

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**(CEI SOUTH OR VECTREN SOUTH)**

**IURC CAUSE NO. 45447**

**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
Petitioner, Vectren South, CEI South, or the Company	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 ("SRC")
TCJA	Tax Cuts and Jobs Act
TSCR	Tax Savings Credit Rider
TDSIC	Transmission, Distribution, Storage Improvement Charge
USF	Universal Service Fund
Vectren	Vectren Corporation
Vectren North or CEI North	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 Southern Indiana Gas and Electric Company d/b/a  
13 CenterPoint Energy Indiana<sup>1</sup> (formerly known as "Southern Indiana Gas and Electric  
14 Company d/b/a Vectren Energy Delivery of Indiana, Inc." and hereinafter referred to  
15 as "Petitioner", "Vectren South", "CEI South", or "the Company"). Vectren South is a  
16 wholly-owned subsidiary of Vectren.

17

18 **Q. What is your role with respect to Petitioner Vectren South?**

19 A. I am the Manager, Regulatory Reporting for CenterPoint, the ultimate parent company

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<sup>1</sup> As of January 25, 2021, Vectren South operates under a new assumed business name: Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("Vectren South" or "CEI South").

1 of Vectren North. I have the same role with two other utility subsidiaries of Vectren –  
2 Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North<sup>2</sup> (formerly known  
3 as “Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.” and  
4 hereinafter referred to as “Vectren North” or “CEI North”) and Vectren Energy Delivery  
5 of Ohio, Inc. d/b/a CenterPoint Energy Ohio<sup>3</sup> (“Vectren Ohio” or “CEOH”).  
6

7 **Q. What are your present duties and responsibilities as Manager, Regulatory**  
8 **Reporting?**

9 A. I am responsible for the financial analysis and implementation of regulatory initiatives  
10 for CenterPoint’s regulated utility operations covering Indiana and Ohio. These duties  
11 include the sponsoring of accounting exhibits submitted in various regulatory  
12 proceedings for these operations, including Vectren North.  
13

14 **Q. Please describe your educational background.**

15 A. I hold a Bachelor of Business Administration (B.B.A.) in Finance and a B.B.A in  
16 Economics from the University of Iowa, both completed in 2012. Further, I completed  
17 my Master of Business Administration (M.B.A.) with a concentration in Accounting in  
18 2016 at DePaul University in Chicago.  
19

20 **Q. Please describe your professional experience.**

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<sup>2</sup> 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”).

<sup>3</sup> As of January 25, 2021, Vectren Ohio operates under a new assumed business name: Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio (“Vectren Ohio” or “CEOH”).

1 A. From 2012 to 2020, I was employed by Nicor Gas Company, a subsidiary of the  
2 Southern Company, in various roles within the Rates and Regulatory department while  
3 most recently serving as Manager, Regulatory Affairs. I transitioned to CenterPoint  
4 Energy in October 2020. My current role is Manager, Regulatory Reporting.

5

6 **Q. Have you ever testified before any state regulatory commission?**

7 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or  
8 "Commission") on behalf of Vectren North and Vectren South in its Compliance and  
9 System Improvement Adjustment ("CSIA") Cause Nos. 44430 and 44429,  
10 respectively, beginning with CSIA 14. I have testified before the Illinois Commerce  
11 Commission on behalf of Northern Illinois Gas Company d/b/a Nicor Gas Company  
12 ("Nicor Gas") in its 2018 Rate Case Filing, Docket No. 18-1775. I have also testified  
13 on behalf of Nicor Gas in connection with its Rider 6 – Purchased Gas Adjustment  
14 ("PGA"), Rider 26 – Uncollectible Expense Adjustment ("UEA"), and Certificate of  
15 Public Convenience and Necessity ("CPCN") filings. Additionally, I testified on behalf  
16 of Nicor Gas in dockets approving Rider 36 – Variable Income Tax Adjustment ("VITA")  
17 and Rider 38 – Volume Balancing Adjustment ("VBA") mechanisms.

