterly GCA proceeding to adjust its rates to account for
4 fluctuation in its gas costs. The Company recovers through its GCA the actual cost of
5 UAFG up to a maximum UAFG percentage of 0.80%, which was approved in Vectren
6 North's last gas base rate case order in Cause No. 43298. Vectren North also
7 recovers bad debt expense associated with the cost of gas. These recoveries are
8 proposed to continue, as modified by the terms of the Settlement Agreement.

9

10 Vectren North recovers costs associated with implementing its gas energy efficiency
11 programs through its EER, which includes an Energy Efficiency Funding Component
12 ("EEFC") and a Sales Reconciliation Component ("SRC") that effectuates the
13 decoupling of Vectren North's fixed-cost recovery from sales of natural gas to its
14 residential and commercial customers. These recoveries will continue under the
15 Settlement.

16

17 Vectren North files a semi-annual proceeding in Cause No. 44430-TDSIC-XX to
18 recover 80% of approved capital expenditures and TDSIC costs incurred in connection
19 with Vectren North's eligible TDSIC Projects through its CSIA. The CSIA also includes
20 recovery for approved projects required to comply with federal mandates under Ind.
21 Code ch. 8-1-8.4. ("Compliance Projects"). In addition to the TDSIC component and
22 Compliance component, Vectren North's current CSIA mechanism includes a
23 component to pass back credits resulting from changes in the Federal tax rates under
24 the TCJA. Vectren North has proposed to remove this component from the CSIA
25 mechanism and include it in a separate TSCR.

1

2 Pursuant to the Commission's Orders in Cause Nos. 42590, 43077/43078, 43669,
3 44094, 44455 and 45405, Vectren North files an annual compliance filing to recover
4 the unfunded balance in the USF from customers receiving service under all rate
5 schedules. In this case, Vectren North has proposed changes to its USF Program, as
6 discussed below.

7

8 **Q. Please describe Section A.2 of the Settlement Agreement which discusses the**
9 **status of Vectren North's pending gas base rate case.**

10 A. On December 18, 2020, Vectren North filed with the Commission its Verified Petition
11 for General Rate Increase and Associated Relief under Ind. Code § 8-1-2-42.7 and
12 Alternative Regulatory Plan and Notice of Provision of Information in Accordance with
13 the Minimum Standard Filing Requirements ("Petition") in this Cause. Vectren North
14 also filed its prepared testimony and exhibits constituting its case-in-chief on that date.
15 The Commission established the procedural schedule and test year for determining
16 the Petitioner's projected operating revenues, expenses, and operating income as the
17 12-month period ending December 31, 2021. The end of the test year is also reflective
18 of the rate base cutoff.

19

20 **Q. Please describe the changes to the Phases of the Company's implementation of**
21 **its authorized decrease to base rates and charges for natural gas utility service.**

22 A. Petitioner's forecast is based on 2021 budget information. The Petitioner, in its case-
23 in-chief, proposed to update its rates in two phases, with Phase 1 occurring upon
24 issuance of an Order in this Cause and based on the actual rate base and capital
25 structure as of June 30, 2021; and Phase 2 occurring at the conclusion of the 2021

1 test year and involving an update to certain financial schedules that have an impact
2 on the Company's revenue requirement. Specifically, the Company had proposed
3 Phase 2 would include an update to the actual rate base and capital structure as of
4 the end of the test year and an update to the full test year revenue requirement for
5 actual results for calendar year 2021 with depreciation expense annualized based on
6 December 31, 2021 plant in-service balances. The OUCC and Industrial Group both
7 opposed the full revenue requirement update at Phase 2, instead proposing that the
8 Phase 2 update would be consistent with other future test year cases, limited to rate
9 base, capital structure, depreciation and taxes. In rebuttal, the Company accepted
10 their proposal.

11
12 As part of the Settlement Agreement, Section B.1 reflects the Company's rebuttal
13 position on Phase 2, which modifies the phases in which Vectren North will implement
14 its authorized decrease to base rates and charges for natural gas utility service. While
15 still being implemented in two steps, the first change in rates will be implemented
16 pursuant to the process set forth in Vectren North's case-in-chief and will be based on
17 the agreed revenue requirement as adjusted to reflect the original cost of Vectren
18 North's net utility plant in service, actual capital structure, and associated annualized
19 depreciation expense as of June 30, 2021 ("Phase 1"). Following issuance of a Final
20 Order in this Cause approving the Settlement Agreement, Vectren North's Phase 1
21 rates will go into effect upon submission on an interim subject to refund basis pending
22 the 60-day review process described in Vectren North's case-in-chief. At the time of
23 submitting the Compliance Tariff with Phase 1 implementation, Vectren North will also
24 update the Tariff to reflect the new assumed business name "Indiana Gas Company,
25 Inc. d/b/a CenterPoint Energy Indiana North" or "CEI North".

