

FILED
April 10, 2019
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S INVESTIGATION)
INTO THE IMPACTS OF THE TAX CUTS AND JOBS) CAUSE NO. 45032 S-3
ACT OF 2017 AND POSSIBLE RATE IMPLICATIONS)
UNDER PHASE 1 FOR SYCAMORE GAS COMPANY)**


**PETITION OF SYCAMORE GAS COMPANY FOR)
APPROVAL TO INCREASE ITS RATES AND)
CHARGES FOR GAS SERVICE AND FOR) CAUSE NO. 45072 S-1
AUTHORIZATION TO TRACK ADDITIONS OF)
CUSTOMER SERVICE LINES)
SUBDOCKET RESOLVING TAX ISSUES)**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

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

April 10, 2019

Respectfully submitted,


Lorraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

**SETTLEMENT TESTIMONY OF MARK H. GROSSKOPF
CAUSE NOS. 45032 S-3 AND 45072 S-1
SYCAMORE GAS COMPANY**

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") as
6 a Senior Utility Analyst.

7 **Q: Are you the same Mark H. Grosskopf who previously submitted direct**
8 **testimony in Cause Nos. 45032 S-3 and 45072?**

9 A: Yes, I am. I submitted testimony in Cause No 45032 S-3, marked as Public's
10 Exhibit No. 1. I also submitted testimony in Cause No. 45072 marked as Public's
11 Exhibit No. 1 and Public's Exhibit No. 1-S.

12 **Q: Why are both Cause Nos. 45032 S-3 and 45072 S-1 addressed in your**
13 **testimony?**

14 A: Sycamore Gas Company ("Sycamore") is a respondent in the Commission's
15 investigation into the impacts of the Tax Cuts and Jobs Act of 2017 ("TCJA") (the
16 "Commission's TCJA Investigation"). By docket entry dated April 26, 2018,
17 Sycamore was granted a subdocket in the Commission's TCJA Investigation for
18 consideration of Phase 1 and Phase 2 TCJA issues. During the pendency of the
19 Commission's TCJA investigation, Sycamore filed a base rate case, Cause No.
20 45072. Sycamore was dismissed from Phase 2 of the Commission's TCJA
21 Investigation by docket entry dated June 7, 2018 in Cause No. 45032 S3, and

1 permitted to litigate its Phase 2 TCJA issues in its pending rate case. Sycamore
2 subsequently appealed the Commission's Phase 1 Final Order in Cause No. 45032
3 S-3. All issues in Cause No. 45072 were settled, except for Sycamore's regulatory
4 liability created by excess income tax expense that Sycamore continued to accrue
5 due to its appeal of the Commission's Phase 1 order in Cause No. 45032 S-3. The
6 Commission's Final Order approved the settlement agreement in Cause No. 45072
7 and created a subdocket, Cause No. 45072 S-1, for the purpose of addressing this
8 unresolved TCJA issue.

9 **Q: What is the purpose of your settlement testimony?**

10 A: My settlement testimony supports a Settlement Agreement ("Agreement") between
11 Sycamore and the OUCC ("Settling Parties") in this Cause No. 45072 S-1
12 subdocket. The Agreement resolves all remaining TCJA issues in Cause Nos.
13 45032 S-3 and 45072 S-1.

II. COMMISSION'S TCJA INVESTIGATION

14 **Q: How does the TCJA affect Sycamore?**

15 A: At issue in Cause Nos. 45032 S-3 and 45072 S-1 is how to apply the provision in
16 the TCJA to reduce the corporate federal income tax rate to 21% to Sycamore's
17 rates and charges for natural gas utility service. Two rate adjustments are necessary
18 to reflect the impact of the TCJA on Sycamore's rates and charges: (1) reduction of
19 federal income tax expense embedded in utility rates to reflect the new 21%
20 corporate income tax rate on a going-forward basis; and (2) refund of the federal
21 income tax expense over-collected by Sycamore from January 1, 2018 until the date

1 the federal income tax rate embedded in rates and charges is reduced to 21%.

2 **Q: Did Sycamore submit a rate reduction to reflect federal income tax expense**
3 **embedded in rates at the new 21% corporate tax rate on a going-forward**
4 **basis?**

5 A: Yes. In accordance with the Commission's Order in Cause No. 45032, Sycamore
6 filed a 30-day filing on March 26, 2018 showing the calculated base rate reduction
7 due to the 21% federal tax rate, but subsequently withdrew this filing in order to
8 request a subdocket for consideration of its arguments as to why implementing this
9 rate reduction would be inappropriate. Sycamore's request for a subdocket was
10 granted and it filed testimony on May 7, 2018. The OUCC filed responsive
11 testimony on June 14, 2018. On October 9, 2018, the Commission issued its Final
12 Phase 1 Order, which required Sycamore to adjust its rates and charges to reflect
13 the 21% income tax rate. Sycamore appealed the Final Phase 1 Order to the Indiana
14 Court of Appeals on November 7, 2018.

15 **Q: Please explain how and when Sycamore incorporated the new 21% federal**
16 **corporate income tax into its base rates.**

17 A: Sycamore's income tax rate reduction as a result of the TCJA was implemented
18 with its new base rates approved by the Commission on March 6, 2019 in
19 Sycamore's base rate case, Cause No. 45072. Customer usage starting on March
20 1, 2019 was billed at the new rates approved in Cause No. 45072. Therefore,
21 Sycamore collected utility rates that reflected a 34% federal corporate income tax
22 rate from January 1, 2018 through February 28, 2019. In its Order in Cause No.
23 45072, the Commission created Cause No. 45072 S-1 as a subdocket to address the
24 tax over-collection during the fourteen-month period stated above, upon resolution
25 of the Cause No. 45032 S-3 appeal. Sycamore was granted a stay of the appeal on

1 March 21, 2019, and the Court of Appeals remanded jurisdiction of Cause No.
2 45032 S-3 back to the Commission.

III. ISSUES RESOLVED IN SETTLEMENT

3 **Q: Please summarize the issues on which the Settling Parties have reached**
4 **agreement.**

5 A: The Settling Parties have reached an agreement to refund the difference between
6 the amount collected from customers with a 34% federal income tax rate embedded
7 in Sycamore's gas service rates and what would have been collected from
8 customers if the new 21% federal income tax rate had been embedded in gas service
9 rates over the fourteen-month period January 1, 2018 through February 28, 2019.
10 The amount to be refunded has been calculated at \$327,370, as shown on
11 confidential Exhibit SA attached to the Agreement. Within forty-five (45) days of
12 an order by the Commission approving the Agreement, Sycamore will issue a one-
13 time credit to current customers in an aggregate total amount of \$327,370.

14 **Q: Do you agree with the total refund amount and the allocations to each**
15 **customer class shown on Exhibit SA attached to the Agreement?**

16 A: Yes. The total refund credit is allocated among the customer classes based on the
17 actual billed volumetric usage of each customer class for the period January 1, 2018
18 through February 28, 2019. I reviewed Sycamore's workpaper supporting the
19 them usage attributable to each customer class and agree with the refund
20 calculation and allocation represented on Exhibit SA.

21 **Q: How will the refunds be distributed to each individual customer?**

22 A: Within each customer class, the refund will be further allocated to each individual
23 customer based upon each customer's actual billed volumetric usage for the period

1 January 1, 2018 through February 28, 2019. Each current customer that received
2 gas service during that period will receive a pro rata share of the customer class
3 refund amount shown on Exhibit SA. Former customers no longer on the system
4 and current customers that had no usage between January 1, 2018 and February 28,
5 2019 will not receive the one-time refund credit. Within sixty (60) days after
6 issuing the refund credits, Sycamore will generate and provide the OUCC with a
7 confidential spreadsheet identifying each customer and the amount credited to that
8 customer's gas bill to confirm Sycamore's customers received the total \$327,370
9 refund credit.

10 **Q: Is the allocation method described above consistent with the Commission's**
11 **February 16, 2018 Order in Cause No. 45032?**

12 A: Yes. At page 2, the Commission's February 16, 2018 Order in Cause No. 45032
13 states, "[t]he difference reflected in each revised Rate or Charge shall be allocated
14 among customer classes in accordance with the allocation methodology used at the
15 time that the current Rate or Charge was approved or, if applicable, consistent with
16 subsequent Commission approvals in tracker proceedings." The methodology to
17 return excess income tax expense to customers in the Agreement provides for a
18 refund to be allocated in the same manner as the income tax expense itself was
19 allocated.

20 Furthermore, the Commission ordered similar treatment for refunds made
21 by other respondent natural gas utilities within the respective subdockets in Cause

1 No. 45032.¹ Those Commission orders approved refunds to be credited
2 volumetrically on current customer bills over the same period in which the over-
3 collection was received by the utility. In most cases, the refund period is January
4 1, 2019 through April 30, 2019. Volumetric refunds over the same usage period
5 replicates each current customer's usage pattern, making the individual customer
6 refund fair and equitable. In Sycamore's case, the refund is based on the historic
7 actual usage of each current customer during the fourteen-month over-collection
8 period, adding an element of enhanced accuracy to Sycamore's refund mechanism.

9 **Q: Does the OUCC recommend Commission approval of the Agreement?**

10 A: Yes. The Agreement creates customer benefits and is in the public interest. The
11 Agreement resolves all remaining TCJA issues in Cause Nos. 45032 S-3 and 45072
12 S-1, and eliminates the need for a contested appeal of the Commission's Phase 1
13 Final Order in the Commission's TCJA Investigation. Reaching a consolidated
14 resolution promotes administrative and judicial economy. Furthermore, the
15 Agreement results in a full customer refund of the over-collection of taxes during
16 the period of January 1, 2018 through February 28, 2019. A full refund of the
17 excess income tax expense is an unambiguous customer benefit. The Agreement
18 also results in a one-time bill credit, eliminating any additional delay in the tax
19 refunds. These factors contribute to an Agreement that is fair and reasonable for
20 both the ratepayer and the utility. For these reasons, and as supported by the

¹ Order in Cause No. 45032 S-8, approved December 27, 2018, Commission Discussion and Findings, p. 4;
Order in Cause No. 45032 S-9, approved December 27, 2018, Commission Discussion and Findings, p. 5;
Order in Cause No. 45032 S-11, approved December 27, 2018, Commission Discussion and Findings, p. 5.

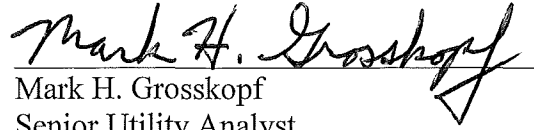
1 Settling Parties' testimony and exhibits, the OUCC considers the Agreement to be
2 in the public interest and recommends the Commission approve the Agreement.

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

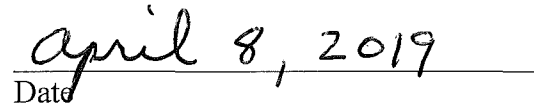
4 **A: Yes.**

AFFIRMATION

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



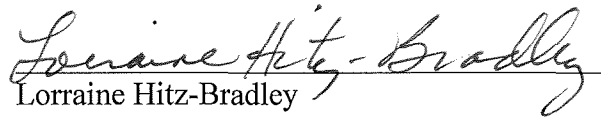
Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of
Utility Consumer Counselor
45032 S-3
Sycamore Gas Co.


Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S SETTLEMENT TESTIMONY*** has been served upon the following counsel of record in the captioned proceeding by electronic service on April 10, 2019.

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