18

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

20 A. The purpose of my testimony is to present and support the Stipulation and Settlement  
21 Agreement ("the Settlement Agreement") entered into by and among the Indiana  
22 Office of Utility Consumer Counselor ("OUCC"), the Vectren Industrial Group  
23 ("Industrial Group"), Direct Energy, and Vectren South (collectively the "Settling  
24 Parties" and individually a "Settling Party"), which was filed separately in this Cause  
25 on April 23, 2021. The Settlement Agreement represents reasonable resolutions of all

1 issues in this proceeding and supports a Commission Order adopting the terms. I will  
2 explain the Settlement Agreement, the corresponding revenue requirement and why it  
3 should be approved by the Commission, without modification.  
4

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

6 A. No. While this is a settlement of all issues among all the parties that filed testimony in  
7 Cause No. 45447 (the "Vectren South Rate Case" or "Rate Case"), one party  
8 intervened, but did not pre-file testimony, and is not a party to the Settlement  
9 Agreement – Citizens Action Coalition of Indiana, Inc. ("CAC"). While not a Settling  
10 Party, CAC has agreed not to oppose the Settlement Agreement in this Cause No.  
11 45447. The Settlement Agreement is a comprehensive settlement that addresses all  
12 pending issues in the Rate Case.  
13

14 While the Settling Parties have reviewed and had an opportunity to comment on the  
15 testimony I am providing prior to its filing, I note that the other Settling Parties may not  
16 agree with all opinions and explanations contained in my testimony. This is also the  
17 case with respect to Petitioner's view of the other Settling Parties' testimony. However,  
18 neither my testimony nor that presented by any other Settling Party changes the  
19 substance of the Settlement Agreement in any manner.  
20

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

22 A. Yes. I am sponsoring the Settling Parties' Joint Exhibit No. 1, which is a separately  
23 filed copy of the Settlement Agreement and its Appendix A; both of which were filed  
24 with the Commission on April 23, 2021 under this Cause No. 45447.  
25

1 In addition, I am sponsoring the following attachments to Petitioner's Exhibit No. 21-

2 S:

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

6

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

9 A. Yes, they were.

10

11

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

13

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

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

16

- 17 • In its case-in-chief, Petitioner sought a revenue requirement increase of \$28.5  
18 million with a proposed Return on Equity of 10.15% and an investor provided  
19 capitalization of 44.51% debt and 55.49% equity. Further, since the Petitioner's  
20 initial filing was based on 2021 budget information, the Petitioner proposed, in its  
21 case-in-chief, to update its rates in two phases, with the Phase 1 occurring upon  
22 issuance of an Order in this Cause and based on the actual rate base and capital  
23 structure as of June 30, 2021; and Phase 2 occurring at the conclusion of the 2021  
24 test year and involving an update to certain financial schedules that have an impact



1 on the Company's revenue requirement, specifically, an update to the actual rate  
2 base and capital structure as of the end of the test year and an update to the full  
3 test year revenue requirement for actual results for calendar year 2021 with  
4 depreciation expense annualized based on December 31, 2021 plant in-service  
5 balances.

- 6 • The OUCC initially proposed a reduction of the revenue requirement to \$14.2  
7 million; and the Industrial Group proposed a reduction of the revenue requirement  
8 to \$19.6 million, with Returns on Equity ranging from 9.2% to 9.1%, respectively.
- 9 • While Direct Energy did not propose revised overall revenue requirements, Direct  
10 Energy recommended revisions to Petitioner's Rate 145 Transportation Customer  
11 Threshold, among other transport customer tariff changes.
- 12 • Based on errata and rebuttal testimony, Petitioner revised its request for a revenue  
13 requirement increase from \$28.5 million to \$27.9 million.

14  
15 Under the Settlement Agreement, the Settling Parties have agreed that Vectren  
16 South's requested relief in this Cause should be granted in its entirety, subject to  
17 certain terms and conditions as specifically set forth in the Settlement Agreement. I  
18 will discuss other key terms of the Settlement Agreement below, but as to how the  
19 Settlement Agreement relates to the revenue requirement increase, as reflected in  
20 Paragraph B.2 of the Settlement Agreement and Settlement Agreement Appendix A,  
21 the Settling Parties have agreed to a revenue requirement increase of \$20.489 million,  
22 which is a decrease of \$7,982,492 from the amount requested in Petitioner's original  
23 case-in-chief, and a Return on Equity of 9.7%. In addition, the Settling Parties have  
24 agreed the terms of the Settlement Agreement are reasonable and in the public

1 interest.

2

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

5 A. Yes. During discussions, various positions were presented with the Settling Parties  
6 conducting thorough review and discussions around Vectren South's filing in this  
7 proceeding. The resulting Settlement Agreement reflects negotiated positions relative  
8 to those presented by the Settling Parties in direct and rebuttal testimony; captures all  
9 of the issues reviewed by the parties in this case; and represents a fair and reasonable  
10 result on the disputed aspects of the Rate Case. While the increase is less than the  
11 Company requested, the Company views the Settlement Agreement as a reasonable  
12 resolution of the issues in the Rate Case that will allow the Company to continue  
13 providing safe and reliable service to its customers, while fulfilling the commitments  
14 we made in the Settlement Agreement. It is my opinion that the Settlement Agreement  
15 is in the public interest; reasonably resolves all issues in the Rate Case without further  
16 expenditure of the time and resources of the Commission and the parties in the  
17 litigation of these matters; and should be approved, in its entirety by the Commission,  
18 without modification.

19

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

22 A. Yes. The Settlement Agreement represents the result of arm's-length negotiations by  
23 a diverse group of stakeholders with differing views on the issues raised in the Rate  
24 Case. Settling Party experts were involved with legal counsel in the development of  
25 both the conceptual framework and the terms of the Settlement Agreement. The

1 Settling Parties devoted many days to discussions, collaborative exchange of  
2 information and settlement negotiations.

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

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

- 7 • Section A provides background on Vectren South's Current Rates and Charges  
8 and the status of the Rate Case pending under this Cause.
- 9 • Section B.1 discusses the two phases in which Vectren South will implement its  
10 authorized increase to base rates and charges for natural gas utility service.
- 11 • Section B.2 addresses the increase to Vectren South's revenue requirement and  
12 authorized net operating income ("NOI").
- 13 • Section B.3 through B.6 discuss the resolution of issues impacting the agreed upon  
14 revenue and resulting rate increase, including: (a) original cost rate base; (b)  
15 capital structure; (c) fair return; (d) depreciation and amortization expense; (e) pro  
16 forma revenues; (f) operating and maintenance ("O&M") expense.
- 17 • Sections B.7 and B.13 address resolution of issues related to customer deposits  
18 and transparency of customer bills, respectively.
- 19 • Section B.8.a addresses the effect of the stipulation in future proceedings, and  
20 specifically sets forth the Company's commitment related to incremental O&M  
21 expense associated with Petitioner's future semi-annual CSIA filings while Section  
22 B.8.b describes the allocators to be used for the Company's TDSIC and  
23 Compliance Components of Petitioner's CSIA mechanism.
- 24 • Section B.9 addresses the Company's proposed Universal Service Program.

- 1       • Section B.10 describes the Company's proposed Tax Savings Credit Rider  
2       ("TSCR").
- 3       • Section B.11 addresses the Company's proposed Energy Efficiency Rider ("EER")  
4       extension.
- 5       • Section B.12 addresses Petitioner's Bad Debt Expense and Unaccounted for Gas  
6       ("UAFG").
- 7       • Section B.14 addresses the Company's proposed tariff changes and addresses  
8       resolution of issues related to concerns over Petitioner's volumetric threshold for  
9       Rate 145 customers.
- 10      • Sections B.15 and B.16 address cost of service/cost allocation and rate design.
- 11      • Section C addresses the effect, scope and approval of the stipulation.

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17

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

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

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

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**III. SETTLEMENT TERMS**

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

A. Section A.1 outlines the current status of Vectren South's rates and charges including (a) base rates and charges, (b) the Gas Cost Adjustment ("GCA"), (c) the EER, (d) the CSIA and (e) the Universal Service Fund ("USF"). Vectren South's existing base rates and charges were established in its thirty-day filing #50172, effective June 1, 2018, pursuant to the Commission's Order in Cause No. 45032. These rates reduced Vectren South's existing base rates and changes, as determined in its previous gas base rate case Cause No. 43112, to reflect the impacts to consumers from the Tax Cuts and Jobs Act of 2017.