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12 **Q. Please describe Section B.2 of the Settlement Agreement which provides the**
13 **stipulated revenue requirement and net operating income.**

14 A. The Settling Parties have agreed to a total revenue requirement of \$608,110,584,
15 which requires a decrease in revenues at present rates of \$(5,967,418). The Company
16 originally requested a revenue increase of \$20,759,200. The stipulated agreement is
17 a decrease of \$(26,726,619) from the Company's original request. The Settlement
18 Agreement results in a proposed authorized NOI of \$99,225,218.

19

20 **Q. Please discuss Section B.3 of the Settlement Agreement which addresses the**
21 **original cost rate base, capital structure and fair return.**

22 A. The Settlement Agreement reflects Vectren North's test year end net original cost rate
23 base on which it should be permitted to earn a return at \$1,610,799,000, which is
24 reflective of the Company's case-in-chief rate base amount.

25

1 The Settling Parties agree that Vectren North's authorized Return on Equity should be
2 9.80%. This results in a weighted average cost of capital of 6.16%. This is inclusive
3 of an agreed increase to cost-free capital of \$0.692 million to reflect non-interest-
4 bearing customer deposits, as accepted by Vectren North on rebuttal. The Settling
5 Parties also agree to refund customer deposits of \$0.141 million, reflected in the D-
6 Schedules included in Appendix A. Based on this information, the overall weighted
7 average cost of capital is outlined as follows:

8

| Line | Class of Capital | Reference | Amount (\$000) | Percent | Cost | Weighted Cost |
|------|-------------------|--------------------|----------------|---------|-------|---------------|
| 1 | Long-Term Debt | SCH D-2 | \$ 614,876 | 36.87% | 4.36% | 1.61% |
| 2 | Preferred Stock | SCH D-3 | \$ - | 0.00% | 0.00% | 0.00% |
| 3 | Common Equity | SCH D-4 | \$ 770,688 | 46.21% | 9.80% | 4.53% |
| 4 | Cost Free Capital | SCH D-5 | \$ 255,666 | 15.33% | 0.00% | 0.00% |
| 5 | Other Capital | SCH D-5 | \$ 26,671 | 1.59% | 1.50% | 0.02% |
| 6 | Total Capital | Sum of Lines 1 - 5 | \$ 1,667,902 | 100.00% | | 6.16% |

9

10

11 The Settling Parties agree to use Vectren North's methodology to calculate
12 synchronized interest, adjusted to reflect the final capital structure and rate base as
13 defined above.

14

15 It is my opinion that the stipulated weighted cost of capital times the stipulated net
16 original cost rate base yields a fair return for the purposes of this case. Accordingly,
17 the Settling Parties agree that Vectren North should be authorized a fair return of
18 \$99,225,218 yielding an overall return for earnings test purposes of 6.16% based upon
19 the stipulated components identified above.

20

1 **Q. Please discuss Section B.4 of the Settlement Agreement which details the**
2 **stipulated depreciation and amortization expense.**

3 A. Vectren North, the OUCC, and the Industrial Group all proposed decreases in
4 depreciation accrual rates. Vectren North's proposed accrual rates were higher than
5 the rates proposed by the other parties due, in part, to a proposal to maintain the Equal
6 Life Group ("ELG") methodology as explained by Vectren North Witness Spanos.
7 Vectren North's depreciation accrual rates currently use the ELG methodology. The
8 other parties proposed that the Company switch from the ELG methodology to the use
9 of Average Life Group ("ALG") methodology with revisions to service lives. The
10 Settling Parties stipulated to use of the depreciation accrual rates recommended by
11 OUCC Witness David J. Garret based on the ALG methodology and revisions to
12 service lives as presented in Public Exhibit No. 6, Attachment DJG-3. These
13 depreciation accrual rates and service lives will be used in the determination of net
14 plant in service values for calculation of Phase 1 and Phase 2 rates. The Settlement
15 Agreement reflects an increase to the amortization period for the CSIA Program
16 Expense Amortization to 41 years and an increase to the amortization period for the
17 Bare Steel Cast Iron Program Expense Amortization to 37 years. The stipulated
18 depreciation accrual rates are supported by the evidence.

19
20 The Settlement Agreement reflects a regulatory asset amortization period of six (6)
21 years for rate case expense, COVID-related expenses, and the investment related IT
22 expenses. The stipulated total rate case expense is \$1,300,000 reflecting a reduction
23 of \$350,000 from the Company's original rate case expense proposal. This is in
24 recognition that rate case expense will be lower than originally estimated, given that
25 we are avoiding a litigated hearing and post-hearing schedule. The Company's

1 stipulated annualized rate case expense will be approximately \$216,667 (\$1.3 million
2 divided by 6 years) over the six (6) year amortization period. If Vectren North files a
3 general rate case before the expiration of the amortization period of six (6) years, any
4 unamortized portion will be rolled into Vectren North's next rate case. If not already
5 addressed by an intervening base rate case order before expiration of the stipulated
6 six (6) year amortization period, Vectren North agrees to file a revised tariff to remove
7 the annual amortization portion from base rates unless a new general rate case
8 petition is pending at that time.

9

10 **Q. Please discuss Section B.5 of the Settlement Agreement which provides the pro**
11 **forma revenue adjustments.**

12 A. The Settling Parties agree to two adjustments in Vectren North's pro forma revenues.
13 The first adjustment is an increase of \$70,542 to FERC Account 487 (Fortified
14 Discounts) and the second adjustment is an increase of \$115,925 to FERC Account
15 489.2 (Transported Gas Revenue). Both of these adjustments were accepted by
16 Vectren North on rebuttal. The resulting total pro forma revenues as of the end of the
17 test year is \$608,110,584.

18

19 **Q. Please describe Section B.6 of the Settlement Agreement which discusses the**
20 **stipulated operations & maintenance expense.**

21 A. In Vectren North's case-in-chief, Witness Moore described how the forecasted
22 expense levels were determined. The OUCC recommended a reduction of \$20.8
23 million based upon comparison of certain FERC accounts to prior years. On rebuttal,
24 Mr. Moore explained that Vectren North does not set the budget at a FERC account
25 level and he compared total operating expense levels in the forecast to prior years.

1 The Settlement Agreement reflects a compromise – a reduction of \$(8,500,000) to
2 Vectren North's total forecasted Operations & Maintenance amount. The reduction is
3 not assigned to particular FERC accounts but is in total. The Settling Parties further
4 agree to use Vectren North's methodology to calculate other flow-through adjustments
5 to bad debt expense, property tax, IURC fee, utility receipts tax, and income tax
6 resulting from the changes made in the revenue requirement.

7

8 **Q. Please describe Sections B.7 and B.13 of the Settlement Agreement which**
9 **pertain to customer deposits and bills, respectively.**

10 A. Sections B.7 and B.13 resolve issues pertaining to customer deposits and bill
11 transparency, respectively. First, Section B.7 provides that the Company will remove
12 the following statement from Section 18.H of Tariff Sheet No. 57: "except that any
13 credit balances less than \$10.00 will not be refunded to Customer unless so requested
14 by Customer." In addition, the Company agrees to conduct annual reviews to ensure
15 customers who meet the criteria set forth in 170 Ind. Admin. Code 5-1-15(g) receive
16 deposit refunds in a timely manner; and that pursuant to 170 Ind. Admin. Code 5-1-
17 15(g)(6), after one year, inactive accounts with unclaimed deposits will be presumed
18 abandoned and treated in accordance with Ind. Code ch. 32-34-1.

19

20 Separately in Section B.13, the Settling Parties agree that Vectren North will include a
21 notation on each customer bill explaining an itemized breakdown of charges included
22 on their bill is available by calling the Company's customer service representatives.

23

24 **Q. Please discuss Section B.8 and its effect on future proceedings.**

25 A. Section B.8 addresses the effect of the Settlement Agreement on future proceedings.

1 Section B.8.a sets forth the Company's commitment to include a breakdown of
2 Incremental O&M Expense incurred that is not included in base rates in any future
3 semi-annual CSIA for the Compliance Component of the CSIA mechanism. For the
4 purposes of this provision of the Settlement Agreement, the "Incremental O&M
5 Expense" to be included in such filings is the incremental O&M expense that is the
6 result of a new requirement resulting from a regulation, or enhancement of a
7 regulation, requiring compliance beginning January 1, 2022 or later (referred to herein
8 as a "New Compliance Requirement") or other incremental O&M expense that Vectren
9 North demonstrates is not included in the test year forecast in this Cause. In other
10 words, in a future CSIA seeking recovery of incremental O&M expense, the expense
11 would have to relate to compliance that we are not required to do during the test year
12 or we must show that the compliance was not included in the forecast. In future CSIA
13 proceedings seeking recovery of Incremental O&M Expense, Vectren North has the
14 burden of proof and agreed to provide detailed testimony regarding any New
15 Compliance Requirement for which Incremental O&M Expense is sought to be
16 recovered, and demonstrate how such Incremental O&M Expense is not included in
17 base rates. In addition, Vectren North will segregate or track separately, through its
18 work order management system, costs included in Incremental O&M Expense.

19
20 Under Section B.8.b, the Settling Parties agreed that allocators for the Company's
21 TDSIC Component of Petitioner's CSIA mechanism will be based on total revenues,
22 whereas allocators for the Compliance Component of Petitioner's CSIA mechanism
23 will be based on non-gas revenues. Furthermore, the allocators will be by rate class
24 and not broken down by storage, transmission, and distribution. This is consistent with

1 the current practice. The Settling Parties further agreed the stipulated allocators for
2 each CSIA Component will be used for all TDSIC or Compliance Projects
3 (respectively) included in Vectren North's next CSIA as well as TDSIC or Compliance
4 Projects (respectively) added after the CSIA has been approved. The allocators for
5 both the Compliance Component and the TDSIC Component using the stipulated
6 revenues in the Settlement are set forth in Attachment JRM-S1.

7

8 **Q. Please discuss Sections B.9 through B.12 of the Settlement Agreement.**

9 A. Section B.9 addresses the Company's proposed Universal Service Program; Section
10 B.10 describes the Company's proposed TSCR; and Section B.11 addresses the
11 Company's proposed EER extension. The Settling Parties agreed, that except as
12 expressly modified by the Settlement Agreement, Vectren North's requested relief in
13 Cause No. 45468 should be granted in its entirety.

14

15 For Section B.9, the Settling Parties agreed to the extension of the Universal Service
16 Program as described in Vectren North's case-in-chief and rebuttal; the Settling
17 Parties expressly stipulate that each Settling Party shall have the same right as
18 Vectren North to initiate a petition to modify, review, or terminate the USP. And, if
19 terminated, Vectren North agrees to file a revised tariff to reflect the impact of the
20 termination on the USF Rider. Further, the Settling Parties agree that Vectren North's
21 shareholder contribution to the USP shall remain at 30% of program costs and any
22 administrative costs shall not be counted towards that amount.

23

24 For Section B.10, the Settling Parties agree to Vectren North's proposed TSCR
25 mechanism, as presented in Vectren North's case-in-chief. Further, Vectren North

1 agrees to provide in each TSCR filing the Excel spreadsheets used to create the
2 Schedules.

3

4 Section B.11 addresses the Settling Parties' agreement to the extension of Vectren
5 North's Energy Efficiency ("EE") programs; the EEFC and SRC components of the
6 EER through 2021; and continuation of the EEFC through 2025 and SRC through
7 issuance of a Final Order in the next general rate case, all as presented in Vectren
8 North's case-in-chief.

9

10 Section B.12.a addresses the Settling Parties' agreement to Vectren North's use of
11 0.42% as the bad debt percentage collected through the GCA, while Section B.12.b
12 specifies the maximum annual UAFG percentage will be lowered from 0.80% to
13 0.60%. The reduction in the cap is a compromise reached during settlement
14 negotiations.

15

16 **Q. Please discuss the Tariff Changes under Section B.14 of the Settlement**
17 **Agreement.**

18 A. The Settling Parties agree to Vectren North's proposed tariff changes as presented in
19 the Company's case-in-chief. In addition, however, to resolve issues related to
20 concerns over Petitioner's volumetric threshold for Rate 245 customers, Vectren North
21 agreed to lower its volumetric threshold to qualify for Rate 245 from 5,000 dekatherms
22 annually to 2,500 dekatherms annually; provided that a monthly telemetry charge will
23 be added for customers who use between 2,500 and 5,000 dekatherms annually and
24 choose to transport. The telemetry charge will be established as a passthrough charge
25 of Vectren North's costs for wireless/cellular service associated with reading meters

1 for such customers. As reflected in Vectren North's rebuttal, Vectren North agrees to
2 eliminate the prohibition of imbalance trades on Operational Flow Order ("OFO") days
3 and to use commercially reasonable efforts to implement that change within six (6)
4 months of approval by the Commission in this Cause. Vectren North will file a revised
5 tariff reflecting this change in its compliance filing giving effect to this Settlement
6 Agreement upon approval by the Commission. The telemetry charge is estimated to
7 be \$10-\$15 per month. The Settlement reflects this additional charge for the
8 customers falling within this throughput only for two reasons: first, it is an additional
9 cost we will incur upon migration that is not reflected in our revenue requirement; and
10 second, at the lower volumes, the designed volumetric rates are less likely to recover
11 these additional costs than customers in this class who have higher volumes.

12

13 **Q. In your opinion, is the agreed upon threshold for Rate 245 customers and**
14 **telemetry charge a reasonable resolution of the issues presented in the**
15 **evidence filed by the Settling Parties?**

16 A. I believe that a lower volumetric threshold and a telemetry charge for Rate 245
17 customers represents a reasonable resolution to the issues presented by the Settling
18 Parties. The other concerns that were raised on rebuttal can be addressed in a future
19 rate case after we have actual experience with the customers who choose to migrate.

20

21 **Q. Please describe Sections B.15 and B.16 of the Settlement Agreement.**

22 A. Under Section B.15, the Settling Parties agree to use Vectren North's cost of service
23 study without modification. Separately, under Section B.16, the Settling Parties agree
24 to the customer service charges stipulated in the table set forth in Section B.16.

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Q. Please summarize the Settlement Agreement's final revenue requirement adjustment, as reflected in Appendix A of the Settlement Agreement.

A. The Settling Parties agree to an overall revenue requirement of \$608,110,584. It is my opinion that this results in a just and reasonable revenue requirement decrease of \$(5,967,418). This decrease is reflective of the components addressed in my testimony above.

Q. Do you believe the aforementioned revenue requirement impacts accurately reflect the terms of the Settlement Agreement and its Appendix A?

A. Yes.

IV. OTHER SETTLEMENT TERMS: EFFECT, SCOPE AND APPROVAL OF THE SETTLEMENT AGREEMENT

Q. What other terms are included in the Settlement Agreement?

A. The opening paragraph explains the Settlement Agreement is a result of compromise, represents a fair, just, and reasonable resolution of all matters raised in this proceeding; and states the Settling Parties agree the relief requested by Vectren North in this proceeding should be granted, subject to the terms and conditions of the Settlement Agreement. Section C describes the Effect and Scope of the Settlement; the approval being sought for the Settlement Agreement; and applicable conditions to the effect of the Settlement Agreement. Specifically, Paragraph C.1 makes clear that the Settlement Agreement is the result of negotiations and compromise reached

1 during those negotiations, and that neither the making of the Settlement Agreement
2 nor any of its provisions shall constitute an admission or waiver by any Settling Party
3 in any proceeding other than this Rate Case, now or in the future, nor shall it be cited
4 as precedent.

5
6 The Settlement Agreement is a compromise and will be null and void unless approved
7 in its entirety without modification or further condition that is unacceptable to any
8 Settling Party. The Settlement Agreement also includes provisions concerning the
9 substantial evidence in the record supporting the approval of the Settlement
10 Agreement, recognizes the confidentiality of settlement communications and reflects
11 other terms typically found in settlement agreements before this Commission.

12

13 **Q. In your opinion, is Commission approval of the Settlement Agreement in the**
14 **public interest?**

15 A. Yes. The Settlement Agreement is supported by and within the scope of the evidence
16 presented by the Settling Parties. Taken as a whole, the Settlement Agreement
17 represents the result of extensive, good faith, arm's-length negotiations reflecting a
18 fair and balanced outcome of the Rate Case issues reached among parties that usually
19 have divergent interests. The Company's and the other Settling Parties' proposals
20 were modified through the negotiations. The Settlement Agreement reasonably
21 addresses the concerns raised in this proceeding and provides a balanced,
22 cooperative outcome of the issues in this Cause. Vectren North respectfully asks the
23 Commission to issue an order approving the Settlement Agreement in its entirety so
24 that new rates may be placed into effect at the earliest possible time after June 30,
25 2021.

1

2

3 V. **CONCLUSION**

4

5 Q. **Does this conclude your prepared settlement testimony?**

6 A. Yes, it does.

VERIFICATION

I, Jason R. Mathews, affirm under the penalties of perjury that the forgoing representations of fact in my Settlement Testimony are true to the best of my knowledge, information and belief.



Jason R. Mathews

Dated: June 25, 2021