

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY D/B/A VECTREN)
ENERGY DELIVERY OF INDIANA, INC. (“VECTREN)
SOUTH”) FOR (1) AUTHORITY TO MODIFY ITS)
RATES AND CHARGES FOR GAS UTILITY SERVICE)
THROUGH A PHASE-IN OF RATES, (2) APPROVAL)
OF NEW SCHEDULES OF RATES AND CHARGES,)
AND NEW AND REVISED RIDERS, (3) APPROVAL OF)
A NEW TAX SAVINGS CREDIT RIDER, (4))
APPROVAL OF VECTREN SOUTH’S ENERGY)
EFFICIENCY PORTFOLIO OF PROGRAMS AND)
AUTHORITY TO EXTEND PETITIONER’S ENERGY)
EFFICIENCY RIDER (“EER”), INCLUDING THE)
DECOUPLING MECHANISM EFFECTUATED)
THROUGH THE EER, (5) APPROVAL OF REVISED)
DEPRECIATION RATES APPLICABLE TO GAS AND)
COMMON PLANT IN SERVICE, (6) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, AND (7) APPROVAL OF AN ALTERNATIVE)
REGULATORY PLAN PURSUANT TO WHICH)
VECTREN SOUTH WOULD CONTINUE ITS)
CUSTOMER BILL ASSISTANCE PROGRAMS.)

FILED
February 19, 2021
INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 45447

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR’S

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

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

February 19, 2021

Respectfully submitted,



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**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF**

I. INTRODUCTION

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

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Senior Utility Analyst. For a summary of my educational and professional
7 experience and my preparation for this case, please see Appendix MHG-1
8 attached to my testimony.

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

10 A: I address certain elements in Southern Indiana Gas and Electric Company d/b/a
11 Vectren Energy Delivery of Indiana, Inc.'s ("Vectren South" or "Petitioner")
12 request for a rate increase through a phase-in of rates utilizing a forward-looking
13 test year. I sponsor and discuss Vectren South's revenue requirements, rate base,
14 depreciation expense, certain operating and maintenance ("O&M") expenses,
15 Compliance and System Improvement Adjustment ("CSIA") regulatory assets,
16 taxes other than income tax, and state and federal income taxes. I discuss Vectren
17 South's proposed Phase 1 and Phase 2 revenue requirement updates as part of the
18 process involving a forward-looking test year. I also sponsor accounting
19 schedules to support the OUCC's recommended pro forma adjustments,

1 incorporating recommendations and pro forma adjustments of other OUCC
2 witnesses, and implementing the OUCC's recommended cost of equity and
3 capital structure. The accounting schedules I prepared incorporate all adjustments
4 used to calculate the OUCC's recommended total pro forma revenue requirements
5 and the resulting recommended rate increase. For a summary of the OUCC's
6 Index of Issues, please see Appendix MHG-2 attached to my testimony.

II. OUCC WITNESS INTRODUCTION

7 **Q: Please introduce the other OUCC witnesses who are testifying in this case.**

8 A: The following OUCC witnesses reviewed and analyzed Vectren South's rate case
9 and are testifying on various elements of the revenue requirements.

10 **Ms. Yi Gao** analyzed Vectren South's gas sales revenues, various O&M
11 expenses, Universal Service Fund program ("USP"), and Unaccounted-for-Gas
12 ("UAFG") and bad debt included in the Gas Cost Adjustment ("GCA")
13 mechanism. She recommends changes to Vectren South's pro forma Other
14 Revenue, various O&M expenses, modifications to the USP, and UAFG included
15 in the GCA mechanism.

16 **Ms. Angela Griffith** analyzed various O&M expense adjustments, CSIA program
17 expenses, property tax, and Vectren South's proposed Tax Savings Credit Rider
18 ("TSCR"). She recommends changes to various O&M expenses, and approval of
19 the TSCR.

20 **Ms. Cinthia Sabillon** analyzed various O&M expenses, Vectren South's Energy
21 Efficiency program, decoupling, and cost recovery tariff rider, and components of
22 the capital structure. She recommends adjustments to various O&M expenses,
23 changes in the capital structure, approval of the Energy Efficiency program
24 extension, and an amendment to Tariff Sheet No. 57.

25 **Mr. Leja Courter** analyzed Vectren South's proposed 10.15% cost of equity to
26 be used in the weighted cost of capital calculation. Mr. Courter recommends the
27 Commission adopt the OUCC's proposed cost of equity of 9.2% based on his
28 Distributed Cash Flow ("DCF") and Capital Asset Pricing Model ("CAPM")
29 analyses, to be used in the weighted cost of capital calculation. Mr. Courter also
30 addresses Vectren South's rate case expense and residential customer billing.

1 **Mr. David Garrett** offers his analysis and assessment of Vectren South's
2 depreciation study, and the resulting depreciation rates.

3 **Mr. Brien Krieger** discusses his analysis of Vectren South's cost of service study
4 and rate design, including Vectren South's proposed increased fixed monthly
5 customer charges. He also reviews various proposed tariff changes.

III. **REVENUE REQUIREMENT SCHEDULES**

6 **Q: Does the OUCC agree with Vectren South's proposed pro forma increase in**
7 **revenue from existing rates?**

8 A: No. Vectren South requests a rate increase of 26.75% over gross revenues, to
9 increase its annual revenue by \$28,472,034. The OUCC's review supports an
10 increase in Vectren South's pro forma revenue requirement of \$14,266,545,
11 resulting in an increase in gross revenues of 13.40%.

12 **Q: What attachments and schedules do you sponsor showing the pertinent**
13 **calculations related to your testimony?**

14 A: I sponsor the following attachments and schedules:

15 Attachment MHG-1: OUCC Revenue Requirement Schedules

- 16 • Schedule 1: Comparison of Petitioner's and the OUCC's Revenue
17 Requirements, Gross Revenue Conversion Factor, and Comparison of the
18 Statement of Operating Income Adjustments.
- 19 • Schedule 2: Vectren South Gas' Income Statement.
- 20 • Schedule 3: Vectren South Gas' Consolidated Balance Sheet.
- 21 • Schedule 4: OUCC's Pro Forma Net Operating Income Statement.
- 22 • Schedule 5: OUCC's Pro Forma Revenue Adjustments.
- 23 • Schedule 6: OUCC's Pro Forma Expense Adjustments.
- 24 • Schedule 7: OUCC's Calculation of Pro Forma Rate Base on December
25 31, 2021.
26

1 • Schedule 8: OUCC's Pro Forma Capital Structure on December 31, 2021.

2 • Schedule 9: Current and Proposed Monthly Service Charges.

3 **Q: Do your revenue requirement schedules reflect Vectren South's use of a**
4 **forward-looking test year?**

5 A: Yes. Vectren South is using the year beginning January 1, 2021 and ending
6 December 31, 2021 as the forward-looking test year. Vectren South used actual
7 amounts for rate base items for the base period ending December 31, 2019, and
8 applied adjustments for the 2020 and 2021 budget periods. For revenues and
9 expenses, Vectren South's test year starts with the 2021 budget. The forward test
10 year ending December 31, 2021 is reflected as the "Test Year Unadjusted" in the
11 first numerical column of my Attachment MHG-1, Schedule 4, Pro Forma Net
12 Operating Income Statement. Pro forma adjustments are applied to the Test Year
13 Unadjusted income statement, for the period ending December 31, 2021, to derive
14 pro forma operating revenue, expenses, and net income at present rates.

15 **Q: Please describe the schedules in Attachment MHG-1.**

16 A: Page 1 of Schedule 1 summarizes the main components of the revenue
17 requirements, incorporating the OUCC's adjustments to Vectren South's
18 proposed revenue requirements, resulting in the calculation of the OUCC's
19 recommended revenue increase. Pages 2 and 3 of Schedule 1 compare each
20 parties' calculation of the revenue conversion factor, and a comparison of Vectren
21 South's and the OUCC's proposed operating income adjustments at present rates.
22 Page 2 of Schedule 1 also includes a calculation to gross up bad debt, IURC fees,
23 and taxes based on the OUCC's proposed revenue increase. Schedule 2 is Vectren
24 South's budgeted unadjusted income statement for the test year ending December

1 31, 2021. Schedule 3 is a Vectren South Gas and Electric consolidated balance
2 sheet, before adjustments for the rate case, for the budgeted test year ending
3 December 31, 2021. Schedule 4 is the Pro Forma Net Operating Income
4 Statement reflecting a summary of all pro forma revenue and expense adjustments
5 proposed by the OUCC. The OUCC's proposed adjustments yield revised pro
6 forma revenue, operating expenses, and net operating income, resulting in a
7 revised proposed rate increase. Schedule 5 shows the OUCC's adjustments to
8 Vectren South's proposed revenues. Schedule 6 shows the OUCC's adjustments
9 to Vectren South's proposed expenses, including pro forma present rate taxes
10 other than income taxes, and pro forma present rate federal and state income
11 taxes. Schedule 7 shows the OUCC's calculation of Vectren South's budgeted
12 original cost rate base on December 31, 2021. Schedule 8 reflects the OUCC's
13 calculation of Vectren South's budgeted capital structure on December 31, 2021,
14 including a revised cost of equity. Schedule 9 shows a comparison of Petitioner's
15 current and proposed monthly service charges, and the OUCC's proposed
16 monthly service charges.

IV. PROPOSED ADJUSTMENTS TO REVENUE REQUIREMENTS

17 **Q: Are you sponsoring all adjustments shown on Schedule 4 of Attachment**
18 **MHG-1?**

19 **A:** No. Schedule 4 reflects all of the OUCC's operating income and expense
20 adjustments. I am sponsoring the depreciation, IURC fee, taxes other than
21 income, and the state income tax and federal income tax adjustments. Details of
22 my proposed adjustments are shown in detail on Schedule 6. Other operating

1 income and expense adjustments on Schedule 4 reflect the net result of
2 adjustments sponsored by OUCC witnesses Yi Gao, Angela Griffith, Cinthia
3 Sabillon, and Leja Courter. The details of Ms. Gao's adjustments are shown on
4 Public's Exhibit No. 2, Attachments YG-1-8. The details of Ms. Griffith's
5 adjustments are shown on Public's Exhibit No. 3, Attachments AJG-1-12. The
6 details of Ms. Sabillon's adjustments are shown on Public's Exhibit No. 4,
7 Attachments CJS-1-3. The details of the expense adjustments sponsored by Mr.
8 Courter are included with Ms. Gao's adjustments.

9 **Q: Please identify the adjustments included in Vectren South's revenue**
10 **requirements the OUCC is not disputing.**

11 A: The OUCC is not disputing many of the adjustments to revenue and expenses
12 proposed by Vectren South. In the schedule reference column of Attachment
13 MHG-1, Schedule 4, a designation of "Pet." indicates the OUCC does not dispute
14 the adjustment proposed by Petitioner, i.e., Vectren South. Adjustments sponsored
15 by OUCC witnesses show a schedule reference of Schedule 5 or Schedule 6,
16 contained within Attachment MHG-1, Schedule 4.

17 **Q: Please discuss your adjustment to the public utility fee and the Indiana utility**
18 **receipts tax.**

19 A: I do not dispute Vectren South's methodology in calculating either the public
20 utility fee or the Indiana utility receipts tax. The changes to Vectren South's
21 public utility fee and Indiana utility receipts tax calculations reflected in my
22 schedules are a result of changes in pro forma revenues sponsored by OUCC
23 witness Gao.

1 **Q: Please discuss your adjustment to state and federal income taxes.**

2 A: I do not dispute Vectren South's methodology in calculating the pro forma federal
3 and state income tax adjustments based on pro forma present rates. All changes to
4 Vectren South's federal and state income tax calculations are a result of changes
5 to other pro forma proposed revenue requirements.

V. RATE BASE

A. Forward Test Year

6 **Q: Has Vectren South included a forward test year rate base in its revenue**
7 **requirements?**

8 A: Yes. Vectren South's actual rate base as of December 31, 2019 was forecasted to
9 December 31, 2021 using the company's formal budget process to forecast the
10 ending balance for each element of its total rate base. At this point, the rate base is
11 a budgeted amount derived from budgeted additions and retirements resulting in a
12 forward test year budget estimate. I have reviewed the final balances from
13 Vectren South's historic base period, and I analyzed the budgeted additions and
14 retirements activity.

15 **Q: Does the December 31, 2021 forward test year rate base represent the final**
16 **amount to be used in the revenue requirements?**

17 A: No. Vectren South has requested its rate base be updated to actual in two phases.
18 Vectren South proposes a June 30, 2021 cut-off date for Phase 1 where rate base
19 and the capital structure will be updated, and new rates set accordingly prior to
20 the end of the forward test year. The compliance filing for Phase 1 will occur after
21 the final order is issued in this Cause. Vectren South proposes a subsequent Phase

1 2 cut-off date of December 31, 2021 to:

2 (1) update to the actual rate base and capital structure as of the end
3 of the test year, and (2) update the full test year revenue
4 requirement for actual results for calendar year 2021, with
5 depreciation expense annualized based on December 31, 2021
6 plant in-service balances. To do this, Vectren South will perform a
7 full comprehensive update to the revenue requirement and the
8 related schedules based on actuals. (Petitioner's Exhibit No. 2,
9 page 11, lines 9-14.)

10 Vectren South's proposed rate base in this Cause will ultimately be
11 updated to reflect actual rate base on June 30, 2021, and again at the end of the
12 forward test year, December 31, 2021. The components of Vectren South's
13 proposed rate base include utility plant in-service adjusted for accumulated
14 depreciation, gas in underground storage, utility materials and supplies, and post-
15 in-service carrying costs for the bare steel/cast iron replacement program and
16 CSIA.

17 **Q: Will utility plant assets currently tracked in Vectren South's CSIA cost**
18 **recovery mechanism affect rate base in this Cause?**

19 A: Yes. The accumulation of investments approved in Vectren South's CSIA filings,
20 Cause No 44429, will be captured in rate base through the Phase 1 and 2 update
21 compliance filings. Vectren South's final CSIA filing is expected to be filed on
22 April 1, 2021. Vectren South summarized the transition from CSIA to rate base in
23 response to the OUCC's data request ("DR") 5.3 (Attachment MHG-7), which
24 states: "The Company's forward-looking test year of 2021 will capture
25 investments within rate base following the end of the Company's authorized 7-
26 year TDSIC plan which ends December 31, 2020. The accumulation of project
27 costs associated with the 7-year TDSIC plan will cease upon implementation of

1 the base rate Order.”

B. Intangible Asset Replacements

2 **Q: Are you recommending adjustments to Vectren South’s proposed rate base?**

3 A: Yes. Vectren South’s witness Myerson, Petitioner’s Exhibit No. 7, discusses
4 information technology systems planned for upgrade or replacement. Mr.
5 Myerson states on page 12, lines 13-20 in his testimony:

6 I have identified the technology systems that were planned for
7 upgrade or replacement in Attachment JSM-1. These software
8 systems were either not supported by the vendor or faced other
9 technical obsolescence challenges. Vectren planned to invest in
10 replacing or upgrading this technology infrastructure before the
11 merger. Indeed, Vectren’s financial forecasts projected investing
12 approximately \$400 million over the next ten years. Replacement
13 of this technology with systems that are common among the
14 CenterPoint footprint brought the efficiencies and benefits of
15 CenterPoint utilizing one system across its footprint without
16 duplicate costs.

17 My analysis identifies the information technology included in rate base
18 that will be replaced in the near future, and the value of these assets on Vectren
19 South’s books. Through discovery, I was able to determine the net book value of
20 information technology assets likely to be replaced before the end of the forward
21 test year or soon thereafter.

22 Vectren South has good lists of the information technology it plans to
23 replace, but lacked a timeline as to when specific technology would be replaced
24 when this Cause was filed. Notably, as shown by Vectren South’s response to
25 OUCC DR 4.2(f), the timeline for information technology system asset utilization
26 was still under evaluation. (Attachment MHG-3, page 1.) However, upon further

1 evaluation of its replacement plans, Vectren South responded to OUCC DR 13.11
2 with identification of the information technology impacted by the current
3 technology replacement program. (Attachment MHG-3, page 2.) In this discovery
4 response, Vectren South identified a number of information technology assets
5 being evaluated for retirement in 2021 or 2022, and two asset groupings that are
6 not expected to see future investments. (Attachment MHG-3, page 3)

7 **Q: What is your assessment of the information technology assets identified by**
8 **Vectren South in OUCC DR 13.11?**

9 A: Information technology assets identified for retirement in 2021 and 2022 should
10 not be included in rate base as of the future test year ending on December 31,
11 2021. As indicated in Mr. Myerson's testimony, Vectren South plans to retire
12 certain information technology assets, to be replaced by systems common at
13 CenterPoint by "utilizing one system across its footprint without duplicate costs."
14 (*Id.* at 9.) Duplication of these assets in rate base should not be permitted. Vectren
15 South's decision to wait to switch to CenterPoint's systems after the future test
16 year does not change the fact these assets will not be used and useful for most of
17 the life of the rates approved in this Cause. A similar reasoning applies to the two
18 asset groupings not expected to see future investments. The decision to withhold
19 future investment in these information technology assets indicates these programs
20 are nearing obsolescence and have limited future usefulness. These assets should
21 also not be included in rate base. Vectren South's delay in deciding the fate of
22 these assets until after the future test year should not be an excuse to avoid the
23 fact these assets will likely not be used and useful for most of the life of the rates
24 approved in this Cause.

1 **Q: Did you add to rate base to account for the cost of the replacement**
2 **information technology?**

3 A: Vectren South has already accounted for the cost of replacement information
4 technology. Witness Bell, Petitioner's Exhibit No. 2, addresses the addition of
5 Vectren South's allocated share of replacement information technology assets on
6 page 18, lines 11-19 of her testimony where she states:

7 The gross asset addition to the projected rate base for IT-related
8 investments represents the Vectren South allocated share of the
9 investment necessary to replace end-of-life systems and to
10 harmonize the Vectren systems with CenterPoint. The IT-related
11 investment was captured and approved as part of the 2020 and
12 2021 budgets, but it was not allocated to the individual utilities at
13 the completion of the budget process. The calculation of the
14 allocations is shown on Worksheets WPB-2.1c1 and WPB-2.1d in
15 Petitioner's Exhibit No. 18.

16 **Q: What is the amount of your information technology adjustment to rate base?**

17 A: I totaled the information technology assets identified for replacement and assets
18 receiving no future investment as shown in the response to OUCC DR 13.11. The
19 total net value for information technology I deducted from rate base is
20 \$4,170,950. (Attachment MHG-3, page 3.) In addition, depreciation expense was
21 adjusted for the removal of information technology assets using the average rate
22 for the Intangible Asset class. (Attachment MHG-2.)

C. Leak Detection Equipment

23 **Q: Are you recommending additional adjustments to Vectren South's proposed**
24 **rate base?**

25 A: Yes. Vectren South's witness Bell discusses advanced leak detection equipment
26 on Petitioner's Exhibit No. 2, page 21, lines 14-23. Through inquiries in
27 discovery, Vectren South adjusted the estimate for a leak detection truck

1 including equipment modifications, and miscellaneous intangible plant in the
2 form of a Picarro leak surveyor system. Vectren South initially estimated the leak
3 detection truck with modification would cost \$100,000, and leak surveyor system
4 would cost \$1,100,000. In response to OUCC DR 8.4(b) and 8.4(g), Vectren
5 South revised the estimates to \$44,900 for the leak detection truck with
6 modification, and \$1,088,000 for the leak surveyor system. (Attachment MHG-4.)
7 Therefore, I lowered rate base by the difference of the two asset cost estimates, a
8 total of \$67,000. (Attachment MGH-1, Schedule 7.) Depreciation expense was
9 adjusted for the reduction of the leak detection truck cost from FERC account
10 392.1 (Automobiles), and reduction of the leak surveyor system cost from FERC
11 account 303 (Miscellaneous Intangible Plant), coinciding with the asset accounts
12 Vectren South used on workpaper WPB 2.1.

VI. DEPRECIATION EXPENSE

13 **Q: Is the OUCC proposing any changes to the depreciation expense rates**
14 **proposed by Vectren South?**

15 **A:** Yes. OUCC witness Mr. Garrett conducted an analysis and provides an
16 assessment in his testimony of Vectren South's depreciation study. Mr. Garrett is
17 recommending a revision to Vectren South's proposed depreciation rates. These
18 revised rates are used in my depreciation expense calculation shown on my
19 Attachment MHG-2. The resulting depreciation expense is incorporated in my
20 adjustment calculation shown on Schedule 6 of Attachment MHG-1, including
21 adjustments to CSIA depreciation and amortization, and bare steel/cast iron
22 program amortization adjustments sponsored by OUCC witness Griffith.

1 **Q: Is the OUCC's proposed depreciation expense representative of the amounts**
2 **to be included in revenue requirements?**

3 A: Yes, the depreciation expense proposed by the OUCC is representative of the
4 utility plant in service proposed by the OUCC on Schedule 7 of Attachment
5 MHG-1. However, as discussed later in my testimony, depreciation expense will
6 be updated to coincide with the actual utility plant in service balance as of
7 December 31, 2021 in Phase 2 of Vectren South's compliance filing.

VII. O&M EXPENSE

8 **Q: Have you made an adjustment to Vectren South's O&M expenses?**

9 A: Yes. My responsibility for the review of Vectren South's rate base in this Cause
10 made me aware of the removal of assets from rate base associated with the
11 extension of service to an industrial customer. As discussed by Vectren South's
12 witness Bell (Petitioner's Exhibit No. 2, page 21, lines 1-12), gross plant
13 representing the extension of a main to a single customer has been removed from
14 plant-in-service. The customer entered into a contract whereby the full value of
15 the main is paid by the customer over the life of the asset. Therefore, the asset was
16 removed from rate base to avoid costs being allocated to other customers. In
17 addition, the associated revenues for this customer were removed from the test
18 year.

19 **Q: Were O&M expenses associated with the operation and maintenance of this**
20 **main removed from the test year?**

21 A: No. Although Vectren South owns, operates, and maintains the line, Vectren
22 South responded to OUCC discovery that expenses associated with operation and
23 maintenance of the line were not removed from the test year. (Attachment MHG-

1 5.) Since the asset and revenues associated with this customer main are removed
2 from the revenue requirements in this Cause, so should the O&M expenses
3 associated with the main be removed from the revenue requirement. Vectren
4 South estimated the annual O&M costs to be approximately \$118,000.
5 (Attachment MHG-5.) I removed \$118,000 in O&M expense from Vectren
6 South's Transmission Expense, Maintenance of Mains (FERC Account 863).

VIII. TAXES

7 **Q: Please discuss your conclusions for Vectren South's adjustments to taxes.**

8 A: Schedule 6 of the revenue requirements schedules attached to my testimony as
9 Attachment MHG-1 includes calculations representing Vectren South's
10 methodology in calculating the public utility fee, the Indiana utility receipts tax,
11 and state and federal income taxes. The changes to these fees and taxes calculated
12 in Schedule 6 are a result of changes in pro forma revenues and expenses
13 sponsored by OUCC witnesses. These fees and taxes will change as a result of
14 new net operating income resulting from updates in Vectren South's December
15 31, 2021 Phase 2 compliance filing.

IX. 2021 PHASE-IN RATE UPDATES

16 **Q: Please explain the phase-in rate process proposed in this Cause.**

17 A: Upon issuance of an order in this Cause, Vectren South proposes to update its
18 rates in two phases. In Phase 1, rates would be updated to include actual rate base
19 and capital structure as of June 30, 2021. In Phase 2, Vectren South proposes to
20 update rates to include actual rate base and capital structure, and update the full

1 revenue requirement for actual results for the test year ending December 31, 2021,
2 with depreciation expense annualized based on December 31, 2021 plant in-
3 service balances. To do this, Vectren South will perform a full update to the
4 revenue requirements and related schedules based on actual 2021 results.
5 (Petitioner's Exhibit No. 2, page 11, lines 6-14.) Vectren South offers the
6 uncertainty associated with the COVID-19 pandemic as justification for a full
7 update to all revenue requirements for the year ending December 31, 2021.

8 **Q: Does Vectren South propose any limits to the revenue requirements update**
9 **in Phase 2?**

10 A: Yes. Vectren South proposes to cap the net total original cost rate base and total
11 O&M expenses at the levels found in the Commission Order. Revenue and billing
12 determinants would be adjusted based completely on actuals. The resulting
13 revenue requirements would be the basis for Phase 2 rates. (Petitioner's Exhibit
14 No. 2, page 12, lines 1-7.)

15 **Q: Is Vectren South's proposed Phase 2 rate update accepted practice in**
16 **Indiana's general rate proceedings using a forward test year?**

17 A: No. I am not aware of any rate cases using a future test year in Indiana where the
18 utility was allowed to update anything other than rate base, capital structure,
19 depreciation, and taxes as of the cut-off date for the rate base update. Vectren
20 South has not provided evidence of any utility allowed to update the entire
21 revenue requirements at the end of a forward test year. Vectren South responded
22 to OUCC DR 13.21 with all known Indiana utilities that have filed future test year
23 cases. (Attachment MHG-6.) None of the utilities listed updated anything other
24 than rate base, capital structure, depreciation, and taxes. Depreciation is updated

1 because it is tied directly to rate base, and taxes have been updated because they
2 are tied directly to the change in income generated from new updated rates.
3 Changes to revenues and all O&M expenses have not been allowed. Updating the
4 entire revenue requirements goes against the very premise of a future test year.
5 Updating the entire revenue requirements to historical data once that data is
6 known is the equivalent of a filing using a historical test year.

7 **Q: In what ways could Vectren South's update to revenues and expenses at the**
8 **end of 2021 affect total revenue requirements and rates?**

9 A: It is difficult to say without knowing the actual outcome in advance, but the
10 changes in revenue requirements could be significant. Vectren South has offered
11 to cap O&M expenses at levels found in the Commission's Order, but has offered
12 no floor for revenues. Changes in revenues have a larger effect on rates than
13 changes to expenses. Vectren South is correct in its assessment that the effects of
14 the COVID-19 pandemic are uncertain. But an update to rates based on 2021 data
15 could mean rates would be set based on one anomalous year. The financial effects
16 of COVID-19 may hit 2021 the hardest. However, as the COVID-19 vaccines
17 make their way through the population in the coming months, 2021 may be the
18 worst year financially and economic activity will improve in the years ahead. The
19 utility is compensated for business risk through its return on equity, and if rates
20 prove to be insufficient in the years to come, Vectren South has the remedy of
21 filing another rate case.

22 **Q: Do you have procedural concerns for a total revenue requirement update?**

23 A: Yes. Given that rate base and the capital structure have a significant effect on
24 rates, including the effects of depreciation expense, and the flow through effects

1 of taxes, it is important for the OUCC and the Commission to have an opportunity
2 to review Vectren South's final updated amounts. To facilitate a comprehensive
3 review of Vectren South's updated rate base and capital structure, I agree with
4 Vectren South's proposed period of sixty (60) days to review the updated
5 compliance filing. However, filing an update to the entire revenue requirements
6 schedules would essentially be like reviewing a full rate case in an expedited time
7 frame. The OUCC will need to evaluate each revenue and expense account again
8 to determine if actual amounts are reasonable and should be included in base
9 rates. Additionally, Indiana Gas Company, Inc. ("Vectren North") will be on the
10 same review schedule and the Commission and OUCC would have two rate cases
11 to review in an expedited time frame.

12 The OUCC is typically allotted around ninety-eight (98) days to review
13 and file testimony in a rate case using a forward-looking test year. For update
14 filings following a future test year, the OUCC has been allowed sixty (60) days to
15 review rate base and capital structure updates. Therefore, if a full revenue
16 requirement update is authorized, additional time for review is a reasonable
17 expectation. Couple the Vectren South update review under this Cause with a
18 Vectren North update review under Cause No. 45468 during the same time
19 period, and the additional workload for the OUCC and the Commission is
20 doubled. Petitioner's extraordinary request for expanded relief in an expedited
21 time frame deprives the OUCC and other parties of appropriate due process. For
22 these reasons, the OUCC requests one hundred-twenty (120) days from the time
23 Vectren South files its Phase 2 update to review and respond to the Phase 2 filing

1 should the Commission grant Vectren South the right to update all of its revenue
2 requirements. Given that Vectren South's revised rates in the Phase 2 filing will
3 be effective at the time of the filing, subject to refund, Petitioner assumes no risk
4 by allowing the OUCC one hundred twenty (120) days to review and respond to
5 the Phase 2 Compliance filing.

6 **Q: What is your recommendation regarding Vectren South's proposed rate**
7 **update at test year ending December 31, 2021?**

8 A: Vectren South has based its revenue requirements on forecasted budgets,
9 including updates and increases to forecasted revenues and expenses. The OUCC
10 has reviewed and analyzed these forecasted revenues and expenses, and aside
11 from our recommended adjustments, the budgeted revenue requirements appear to
12 be representative of future test year operations. I recommend the December 31,
13 2021 update to Vectren South's revenue requirements be limited to rate base,
14 capital structure, depreciation expense, and taxes. In the alternative, should the
15 Commission approve an update to total revenue requirements, there should be a
16 floor on revenues at the levels found in the Commission's Order like the cap on
17 O&M expenses found in the Commission's Order. The floor on revenues should
18 be unique to each rate class to avoid significant shifts between rate classes based
19 on the effects of one year, 2021, which effects will likely be temporary. Finally,
20 all compliance filings should include all pertinent documentation supporting each
21 element of the updated rate base, capital structure, depreciation, and taxes.

X. OUCC RECOMMENDATIONS

Q: Please summarize your recommendations related to the revenue requirements and resulting revenue increase in this Cause.

A: As shown on Schedule 1 of Attachment MHG-1, the OUCC's adjustments to revenue, operating expenses, and taxes result in a revenue percentage increase of 13.40%, for a total recommended revenue increase of \$14,266,545. The resulting pro forma proposed revenue should be allocated to the various customer rate classes based on the cost-of-service recommendations of OUCC witness Krieger.

Q: Please summarize your recommendations regarding a return on rate base.

A: The OUCC's revenue requirements are based on an original cost rate base of \$465,150,859. However, the rate base will ultimately be updated to reflect actual rate base on December 31, 2021. The OUCC recommends the Commission grant the Parties in this Cause a minimum of sixty (60) days to review Petitioner's updated rate base and capital structure in a Compliance filing containing all pertinent documentation supporting the updated rate base. OUCC witness Courter recommends a return on common equity of 9.2%. The resulting return on original cost rate base is \$25,802,848.

Q: What are the OUCC's other recommendations in this Cause?

A: As explained in my testimony, I recommend the updates to revenue requirements in Vectren South's December 31, 2021 Phase 2 compliance filing be limited to updates to rate base, the capital structure, depreciation expense, and taxes without updating revenues and expenses. In the alternative, if updates to revenues and expenses are allowed, with expenses capped at levels approved by the Commission in this Cause, then revenues should have as a floor, unique to each

1 rate class, the levels also approved by the Commission in this Cause. In the event
2 Vectren South is allowed to update the entire revenue requirements, the Parties in
3 this Cause should be allowed a minimum of one hundred twenty (120) days to
4 review Petitioner's updated revenue requirements in a compliance filing
5 containing all pertinent documentation supporting the updated revenue
6 requirements.

7 **Q: Please provide a brief summary of the recommendations from other OUCC**
8 **witnesses in this Cause.**

9 A: The following OUCC witnesses provided recommendations for revenue and
10 expense adjustments supporting the revenue requirements and resulting revenue
11 increase described above. Most witnesses addressed other issues as well. A
12 summary of OUCC witness recommendations is as follows:

- 13 • Ms. Gao recommends changes to Vectren South's pro forma other
14 revenue, various O&M expenses, including amortizations of information
15 technology investments, COVID expenses, and rate case expenses. She
16 also recommends approval of an extension to the USP with modifications
17 to the USP and a modified UAFG included in the GCA mechanism.
- 18 • Ms. Griffith recommends reductions to various O&M expenses and
19 approval of Petitioner's TSCR.
- 20 • Ms. Sabillon recommends adjustments to various O&M expenses, changes
21 to return on equity and cost-free capital in the capital structure, approval
22 of the Energy Efficiency program extension, and an amendment to Tariff
23 Sheet No. 57, Section 18.H.
- 24 • Mr. Courter recommends a 9.2% cost of equity. He also recommends a
25 sharing of rate case expense between utility customers and shareholders,
26 and recommends itemizing residential customer bills for increased
27 transparency.
- 28 • Mr. Garrett recommends calculating depreciation expense under the
29 Average Life Group procedure. He also recommends adjustments to the
30 proposed service lives for several of Vectren South utility plant accounts.

- Mr. Krieger recommends changes to Vectren South's proposed cost of service study, including changes to allocations of certain transmission and distribution plant in-service assets. He recommends reduced subsidies to Rate 170. He also recommends increases to monthly customer charges for three rate classes approximate the total rate increase. He proposes a reduction of Vectren South's proposed \$35 residential customer charge to a \$16.50 monthly customer charge, as well as reductions to Petitioner's proposed customer charges for Rates 120/125 and 145.

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

10 A: Yes.

APPENDIX MHG-1 TO TESTIMONY OF
OUCC WITNESS MARK H. GROSSKOPF

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

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

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

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

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

21 A: I reviewed Petitioner's testimony and exhibits, revised testimony and exhibits,
22 workpapers, and other supporting documentation. I analyzed Petitioner's
23 responses to discovery requests from the OUCC and intervenor groups. I

1 participated in several meetings with Vectren South staff regarding various
2 adjustments and categories within Petitioner's revenue requirements. I also
3 attended numerous meetings with OUCC staff members to identify and address
4 issues in this Cause. Also, as it relates to this Cause, I have experience with a
5 forward-looking test year rate case through my analysis, testimony, and review of
6 compliance filings for phased-in rates in NIPSCO's Cause No. 44988.

Indiana Office of Utility Consumer Counselor
Cause No. 45447
Index of Issues, Requests, and Supporting Witnesses¹

Subject	GENERAL	Supporting Witness
Test Year	Twelve Months Ended December 31, 2021	Public's Exhibit No. 1: Mark Grosskopf
Historical Base Period	Twelve Months Ended December 31, 2019	Public's Exhibit No. 1: Mark Grosskopf

REVENUE REQUIREMENT			
Subject	OUCG Request	Supporting Witness	Workpaper or Exhibit Reference
Overall Revenue Increase	<ul style="list-style-type: none"> • Total annual increase in revenue of approximately \$14,266,545, or 13.40% to be phased in over 2 steps. 	<ul style="list-style-type: none"> • Mark Grosskopf 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1
Financial Forecast	<ul style="list-style-type: none"> • Set rates based on the OUCG's adjustments to Petitioner's Test Year financial forecast. • Reflect forecasted revenues, O&M, and capital investments in rates 	<ul style="list-style-type: none"> • Mark Grosskopf (O&M, capital investments) • Yi Gao (Forecasted revenues, O&M) • Angela Griffith (O&M) • Cinthia Sabillon (O&M) 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 • Public's Exhibit No. 2, Attachments YG-1 to YG-8 • Public's Exhibit No. 3, Attachments AJG-1 to AJG-12 • Public's Exhibit No. 4, Attachments CJS-1 to CJS-3
Return on Equity (ROE)	<ul style="list-style-type: none"> • Authorize 9.20% ROE 	<ul style="list-style-type: none"> • Mark Grosskopf • Cinthia Sabillon • Leja Courter 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 • Public's Exhibit No. 4, Attachment CJS-6 • Public's Exhibit No. 5, Attachment LDC-5
Weighted Average Cost of Capital (WACC)	<ul style="list-style-type: none"> • Authorize WACC of 5.55% applied to forecasted rate base. 	<ul style="list-style-type: none"> • Mark Grosskopf • Cinthia Sabillon 	<ul style="list-style-type: none"> • Public's Exhibit No. 1, Attachment MHG-1 • Public's Exhibit No. 4, Attachment CJS-6

¹ This Index of the OUCG's case-in-chief is intended to highlight issues and is *not an exhaustive list* of the OUCG's requests in this proceeding. A complete account of the OUCG's requested relief can be found in the OUCG's case-in-chief, including but not limited to its testimony and attachments.

REVENUE REQUIREMENT			
Subject	OUCR Request	Supporting Witness	Workpaper or Exhibit Reference
Depreciation	<ul style="list-style-type: none"> Set new depreciation rates and reflect the resulting depreciation expense in base rates based on the OUCR's changes to Petitioner's depreciation study 	<ul style="list-style-type: none"> Mark Grosskopf (Depreciation Expense) Angela Griffith (Amortization Expense) David Garrett (Depreciation Rates and Expense) 	<ul style="list-style-type: none"> Public's Exhibit No. 1, Attachment MHG-1 to MHG-2 Public's Exhibit No. 3, Attachment AJG-11 Public's Exhibit No. 6, Attachment DJG-2 to DJG-4
Taxes	<ul style="list-style-type: none"> Reflect forecasted test year tax expense in base rates Apply gross revenue conversion factor (GRCF) 	<ul style="list-style-type: none"> Mark Grosskopf 	<ul style="list-style-type: none"> Public's Exhibit No. 1, Attachment MHG-1
Forecasted Rate Base	<ul style="list-style-type: none"> Reflect forecasted capital projects in rate base 	<ul style="list-style-type: none"> Mark Grosskopf 	<ul style="list-style-type: none"> Public's Exhibit No. 1, Attachment MHG-1
Inclusion of Unaccounted For Gas in GCA	<ul style="list-style-type: none"> Change percentage cap included in the GCA 	<ul style="list-style-type: none"> Yi Gao 	<ul style="list-style-type: none"> Public's Exhibit No. 2

COST OF SERVICE AND RATE DESIGN			
Subject	OUCR Proposal	Supporting Witness	Workpaper or Exhibit Reference
Class Cost of Service Study (COSS)	<ul style="list-style-type: none"> Changes to Petitioner's proposed allocation methodologies. 	<ul style="list-style-type: none"> Brien Krieger 	<ul style="list-style-type: none"> Public's Exhibit No. 7
Overall Rate Design	<ul style="list-style-type: none"> Changes to Petitioner's proposed subsidies. Changes to Petitioner's proposed monthly customer service charges. 	<ul style="list-style-type: none"> Brien Krieger 	<ul style="list-style-type: none"> Public's Exhibit No. 7
Rider Proposals	<ul style="list-style-type: none"> Approval of Petitioner's proposed Tax Savings Credit Rider ("TSCR") 	<ul style="list-style-type: none"> Angela Griffith 	<ul style="list-style-type: none"> Public's Exhibit No. 3
Rider Proposals	<ul style="list-style-type: none"> Approval of Petitioner's proposed Energy Efficiency extension and Riders 	<ul style="list-style-type: none"> Cinthia Sabillon 	<ul style="list-style-type: none"> Public's Exhibit No. 4

COST OF SERVICE AND RATE DESIGN			
Subject	OUCS Proposal	Supporting Witness	Workpaper or Exhibit Reference
Rider Proposals	<ul style="list-style-type: none"> • Approval of Petitioner's proposed Universal Service Program extension, with modifications 	<ul style="list-style-type: none"> • Yi Gao 	<ul style="list-style-type: none"> • Public's Exhibit No. 2
Terms and Conditions of Service and Tariffs	<ul style="list-style-type: none"> • Changes to Petitioner's General Terms and Conditions Relating to Customer Deposits • Approval of Petitioner's proposed changes to its tariff, as proposed by Petitioner's witness Tieken 	<ul style="list-style-type: none"> • Cinthia Sabillon (Customer Deposits) • Brien Krieger (Changes to tariff as proposed by Petitioner's witness Tieken) 	<ul style="list-style-type: none"> • Public's Exhibit No. 4 • Public's Exhibit No. 7

Vectren South
CAUSE NUMBER 45447

**Comparison of Applicant's and OUCC's
Revenue Requirements**

	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)
Original Cost rate Base	\$ 469,388,809	\$ 465,150,859	7	\$ (4,237,950)
Times: Weighted Cost of Capital	5.99%	5.55%	8	-0.44%
Net Operating Income Required for Return on Original Cost Rate base	28,116,390	25,802,848		(2,313,542)
Less: Adjusted Net Operating income	7,145,762	15,295,047	4	8,149,285
Net Revenue Increase Required	20,970,629	10,507,801		(10,462,828)
Gross Revenue Conversion Factor	135.7710%	135.7710%	1	0.0000%
Recommended Revenue Increase	<u>\$ 28,472,034</u>	<u>\$ 14,266,545</u>		<u>\$ (14,205,489)</u>
Revenue Percentage Increase	<u>26.75%</u>	<u>13.40%</u>		<u>-13.35%</u>

**Vectren South
CAUSE NUMBER 45447**

Gross Revenue Conversion Factor

	<u>Per Petitioner</u>	<u>Per OUCC</u>	
1 Gross revenue Change	100.0000%	100.0000%	\$ 14,266,545
2 Less: Bad Debt Rate	<u>0.370000%</u>	<u>0.370000%</u>	52,786
3 Sub-total	99.6300%	99.6300%	
4 Less: IURC Fee	<u>0.127400%</u>	<u>0.127365%</u>	18,171
5 Income Before State Income taxes	99.502600%	99.502635%	
6 Less: State Income Tax (4.9% of Line 5)	4.8756%	4.875629%	695,584
7 Utility Receipts Tax (1.4% of Line 3)	<u>1.3948%</u>	<u>1.394820%</u>	198,993
8 Income before Federal income Taxes	93.232200%	93.232186%	
9 Less: Federal income Tax (21% of Line 8)	<u>19.5788%</u>	<u>19.578759%</u>	<u>2,793,213</u>
10 Change in Operating Income	<u>73.653400%</u>	<u>73.653427%</u>	<u>\$ 10,507,798</u>
11 Gross Revenue Conversion Factor	<u>135.7711%</u>	<u>135.7710%</u>	

Vectren South
CAUSE NUMBER 45447

Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	OUC's Pro Forma Adjustments	Difference Increase/ (Decrease)
REVENUE			
Retail Revenue			
Residential	\$ (4,867,351)	\$ (4,867,351)	\$ -
Commercial/Industrial	(1,286,432)	(1,286,432)	-
Transported Gas Revenue	(2,781,989)	(2,781,989)	-
Total Retail Revenue	<u>(8,935,772)</u>	<u>(8,935,772)</u>	<u>-</u>
Other Revenue			
Forfeited Discounts	(50,275)	(42,456)	7,819
Misc Service Revenue	-	-	-
Other Revenue	-	46,749	46,749
Total Other Revenue	<u>(50,275)</u>	<u>4,293</u>	<u>54,568</u>
Total Revenue	<u>\$ (8,986,047)</u>	<u>\$ (8,931,479)</u>	<u>\$ 54,568</u>
OPERATING EXPENSES			
Stored Gas Expenses			
Total Operation	\$ (66,008)	\$ (1,340,121)	\$ (1,274,113)
Total Maintenance	(25,823)	(72,499)	(46,676)
Total Stored Gas Expenses	<u>(91,831)</u>	<u>(1,412,620)</u>	<u>(1,320,789)</u>
Transmission Expenses			
Total Operation	(117,730)	(1,092,821)	(975,091)
Total Maintenance	(12,341)	(314,407)	(302,066)
Total Transmission Expenses	<u>(130,071)</u>	<u>(1,407,228)</u>	<u>(1,277,157)</u>
Distribution Expenses			
Total Operation	(104,276)	(1,928,345)	(1,824,069)
Total Maintenance	(1,614,174)	(1,752,880)	(138,706)
Total Distribution Expenses	<u>(1,718,450)</u>	<u>(3,681,225)</u>	<u>(1,962,775)</u>
Customer Accounts Expense			
Total Customer Accounts Expense	<u>(172,474)</u>	<u>(199,319)</u>	<u>(26,845)</u>
Customer Service and Information Expense			
Total Customer Service and Information Expense	<u>(29,763)</u>	<u>(235,688)</u>	<u>(205,925)</u>
Sales Expense			
Total Sales Expense	<u>-</u>	<u>-</u>	<u>-</u>

**Vectren South
CAUSE NUMBER 45447**

**Reconciliation of Net Operating Income Statement Adjustments
Pro Forma Present Rates**

	Petitioner's Pro Forma Adjustments	OUC's Pro Forma Adjustments	Difference Increase/ (Decrease)
Administrative and General Expenses			
Total Operation Expenses	(1,776,335)	(2,805,404)	(1,029,069)
Total Maintenance Expense	-	-	-
Total Administrative and General Expense	<u>(1,776,335)</u>	<u>(2,805,404)</u>	<u>(1,029,069)</u>
Other Gas Supply Expense			
Total Other Gas Supply Expense	<u>(705,653)</u>	<u>(705,653)</u>	-
Total Operating Expense	<u>\$ (4,624,577)</u>	<u>\$ (10,447,137)</u>	<u>\$ (5,822,560)</u>
DEPRECIATION AND AMORTIZATION EXPENSE			
Total Depreciation and Amortization Expense	<u>\$ 9,115,476</u>	<u>\$ 4,123,481</u>	<u>\$ (4,991,995)</u>
TAXES OTHER THAN INCOME			
Property Taxes	\$ 77,662	\$ 77,662	\$ -
Revenue Taxes	(124,403)	(123,642)	761
State Income Taxes	<u>(1,125,111)</u>	<u>(589,376)</u>	<u>535,735</u>
Total Taxes Other than Income Taxes	<u>\$ (1,171,852)</u>	<u>\$ (635,356)</u>	<u>\$ 536,496</u>
FEDERAL INCOME TAX EXPENSE			
Federal Income Taxes	\$ (2,564,605)	\$ (381,265)	\$ 2,183,340
Deferred Income Taxes	<u>(1,004,789)</u>	<u>(1,004,789)</u>	-
Total Federal Income Tax Expense	<u>\$ (3,569,394)</u>	<u>\$ (1,386,054)</u>	<u>\$ 2,183,340</u>
Total Operating Expense	<u>\$ (250,347)</u>	<u>\$ (8,345,066)</u>	<u>\$ -</u>
Net Operating Income	<u>\$ (8,735,700)</u>	<u>\$ (586,413)</u>	<u>\$ 8,149,287</u>

Vectren South
CAUSE NUMBER 45447

CONSOLIDATED BALANCE SHEET
As of December 31, 2021
(,000's)

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 467
Accounts Receivable, less reserves	43,802
Accrued Unbilled Revenues	28,199
Inventories	69,877
Recoverable Fuel & Natural Gas Costs	2,435
Short Term Intercompany Notes Receivable	-
Prepayments & Other Current Assets	6,530
Total Current Assets	<u>151,310</u>

Utility Plant:

Utility Plant in Service at original cost	\$ 4,460,440
Less: Accumulated Depreciation & Amortization	(1,849,146)
Net Utility Plant in Service	<u>2,611,294</u>

Deferred Charges and Other Assets:

Investments in Unconsolidated Affiliates	\$ 150
Other Investments	12,396
Non-Utility Property - net	1,497
Goodwill - net	5,557
Regulatory Assets	163,986
Other Assets	26,802
Total Other Assets	<u>210,388</u>

Total Assets	<u><u>\$ 2,972,992</u></u>
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Vectren South
CAUSE NUMBER 45447

CONSOLIDATED BALANCE SHEET
As of December 31, 2021
(,000's)

LIABILITIES and SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	-
Accounts Payable to Affiliated Companies	\$ 88,425
Accrued Liabilities	-
Short-Term Borrowings	57,917
Current Maturities of Long-Term Debt	156,000
Long-Term Debt Subject to Tender	4,640
Other Current Liabilities	<u>306,982</u>

Deferred Income Taxes and Other Liabilities:

Deferred Income Taxes	\$ 269,428
Regulatory Liabilities	207,386
Deferred Credits and Other Liabilities	112,621
Total Deferred Income Taxes and Other Liabilities	<u>589,435</u>

Minority Interest in Subsidiary:

-

Long-Term Debt - Net:

\$ 927,596

Preferred Shareholder's Equity:

-

Common Shareholder's Equity:

Common Stock	\$ 468,276
Retained Earnings	680,703
Accumulated Other Comprehensive Income	-
Total Common Shareholder's Equity	<u>1,148,979</u>

Total Liabilities

\$ 2,972,992

Vectren South
CAUSE NUMBER 45447

INCOME STATEMENT
Twelve Months Ended December 31, 2021
(,000's)

Operating Revenues:	
Total Operating Revenues	\$ 115,424
Less: Cost of Gas Sold	36,877
Gas Utility Operating Margin	<u>78,547</u>
Operating Expenses:	
Operating & Maintenance - Labor	5,384
Operating & Maintenance - Non-Labor	7,289
Asset Charge	3,977
Corporate Allocations - Labor and Non-Labor	<u>10,504</u>
Total Operation & Maintenance	27,154
Indiana Bad Debt	<u>527</u>
Total Operation & Maintenance before pass-thru expenses	27,681
Pass-thru Operation & Maintenance	<u>11,153</u>
Total Operation & Maintenance Expense	38,834
Depreciation Expense	16,555
Property Taxes	2,391
Revenue Taxes	<u>1,609</u>
Total Operating Expenses	<u>59,389</u>
Operating Income:	<u>19,158</u>
Other Income (Expense):	
AFUDC - Total	1,035
Interest Income	7
Interest Expense	(7,796)
Other Income	<u>987</u>
Total Other Income (Expense)	<u>(5,767)</u>
Income Before Taxes:	13,391
Less: Income Taxes	<u>3,277</u>
Net Income	<u><u>\$ 10,114</u></u>

Vectren South
CAUSE NUMBER 45447

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
REVENUE							
Retail Revenue							
Residential	\$ 73,393,023	\$ (4,867,351)	Pet.	\$ 68,525,672	\$ 10,219,770		\$ 78,745,442
Commercial/Industrial	26,023,443	(1,286,432)	Pet.	24,737,011	2,872,593		27,609,604
Transported Gas Revenue	14,927,140	(2,781,989)	Pet.	12,145,151	1,174,183		13,319,333
Total Retail Revenue	114,343,606	(8,935,772)		105,407,834	14,266,545	1	119,674,379
Other Revenue							
Forfeited Discounts	588,595	(42,456)	5-1	546,139			546,139
Misc Service Revenue	82,940			82,940			82,940
Other Revenue	408,365	46,749	5-2	455,114			455,114
Total Other Revenue	1,079,900	4,293		1,084,193	-		1,084,193
Total Revenue	\$ 115,423,506	\$ (8,931,479)		\$ 106,492,027	\$ 14,266,545		\$ 120,758,572
OPERATING EXPENSES							
Stored Gas Expenses							
Operation:							
Operation Supervision and Engineering	\$ 1,712,180	\$ (561,909)	6-2(c)	\$ 1,150,271			\$ 1,150,271
Maps and Records	5,494	(94)	Pet.	5,400			5,400
Wells Expenses	1,375,469	(661,381)	6-2(d)	714,088			714,088
Lines Expenses	189,289	(116,737)	6-2(a)	72,552			72,552
Compressor Station Expenses	56,558			56,558			56,558
Purification Expenses	112,229			112,229			112,229
Rents	3,436			3,436			3,436
Total Operation	3,454,654	(1,340,121)		2,114,533	-		2,114,533
Maintenance:							
Maint. of Wells	262,625	(6,755)	Pet.	255,870			255,870
Maint. of Lines	217,937	(46,676)	6-2(b)	171,261			171,261
Maint. of Compressor Station Equipment	481,374	(19,068)	Pet.	462,306			462,306
Maint. of Purification Equipment	76,965			76,965			76,965
Total Maintenance	1,038,901	(72,499)		966,402	-		966,402
Total Stored Gas Expenses	4,493,555	(1,412,620)		3,080,935	-		3,080,935
Transmission Expenses							
Operation:							
Operation Supervision and Engineering	1,636,950	(653,587)	6-2(e)	983,363			983,363
System Control and Load Dispatching	27,943			27,943			27,943
Mains Expenses	1,962,159	(439,234)	6-2(f)	1,522,925			1,522,925
Measuring and Regulating Station Expenses	255,293			255,293			255,293
Rents	4,000			4,000			4,000
Total Operation	3,886,345	(1,092,821)		2,793,524	-		2,793,524
Maintenance:							
Maint. of Structures and Improvements	35,000	(29,446)	6-2(g)	5,554			5,554
Maint. of Mains	482,311	(284,961)	6-2(h)	197,350			197,350
Maint. of Measuring and Regulating Station Expenses	135,800			135,800			135,800
Total Maintenance	653,111	(314,407)		338,704	-		338,704
Total Transmission Expenses	4,539,455	(1,407,228)		3,132,227	-		3,132,227

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
Distribution Expenses							
Operation:							
Operation Supervision and Engineering	2,545,456	(616,879)	6-2(i)	1,928,577			1,928,577
Mains and Services Expenses	2,502,948	(928,899)	6-2(j)	1,574,049			1,574,049
Meas. and Regulating Station Expenses - General	193,730			193,730			193,730
Removing and Resetting Meters	700,807			700,807			700,807
Customer Installation Expenses	1,086,515	(382,565)	6-2(k)	703,950			703,950
Other Expenses	2,012,073	(2)	Pet.	2,012,071			2,012,071
Rents	200			200			200
Total Operation	9,041,729	(1,928,345)		7,113,384	-		7,113,384
Maintenance:							
Maint. Supervision and Engineering	580,525	(138,706)	6-2(l)	441,819			441,819
Maint. of Structures and Improvements	93,514			93,514			93,514
Maint. of Mains	2,986,154	(1,614,174)	Pet.	1,371,980			1,371,980
Maintenance of Services	833,699			833,699			833,699
Maintenance of Meters and House Regulators	116,379			116,379			116,379
Maintenance of Other Equipment	209,166			209,166			209,166
Total Maintenance	4,819,437	(1,752,880)		3,066,557	-		3,066,557
Total Distribution Expenses	13,861,166	(3,681,225)		10,179,941	-		10,179,941
Customer Accounts Expense							
Operation:							
Supervision	58,238			58,238			58,238
Meter Reading Expenses	177,084			177,084			177,084
Customers Billing and Accounting	1,057,629			1,057,629			1,057,629
Uncollectible Accounts	526,720	(199,319)	6-2(m)	327,401	52,786	1	380,187
Miscellaneous Customer Accounts Expenses	151,596			151,596			151,596
Total Customer Accounts Expense	1,971,267	(199,319)		1,771,948	52,786		1,824,734
Customer Service and Information Expense							
Operation:							
Customer Assistance Expenses	40,107			40,107			40,107
Informational & Instructional Advertising	3,870			3,870			3,870
Misc. Customer Service & Informational	13,692			13,692			13,692
Demonstration and Selling Expenses	389,004	(205,925)	6-2(n)	183,079			183,079
All Other	1,082,876	(29,763)	Pet.	1,053,113			1,053,113
Total Customer Service and Information Expense	1,529,548	(235,688)		1,293,860	-		1,293,860
Sales Expense							
Operation:							
Total Miscellaneous Sales Expenses	3,783			3,783			3,783
Total Sales Expense	3,783	-		3,783	-		3,783

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
Administrative and General Expenses							
Operation:							
Administrative and General Salaries	4,383,570	(85,371)	6-2(o)	4,298,199			4,298,199
Office Supplies and Expenses	2,252,725	(395,281)	6-2(p)	1,857,444			1,857,444
Administrative Expenses Transferred - Company	(739,680)			(739,680)			(739,680)
Outside Services Employed	893,971	(10,457)	Pet.	883,514			883,514
Vectren Corporate Administrative Expenses Allocation	3,977,187	(2,614,905)	Pet.	1,362,282			1,362,282
Property Insurance	235,983			235,983			235,983
Injuries and Damages	644,447	0	6-2(q)	644,447			644,447
Employee Pensions and Benefits	6,512			6,512			6,512
Regulatory Commission Expenses	135,000	118,491	6-3	253,491	18,171	1	271,662
Rents	24,714			24,714			24,714
Miscellaneous General Expenses	508,487	182,119	6-2(r)	690,606			690,606
Total Operation Expenses	12,322,918	(2,805,404)		9,517,514	18,171		9,535,685
Maintenance:							
Maintenance of General Plant	111,850			111,850			111,850
Total Maintenance Expense	111,850	-		111,850	-		111,850
Total Administrative and General Expenses	12,434,768	(2,805,404)		9,629,364	18,171		9,647,535
Other Gas Supply Expense							
Purchased Gas Expense:							
Natural Gas City Gate Purchases	36,877,036	(705,653)	Pet.	36,171,383			36,171,383
Total Other Gas Supply Expense	36,877,036	(705,653)		36,171,383	-		36,171,383
Total Operating Expense	\$ 75,710,578	\$ (10,447,137)		\$ 65,263,441	\$ 70,957		\$ 65,334,398
DEPRECIATION AND AMORTIZATION EXPENSE							
Depreciation and Amortization Expense	\$ 16,554,815	\$ 4,123,481	6-1	\$ 20,678,296			\$ 20,678,296
Total Depreciation and Amortization Expense	\$ 16,554,815	\$ 4,123,481		\$ 20,678,296	\$ -		\$ 20,678,296
TAXES OTHER THAN INCOME							
Property Taxes	\$ 2,390,814	\$ 77,662	Pet.	\$ 2,468,476			\$ 2,468,476
Revenue Taxes	1,609,000	(123,642)	6-4	1,485,358	198,993	1	1,684,351
State Income Taxes	896,284	(589,376)	6-5	306,908	695,584	1	1,002,492
Total Taxes Other than Income Taxes	\$ 4,896,099	\$ (635,356)		\$ 4,260,742	\$ 894,577		\$ 5,155,319
FEDERAL INCOME TAX EXPENSE							
Federal Income Taxes	\$ (4,917,634)	\$ (381,265)	6-5	\$ (5,298,899)	\$ 2,793,213	1	\$ (2,505,686)
Total Federal Income Tax Expense	\$ (4,917,634)	\$ (381,265)		\$ (5,298,899)	\$ 2,793,213		\$ (2,505,686)
PROVISION FOR DEFERRED INCOME TAXES (CREDIT)							
Deferred Income Taxes	\$ 7,298,188	\$ (1,004,789)	Pet.	\$ 6,293,399			\$ 6,293,399
Total Deferred Income Taxes	\$ 7,298,188	\$ (1,004,789)		\$ 6,293,399	\$ -		\$ 6,293,399
Total Federal Income Tax Expense	\$ 2,380,554	\$ (1,386,054)		\$ 994,500	\$ 2,793,213		\$ 3,787,713
Total Operating Expense	\$ 99,542,046	\$ (8,345,066)		\$ 91,196,980	\$ 3,758,747		\$ 94,955,727
Net Operating Income	\$ 15,881,460	\$ (586,413)		\$ 15,295,047	\$ 10,507,798		\$ 25,802,845

Vectren South
CAUSE NUMBER 45447

OUCR Revenue Adjustments

(1)

Forfeited Discounts

Forfeited Discounts (Public's Exhibit No. 2, Attachment YG-1, page 3)

Adjustment Increase (Decrease) \$ (42,456)

(2)

Other Revenue

Other Revenue (Public's Exhibit No. 2, Attachment YG-2, page 2)

Adjustment Increase (Decrease) \$ 46,749

Vectren South
CAUSE NUMBER 45447

OUCC Expense Adjustments

(1)

Depreciation / Amortization Expense

To reflect pro forma depreciation expense.

Pro Forma Depreciation Expense (Public's Exhibit No. 1, Attachment MHG-2)	\$ 16,419,000
Less: Test Period Depreciation Expense	(16,554,815)
Less: CSIA Depreciation Expense Adjustment	<u>(273,026)</u>

Pro forma Deprecation Expense Adjustment \$ (408,841)

CSIA Depreciation Expense Recovery Adjustment (Pet. Sch. C-3.4)	273,026
CSIA Amortization Expense Recovery Adjustment (Pet. Sch. C-3.4)	15,589
CSIA 20% Deferral Amortization Adjustment (Pet. Sch. C-3.18)	3,865,140
CSIA Program Expense Amort. (Public's Exhibit No. 3, Attachment AJG-11, page 2)	282,245
Bare Steel/Cast Iron Prog. Amort. (Public's Exhibit No. 3, Attachment AJG-11, page 2)	<u>96,322</u>

Pro Forma CSIA/BS/CI Depreciation and Amortization Adjustment 4,532,322

Total Depreciation and Amortization Expense Adjustment Increase/(Decrease) \$ 4,123,481

Vectren South
CAUSE NUMBER 45447

OUCG Expense Adjustments

(2)
O&M Expenses

(a) Stored Gas Expense - Operation - Lines:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-1, page 2)

Adjustment Increase (Decrease) \$ (116,737)

(b) Stored Gas Expense - Maintenance - Lines:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-2, page 2)

Adjustment Increase (Decrease) \$ (46,676)

(c) Stored Gas Expense - Operation - Supervision & Engineering:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-3, page 2)

Adjustment Increase (Decrease) \$ (561,909)

(d) Stored Gas Expense - Operation - Wells:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-4, page 2)

Adjustment Increase (Decrease) \$ (661,381)

(e) Transmission Expense - Operation - Supervision & Engineering:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-5, page 2)

Adjustment Increase (Decrease) \$ (653,587)

(f) Transmission Expense - Operation - Mains:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-6, page 2)

Adjustment Increase (Decrease) \$ (439,234)

Vectren South
CAUSE NUMBER 45447

OUCC Expense Adjustments

(g) Transmission Expense - Maintenance - Structures and Improvements:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-3, page 1)

Adjustment Increase (Decrease) \$ (29,446)

(h) Transmission Expense - Maintenance - Mains:

To adjust operation & maintenance expense to reflect removal of large customer from revenue requirements, and reflect a decrease in the proposed annual budget.

Decrease expense to remove estimated costs to maintain large customer main.
(Public's Exhibit No. 1, Attachment MHG-5)

\$ (118,000)

Decrease expense to lower pro forma annual budget.
(Public's Exhibit No. 3, Attachment AJG-7, page 2)

(166,961)

Adjustment Increase (Decrease) \$ (284,961)

(i) Distribution Expense - Operation - Supervision & Engineering:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-4, page 1)

Adjustment Increase (Decrease) \$ (616,879)

(j) Distribution Expense - Operation - Mains & Services:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-5, page 1)

Adjustment Increase (Decrease) \$ (928,899)

(k) Distribution Expense - Operation - Customer Installation:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-1, page 3)

Adjustment Increase (Decrease) \$ (382,565)

(l) Distribution Expense - Maintenance - Supervision & Engineering:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-2, page 3)

Adjustment Increase (Decrease) \$ (138,706)

Vectren South
CAUSE NUMBER 45447

OUCG Expense Adjustments

(m) Customer Accounts Expense - Operation - Uncollectible Accounts:

Increase in COVID-19 Expense (Public's Exhibit No. 2, Attachment YG-7, page 1)	\$ 67,617
Decrease Uncollectible Accounts (Public's Exhibit No. 2, Attachment AJG-8, page 2)	<u>(266,936)</u>

Adjustment Increase (Decrease)	<u>\$ (199,319)</u>
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(n) Customer Service & Information Expense - Operation - Demonstration & Selling:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-3, page 3)

Adjustment Increase (Decrease)	<u>\$ (205,925)</u>
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(o) Administrative & General Expense - Administrative & General Salaries:

Decrease expense to adjust for unfilled vacancies. (Public's Exhibit No. 3, Attachment AJG-12, page 4)

Adjustment Increase (Decrease)	<u>\$ (85,371)</u>
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(p) Administrative & General Expense - Operation - Office Supplies:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-10, page 2)

Adjustment Increase (Decrease)	<u>\$ (395,281)</u>
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(q) Administrative & General Expense - Injuries and Damages:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 3, Attachment AJG-9, page 2)

Adjustment Increase (Decrease)	<u>\$ -</u>
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(r) Administrative & General Expense - Operation - Miscellaneous General:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-6, page 2)

Adjustment Increase (Decrease)	<u>\$ 182,119</u>
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Vectren South
CAUSE NUMBER 45447

OUCG Expense Adjustments

(3)
Regulatory Expenses

Rate Case Expenses:

Adjustment to Rate Case Expense Amortization (Public's Exhibit No. 2, Attachment YG-8, page 1)

Adjustment Increase (Decrease)	\$ 117,857
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IURC Fee:

To reflect IURC fee associated with pro forma present rate operating revenues

Adjusted Present Rate Operating Revenue	\$ 106,492,027
Times: 2020-2021 IURC fee	<u>0.1273654%</u>
Pro Forma IURC Fee	135,634
Less: Test year IURC fee	<u>135,000</u>

Adjustment Increase (Decrease)	<u>634</u>
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Total Regulatory Expense Adjustment	<u><u>\$ 118,491</u></u>
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(4)
Utility Receipts Tax

To reflect utility receipt tax (URT) associated with pro forma operating revenues

Adjusted Present Rate Operating Revenue	\$ 106,492,027
Less: Uncollectible Accounts Expense	394,021
Less: Statutory Exemption	<u>1,000</u>
Pro Forma Revenues subject to URT	106,097,007
Times: Utility Receipt Tax Rate	<u>0.0140</u>
Pro forma Utility Receipt Tax	1,485,358
Less: Test year Utility Receipt Tax	<u>1,609,000</u>

Adjustment Increase (Decrease)	<u><u>\$ (123,642)</u></u>
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Vectren South
CAUSE NUMBER 45447

OUCCE Expense Adjustments

(5)
Income Tax Expense

To reflect pro forma income tax expense.

	Federal	State
Operating Revenue	\$ 106,492,027	\$ 106,492,027
O&M Expenses	65,263,441	65,263,441
Depreciation Expense	20,678,296	20,678,296
Property Tax	2,468,476	2,468,476
Other Taxes	1,485,358	1,485,358
State Income Tax	306,908	
Subtotal	16,289,547	16,596,455
Less: Synchronized interest	(6,225,579)	(6,225,579)
Add Back: Utility Receipt Tax	-	1,485,358
Non-Deductible Permanent Tax Differences	2,661,132	2,661,132
Excess of Tax over Book Depreciation	(5,053,204)	(10,084,533)
Other Reconciling Items (Per Petitioner)	(24,915,360)	(24,915,360)
State Taxable Income		(20,482,527)
Taxable Income	(17,243,464)	
Taxes Rate	21.0%	4.9%
Tax at present Rate	(3,621,127)	(1,003,644)
Provisions for Deferred Income Tax (Pet.)	-	1,714,995
Income Taxes	(3,621,127)	711,351
Federal ITC Amortization	(2,960)	
Excess Deferred Income Tax Amortization	(799,140)	(404,443)
Consolidated Return Benefit of Interest Exp.	(875,672)	
Pro Forma Income Tax Expense	(5,298,899)	306,908
Less Test Period Expense	(4,917,634)	896,284
Income Tax Adjustments	\$ (381,265)	\$ (589,376)

Vectren South
CAUSE NUMBER 45447

Calculation of Pro Forma Original Cost Rate Base

	<u>Per Applicant</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Utility Plant in Service at 12/31/21	\$ 649,736,681	\$ 649,736,681	\$ -
Less: Accumulated Depreciation	(217,128,847)	(217,128,847)	-
Less: Intangible Asset Retirement - Net (Attachment MHG-3)	-	(4,170,950)	(4,170,950)
Less: Revised Estimate - Truck/Equipment (Attachment MHG-4)	-	(67,000)	(67,000)
Net Plant in Service	432,607,834	428,369,884	(4,237,950)
Construction Work in Progress	-	-	-
Working Capital Allowance	-	-	-
Net Utility Plant in Service	432,607,834	428,369,884	(4,237,950)
Add: Gas in Underground Storage (13 mo. Avg.)	22,156,149	22,156,149	-
Utility Materials & Supplies (13 mo. Avg.)	2,530,561	2,530,561	-
PISCC - BS/CI and CSIA	12,094,265	12,094,265	-
Total Original Cost Rate Base	<u>\$ 469,388,809</u>	<u>\$ 465,150,859</u>	<u>\$ (4,237,950)</u>

Vectren South
CAUSE NUMBER 45447

Pro forma Capital Structure
As of December 31, 2021

	Amount (000's)	Percent of Total	Cost	Weighted Cost
Long Term Debt	\$ 932,556	36.69%	3.59%	1.32%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	1,162,598	45.74%	9.20%	4.21%
Cost Free Capital	433,766	17.06%	0.00%	0.00%
Other Capital	13,027	0.51%	4.90%	0.02%
Total Capital	<u>\$2,541,947</u>	<u>100.00%</u>		<u>5.55%</u>

Synchronized Interest Calculation

Long Term Debt	36.69%	3.59%	1.32%
Customer Deposits	0.40%	4.22%	0.02%
Interest Component of ITC	0.12%	3.59%	0.00%
Total			<u>1.34%</u>
Total Original Cost Rate Base			<u>\$ 465,150,859</u>
Synchronized Interest Expense			<u>\$ 6,225,579</u>

Vectren South
CAUSE NUMBER 45447

Current and Proposed Monthly Service Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUCG Proposed</u>	<u>OUCG More (Less)</u>
Residential Service				
<u>Rate 110:</u>				
Effective Monthly Service Charge	\$ 11.00	\$ 35.00	\$ 16.50	\$ (18.50)
Current CSIA Charge	14.10	0.00	0.00	0.00
Total Monthly Flat Charge	<u>\$ 25.10</u>	<u>\$ 35.00</u>	<u>\$ 16.50</u>	<u>\$ (18.50)</u>
General Sales Service				
<u>(Rate 120/125):</u>				
Group 1	\$ 22.00	\$ 35.00	\$ 32.00	\$ (3.00)
Group 2	44.00	70.00	63.00	(7.00)
Group 3	88.00	135.00	125.00	(10.00)
General Transportation Service				
<u>(Rate 145):</u>				
Group 1	\$ 22.00	\$ 250.00	\$ 125.00	\$ (125.00)
Group 2	44.00	250.00	125.00	(125.00)
Group 3	88.00	250.00	125.00	(125.00)
Large Volume Transportation Service				
<u>(Rate 160)</u>				
	\$ 400.00	\$ 800.00	\$ 800.00	\$ -
Contract Transportation Service				
<u>(Rate 170)</u>				
	\$ 700.00	\$ 1,600.00	\$ 1,600.00	\$ -

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

INTANGIBLE PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCG Proposed Accrual Rate (K)	OUCG's Proposed Depreciation Expense (L=DxK)
1	301	601	Organization	\$ 10	\$ -	0.00%	\$ -	0.00%	\$ -
2	302	602	Franchise and Consents	0	0	0.00%	-	0.00%	-
3	303	603	Miscellaneous Intangible Plant	17,041	9,340	10.00%	1,704	10.00%	1,704
4	303.2	603.2	Miscellaneous Intangible Plant - 5 Year	0	0	20.00%	0	20.00%	0
5	303.15	603.15	Miscellaneous Intangible Plant - 15 Year	3,584	819	6.67%	239	6.67%	239
6	303.12	603.12	Miscellaneous Intangible Plant - 12 Year	8,681	541	8.33%	723	8.33%	723
7	303.99	603.99	Miscellaneous Intangible Plant - Fully Depr	19,278	19,278	0.00%	-	0.00%	-
8			Total Intangible Plant	\$ 48,594	\$ 29,979	5.49%	\$ 2,666	5.49%	\$ 2,666
			Removal of Intangible Plant (OUCG Adj.)	(4,171)				5.49%	(229)
			Reduced Picarro Leak Surveyor Cost	(12)				10.00%	(1)
				<u>44,411</u>					<u>2,436</u>

NATURAL GAS PRODUCTION
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCG Proposed Accrual Rate (K)	OUCG's Proposed Depreciation Expense (L=DxK)
1	330	630	Prod Gas Wells - Const	\$ 29	\$ 15	4.13%	\$ 1	3.82%	\$ 1
2	331	631	Prod Gas Wells - Equipment	15	5	9.00%	1	8.08%	1
3	332	632	Field Lines	10	5	4.00%	0	3.52%	0
4			Total Natural Gas Production Plant	\$ 54	\$ 24	5.47%	\$ 3	4.95%	\$ 3

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

UNDERGROUND STORAGE PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUC's Proposed Accrual Rate (K)	OUC's Proposed Depreciation Expense (L=DxK)
1	350.1	650.1	Land	\$ 7,545	\$ (7)	0.00%	\$ -	0.00%	\$ -
2	350.3	650.3	Storage Leaseholds & Rt	1,087	507	1.57%	17	1.45%	16
3	350.5	650.5	Non-Recoverable Nat Gas	1,777	1,341	0.00%	-	0.00%	-
4	351.2	651.2	Compressor Station Strct	192	126	1.14%	2	0.89%	2
5	351.3	651.3	Meas & Reg Station Strct	114	48	2.00%	2	1.74%	2
6	351.4	651.4	Other Structures	310	89	2.70%	8	2.40%	7
7	352	652	Wells	7,175	1,318	1.00%	72	0.94%	67
8	353	653	Lines	932	659	1.21%	11	0.93%	9
9	354	654	Compressor Station Equip	9,630	35	3.72%	358	3.63%	350
10	355	655	Measuring & Regulating Eq	1,142	607	1.87%	21	1.54%	18
11	356	656	Purification Equipment	4,701	528	3.33%	157	2.08%	98
12			Total Underground Storage Plant	\$ 34,605	\$ 5,254	1.88%	\$ 649	1.64%	\$ 568

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

TRANSMISSION PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	365.1	665.1	Land and Land Rights	\$ 744	\$ -	0.00%	\$ -	0.00%	\$ -
2	365.2	665.2	Rights-of-Way	1,753	753	1.25%	22	1.17%	21
3	366.2	666.2	Meas & Reg Station Strct	254	146	2.27%	6	1.78%	5
4	367	667	Mains	104,878	33,006	1.59%	1,668	1.38%	1,447
5	368	668	Compressor Station Equip	28	48	0.44%	0	0.39%	0
6	369	669	Meas & Reg Station Equip	15,147	7,411	2.26%	342	1.34%	203
7	371	671	Other Equipment	5	40	0.00%	-	0.00%	-
8			Total Transmission Plant	\$ 122,809	\$ 41,404	1.66%	\$ 2,038	1.36%	\$ 1,675

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

DISTRIBUTION PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUC's Proposed Accrual Rate (K)	OUC's Proposed Depreciation Expense (L=DxK)
1	374.1	674.1	Land	\$ 330	\$ 2	0.00%	\$ -	0.00%	\$ -
2	374.2	674.2	Land Rights	292	9	1.54%	4	1.44%	4
3	375	675	Structures & Improvements	120	135	0.78%	1	0.62%	1
4	376	676	Mains	236,236	72,346	2.54%	6,000	2.06%	4,866
5	378	678	Meas & Reg Station Eq-Gen	8,940	3,197	3.04%	272	2.12%	190
6	380	680	Services	130,567	41,752	5.59%	7,299	3.57%	4,661
7	381	681	Meters	27,466	11,771	4.71%	1,294	3.89%	1,068
8	382	682	Meter Installations	6,400	1,069	4.02%	257	2.85%	182
9	383	683	House Regulators	504	440	1.13%	6	0.99%	5
10	384	684	House Regulator Install	121	118	0.51%	1	0.43%	1
11	385	685	Indus Meas & Reg St Equip	266	29	3.15%	8	2.60%	7
12	387	687	Other Equipment	111	69	2.35%	3	2.00%	2
13			Total Distribution Plant	\$ 411,354	\$ 130,937	3.68%	\$ 15,145	2.67%	\$ 10,988

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

GENERAL PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUC's Proposed Accrual Rate (K)	OUC's Proposed Depreciation Expense (L=DxK)
1	389.1	689.1	Land and Land Rights	\$ -	\$ -	0.00%	-	0.00%	-
2	390	690	Structures & Improvements	2,839	634	2.25%	64	1.96%	56
3	391.1	691.1	Electronic Equipment	447	409	2.06%	9	2.06%	9
4	391.2	691.2	Furniture & Fixtures	99	68	2.95%	3	2.96%	3
5	392.1	692.1	Automobiles	2,797	687	5.20%	145	4.52%	126
6	392.2	692.2	Light Trucks	(1,144)	(1,485)	0.37%	(4)	0.32%	(4)
7	392.3	692.3	Trailers	273	(70)	6.47%	18	5.49%	15
8	392.4	692.4	Heavy Trucks	2,018	502	2.14%	43	1.89%	38
9	393	693	Stores Equipment	4	4	0.00%	-	0.00%	-
10	394	694	Tools, Shop & Garage Equip	3,564	1,542	2.38%	85	2.38%	85
11	395	695	Laboratory Equipment	412	504	0.22%	1	0.00%	-
12	396	696	Power Operated Equipment	-	-	7.24%	-	6.31%	-
12	396	696.1	Power Operated Equipment - Fully Depreciated	1,707	(2,000)	0.00%	-	0.00%	-
13	397	697	Communication Equipment	4,811	751	6.56%	316	6.57%	316
14	398	698	Miscellaneous Equipment	829	214	2.73%	23	2.73%	23
15			Total General Plant	\$ 18,655	\$ 1,759	3.76%	\$ 702	3.58%	\$ 667
			Reduced Estimate - Leak Detection Truck	\$ (55)				4.52%	(2)
				18,600					665

VECTREN SOUTH
CAUSE NO. 45447
DEPRECIATION ACCRUAL RATES AND ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF DECEMBER 31, 2021

COMMON GENERAL PLANT
(\$000 Omitted)

Line (A)	FERC (B-1)	Account (B-2)	Account Title (C)	Plant Investment (D)	Accumulated Balance (E)	Petitioner's Proposed Accrual Rate (F)	Petitioner's Proposed Depreciation Expense (G=DxF)	OUC's Proposed Accrual Rate (K)	OUC's Proposed Depreciation Expense (L=DxK)
1	303	503	Misc Int Plant	\$ 498	\$ 172	10.00%	\$ 50	10.00%	\$ 50
2	303.2	503.2	Miscellaneous Intangible Plant - 5 Year	-	-	20.00%	-	20.00%	-
3	303.15	503.15	Miscellaneous Intangible Plant - 15 Year	-	-	6.67%	-	6.67%	-
4	303.12	503.12	Miscellaneous Intangible Plant - 12 Year	-	-	8.33%	-	8.33%	-
5	389.1	589.1	Land	548	-	0.00%	-	0.00%	-
6	390	590	Structures and Improvements	8,285	4,478	1.54%	128	1.21%	100
7	391.1	591.1	Electronic Equipment	1,082	1,216	0.05%	1	0.05%	1
8	391.2	591.2	Furniture and Fixtures	1,373	215	5.69%	78	5.68%	78
9	392.1	592.1	Automobiles	235	371	0.00%	-	0.00%	-
10	392.2	592.2	Light Trucks	296	370	0.72%	2	0.62%	2
11	392.3	592.3	Trailers	13	5	5.68%	1	4.88%	1
12	392.4	592.4	Heavy Trucks	16	14	5.89%	1	5.21%	1
13	393	593	Stores Equipment	158	105	3.92%	6	3.91%	6
14	394	594	Tools, Shop & Garage Equip	150	71	1.15%	2	1.15%	2
15	396	596	Power Operated Equipment	144	16	5.37%	8	4.60%	7
16	397	597	Communication Equipment	770	669	1.96%	15	1.95%	15
17	398	598	Miscellaneous Equipment	97	70	1.77%	2	1.78%	2
18			Total Common General Plant	\$ 13,665	\$ 7,773	2.14%	\$ 292	1.93%	\$ 263
19			Total Gas Plant	\$ 649,737	\$ 217,129	3.31%	\$ 21,495	2.55%	\$ 16,598
			Less: Transportation Equipment (2) - Sum (Lines 6-9) for Common General Plant and Sum (Lines 5-8) for General Plant				(206)		(179)
20							<u>21,289</u>		<u>16,419</u>
21			Depreciation Expense (Line 16 + Line 17)						

- Q 4.2:** Regarding the Information Technology Investment discussed in Section A on page 18 of Ms. Bell's testimony, and the Pushdown of Assets discussed in Section B on pages 18-19 of Ms. Bell's testimony;
- a. Will the information technology investment discussed in Section A replace any of the information technology systems discussed in Section B?
 - b. What is the net book value of the information technology systems discussed in Section B that is expected to be replaced by the information technology investment in Section A?
 - c. What is the asset value, accumulated depreciation, and net book value of the information technology systems discussed in Section B assigned to Vectren South's rate base for the period ending December 31, 2021?
 - d. Please provide the in-service date for each information technology system asset in the "push down" group discussed in Section B.
 - e. Please provide the depreciable life, or amortization period, for each information technology system asset in the "push down" group discussed in Section B.
 - f. In reference to Vectren's response to the Industrial Group's data request 1.7, how long does Vectren anticipate using the information technology system assets in the "push down" group for "access to historical data"?

Objection:

Vectren South objects to the request on the grounds and to the extent the request seeks a compilation, analysis or study Vectren South has not performed and which it objects to performing.

Subject to and without waiver of the foregoing objection, Vectren South responds as follows:

Response:

- a. Yes, please see Petitioner's Exhibit No. 7, Attachment JSM-1, as it captures the information technology systems being replaced. Please also see response to IG DR 02-5c, which was also provided to OUCC on November 16, 2020. The supporting attachment contains investment details of all Vectren South's intangible assets.
- b. Please see response to OUCC DR 04.2a.
- c. Please see response to OUCC DR 04.2a.
- d. Please see response to OUCC DR 04.2a, specifically Column I of "VUHI Data" tab of the IG DR 02-5c attachment.
- e. Please see response to 04.2a, specifically Column O of "VUHI Data" tab of the IG DR 02-5c attachment.
- f. Currently, the timeline for information technology system asset utilization is under evaluation.

- Q 13.11:** In response to question 2-5c in the Industrial Group’s Second Set of Data Requests, Vectren states, “[a]lso of note, not all of the intangible assets within the pushdown of assets adjustment are included in the current technology replacement program (ie: Banner).” Also reference the attachment to Vectren’s response to question 2-5c, “Tab: VUHI Intangible Asset Pushdown”, page 1 of 1, reflecting the projection of activity from July 2019 through December 2021.
- a. Is Banner the only asset grouping in this attachment not included in the current technology replacement program?
 - b. If the answer to (a) above is no, please provide a list of the other asset grouping(s), or sub-grouping(s), in this attachment not included in the current technology replacement program.
 - c. Please quantify the projected net book value (NBV) as of December 2021 for each grouping(s) or sub-grouping(s) in this attachment not included in the current technology replacement program.

Objection:

Response:

- a. No.
- b. Of the assets included in the intangible plant pushdown, the majority are not part of the technology replacement program. Subsequent to the response provided to Industrial Group’s DR 2.5, the Company has continued to dissect the fixed asset records in order to further align each system’s net book value with the classifications, to the extent applicable, as presented within Attachment JSM-1 of Petitioner’s Witness Mr. Myerson’s direct testimony. Please see the attached file titled “45447_OUCC 13.11_Intangible Asset Push Down – Vectren South – with VUHI Asset Classification”. The tab titled “VUHI Intangible – VUHI Class” contains a further breakdown of the fixed asset classifications. The rows shaded yellow are impacted by the current technology replacement program. The net book value for the classifications have been identified in column J and for Vectren South in column K. The Company will continue to evaluate the timing of retirements as the replacement program and development of a data repository progresses.
- c. See response to part (b).

Vectren South - Intangible Asset Pushdown - with VUHI Asset Classification

1	ASSET GROUPINGS	ACTUALS - FIXED ASSET SYSTEM			PROJECTION - BASED ON ESTIMATED DEPRECIATION OF JUNE 2019 WORK ORDER BALANCES			PROJECTION - ACTIVITY JULY 2019 - DECEMBER 2021		VECTREN SOUTH ALLOCATION
		JUN-19 GROSS PLANT	JUN-19 ACCUM RESERVE	Sum of JUN-19 NBV	Sum of DEC-19 NBV	Sum of DEC-20 NBV	Sum of DEC-21 NBV	ESTIMATED ACTIVITY JUL 19 - DEC 21 NBV	DEC-21 PROJECTED NBV	
2	AMT	77,726,170	65,741,447	8,984,723	8,132,635	6,507,889	4,965,714	-	4,965,714	592,630
3	GIS	72,939,551	64,010,865	8,928,686	8,086,792	6,482,432	4,960,022	-	4,960,022	501,954
4	Maximo	4,582,756	4,582,756	-	-	-	-	-	-	-
5	Other	149,213	112,532	36,682	29,221	14,300	-	-	-	-
6	Vectren.com	54,650	35,295	19,355	16,623	11,158	5,693	-	5,693	576
7	Banner	77,529,288	61,864,588	15,664,700	14,919,996	13,474,845	12,072,158	-	12,072,158	1,221,702
8	Banner	64,126,041	61,243,710	2,882,331	2,584,749	2,033,839	1,525,393	-	1,525,393	154,370
9	OC&S	13,403,247	620,876	12,782,369	12,335,246	11,441,006	10,546,764	-	10,546,764	1,067,333
10	Oracle	27,446,576	21,176,106	6,270,470	5,585,990	4,305,266	3,068,221	(477,551)	2,590,670	256,476
11	GIS	14,982	6,055	8,927	8,178	6,680	5,181	-	5,181	513
12	OBIEE	375,325	244,012	131,314	112,548	75,015	38,459	-	38,459	3,907
13	Oracle eBusiness Suite	26,922,818	20,842,782	6,080,036	5,418,400	4,183,382	2,991,026	(477,551)	2,513,475	248,834
14	Server	67,393	67,393	-	-	-	-	-	-	-
15	Sylo	66,057	19,964	50,103	46,895	40,410	33,554	-	33,554	3,322
16	Other	163,161,817	92,458,787	90,701,751	84,292,769	71,839,467	59,931,081	14,121,966	74,053,048	7,484,168
17	Aflaria	326,030	231,173	94,857	85,044	65,419	45,793	-	45,793	4,634
18	Agle/Craft	258,137	30,830	227,307	214,403	188,594	162,785	-	162,785	16,474
19	Audio/Visual Communication	46,938	13,197	33,741	27,492	24,996	20,499	-	20,499	5,111
20	AVL	310,782	188,732	122,050	106,406	75,575	45,509	-	45,509	4,606
21	Banner	260,400	260,400	-	-	-	-	-	-	-
22	Citrix Portal	80,860	77,791	3,069	2,465	1,258	90	-	90	5
23	Click	6,720,911	1,183,659	5,537,251	5,198,783	4,521,787	3,844,811	-	3,844,811	389,095
24	Communications	531,442	263,190	268,252	58,616	39,345	20,074	-	20,074	2,031
25	Corporate Analytics	3,295,504	720,472	2,485,032	2,324,710	2,004,064	1,683,419	-	1,683,419	170,362
26	Cyber Hardware	135,616	45,611	90,005	83,237	69,699	56,162	-	56,162	5,684
27	Cyber Software	2,001,564	815,545	1,186,019	1,090,030	898,053	706,372	-	706,372	71,485
28	Desktop Software	4,422,825	3,320,904	1,101,922	904,614	643,319	498,266	-	498,266	50,425
29	Diaser Recovery	4,101,527	880,472	3,221,055	3,020,784	2,620,243	2,219,701	-	2,219,701	224,634
30	ED Work Mgmt Systems	840,135	267,080	573,054	539,563	454,670	389,746	-	389,746	37,418
31	FDM	788,621	299,594	489,027	449,127	369,328	289,528	-	289,528	29,300
32	Fleet Focus	179,410	75,058	100,352	91,573	74,015	56,457	-	56,457	5,713
33	GIS	2,157,836	361,718	1,796,117	1,686,591	1,467,538	1,248,484	-	1,248,484	126,347
34	Hyperion	4,430,386	4,038,419	399,966	352,236	287,389	191,517	-	191,517	19,382
35	Kbase	52,291	52,291	-	-	-	-	-	-	-
36	Markview	1,118,828	1,111,887	6,942	4,854	3,751,824	2,811,852	-	2,811,852	284,569
37	Maximo	13,256,952	7,802,025	5,454,927	4,854,559	3,996,711	3,200,291	-	3,200,291	323,869
38	Microsoft	10,265,642	5,072,063	5,193,579	4,796,623	3,996,711	3,200,291	-	3,200,291	323,869
39	Mobile Hardware	200,588	149,337	51,251	46,540	37,119	27,874	-	27,874	2,821
40	Monitors/Printers	93,881	33,243	60,638	55,944	46,555	37,165	-	37,165	3,761
41	Network	396,902	204,139	192,763	140,773	119,794	92,814	-	92,814	9,393
42	OBIEE	4,659,691	2,375,933	2,283,758	2,058,687	1,625,414	1,260,529	-	1,260,529	127,566
43	OmniSmart	5,816,700	1,432,493	4,384,207	4,093,358	3,511,658	2,929,958	-	2,929,958	296,512
44	OMS	179,739	179,739	-	-	-	-	-	-	-
45	OnBase	9,038,736	2,565,348	6,473,388	6,021,172	5,116,738	4,212,305	-	4,212,305	426,285
46	Oracle eBusiness Suite	28,523,939	12,384,399	16,139,540	15,525,152	14,304,402	13,114,155	-	13,114,155	1,327,153
47	Other	28,935,929	19,743,132	9,192,797	8,452,794	6,994,709	5,576,215	14,121,966	19,698,181	1,993,456
48	PC/Laptops/Thin Clients	(9)	(3)	(6)	(6)	(5)	(4)	-	(4)	(0)
49	PowerPlant	4,304,091	3,070,206	1,233,885	1,065,152	736,539	466,887	-	466,887	47,249
50	SCADA	372,029	88,768	283,261	264,657	227,450	190,243	-	190,243	19,253
51	Server	3,293,926	1,143,927	2,060,001	1,902,631	1,599,340	1,296,547	-	1,296,547	131,211
52	Solar Winds	149,987	60,949	89,037	81,467	66,327	51,187	-	51,187	5,180
53	SSC	549	57	492	464	409	354	-	354	36
54	Storage	1,603,612	551,073	1,052,539	977,373	827,042	676,711	-	676,711	68,483
55	Sylo	6,907,968	2,307,694	4,600,274	4,253,523	3,560,020	2,867,592	-	2,867,592	290,200
56	System Testing	281,111	142,799	138,312	124,247	96,115	67,984	-	67,984	6,880
57	TBCO	7,400,095	4,402,036	2,998,059	2,746,452	2,243,239	1,764,927	-	1,764,927	178,611
58	UPS	54,776	20,313	34,463	31,724	26,247	20,769	-	20,769	2,102
59	Vectren.com	19,224,957	9,858,928	9,366,029	8,835,050	7,801,629	6,800,188	-	6,800,188	688,179
60	Vinnet	4,299,609	3,542,179	757,430	682,318	532,096	381,874	-	381,874	38,646
61	Windows	1,875,324	852,928	1,022,396	928,692	741,075	553,527	-	553,527	56,017
62	Workforce Time Entry	330,687	239,876	90,710	77,797	51,731	39,952	-	39,952	4,044
63	OVS HQ	1,697,409	1,582,223	15,186	4,467	-	-	-	-	-
64	Desktop Software	30,524	30,524	-	-	-	-	-	-	-
65	Other	433,003	433,003	-	-	-	-	-	-	-
66	OVS HQ	1,133,882	1,118,696	15,186	4,467	-	-	-	-	-
67	SSC	114,648	95,631	19,018	15,564	9,189	6,543	-	6,543	662
68	Citrix Portal	17,387	11,374	6,013	5,144	3,405	1,666	-	1,666	169
69	Markview	42,601	36,741	5,860	3,729	-	-	-	-	-
70	SSC	54,660	47,515	7,145	6,691	5,784	4,877	-	4,877	494
71	Grand Total	367,575,609	245,919,761	121,655,848	112,951,413	96,127,655	80,043,717	13,644,415	93,688,132	9,475,539
72	Pivot	Pivot	Pivot	Pivot	Pivot	Pivot	Pivot	Formula	Formula	Formula
										850,341
										3,320,608
										4,170,950
										2022 Retirements
										No future investments
										Total Estimated IT Retirements

Q 8.4: Referencing WPB-2.1 in Vectren's Exhibit No. 18, wherein it shows the addition of \$1,100,000 in Miscellaneous Intangible Plant and \$100,000 in Automobiles for the Leak Detection Adjustment.

- a. Explain the nature and name of the assets included in the \$1,100,000 of miscellaneous intangible plant.
- b. How was the \$1,100,000 amount determined?
- c. Were quotes or bids sought for determination of the \$1,100,000 amount?
- d. Please provide any quotes, bids, or estimate criteria used to determine the \$1,100,000 amount.
- e. How many vehicles are included in the \$100,000 estimate?
- f. Does the \$100,000 estimate include add-on equipment to the vehicle(s)? If yes, please explain the nature of the equipment.
- g. How was the \$100,000 amount determined?
- h. Were quotes or bids sought for determination of the \$100,000 amount?
- i. Please provide any quotes, bids, or estimate criteria used to determine the \$100,000 amount.

Response:

- a. The Picarro Surveyor P3300 System is the asset included. It performs leak survey of our natural gas assets. As referenced in Witness Leger's direct testimony on page 20, lines 21-23, it can detect methane and ethane at 1 part per billion (ppb). This equipment is 1,000 times more sensitive than traditional surveying methods.
- b. The Company has an existing contract with Picarro that determines the price of these units. At the time of budgeting the \$1,100,000 was an estimate and the actual costs of the asset, per the contract, is \$1,088,000 for the hardware and embedded licenses. Additionally, Vectren South will incur O&M expense of \$272,000 for Picarro services over a 5 year period.
- c. At the time of the contract, there was not another offering with this level of sensitivity, but the contract was negotiated with Picarro.
- d. Per 8.4.c, there were no bids due to the unique nature of this equipment.
- e. This estimate is for 1 vehicle for the 1 Picarro Surveyor.
- f. Yes, the estimate includes vehicle modifications to accommodate the Picarro Surveyor equipment and includes the following modifications:
 - (1) An anemometer must be placed on the vehicle to determine wind speed and direction;
 - (2) High accuracy GPS is employed to ensure Company assets are surveyed;
 - (3) Mounting brackets for the Picarro Surveyor modules;
 - (4) Tubing for the intake ports to the sampler; and (5) The back of the vehicle is modified to accommodate the modules, reduce noise made by the pump, relocate the spare tire, among other things.
- g. Upon further review, the total cost of the vehicle and modifications to accept the Picarro Surveyor equipment is \$44,900. This estimate is based on previous experience in modifying other vehicles for the Picarro Surveyor equipment. This will be the 20th vehicle that CenterPoint has outfitted and approximately the 7th vehicle outfitted with this particular set up.
- h. CenterPoint did not solicit any bids or quotes to determine the estimate.
- i. Please refer to response to OUCC Data Request 8.4.h with respect to bids and quotes.

- Q 13.12:** Referencing page 21, lines 3-12 of her testimony, Ms. Bell discusses the adjustment for the removal of assets associated with extension of service to an industrial customer. On lines 10-12 Ms. Bell states, “the associated contractual (non-gas cost) revenues for this customer were also removed from the test year.” Additionally, the response to OUCC data request question 8.6(d) states, “Vectren owns, operates and maintains the line.”
- a. Were the expenses associated with operation and maintenance of the line removed from the test year?
 - b. If the answer to (a) is yes, where was this expense adjustment reflected in the revenue requirement schedules?
 - c. What was the total cost of maintenance for the main extension during 2019?
 - d. What is the total cost of maintenance for the main extension budgeted for 2021?

Response:

- a. No, the expenses associated with the operation and maintenance of the line were not removed from the test year.
- b. Not applicable
- c. Although the operation and maintenance expenses are not tracked separately from costs to operate and maintain the rest of the system, annual operation and maintenance costs are estimated at approximately \$118,000.
- d. See response to part (c)

Q 13.21: On page 12, lines 14-17 of her testimony, Ms. Bell states, “[c]onsistent with other orders issued in future test year cases in Indiana, the Company would propose that those rates take effect immediately on an interim-subject-to-refund basis (with a true-up including carrying charges).”

- a. Please provide a list of all other known Indiana utilities who have filed a rate case with a future test year.
- b. For all those companies included on the list above, please indicate if an update to actual rate base as of the end of the test year was performed.
- c. For all those companies included on the list above, please indicate if an update to actual capital structure as of the end of the test year was performed.
- d. For all those companies included on the list above, please indicate if an update to the full test year revenue requirements (revenues and expenses) for actual results was performed.

Response:

- a. Please see the table below.

Line No.		Utility Type	Cause No.	Date	
				Approved	Test Year
1	Duke Energy Indiana, LLC	Electric	45253	6/29/2020	12/31/2020
2	Indiana Michigan Power Company	Electric	44967	5/30/2018	12/31/2018
3	Indiana Michigan Power Company	Electric	45235	3/11/2020	12/31/2020
4	Northern Indiana Public Service Company	Electric	45159	12/4/2019	12/31/2019
5	Northern Indiana Public Service Company	Gas	44988	9/19/2018	12/31/2018
6	Indiana-American Water Company	Water	44450	1/28/2015	11/30/2015
7	Indiana-American Water Company	Water	45142	6/26/2019	4/30/2020

- b. Please refer to the following below:
 - i. Duke Energy Indiana, LLC – Per Commission’s order in Cause No. 45253, Step 1, was to file new schedules of rates and charges in accordance with the order. Step 2, was to file new schedules of rates and charges and provide verification of actual used and useful property to the verified actual test-year end net plant as of December 31, 2020.
 - ii. Indiana Michigan Power Company – Per Commission’s order in Cause No. 44967, net plant for Phase II rates shall not exceed the lesser of (i) I&M’s forecasted test-year-end net plant, or (ii) certified test-year-end net plant as of December 31, 2018, or January 1, 2019, whichever is later.

- iii. Indiana Michigan Power Company – Per Commission’s order in Cause No. 45235, I&M was to file new schedules of rates and charges for Phase I and Phase II subject to review and agreement with the amounts reflected and be implemented upon Energy Division approval. The net plant for Phase II rates shall use the forecasted test year end net plant approved. The Phase II rates shall go into effect on the date I&M certifies its test year end net plant, or January 1, 2021, whichever is later. The net plant for Phase II rates shall not exceed the lesser of (i) the forecasted test year end net plant approved or (ii) I&M’s certified test year end net plant.
 - iv. NIPSCO-Electric – Per the Commission’s order in Cause No. 45159, Phase Two update was to file new schedules of rates and charges based on agreed revenue requirement, reflecting order-approved ROE, as of 12/31/2019 as adjusted to reflect lesser of (i) forecasted test-year-end rate base per rebuttal, or (ii) certified test-year-end net PIS as of Dec 31, 2019.
 - v. NIPSCO-Gas – Per the Commission’s order in Cause No. 44988, Phase Two update was to file new schedules of rates and charge based on agreed revenue requirement as of 12/31/2018 as adjusted to reflect lesser of (i) forecasted test-year-end rate base per rebuttal, or (ii) certified test-year-end net PIS as of Dec 31, 2018.
 - vi. Indiana American – Per the Commission’s Order in Cause No. 44450, for Phase 2 rates, Indiana American was ordered to file updated schedules of rates and charges based on actual net original cost rate base as of the end of the test year, subject to certain caps reached in settlement.
 - vii. Indiana American – Per the Commission’s Order in Cause No. 45142, Step 2 rates were to be based upon actual net original cost rate base as of the end of the test year (April 30, 2020).
- c. Hypothetical capital structures have long been held to be contrary to Indiana law. *Northern Indiana Public Service Co.*, Cause No. 43526 (IURC 8/25/2010), at pp.18-19 (citing Indiana case law prohibiting the setting of rates based on a hypothetical capital structure as well as Commission orders rejecting the use of hypothetical capital structures in setting rates).

Please refer to the following below:

- i. Duke Energy Indiana, LLC (Cause No. 45253) – aligned the capital structure with the plant-in-service amounts included in rate base during Step 1. The capital structure and cost of capital amounts do not exceed the forecasted 2020 values that were included in the Commission approved base rates.
- ii. Indiana Michigan Power Company (Cause No. 45235) – test year capital structure as reflected in the order.

- iii. Indiana Michigan Power Company (Cause No. 44967) – capital structure was set to the level found in the order within the Settlement Agreement.
 - iv. Northern Indiana Public Service Company-Electric (Cause No. 45159) – capital structure was updated during Step 1 rates and Step 2 rates based on actual capital as of December 31, 2019 Forward Test Year cutoff date. NIPSCO will certify the net plant in service and current capital structure as of December 31, 2019, and calculate the Step 2 rates using those certified figures.
 - v. Northern Indiana Public Service Company-Electric (Cause No. 44988) – capital structure was updated during Step 1 to reflect actual capital structure as of June 30, 2018 and for Step 2 to reflect actual capital structure as of December 31, 2018.
 - vi. Indiana American (Cause No. 44450) - Step 2 rates based on capital structure as set forth in settlement and approved in Commission's order.
 - vii. Indiana American (Cause No. 45142) - Step 2 rates to be based on projected capital structure as of end of test year as presented in settlement, with Indiana American committing to achieve an actual capital structure in line with what is presented in the Settlement.
- d. Vectren South is proposing a full update to the revenue requirement as described in Witness Bell's testimony, subject to the caps she describes. This update largely works to the benefit of customers. To Vectren South's knowledge, no similar proposal has been made. The Company's proposal for a full update is driven by the uncertainty surrounding the effects from the COVID-19 pandemic.

- Q 5.3:** Referencing Vectren's response to question 3-3, part d, for the Industrial Group's third set of data requests in which Vectren states, "the recovery of capital investments within the CSIA, which captures investments through 2020, will cease upon implementation of the base rate Order."
- a. Will Vectren continue accumulation of investments in the CSIA during 2021, until a base rate Order is issued?
 - b. When does Vectren envision ceasing the accumulation of investments in the CSIA?
 - c. When does Vectren envision transferring the accumulation of investments in the CSIA to rate base?
 - d. Does Vectren envision filing a CSIA tracker case in 2021 seeking recovery of investments, in addition to prior period variances?
 - e. When, and for what period, does Vectren anticipate filing the last CSIA filing before base rates are approved?

Objection:

Vectren South objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren South can determine what information is sought in that the phrase "accumulation of investments" is not defined. Vectren South has interpreted the phrase as used in Request as referring to new projects.

Subject to and without waiver of the foregoing objections, Vectren South responds as follows:

Response:

- a. The Company's forward-looking test year of 2021 will capture investments within rate base following the end of the Company's authorized 7-year TDSIC plan which ends December 31, 2020. The accumulation of project costs associated with the 7-year TDSIC plan will cease upon implementation of the base rate Order.
- b. The Company will make its last semi-annual TDSIC filing under Cause No. 44429-TDSIC-14 on April 1, 2021 to recover actual expenditures through the reconciliation period of December 31, 2020.
- c. Upon approval of this pending rate case, the Phase I update of Rate Base as of June 2021 will capture the accumulation of CSIA investments.
- d. The Company will file its 14th semi-annual tracker case (44429-TDSIC 14) on April 1, 2021 to capture actual investments through December 31, 2020. This will also include reconciliation of actual recoveries against approved recoveries through December 31, 2020 (from TDSIC-12 period) in addition to the revenue requirement

of actual expenditures through December 31, 2020. The Company will propose rates to become effective July 1, 2021 or soon after Commission approval in the pending TDSIC-14 proceeding. The TDSIC-14 rates and charges will remain in effect until the Commission issues an order in this pending rate case. At that time, the Company's compliance tariff filing will reflect only the variance component of the CSIA mechanism.

The Company will need to continue to reconcile actual recoveries with approved recoveries through the time when all CSIA-related variances have been fully recovered.

- e. See response to OUCC DR 05-3(d).

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S TESTIMONY OF MARK H. GROSSKOPF*** has been served upon the following counsel of record in the captioned proceeding by electronic service on February 19, 2021.

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