Vectren South files a quarterly GCA proceeding to adjust its rates to account for fluctuation in its gas costs. The Company recovers through its GCA the actual cost of UAFG up to a maximum UAFG percentage of 1.2%, which was approved in Vectren South's last gas base rate case order in Cause No. 43112. Vectren South also recovers bad debt expense associated with the cost of gas. These recoveries are proposed to continue, as modified by the terms of the Settlement Agreement.

Vectren South recovers costs associated with implementing its gas energy efficiency programs through its EER, which includes an Energy Efficiency Funding Component ("EEFC") and a Sales Reconciliation Component ("SRC") that effectuates the

1 decoupling of Vectren South's fixed-cost recovery from sales of natural gas to its  
2 residential and commercial customers. These recoveries will continue under the  
3 Settlement.

4  
5 Vectren South files a semi-annual proceeding in Cause No. 44429-TDSIC-XX to  
6 recover 80% of approved capital expenditures and TDSIC costs incurred in connection  
7 with Vectren South's eligible TDSIC Projects through its CSIA. The CSIA also includes  
8 recovery for approved projects required to comply with federal mandates under Ind.  
9 Code ch. 8-1-8.4. ("Compliance Projects"). In addition to the TDSIC component and  
10 Compliance component, Vectren South's current CSIA mechanism includes a  
11 component to pass back credits resulting from changes in the Federal tax rates under  
12 the TCJA. Vectren South has proposed to remove this component from the CSIA  
13 mechanism and include it in a separate TSCR.

14  
15 Pursuant to the Commission's Orders in Cause Nos. 42590, 43078, 43669, 44094,  
16 44455 and 45405, Vectren South files an annual compliance filing to recover the  
17 unfunded balance in the USF from customers receiving service under all rate  
18 schedules. In this case, Vectren South has proposed changes to its USF Program, as  
19 discussed below.

20  
21 **Q. Please describe Section A.2 of the Settlement Agreement which discusses the**  
22 **status of Vectren South's pending gas base rate case.**

23 A. Vectren South filed with the Commission its Verified Petition for General Rate Increase  
24 and Associated Relief under Ind. Code § 8-1-2-42.7 and Alternative Regulatory Plan  
25 and Notice of Provision of Information in Accordance with the Minimum Standard Filing

1 Requirements ("Petition") in this Cause. Vectren South also filed its prepared  
2 testimony and exhibits constituting its case-in-chief on that date. The Commission  
3 established the procedural schedule and test year for determining the Petitioner's  
4 projected operating revenues, expenses, and operating income as the 12-month  
5 period ending December 31, 2021. The end of the test year is also reflective of the  
6 rate base cutoff.

7

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

10 A. Petitioner's forecast is based on 2021 budget information. The Petitioner, in its case-  
11 in-chief, proposed to update its rates in two phases, with Phase 1 occurring upon  
12 issuance of an Order in this Cause and based on the actual rate base and capital  
13 structure as of June 30, 2021; and Phase 2 occurring at the conclusion of the 2021  
14 test year and involving an update to certain financial schedules that have an impact  
15 on the Company's revenue requirement. Specifically, the Company had proposed  
16 Phase 2 would include an update to the actual rate base and capital structure as of  
17 the end of the test year and an update to the full test year revenue requirement for  
18 actual results for calendar year 2021 with depreciation expense annualized based on  
19 December 31, 2021 plant in-service balances. The OUCC and Industrial Group both  
20 opposed the full revenue requirement update at Phase 2, instead proposing that the  
21 Phase 2 update would be consistent with other future test year cases, limited to rate  
22 base, capital structure, depreciation and taxes.

23

24 As part of the Settlement Agreement, Section B.1 modifies the phases in which  
25 Vectren South will implement its authorized increase to base rates and charges for

1 natural gas utility service. While still being implemented in two steps, the first change  
2 in rates will be implemented pursuant to the process set forth in Vectren South's case-  
3 in-chief and will be based on the agreed revenue requirement as adjusted to reflect  
4 the original cost of Vectren South's net utility plant in service, actual capital structure,  
5 and associated annualized depreciation expense as of June 30, 2021 ("Phase 1").  
6 Following issuance of a Final Order in this Cause approving the Settlement  
7 Agreement, Vectren South's Phase 1 rates will go into effect upon submission on an  
8 interim subject to refund basis pending the 60-day review process described in Vectren  
9 South's case-in-chief. At the time of submitting the Compliance Tariff with Phase 1  
10 implementation, Vectren South will also update the Tariff to reflect the new assumed  
11 business name "Southern Indiana Gas and Electric Company d/b/a CenterPoint  
12 Energy Indiana South" or "CEI South".

13

14 Vectren South will implement the second change in rates pursuant to the process set  
15 forth in Vectren South's case-in-chief but modified such that the Phase 2 update is  
16 limited to rate base, capital structure, depreciation expense, and taxes. The Phase 2  
17 update will be based on the agreed revenue requirement as of December 31, 2021,  
18 as adjusted, if necessary, to reflect the lesser of (i) Vectren South's forecasted test-  
19 year-end rate base as updated in rebuttal evidence (\$469,327,931), or (ii) Vectren  
20 South's rate base reflecting certified test-year-end net plant in service as of December  
21 31, 2021 ("Phase 2"). Phase 2 rates will go into effect upon submission on an interim  
22 subject to refund basis pending the 60-day review process described in Vectren  
23 South's case-in chief.

24

25 **Q. Please describe Section B.2 of the Settlement Agreement which provides the**



1           **stipulated revenue requirement and net operating income.**

2    A.    The Settling Parties have agreed to a total revenue requirement of \$126,981,568,  
3           which requires an increase in revenues at present rates of \$20,489,541. The  
4           Company originally requested a revenue increase of \$28,472,033. The stipulated  
5           agreement is a decrease of \$7,982,492 from the Company's original request. The  
6           Settlement Agreement results in a proposed authorized NOI of \$27,127,154.

7

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

10   A.    The Settlement Agreement reflects Vectren South's test year end net original cost rate  
11           base on which it should be permitted to earn a return at \$469,327,931. This includes  
12           Vectren's South's original proposal less a reduction to rate base of \$60,878 to remove  
13           a portion of the Picarro leak detection equipment, as accepted by Vectren South on  
14           rebuttal.

15

16           The Settling Parties agree that Vectren South's authorized Return on Equity should  
17           be 9.70%. This results in a weighted average cost of capital of 5.78%. This is inclusive  
18           of an agreed increase to cost-free capital of \$1.979 million to reflect non-interest-  
19           bearing customer deposits, as accepted by Vectren South on rebuttal. Based on this  
20           information, the overall weighted average cost of capital is outlined as follows:

21

Line	Class of Capital	Reference	Amount (\$000)	Percent	Cost	Weighted Cost
1	Long-Term Debt	SCH D-2	\$ 932,556	36.69%	3.59%	1.32%
2	Preferred Stock	SCH D-3	\$ -	0.00%	0.00%	0.00%
3	Common Equity	SCH D-4	\$ 1,162,598	45.74%	9.70%	4.44%
4	Cost Free Capital	SCH D-5	\$ 433,767	17.06%	0.00%	0.00%
5	Other Capital	SCH D-5	\$ 13,027	0.51%	4.84%	0.02%
6	Total Capital	Sum of Lines 1 - 5	\$ 2,541,948	100.00%		5.78%

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

It is my opinion that the stipulated weighted cost of capital times the stipulated net original cost rate base yields a fair return for the purposes of this case. Accordingly, the Settling Parties agree that Vectren South should be authorized a fair return of \$27,127,154 yielding an overall return for earnings test purposes of 5.78% based upon the stipulated components identified above.

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

A. Vectren South, the OUCC, and the Industrial Group all proposed decreases in depreciation accrual rates. Vectren South's proposed accrual rates were higher than the rates proposed by the other parties due, in part, to a proposal to switch to the Equal Life Group ("ELG") methodology as explained by Vectren South Witness Spanos. Vectren South's depreciation accrual rates had never previously been calculated using the ELG methodology. The Settling Parties stipulate to use of the depreciation accrual

1 rates recommended by OUCC Witness David J. Garret based on the Average Life  
2 Group ("ALG") methodology and revisions to service lives as presented in Public  
3 Exhibit No. 6, Attachment DJG-3. These depreciation accrual rates and service lives  
4 will be used in the determination of net plant in service values for calculation of Phase  
5 1 and Phase 2 rates. The Settlement Agreement reflects an increase to the  
6 amortization period for the CSIA Program Expense Amortization to 49 years and an  
7 increase to the amortization period for the Bare Steel Cast Iron Program Expense  
8 Amortization to 37 years. The stipulated depreciation accrual rates are supported by  
9 the evidence. Given the size of the revenue increase needed in this case and the fact  
10 that Vectren South's depreciation rates have not previously been based on ELG, the  
11 agreement as to depreciation rates is appropriate.

12  
13 The Settlement Agreement reflects a regulatory asset amortization period of six (6)  
14 years for rate case expense, COVID-related expenses, and the investment related IT  
15 expenses. The stipulated total rate case expense is \$1,300,000 reflecting a reduction  
16 of \$350,000 from the Company's original rate case expense proposal. This is in  
17 recognition that rate case expense will be lower than originally estimated, given that  
18 we are avoiding a litigated hearing and post-hearing schedule. The Company's  
19 stipulated annualized rate case expense will be approximately \$216,667 (\$1.3 million  
20 divided by 6 years) over the six (6) year amortization period. If Vectren South files a  
21 general rate case before the expiration of the amortization period of six (6) years, any  
22 unamortized portion will be rolled in Vectren South's next rate case. If not already  
23 addressed by an intervening base rate case order before expiration of the stipulated  
24 six (6) year amortization period, Vectren South agrees to file a revised tariff to remove

1 the annual amortization portion from base rates unless a new general rate case  
2 petition is pending at that time.

3

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

6 A. The Settling Parties agree to two adjustments in Vectren South's pro forma revenues.  
7 The first adjustment is an increase of \$7,819 to FERC Account 487 (Fortified  
8 Discounts) and the second adjustment is an increase of \$46,749 to FERC Account  
9 495 (Other Revenue). Both of these adjustments were accepted by Vectren South on  
10 rebuttal. The resulting total pro forma revenues as of the end of the test year is  
11 \$126,981,568.

12

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

15 A. In Vectren South's case-in-chief, Witness Moore described how the forecasted  
16 expense levels were determined. The OUCC recommended a reduction of \$5.8 million  
17 based upon comparison of certain FERC accounts to prior years. On rebuttal, Mr.  
18 Moore explained that Vectren South does not set the budget at a FERC account level  
19 and he compared total operating expense levels in the forecast to prior years. The  
20 Settlement Agreement reflects a compromise – a reduction of \$1,509,296 to Vectren  
21 South's total forecasted Operations & Maintenance amount. The reduction is not  
22 assigned to particular FERC accounts but is in total. The Settling Parties further agree  
23 to use Vectren South's methodology to calculate other flow-through adjustments to  
24 bad debt expense, property tax, IURC fee, utility receipts tax, and income tax resulting  
25 from the changes made in the revenue requirement.

1

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

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

13

14 Separately in Section B.13, the Settling Parties agree that Vectren South will include  
15 a notation on each customer bill explaining an itemized breakdown of charges included  
16 on their bill is available by calling the customer service representatives.

17

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

19 A. Section B.8 addresses the effect of the Settlement Agreement on future proceedings.  
20 Section B.8.a sets forth the Company's commitment to include a breakdown of  
21 Incremental O&M Expense to be incurred that is not included in base rates in any  
22 future semi-annual CSIA for the Compliance Component of the CSIA mechanism. For  
23 the purposes of this provision of the Settlement Agreement, the "Incremental O&M  
24 Expense" to be included in such filings is the incremental O&M expense that is the  
25 result of a new requirement resulting from a regulation, or enhancement of a

1 regulation, requiring compliance beginning January 1, 2022 or later (referred to herein  
2 as a "New Compliance Requirement") or other incremental O&M expense that Vectren  
3 South demonstrates is not included in the test year forecast in this Cause. In other  
4 words, in a future CSIA seeking recovery of incremental O&M expense, the expense  
5 would have to relate to compliance that we are not required to do during the test year  
6 or we must show that the compliance was not included in the forecast. In future CSIA  
7 proceedings seeking recovery of Incremental O&M Expense, Vectren South has the  
8 burden of proof and agreed to provide detailed testimony regarding any New  
9 Compliance Requirement for which Incremental O&M Expense is sought to be  
10 recovered, and demonstrate how such Incremental O&M Expense is not included in  
11 base rates. In addition, Vectren South will segregate or track separately, through its  
12 work order management system, costs included in Incremental O&M Expense.

13  
14 Under Section B.8.b, the Settling Parties agreed that allocators for the Company's  
15 TDSIC Component of Petitioner's CSIA mechanism will be based on total revenues  
16 whereas allocators for the Compliance Component of Petitioner's CSIA mechanism  
17 will be based on non-gas revenues. Furthermore, the allocators will be by rate class  
18 and not broken down by storage, transmission, and distribution. This is consistent with  
19 the current practice. The Settling Parties further agreed the stipulated allocators for  
20 each CSIA Component will be used for all TDSIC or Compliance Projects  
21 (respectively) included in Vectren South's next CSIA as well as TDSIC or Compliance  
22 Projects (respectively) added after the CSIA has been approved. The allocators for  
23 both the Compliance Component and the TDSIC Component using the stipulated  
24 revenues in the Settlement are set forth in Attachment JRM-S1.

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

A. Section B.9 addresses the Company's proposed Universal Service Program; Section B.10 describes the Company's proposed TSCR; and Section B.11 addresses the Company's proposed EER extension. The Settling Parties agreed, that except as expressly modified by the Settlement Agreement, that Vectren South's requested relief in Cause No. 45447 should be granted in its entirety.

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

For Section B.10, the Settling Parties agree to Vectren South's proposed TSCR mechanism, as presented in Vectren South's case-in-chief. Further, Vectren South agrees to provide in each TSCR filing the Excel spreadsheets used to create Schedules.

Section B.11 addresses the Settling Parties' agreement to the extension of Vectren South's Energy Efficiency ("EE") programs; the EEFC and SRC components of the EER through 2021; and continuation of the EEFC through 2025 and SRC through

1 issuance of a Final Order in the next general rate case, all as presented in Vectren  
2 South's case-in-chief.

3  
4 Section B.12.a addresses the Settling Parties' agreement to Vectren South's use of  
5 0.37% as the bad debt percentage collected through the GCA while Section B.12.b  
6 specifies the maximum annual UAFG percentage will be lowered from 1.2% to 1.12%.  
7 The reduction in the cap is a compromise reached during settlement negotiations.

8

9 **Q. Please discuss the Tariff Changes under Section B.14 of the Settlement**  
10 **Agreement.**

11 A. The Settling Parties agree to Vectren South's proposed tariff changes as presented in  
12 the Company's case-in-chief. In addition, however, to resolve issues related to  
13 concerns over Petitioner's volumetric threshold for Rate 145 customers, Vectren South  
14 agreed to lower its volumetric threshold to qualify for Rate 145 from 5,000 dekatherms  
15 annually to 2,500 dekatherms annually, provided that a monthly telemetry charge will  
16 be added for customers who elect to transport and who use between 2,500 and 5,000  
17 dekatherms annually. The telemetry charge will be established as a passthrough  
18 charge of Vectren South's costs for wireless/cellular service associated with reading  
19 meters for such customers. Vectren South will file a revised tariff reflecting this change  
20 in its compliance filing giving effect to this Settlement Agreement upon approval by the  
21 Commission. The telemetry charge is estimated to be \$10-\$15 per month. The  
22 Settlement reflects this additional charge for the customers falling within this  
23 throughput only for two reasons: first, it is an additional cost we will incur upon  
24 migration that is not reflected in our revenue requirement; and second, at the lower  
25 volumes, the designed volumetric rates are less likely to recover these additional costs



1 than customers in this class who have higher volumes.

2

3 **Q. In your opinion, is the agreed upon threshold for Rate 145 customers and**  
4 **telemetry charge a reasonable resolution of the issues presented in the**  
5 **evidence filed by the Settling Parties?**

6 A. Although there are concerns with smaller volume customers being exposed to various  
7 marketing tactics from multiple suppliers trying to win their business, I believe that a  
8 lower volumetric threshold and a telemetry charge for Rate 145 customers represents  
9 a reasonable resolution to the issues presented by the Settling Parties.

10

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

12 A. Under Section B.15, the Settling Parties agree to use Vectren South's cost of service  
13 study, modified to reflect the revenue allocations provided in the table set forth in B.15.  
14 I should explain that these revenue allocations do not include \$54,568 in  
15 miscellaneous revenue that Vectren South's cost of service study allocates across the  
16 rate classes. Accordingly, the revenues shown in Section B.15 of \$106,437,459 are  
17 slightly lower than the total revenue requirement of \$106,492,027. Separately, under  
18 Section B.16, the Settling Parties agree to the customer service charges stipulated in  
19 the table set forth in Section B.16.

20

21 **Q. Do you believe the negotiated terms related to Cost of Service, Cost Allocation**  
22 **and Rate Design set forth in Sections B.15 and B.16 represent a reasonable**  
23 **compromise of the issues presented in the evidence filed by the Settling**  
24 **Parties?**

25 A. Yes. The revenue allocation among the rate classes is designed to produce what is

1 approximately an across-the-board rate increase. The one exception is that no class  
2 would receive a larger increase for that class than Vectren South requested in its case-  
3 in-chief. We have also agreed to reduced customer charges from those proposed in  
4 Vectren South's case-in-chief.

5

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

8 A. The Settling Parties agree to an overall revenue requirement of \$126,981,568. It is  
9 my opinion that this results in a just and reasonable revenue requirement increase of  
10 \$20,489,541. This increase is reflective of the components addressed in my testimony  
11 above.

12

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

15 A. Yes.

16

17

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

20

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

22 A. The opening paragraph explains the Settlement Agreement is a result of compromise,  
23 represents a fair, just, and reasonable resolution of all matters raised in this  
24 proceeding; and states the Settling Parties agree the relief requested by Vectren South  
25 in this proceeding should be granted, subject to the terms and conditions of the

1 Settlement Agreement. Section C describes the Effect and Scope of the Settlement;  
2 the approval being sought for the Settlement Agreement; and applicable conditions to  
3 the effect of the Settlement Agreement. Specifically, Paragraph C.1 makes clear that  
4 the Settlement Agreement is the result of negotiations and compromise reached  
5 during those negotiations, and that neither the making of the Settlement Agreement  
6 nor any of its provisions shall constitute an admission or waiver by any Settling Party  
7 in any proceeding other than this Rate Case, now or in the future, nor shall it be cited  
8 as precedent.

9

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

16

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

19 A. Yes. The Settlement Agreement is supported by and within the scope of the evidence  
20 presented by the Settling Parties. Taken as a whole, the Settlement Agreement  
21 represents the result of extensive, good faith, arm's-length negotiations reflecting a  
22 fair and balanced outcome of the Rate Case issues reached among parties that usually  
23 have divergent interests. The Company's and the other Settling Parties' proposals  
24 were modified through the negotiations. The Settlement Agreement reasonably  
25 addresses the concerns raised in this proceeding and provides a balanced,

1 cooperative outcome of the issues in this Cause. Vectren South respectfully asks the  
2 Commission to issue an order approving the Settlement Agreement in its entirety so  
3 that new rates may be placed into effect at the earliest possible time after June 30,  
4 2021.

5

6

7 V. **CONCLUSION**

8

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

10 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: May 7, 2021

Petitioner's Exhibit No. 21-S  
Attachment JRM-S1  
Cause No. 45447  
Vectren South

Petitioner's Exhibit No. 21-S, Attachment JRM-S1 provided in Excel format