

OFFICIAL
EXHIBITS

STATE OF INDIANA

FILED
April 5, 2016
INDIANA UTILITY
REGULATORY COMMISSION

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR)
APPROVAL OF PETITIONER'S 7-YEAR)
ELECTRIC TDSIC PLAN FOR ELIGIBLE)
TRANSMISSION, DISTRIBUTION AND)
STORAGE SYSTEM IMPROVEMENTS,)
PURSUANT TO IND. CODE § 8-1-39-10(a),)
FOR AUTHORITY TO DEFER COSTS FOR)
FUTURE RECOVERY, AND APPROVING)
INCLUSION OF NIPSCO'S TDSIC PLAN)
PROJECTS IN ITS RATE BASE IN ITS)
NEXT GENERAL RATE PROCEEDING)
PURSUANT TO IND. CODE § 8-1-2-23.)

CAUSE NO. 44733

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PUBLIC'S
EXHIBIT NO. 51
DATE 5-4-16 REPORTER AT

OUCC SETTLEMENT TESTIMONY

OF

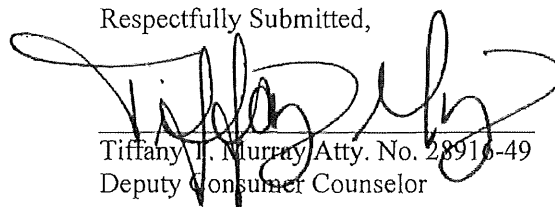
EDWARD T. RUTTER – PUBLIC'S EXHIBIT NO. S1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 5, 2016

Respectfully Submitted,


Tiffany J. Murray Atty. No. 28916-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Filing Settlement Testimony of Edward T. Rutter* has been served upon the following parties of record in the captioned proceeding by electronic mail on April 5, 2016.

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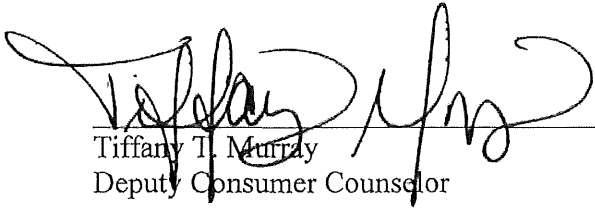
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**SETTLEMENT TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER
CAUSE NO. 44733
NORTHERN INDIANA PUBLIC SERVICE COMPANY**

I. INTRODUCTION

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Utility Analyst in the Resource Planning
4 and Communications Division. My business address is 115 West Washington St.,
5 Suite 1500 South Tower, Indianapolis, Indiana 46204. My educational
6 background and professional experience is detailed in Appendix ETR-1 attached
7 to this testimony.

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

9 A: My testimony supports the terms of the Settlement Agreement ("Agreement")
10 entered into to by the Petitioner in this Cause, Northern Indiana Public Service
11 Company ("NIPSCO") with the Indiana Municipal Utilities Group, LaPorte
12 County Board of Commissioners, NIPSCO Industrial Group, the United States
13 Steel Corporation, and the OUCC (collectively, the "Settling Parties"), which was
14 filed with the Indiana Utility Regulatory Commission ("Commission") on March
15 24, 2016. While the Agreement is the result of a compromise reached among the
16 Settling Parties on the issues presented in this case, it is nonetheless beneficial to
17 ratepayers' interests when examined in its entirety and should be approved by
18 the Commission as being in the public interest.

1 **Q: Please briefly describe the benefits to ratepayers that will result from the**
2 **Agreement.**

3 A: There are a number of ratepayer benefits achieved by the Agreement. Those
4 benefits include a reduction to the proposed 7-Year TDSIC Plan capital costs of
5 \$1.33 billion by approximately \$80.0 million. The remaining \$1.25 billion of
6 capital expenditures under NIPSCO's TDSIC Plan eligible for cost recovery
7 through NIPSCO's TDSIC tracker are capped at that amount for the term of the
8 Plan. Further, the Agreement outlines the specific allocation of the \$80 million
9 reduction to each year of the 7-year TDSIC Plan.

10 The Agreement also provides for a mass replacement of NIPSCO-owned
11 streetlights with energy efficient Light Emitting Diode ("LED") lighting
12 throughout NIPSCO's electric service territory. Consistent with NIPSCO's
13 proposal in its case-in-chief, replacement of NIPSCO-owned streetlights will be
14 prioritized in municipalities that have responded to NIPSCO's RFP indicating
15 interest in replacing city-owned lighting with LED lamps. The Agreement also
16 resolves the issue of the LED mass retrofit rate that municipalities should pay for
17 each LED lamp, consistent with the terms of the settlement agreement pending
18 before the Commission which was reached in NIPSCO's base electric rate case
19 (Cause No. 44688). The cost of an LED lamp, as determined by a competitive bid
20 process, will be shared equally between the lamp charge included in NIPSCO's
21 LED mass retrofit tariff rate and the revenue requirement associated with
22 NIPSCO's proposed 7-year TDSIC Plan.

1 Finally, the Agreement also provides for a 9.975% return on common equity
2 ("ROE") for eligible plant investments and up to \$3.5 million for an economic
3 development project at Kingsbury Industrial Park in LaPorte County.

II. PLAN SUPPORT

4 **Q: Do the terms of the Agreement meet the requirements of Ind. Code § 8-1-39-**
5 **10 ("Section 10 Proceeding") and the requirements established by the**
6 **Indiana Court of Appeals' decision in Cause Nos. 44370 and 44371, issued on**
7 **April 8, 2015 ("Appellate Order")?**

8 A: Yes. As the Agreement shows, NIPSCO provided detailed project and program
9 descriptions for its 7-Year Plan, including detailed engineering analyses, and costs
10 estimates for the projects and programs. NIPSCO's level of support for the 7-year
11 Plan provides sufficient specificity to support Commission findings and an Order
12 in this Section 10 proceeding that the public convenience and necessity require
13 the eligible improvements outlined in NIPSCO's proposed 7-year TDSIC Plan;
14 that the estimates summarized on Petitioner's Exhibit No. 2, Attachment 2-A
15 reflect the best estimates of the 7-Year TDSIC Plan costs; and that the 7-Year
16 Plan is reasonable and should be approved. Thus, the proposed 7-Year Plan meets
17 the requirements established in the Appellate Order.

III. TDSIC COST CAP

18 **Q: Do the terms of the Agreement describe how the costs of NIPSCO's TDSIC**
19 **7-year Plan will be reduced?**

20 A: Yes. While NIPSCO provided sufficient support for the \$1.33 billion in projects
21 and programs proposed to be included in its 7-year Plan, for purposes of
22 settlement, the Settling Parties agreed that the total cost of the 7-year Plan will be

1 capped at \$1.25 billion, representing a reduction of \$80 million eligible for
2 TDSIC cost recovery. The Agreement also provides for a specified allocation of
3 the \$80 million reduction over each year of the 7-year Plan. (Cause No. 44733
4 Settlement Agreement, paragraph 4(c).) While the costs associated with
5 NIPSCO's TDSIC 7-year Plan cannot exceed \$1.25 billion, the Settling Parties
6 agreed that NIPSCO has the ability to deviate above each annual cost recovery
7 cap by no more than 5% in a rolling historical three-year period.

8 **Q: Did the Settling Parties agree to certain amount of flexibility regarding the**
9 **scope of NIPSCO's 7-year TDSIC Plan?**

10 **A:** Yes. The Settling Parties agreed that while NIPSCO is authorized to implement
11 components of its 7-year Plan in good faith up to the \$1.25 billion cap, NIPSCO
12 has the flexibility to adjust the Plan as circumstances may dictate. Those
13 circumstances may include system changes, reliability issues, or reasonable and
14 prudent cost changes. The Agreement describes such flexibility, stating that in the
15 event a given project, in whole or in part, is rescheduled to a different year, the
16 annual cost recovery caps for the affected years will be adjusted by that project's
17 whole or partial approved cost estimate to reflect the change. The Settling Parties
18 also agreed that NIPSCO will provide certain documentation to justify cost
19 variances in excess of agreed thresholds, and that the non-NIPSCO Settling
20 Parties retain the ability to challenge any costs that exceed the approved
21 estimates.

IV. LED STREET LIGHTING REPLACEMENT PROJECT

22 **Q: How does the Agreement address the inclusion of NIPSCO's proposed LED**
23 **streetlight replacement project in its 7-year TDSIC Plan?**

1 A: The Agreement contains specific provisions that describe how the replacement of
2 NIPSCO-owned streetlights within its service territory with energy efficient LEDs
3 will be incorporated into its TDSIC 7-year Plan as well as how the costs of the
4 LED lamps will be allocated between the LED mass retrofit rate included in
5 NIPSCO's tariff and the TDSIC revenue requirement to flow through the TDSIC
6 tracker.

7 **Q: Please describe how the Agreement resolves the LED mass retrofit rate to be**
8 **included in NIPSCO's tariff.**

9 A: In the settlement agreement filed with and pending before the Commission in
10 Cause No. 44688, NIPSCO's pending base electric rate case, the parties agreed
11 that NIPSCO would add a placeholder in its tariff for the LED mass retrofit rate
12 that was subject to approval in its TDSIC filing. (Cause No. 44688, Settlement
13 Agreement at 15.) In the present case, the Settling Parties have agreed to
14 NIPSCO's proposed implementation of a TDSIC mass retrofit rate LED
15 Streetlight project for NIPSCO-owned streetlights. To implement the LED
16 Streetlight project, NIPSCO will conduct a Request for Proposals ("RFP")
17 seeking competitive bids for the procurement and installation of LED streetlight
18 fixtures to be installed pursuant to the Agreement and NIPSCO's TDSIC Plan.
19 The Agreement provides that the per LED unit capital cost components will be
20 finalized after the contractor responses to the RFPs for mass LED purchase and
21 mass installation contracts are received and the contracts are negotiated and
22 finalized. Upon selection of qualified bidders for LED supply and installation and
23 the submission of an updated, estimated cost of the mass retrofit LED Streetlight
24 project, 50% of the estimated revenue requirement (on a per lamp basis)

1 associated with the installed cost shall be included in the streetlight lamp rate
2 applicable to each fixture as part of NIPSCO's tariff rate. The Settling Parties
3 have agreed that the remaining 50% of the estimated revenue requirement
4 (including all variances associated with the revenue requirement for all actual
5 installed cost of the mass LED Streetlight project through the TDSIC Plan) shall
6 be recoverable as approved TDSIC Costs as that term is defined in the TDSIC
7 Statute (IC 8-1-39-7) through NIPSCO's TDSIC Rider.

V. RECOMMENDATION

8 **Q: Is the Agreement in the public interest?**

9 A: Yes.The Agreement reflects a balance of all interests among the Settling Parties.

10 Given the number of benefits provided to ratepayers as outlined in the Agreement
11 and discussed above, the OUCC, as the statutory representative of all ratepayers,
12 believes the Agreement is in the public interest, is supported by sufficient
13 evidence, and therefore should be approved.

14 **Q: What is the OUCC's recommendation ?**

15 A: The OUCC recommends that the Commission find the Agreement to be in the
16 public interest and approve it in its entirety.

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

18 A: Yes, it does.

APPENDIX TO TESTIMONY OF
OUCC WITNESS EDWARD T. RUTTER

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

2 **A:** I am a graduate of Drexel University in Philadelphia, PA, with a Bachelor of
3 Science degree in Business Administration. I was employed by South Jersey Gas
4 Company as an accountant responsible for coordinating annual budgets, preparing
5 preliminary monthly, quarterly, annual and historical financial statements,
6 assisting in preparation of annual reports to shareholders, all SEC filings, state
7 and local tax filings, all FPC/FERC reporting, plant accounting, accounts payable,
8 depreciation schedules and payroll. Once the public utility holding company was
9 formed, South Jersey Industries, Inc., I continued to be responsible for accounting
10 as well as for developing the consolidated financial statements and those of the
11 various subsidiary companies including South Jersey Gas Company, Southern
12 Counties Land Company, Jessie S. Morie Industrial Sand Company, and SJI LNG
13 Company.

14 I left South Jersey Industries, Inc. and took a position with Associated
15 Utility Services Inc. (AUS), a consulting firm specializing in utility rate
16 regulation including rate of return, revenue requirement, purchased gas
17 adjustment clauses, fuel adjustment clauses, revenue requirement development
18 and valuation of regulated entities.

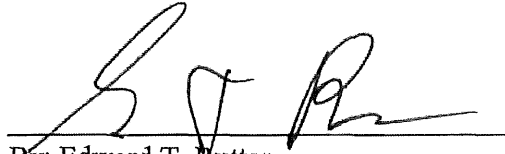
1 On leaving AUS, I worked as an independent consultant in the public
2 utility area as well as telecommunications including cable television (CATV). I
3 joined the OUCC in December 2012 as a utility analyst.

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

6 A: I have previously testified before the Indiana Utility Regulatory Commission
7 (Commission) in Cause Nos. 44311, 44331, 44339, 44363, 44370, 44418, 44429,
8 44446, 44478, 44486, 44495, 44497, 44526, 44540, 44542, 44576, 44602, 44403,
9 44634, 44645, plus 43827 and 43955 DSM dockets and several sub-dockets.. I
10 have also testified before the regulatory commissions in the states of New Jersey,
11 Delaware, Maryland, Pennsylvania, New York, Connecticut, Georgia, Florida,
12 North Carolina, Ohio, Oklahoma, Virginia and Wisconsin. In addition to the
13 states mentioned, I submitted testimony before the utility regulatory commissions
14 in the Commonwealth of Puerto Rico and the U.S. Virgin Islands. I have also
15 testified as an independent consultant on behalf of the U.S. Internal Revenue
16 Service in Federal Tax Court, New York jurisdiction.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read 'E. T. Rutter', is written over a horizontal line.

By: Edward T. Rutter
Indiana Office of
Utility Consumer Counselor

4/5/16
Date: