

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY,)
INC. D/B/A VECTREN ENERGY DELIVERY OF)
INDIANA, INC. ("VECTREN NORTH") 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 NORTH'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 PLANT IN SERVICE, (6))
APPROVAL OF NECESSARY AND APPROPRIATE)
ACCOUNTING RELIEF, AND (7) APPROVAL OF AN)
ALTERNATIVE REGULATORY PLAN PURSUANT)
TO WHICH VECTREN NORTH WOULD CONTINUE)
ITS CUSTOMER BILL ASSISTANCE PROGRAMS.)

FILED
March 31, 2021
INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 45468

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.

March 31, 2021

Respectfully submitted,



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**INDIANA GAS COMPANY, INC.
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
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 Indiana Gas Company, Inc. d/b/a Vectren Energy
11 Delivery of Indiana, Inc.'s ("Vectren North" or "Petitioner") request for a rate
12 increase through a phase-in of rates utilizing a forward-looking test year. I
13 sponsor and discuss Vectren North'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 North'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 decrease. 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 North's rate case
9 and are testifying on various elements of the revenue requirements.

10 **Ms. Yi Gao** analyzed Vectren North'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 North's pro forma revenue,
14 various O&M expenses, modifications to the USP, and UAFG included in the
15 GCA mechanism.

16 **Ms. Angela Griffith** analyzed various O&M expense adjustments, CSIA program
17 expenses, property tax, and Vectren North'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 North's Energy
21 Efficiency program, decoupling, cost recovery tariff rider, and components of the
22 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 North'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 North's rate case expense and residential customer billing.

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

3 **Mr. Brien Krieger** discusses his analysis of Vectren North's cost of service study
4 and rate design, including Vectren North'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 North's proposed pro forma increase in**
7 **revenue from existing rates?**

8 A: No. Vectren North requests a rate increase of 3.38% over gross revenues, to
9 increase its annual revenue by \$20,759,200. The OUCC's review supports a
10 decrease in Vectren North's pro forma revenue requirement of \$(26,907,739),
11 resulting in a decrease in gross revenues of 4.38%.

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 North Gas' Income Statement.
- 20 • Schedule 3: Vectren North 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 North's use of a**
4 **forward-looking test year?**

5 A: Yes. Vectren North is using the year beginning January 1, 2021 and ending
6 December 31, 2021 as the forward-looking test year. Vectren North 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 North'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 North's
18 proposed revenue requirements, resulting in the calculation of the OUCC's
19 recommended revenue decrease. Pages 2 and 3 of Schedule 1 compare each
20 parties' calculation of the revenue conversion factor, and a comparison of Vectren
21 North'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 decrease. Schedule 2 is
24 Vectren North's budgeted unadjusted income statement for the test year ending

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

1 expense adjustments on Schedule 4 reflect the net result of adjustments sponsored
2 by OUCC witnesses Yi Gao, Angela Griffith, Cinthia Sabillon, and Leja Courter.
3 The details of Ms. Gao's adjustments are shown on Public's Exhibit No. 2,
4 Attachments YG-1-9. The details of Ms. Griffith's adjustments are shown on
5 Public's Exhibit No. 3, Attachments AJG-1-5. The details of Ms. Sabillon's
6 adjustments are shown on Public's Exhibit No. 4, Attachments CJS-1-13. The
7 details of the expense adjustments sponsored by Mr. Courter are included with
8 Ms. Gao's adjustments.

9 **Q: Please identify the adjustments included in Vectren North'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 North. 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 North. 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 North's methodology in calculating either the public
20 utility fee or the Indiana utility receipts tax. The changes to Vectren North'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 North'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 North'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 North included a forward test year rate base in its revenue**
7 **requirements?**

8 A: Yes. Vectren North'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 an amount derived from budgeted additions and retirements resulting in a forward
12 test year budget estimate. I have reviewed the final balances from Vectren North's
13 historic base period, and I analyzed the budgeted additions and retirements
14 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 North has requested its rate base be updated to actual in two phases.
18 Vectren North 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 North 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 North 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 19-24.)

10 Vectren North'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 North's
13 proposed rate base include utility plant in-service adjusted for accumulated
14 depreciation, acquisition adjustment net of amortization, gas in underground
15 storage, utility materials and supplies, liquified petroleum gas, prepaid gas
16 delivery, and post-in-service carrying costs for the bare steel/cast iron
17 replacement program and CSIA.

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

20 **A:** Yes. The accumulation of investments approved in Vectren North's CSIA filings,
21 Cause No 44430, will be captured in rate base through the Phase 1 and 2 update
22 compliance filings. Vectren North's final CSIA filing is expected to be filed on
23 April 1, 2021. Vectren North summarized the transition from CSIA to rate base in
24 response to the OUCC's data request ("DR") 5.6, which states: "[t]he Company's
25 forward-looking test year of 2021 will capture investments within rate base
26 following the end of the Company's authorized 7-year TDSIC plan which ends
27 December 31, 2020. The accumulation of project costs associated with the 7-year

1 TDSIC plan will cease upon implementation of the base rate Order.” (OUCC DR
2 5.6, Attachment MHG-7.)

B. Intangible Asset Replacements

3 **Q: Are you recommending adjustments to Vectren North’s proposed rate base?**

4 A: Yes. Vectren North’s witness Myerson discusses information technology (“IT”)
5 systems planned for upgrade or replacement:

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. (Petitioner’s Exhibit No. 7, page 12, lines 9-16.)

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

21 Vectren North has good lists of the IT assets it plans to replace but lacked
22 a decisive timeline as to when specific technology would be replaced when this
23 Cause was filed. As shown on Petitioner’s Exhibit No. 7, Attachment JSM-1 and
24 provided again with Vectren North’s response to OUCC DR 5.2(a), the original
25 timing for replacement or upgrade of specified IT assets was during the years
26 2018 to 2020. (OUCC DR 5.2, Attachment MHG-3, pages 1-2.) However, as

1 evidenced by the Intangible Asset Pushdown schedule provided by Vectren North
2 in response to OUCC DR 5.2(d), these same IT assets are now being evaluated for
3 potential retirement in 2022. (*Id.* at 3.) In addition to the IT assets being evaluated
4 for retirement in 2022, Vectren North also identified two asset groupings not
5 expected to see future investments.

6 **Q: What is your assessment of the IT assets identified by Vectren North in**
7 **OUCC DR 5.2?**

8 A: IT assets identified for retirement in 2022 should not be included in rate base as of
9 the future test year ending on December 31, 2021. As indicated in Mr. Myerson's
10 testimony, Vectren North plans to retire certain IT assets to be replaced by
11 systems common at CenterPoint by "utilizing one system across its footprint
12 without duplicate costs." (Petitioner's Exhibit No. 7, page 12, lines 15-16.)
13 Duplication of these assets in rate base should not be permitted. Vectren North's
14 decision to wait to switch to CenterPoint's systems after the future test year does
15 not change the fact these assets will not be used and useful for most of the life of
16 the rates approved in this Cause. A similar reasoning applies to the two asset
17 groupings not expected to see future investments. The decision to withhold future
18 investment in these IT assets indicates these programs are not worth the cost to
19 maintain them, and are nearing obsolescence with limited future usefulness. These
20 assets should also not be included in rate base. The retirement and replacement of
21 these IT assets is known and measurable, and Vectren North's delay in deciding
22 the fate of these assets until after the future test year should not be an excuse to
23 avoid the fact these assets will not be used and useful for most of the life of the
24 rates approved in this Cause.

1 **Q: Is the cost of the replacement IT included in Vectren North's rate base?**

2 A: Yes. Vectren North has already accounted for the cost of replacement IT. Witness
3 Bell addresses the addition of Vectren North's allocated share of replacement IT
4 assets in her testimony where she states:

5 The gross asset addition to the projected rate base for IT-related
6 investments represents the Vectren North allocated share of the
7 investment necessary to replace end-of-life systems and to
8 harmonize the Vectren systems with CenterPoint. The IT-related
9 investment was captured and approved as part of the 2020 and
10 2021 budgets, but it was not allocated to the individual utilities at
11 the completion of the budget process. The calculation of the
12 allocations are shown on Worksheets WPB-2.1b1 and WPB-2.1c
13 in Petitioner's Exhibit No. 18. (Petitioner's Exhibit No. 2, page 20,
14 lines 12-18.)

15 **Q: What is the amount of your IT adjustment to rate base?**

16 A: I totaled the IT assets identified for replacement and assets receiving no future
17 investment as shown in the response to OUCC DR 5.2. The total net value for IT I
18 deducted from rate base is \$17,659,667. (OUCC DR 5.2, Attachment MHG-3,
19 page 3.) In addition, depreciation expense was adjusted for the removal of IT
20 assets using the average rate for the Intangible Asset class. (Attachment MHG-2.)

C. Acquisition Adjustment

21 **Q: Are you recommending other adjustments to Vectren North's proposed rate**
22 **base?**

23 A: Yes. Vectren North's witness Bell discusses components included in rate base on
24 page 25 of her testimony. On lines 5-9, she specifically identifies acquisition
25 adjustments for Westport Natural Gas Company and Terre Haute / Richmond Gas
26 Corporation plant-in-service and amortization approved in Cause Nos. 38302 and
27 38918. Westport Natural Gas Company is fully amortized, so the net acquisition

1 adjustment of \$4,486,622 included in rate base represents Terre Haute /
2 Richmond Gas Corporation, which was initially included as part of rate base in a
3 settlement agreement approved in Cause No. 38918. (Exhibit No. 18, Workpaper
4 WPB-4.1.) I removed the acquisition adjustment plant-in-service and amortization
5 from rate base in this Cause, resulting in a net reduction of \$4,486,622.

6 **Q: Why have you removed the acquisition adjustment from rate base in this**
7 **Cause?**

8 A: The acquisition adjustment was specifically addressed in the Settlement
9 Agreement approved in Cause No. 38918. The terms of the Settlement Agreement
10 in Cause No. 38918 specifically state:

11 It shall be incumbent upon the Combined Company to bear the
12 burden of proof and propose the continuance of the ratemaking
13 treatment for the Acquisition Adjustment in the next general rate
14 proceeding, or any proceeding investigating the reasonableness of
15 the Combined Company's basic rates and charges initiated two (2)
16 years or more after the effective date of the uniform rates ... The
17 Settlement Agreement will in no way prejudice the right of any
18 party to propose a different ratemaking treatment with respect to
19 the Acquisition Adjustment in the Combined Company's next
20 general rate proceeding, or in any proceeding regarding the
21 reasonableness of the Combined Company's revenue distribution,
22 rate design or basic rates and charges... (Attachment MHG-4,
23 pages 2-3.)

24 Petitioner bears the burden of proving it is still appropriate to include the
25 acquisition adjustment in rate base, and Petitioner has not done so in this Cause.
26 In response to OUCC DR 8.8, Petitioner cites the original settlement agreement
27 and subsequent rate cases as authority to continue rate base treatment for the
28 acquisition adjustment. (OUCC DR 8.8, Attachment MHG-4, page 4.) In effect,
29 Petitioner's answer indicates the acquisition adjustment has always been included
30 in rate base so therefore, it is justified. This is not a justification for continuation

1 of the acquisition adjustment and no other evidence has been provided, so
2 Petitioner's burden of proof has not been met in this Cause.

3 **Q: In which rate cases has the acquisition adjustment been included as part of**
4 **rate base?**

5 A: In addition to the original Cause No. 38918, the acquisition adjustment was
6 included in rate base in Cause No. 42598 approved on November 30, 2004, and in
7 Cause No. 43298 approved on February 13, 2008. Each of these rate cases were
8 resolved through approval of a settlement agreement. Page 2, item 2 of the
9 Stipulation and Settlement Agreement in Cause No. 42598 states "[t]he agreed
10 upon rate increase reflects the following original cost rate base, cost of capital and
11 financial results which the Parties agree are reasonable for purposes of
12 compromise and settlement." Page 3 of the Settlement Agreement in Cause No.
13 43298 contains the same language, as well as the following:

14 This Agreement shall not constitute nor be cited as precedent by
15 any person or deemed an admission by any Party in any other
16 proceeding except if necessary to enforce its terms before the
17 Commission, or any state court of competent jurisdiction on these
18 particular issues. This Agreement is solely the result of
19 compromise in the settlement process and except as provided
20 herein, is without prejudice to and shall not constitute a waiver of
21 any position that any of the Parties may take with respect to any or
22 all of the items resolved herein or in any future regulatory or other
23 proceedings.

24 In each case where the acquisition adjustment was included in rate base, it was the
25 result of compromise and settlement, and Petitioner agreed in its last rate case that
26 it would not be considered as precedent. Compromise and settlement in prior
27 cases is not sufficient justification for inclusion in the current case.

VI. DEPRECIATION EXPENSE

1 **Q: Is the OUCC proposing any changes to the depreciation expense rates**
2 **proposed by Vectren North?**

3 A: Yes. OUCC witness Garrett conducted an analysis and provides an assessment in
4 his testimony of Vectren North's depreciation study. Mr. Garrett is recommending
5 a revision to Vectren North's proposed depreciation rates. These revised rates are
6 used in my depreciation expense calculation shown on my Attachment MHG-2.
7 The resulting depreciation expense is incorporated in my adjustment calculation
8 shown on Schedule 6 of Attachment MHG-1, including adjustments to CSIA
9 depreciation and amortization, and bare steel/cast iron program amortization
10 adjustments sponsored by OUCC witness Griffith.

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

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

VII. O&M EXPENSE

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

19 A: Yes. My responsibility for the review of Vectren North's rate base in this Cause
20 made me aware of the removal of assets from rate base associated with the
21 extension of service to an industrial customer. As discussed by Vectren North's
22 witness Bell, gross plant representing the extension of a main to a single customer

1 has been removed from plant-in-service. The customer entered into a contract
2 whereby the full value of the main is paid by the customer over the life of the
3 asset. Therefore, the asset was removed from rate base to avoid costs being
4 allocated to other customers. In addition, the associated revenues for this
5 customer were removed from the test year. (Petitioner's Exhibit No. 2, page 23,
6 lines 2-11.)

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

9 A: No. Vectren North's response to OUCC discovery indicates expenses associated
10 with operation and maintenance of the line were not removed from the test year.
11 (OUCC DR 5.5, Attachment MHG-5.) Since the asset and revenues associated
12 with this customer main are removed from the revenue requirements in this
13 Cause, the O&M expenses associated with the main should also be removed from
14 the revenue requirement. Vectren North estimated the annual O&M costs to be
15 approximately \$295,000. (*Id.*) I therefore removed \$295,000 in O&M expense
16 from Vectren North's Transmission Expense, Maintenance of Mains (FERC
17 Account 863).

VIII. TAXES

18 **Q: Please discuss your conclusions for Vectren North's adjustments to taxes.**

19 A: Schedule 6 of the revenue requirement schedules attached to my testimony as
20 Attachment MHG-1 includes calculations representing Vectren North's
21 methodology in calculating the public utility fee, the Indiana utility receipts tax,
22 and state and federal income taxes. The changes to these fees and taxes calculated

1 in Schedule 6 are a result of changes in pro forma revenues and expenses
2 sponsored by OUCC witnesses. These fees and taxes will change as a result of
3 new net operating income resulting from updates in Vectren North's December
4 31, 2021 Phase 2 compliance filing.

IX. 2021 PHASE-IN RATE UPDATES

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

6 A: Upon issuance of an order in this Cause, Vectren North proposes to update its
7 rates in two phases. In Phase 1, rates would be updated to include actual rate base
8 and capital structure as of June 30, 2021. In Phase 2, Vectren North proposes to
9 update rates to include actual rate base and capital structure, and to update the full
10 revenue requirement for actual results for the test year ending December 31, 2021,
11 with depreciation expense annualized based on December 31, 2021 plant in-
12 service balances. To do this, Vectren North would perform a full update to the
13 revenue requirements and related schedules based on actual 2021 results.
14 (Petitioner's Exhibit No. 2, page 11, lines 17-24.) Vectren North offers the
15 uncertainty associated with the COVID-19 pandemic as justification for a full
16 update to all revenue requirements for the year ending December 31, 2021.

17 **Q: Does Vectren North propose any limits to the revenue requirements update**
18 **in Phase 2?**

19 A: Yes. Vectren North proposes to cap the net total original cost rate base and total
20 O&M expenses at the levels found in the Commission Order. Revenue and billing
21 determinants would be adjusted based completely on actuals. The resulting
22 revenue requirements would be the basis for Phase 2 rates. (Petitioner's Exhibit

1 No. 2, page 13, lines 22-26 to page 14, lines 1-4.)

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

4 A: No. I am not aware of any rate cases using a future test year in Indiana where the
5 utility was allowed to update anything other than rate base, capital structure,
6 depreciation, and taxes as of the cut-off date for the rate base update. Vectren
7 North has not provided evidence of any utility allowed to update the entire
8 revenue requirements at the end of a forward test year. Vectren North responded
9 to OUCC DR 1.8 with all known Indiana utilities that have filed future test year
10 cases. (OUCC DR 1.8, Attachment MHG-6.) None of the utilities listed updated
11 anything other than rate base, capital structure, depreciation, and taxes.
12 Depreciation is updated because it is tied directly to rate base, and taxes have
13 been updated because they are tied directly to the change in income generated
14 from new updated rates. Changes to revenues and all O&M expenses have not
15 been allowed. Updating the entire revenue requirements goes against the very
16 premise of a future test year. Updating the entire revenue requirements to
17 historical data once that data is known is the equivalent of a filing using a
18 historical test year.

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

21 A: It is difficult to say without knowing the actual outcome in advance, but the
22 changes in revenue requirements could be significant. Vectren North has offered
23 to cap O&M expenses at levels found in the Commission's Order but has offered
24 no floor for revenues. Changes in revenues have a larger effect on rates than

1 changes to expenses. Vectren North is correct in its assessment that the effects of
2 the COVID-19 pandemic are uncertain. But an update to rates based on 2021 data
3 could mean rates would be set based on one anomalous year. The financial effects
4 of COVID-19 may hit 2021 the hardest. However, as the COVID-19 vaccines
5 make their way through the population in the coming months, 2021 may be the
6 worst year financially and hopefully economic activity improves in the years
7 ahead. The utility is compensated for business risk through its return on equity,
8 and if rates prove to be insufficient in the years to come, Vectren North has the
9 remedy of filing another rate case.

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

11 A: Yes. Given that rate base and the capital structure have a significant effect on
12 rates, including the effects of depreciation expense and the flow through effects of
13 taxes, it is important for the OUCC and the Commission to have an opportunity to
14 review Vectren North's final updated amounts. To facilitate a comprehensive
15 review of Vectren North's updated rate base and capital structure, I agree with
16 Vectren North's proposed period of sixty (60) days to review the updated
17 compliance filing. However, filing an update to the entire revenue requirement
18 schedules would be like reviewing a full rate case in an expedited time frame. The
19 OUCC will need to evaluate each revenue and expense account again to
20 determine if actual amounts are reasonable and should be included in base rates.
21 Additionally, Southern Indiana Gas and Electric Company ("Vectren South") will
22 be on the same review schedule and the Commission and OUCC would have two
23 rate cases to review in an expedited time frame.

1 The OUCC is typically allotted around ninety-eight (98) days to review
2 and file testimony in a rate case using a forward-looking test year. For update
3 filings following a future test year, the OUCC has been allowed sixty (60) days to
4 review rate base and capital structure updates. Therefore, if a full revenue
5 requirement update is authorized, additional time for review is a reasonable
6 expectation. Couple the Vectren North update review under this Cause with a
7 Vectren South update review under Cause No. 45447 during the same time
8 period, and the additional workload for the OUCC and the Commission is
9 doubled. Petitioner's extraordinary request for expanded relief in an expedited
10 time frame deprives the OUCC and other parties of appropriate due process. For
11 these reasons, should the Commission grant Vectren North the right to update all
12 of its revenue requirements the OUCC requests one hundred-twenty (120) days
13 from the time Vectren North files its Phase 2 update to review and respond to the
14 Phase 2 filing. Given that Vectren North's revised rates in the Phase 2 filing will
15 be effective at the time of the filing, subject to refund, Petitioner assumes no risk
16 by allowing the OUCC one hundred twenty (120) days to review and respond to
17 the Phase 2 Compliance filing.

18 **Q: What is your recommendation regarding Vectren North's proposed rate**
19 **update at test year ending December 31, 2021?**

20 **A:** Vectren North has based its revenue requirements on forecasted budgets,
21 including updates and increases to forecasted revenues and expenses. The OUCC
22 has reviewed and analyzed these forecasted revenues and expenses, and
23 incorporating our recommended adjustments, the budgeted revenue requirements
24 appear to be representative of future test year operations. I recommend the

December 31, 2021 update to Vectren North's revenue requirements be limited to rate base, capital structure, depreciation expense, and taxes. In the alternative, should the Commission approve an update to total revenue requirements, there should be a floor on revenues at the levels found in the Commission's Order like the cap on O&M expenses found in the Commission's Order. The floor on revenues should be unique to each rate class to avoid significant shifts between rate classes based on the effects of one year, 2021, which effects will likely be temporary. Finally, all compliance filings should include all pertinent documentation supporting each 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 decrease 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 decrease of 4.38%, for a total recommended revenue decrease of (\$26,907,739). 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 \$1,588,652,711. 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

1 updated rate base and capital structure in a Compliance filing containing all
2 pertinent documentation supporting the updated rate base. OUCC witness Courter
3 recommends a return on common equity of 9.2%. The resulting return on original
4 cost rate base is \$93,373,063.

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

6 A: As explained in my testimony, I recommend the updates to revenue requirements
7 in Vectren North's December 31, 2021 Phase 2 compliance filing be limited to
8 updates to rate base, the capital structure, depreciation expense, and taxes without
9 updating revenues and expenses. In the alternative, if updates to revenues and
10 expenses are allowed, with expenses capped at levels approved by the
11 Commission in this Cause, then revenues should have as a floor, unique to each
12 rate class, the levels also approved by the Commission in this Cause. In the event
13 Vectren North is allowed to update the entire revenue requirements, the Parties in
14 this Cause should be allowed a minimum of one hundred twenty (120) days to
15 review Petitioner's updated revenue requirements in a compliance filing
16 containing all pertinent documentation supporting the updated revenue
17 requirements.

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

20 A: The following OUCC witnesses provided recommendations for revenue and
21 expense adjustments supporting the revenue requirements and resulting revenue
22 decrease described above. Most witnesses addressed other issues as well. A
23 summary of OUCC witness recommendations is as follows:

24 • Ms. Gao recommends changes to Vectren North's pro forma revenue,

1 various O&M expenses, including amortizations of IT investments,
2 COVID expenses, and rate case expenses. She also recommends approval
3 of an extension to the USP with modifications to the USP and a modified
4 UAFG included in the GCA mechanism.

- 5 • Ms. Griffith recommends reductions to various O&M expenses and
6 approval of Petitioner's TSCR.

- 7 • Ms. Sabillon recommends adjustments to various O&M expenses, changes
8 to return on equity and cost-free capital in the capital structure, approval
9 of the Energy Efficiency program extension, and an amendment to Tariff
10 Sheet No. 57, Section 18.H.

- 11 • Mr. Courter recommends a 9.2% cost of equity. He also recommends a
12 sharing of rate case expense between utility customers and shareholders,
13 and recommends itemizing residential customer bills for increased
14 transparency.

- 15 • Mr. Garrett recommends calculating depreciation expense under the
16 Average Life Group procedure. He also recommends adjustments to the
17 proposed service lives for several of Vectren North's utility plant
18 accounts.

- 19 • Mr. Krieger recommends changes to Vectren North's proposed cost of
20 service study, including changes to allocation methodologies. He proposes
21 a reduction of Vectren North's proposed \$21.50 residential customer
22 charge to a \$12.00 monthly customer charge.

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

24 **A:** Yes.

APPENDIX MHG-1 TO TESTIMONY OF
OUCW 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 OUCW
5 in April of 1995 and have worked as a member of the OUCW'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 analyzed Petitioner's testimony and exhibits, workpapers, and other supporting
22 documentation. I analyzed Petitioner's responses to discovery requests from the
23 OUCW and intervenor groups. I attended numerous meetings with OUCW staff

1 members to identify and address issues in this Cause. Also, as it relates to this
2 Cause, I have experience with a forward-looking test year rate case through my
3 analysis, testimony, and review of compliance filings for phased-in rates in
4 NIPSCO's Cause No. 44988. Additionally, I conducted analysis and testified in
5 Vectren South's forward-looking test year rate case in Cause No. 45447.

**Indiana Office of Utility Consumer Counselor
Cause No. 45468
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	OUC Request	Supporting Witness	Workpaper or Exhibit Reference
Overall Revenue Increase/(Decrease)	<ul style="list-style-type: none"> • Total annual decrease in revenue of approximately (\$26,907,739), or (4.38%) 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 OUC'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-9 • Public's Exhibit No. 3, Attachments AJG-1 to AJG-5 • Public's Exhibit No. 4, Attachments CJS-1 to CJS-13
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-15 • Public's Exhibit No. 5, Attachment LDC-5
Weighted Average Cost of Capital (WACC)	<ul style="list-style-type: none"> • Authorize WACC of 5.88% 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-15

¹ This Index of the OUC's case-in-chief is intended to highlight issues and is *not an exhaustive list* of the OUC's requests in this proceeding. A complete account of the OUC's requested relief can be found in the OUC'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-1 • 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 monthly residential customer service charge. 	<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 North
CAUSE NUMBER 45468

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

	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)
Original Cost Rate Base	\$1,610,799,000	\$1,588,652,711	7	\$ (22,146,289)
Times: Weighted Cost of Capital	6.32%	5.88%	8	-0.44%
Net Operating Income Required for Return on Original Cost Rate Base	101,802,497	93,373,063		(8,429,434)
Less: Adjusted Net Operating Income	86,520,318	113,181,571	4	26,661,253
Net Revenue Increase Required	15,282,179	(19,808,508)		(35,090,687)
Gross Revenue Conversion Factor	135.8393%	135.8393%	1	0.0000%
Recommended Revenue Decrease	<u>\$ 20,759,200</u>	<u>\$ (26,907,739)</u>		<u>\$ (47,666,939)</u>
Revenue Percentage Decrease	<u>3.38%</u>	<u>-4.38%</u>		<u>-7.76%</u>

Vectren North
CAUSE NUMBER 45468

Gross Revenue Conversion Factor

	Per Petitioner	Per OUCC	
1 Gross Revenue Change	100.0000%	100.0000%	\$ (26,907,739)
2 Less: Bad Debt Rate	0.420000%	0.420000%	(113,013)
3 Sub-total	99.5800%	99.5800%	
4 Less: IURC Fee	0.127400%	0.127365%	(34,271)
5 Income Before State Income Taxes	99.452600%	99.452635%	
6 Less: State Income Tax (4.9% of Line 5)	4.8732%	4.873179%	(1,311,262)
7 Utility Receipts Tax (1.4% of Line 3)	1.3941%	1.394120%	(375,126)
8 Income Before Federal Income Taxes	93.185300%	93.185336%	
9 Less: Federal Income Tax (21% of Line 8)	19.5689%	19.568921%	(5,265,553)
10 Change in Operating Income	73.616400%	73.616415%	\$ (19,808,514)
11 Gross Revenue Conversion Factor	135.8393%	135.8393%	

Vectren North
CAUSE NUMBER 45468

Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	OUCC's Pro Forma Adjustments	Difference Increase/ (Decrease)
REVENUE			
Retail Revenue			
Residential	\$ (13,845,030)	\$ (13,845,030)	\$ -
Commercial/Industrial	(4,694,496)	(4,694,496)	-
Transported Gas Revenue	(7,397,737)	(7,281,812)	115,925
Total Retail Revenue	<u>(25,937,263)</u>	<u>(25,821,338)</u>	<u>(115,925)</u>
Other Revenue			
Forfeited Discounts	65,186	135,729	70,543
Misc. Service Revenue	-	-	-
Total Other Revenue	<u>65,186</u>	<u>135,729</u>	<u>70,543</u>
Total Revenue	<u><u>\$ (25,872,077)</u></u>	<u><u>\$ (25,685,609)</u></u>	<u><u>\$ 186,468</u></u>
OPERATING EXPENSES			
Manufactured Gas Production			
Total Operation	\$ -	\$ -	\$ -
Total Maintenance	-	-	-
Total Stored Gas Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Stored Gas Expenses			
Total Operation	\$ (14,905)	\$ (568,847)	\$ (553,942)
Total Maintenance	(10,426)	(389,048)	(378,622)
Total Stored Gas Expenses	<u>(25,331)</u>	<u>(957,895)</u>	<u>(932,564)</u>
Transmission Expenses			
Total Operation	(149,284)	(2,235,482)	(2,086,198)
Total Maintenance	(40,068)	(1,056,437)	(1,016,369)
Total Transmission Expenses	<u>(189,352)</u>	<u>(3,291,919)</u>	<u>(3,102,567)</u>
Distribution Expenses			
Total Operation	(97,872)	(11,427,881)	(11,330,009)
Total Maintenance	1,150,265	(814,016)	(1,964,281)
Total Distribution Expenses	<u>1,052,393</u>	<u>(12,241,897)</u>	<u>(13,294,290)</u>
Customer Accounts Expense			
Total Customer Accounts Expense	<u>(905,316)</u>	<u>(1,369,737)</u>	<u>(464,421)</u>
Customer Service and Information Expense			
Total Customer Service and Information Exp.	<u>(261,673)</u>	<u>(261,673)</u>	<u>-</u>

Vectren North
CAUSE NUMBER 45468

Reconciliation of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	OUCC's Pro Forma Adjustments	Difference Increase/ (Decrease)
Sales Expense			
Total Sales Expense	-	-	-
Administrative and General Expenses			
Total Operation Expenses	(9,178,629)	(12,213,549)	(3,034,920)
Total Maintenance Expense	-	-	-
Total Administrative and General Expenses	(9,178,629)	(12,213,549)	(3,034,920)
Other Gas Supply Expense			
Total Other Gas Supply Expense	15,565	15,565	-
Total Operating Expense	<u>\$ (9,492,343)</u>	<u>\$ (30,321,105)</u>	<u>\$ (20,828,762)</u>
DEPRECIATION AND AMORTIZATION EXPENSE			
Total Depreciation and Amortization Expense	<u>\$ 4,236,135</u>	<u>\$ (10,349,230)</u>	<u>\$ (14,585,365)</u>
TAXES OTHER THAN INCOME			
Property Taxes	\$ 656,579	\$ 656,579	\$ -
Revenue Taxes	(353,629)	(351,030)	2,599
State Income Taxes	(2,550,793)	(789,998)	1,760,795
Total Taxes Other than Income Taxes	<u>\$ (2,247,843)</u>	<u>\$ (484,449)</u>	<u>\$ 1,763,394</u>
FEDERAL INCOME TAX EXPENSE			
Federal Income Taxes	\$ (9,645,850)	\$ (2,469,898)	\$ 7,175,952
Deferred Income Taxes	2,288,469	2,288,469	-
Total Federal Income Tax Expense	<u>\$ (7,357,381)</u>	<u>\$ (181,429)</u>	<u>\$ 7,175,952</u>
Total Operating Expense	<u>\$ (14,861,432)</u>	<u>\$ (41,336,213)</u>	<u>\$ -</u>
Net Operating Income	<u>\$ (11,010,645)</u>	<u>\$ 15,650,604</u>	<u>\$ 26,661,249</u>

Vectren North
CAUSE NUMBER 45468

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

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 40
Accounts Receivable, less reserves	41,174
Accrued Unbilled Revenues	50,785
Inventories	20,826
Recoverable Fuel & Natural Gas Costs	4,508
Short Term Intercompany Notes Receivable	-
Prepayments & Other Current Assets	23,715
Total Current Assets	<u>141,049</u>

Utility Plant:

Utility Plant in Service at original cost	\$ 3,167,499
Less: Accumulated Depreciation & Amortization	(1,213,124)
Net Utility Plant in Service	<u>1,954,375</u>

Deferred Charges and Other Assets:

Investments in Unconsolidated Affiliates	\$ -
Other Investments	9,373
Non-Utility Property - net	-
Goodwill - net	-
Regulatory Assets	184,734
Other Assets	20,878
Total Other Assets	<u>214,984</u>

Total Assets	<u><u>\$ 2,310,408</u></u>
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Vectren North
CAUSE NUMBER 45468

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

LIABILITIES and SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	\$ 63,025
Accounts Payable to Affiliated Companies	-
Accrued Liabilities	81,245
Short-Term Borrowings	102,205
Current Maturities of Long-Term Debt	-
Long-Term Debt Subject to Tender	-
Other Current Liabilities	<u>246,475</u>

Deferred Income Taxes and Other Liabilities:

Deferred Income Taxes	\$ 169,983
Regulatory Liabilities	420,571
Deferred Credits and Other Liabilities	78,499
Total Deferred Income Taxes and Other Liabilities	<u>669,052</u>

Minority Interest in Subsidiary: \$ -

Long-Term Debt - Net: \$ 584,876

Preferred Shareholder's Equity: \$ -

Common Shareholder's Equity:

Common Stock	\$ 449,536
Retained Earnings	360,469
Accumulated Other Comprehensive Income	-
Total Common Shareholder's Equity	<u>810,004</u>

Total Liabilities \$ 2,310,408

Vectren North
CAUSE NUMBER 45468

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

Operating Revenues:	
Total Operating Revenues	\$ 639,764
Less: Cost of Gas Sold	255,532
Gas Utility Operating Margin	<u>384,232</u>
Operating Expenses:	
Operating & Maintenance - Labor	22,396
Operating & Maintenance - Non-Labor	24,125
Asset Charge	17,331
Corporate Allocations - Labor and Non-Labor	<u>44,520</u>
Total Operation & Maintenance	108,371
Indiana Bad Debt	<u>3,041</u>
Total Operation & Maintenance before pass-thru expenses	111,412
Pass-thru Operation & Maintenance	<u>32,554</u>
Total Operation & Maintenance Expense	143,966
Depreciation Expense	107,601
Property Taxes	12,297
Revenue Taxes	<u>8,912</u>
Total Operating Expenses	<u>272,775</u>
Operating Income:	<u>111,457</u>
Other Income (Expense):	
AFUDC - Total	2,918
Interest Income	10
Interest Expense	(28,934)
Other Income	<u>1,868</u>
Total Other Income (Expense)	<u>(24,137)</u>
Income Before Taxes:	87,319
Less: Income Taxes	<u>13,926</u>
Net Income	<u><u>\$ 73,394</u></u>

Vectren North
CAUSE NUMBER 45468

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	\$ 425,809,349	\$ (13,845,030)	Pet.	\$ 411,964,319	\$ (21,045,256)		\$ 390,919,063
Commercial/Industrial	151,859,114	(4,694,496)	Pet.	147,164,618	(6,326,011)		140,838,607
Transported Gas Revenue	57,020,180	(7,281,812)	5-1	49,738,368	463,528		50,201,896
Total Retail Revenue	634,688,643	(25,821,338)		608,867,305	(26,907,739)	1	581,959,566
Other Revenue							
Forfeited Discounts	3,499,295	135,729	5-2	3,635,024			3,635,024
Misc. Service Revenue	1,575,675			1,575,675			1,575,675
Total Other Revenue	5,074,970	135,729		5,210,699	-		5,210,699
Total Revenue	\$ 639,763,613	\$ (25,685,609)		\$ 614,078,004	\$ (26,907,739)		\$ 587,170,265
OPERATING EXPENSES							
Manufactured Gas Production							
Operation:							
Other Power Expenses	\$ 5			\$ 5			\$ 5
Liquified Petroleum Gas Expense	68,413			68,413			68,413
Miscellaneous Production Expenses	18,715			18,715			18,715
Total Operation	87,133	-		87,133	-		87,133
Maintenance:							
Maint. of Structures and Improvements	16,253			16,253			16,253
Maint. of Production Equipment	234,309			234,309			234,309
Total Maintenance	250,562	-		250,562	-		250,562
Total Manufactured Gas Production Expenses	337,695	-		337,695	-		337,695
Stored Gas Expenses							
Operation:							
Operation Supervision and Engineering	\$ 1,385,947	\$ (404,439)	6-2(a)	\$ 981,508			\$ 981,508
Maps and Records	6,157			6,157			6,157
Wells Expenses	811,810	(6,390)	Pet.	805,420			805,420
Lines Expenses	107,927			107,927			107,927
Compressor Station Expenses	148,264			148,264			148,264
Compressor Station Fuel & Power	2			2			2
Measuring and Regulating Station Expenses	485			485			485
Purification Expenses	483,949	(158,018)	6-2(b)	325,931			325,931
Rents	172,875			172,875			172,875
Total Operation	3,117,418	(568,847)		2,548,569	-		2,548,569
Maintenance:							
Maint. of Structures and Improvements	56,110			56,110			56,110
Maint. Of Wells	182,664	(17)	Pet.	182,647			182,647
Maint. of Lines	200,407	(99,499)	6-2(c)	100,908			100,908
Maint. of Compressor Station Equipment	577,966	(289,532)	6-2(d)	288,434			288,434
Maint. Of Measuring and Regulating Station Expenses	508			508			508
Maint. of Purification Equipment	370,913			370,913			370,913
Total Maintenance	1,388,568	(389,048)		999,520	-		999,520
Total Stored Gas Expenses	4,505,986	(957,895)		3,548,089	-		3,548,089
Transmission Expenses							
Operation:							
Operation Supervision and Engineering	4,348,471	(1,471,025)	6-2(e)	2,877,446			2,877,446
System Control and Load Dispatching	147,335			147,335			147,335
Compressor Station Labor and Expenses	5,423			5,423			5,423
Mains Expenses	4,445,684	(103,466)	Pet.	4,342,218			4,342,218
Measuring and Regulating Station Expenses	1,247,206	(660,991)	6-2(f)	586,215			586,215
Rents	115,675			115,675			115,675
Total Operation	10,309,794	(2,235,482)		8,074,312	-		8,074,312
Maintenance:							
Maint. of Structures and Improvements	140,060	(130,994)	6-2(g)	9,066			9,066
Maint. of Mains	1,431,207	(558,153)	6-2(h)	873,054			873,054
Maint. of Measuring and Regulating Station Expenses	662,715	(367,290)	6-2(i)	295,425			295,425
Maint. of Other Equipment	1,985			1,985			1,985
Total Maintenance	2,235,967	(1,056,437)		1,179,530	-		1,179,530
Total Transmission Expenses	12,545,761	(3,291,919)		9,253,842	-		9,253,842

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	9,565,551	(4,333,344)	6-2(j)	5,232,207			5,232,207
Mains and Services Expenses	17,852,967	(4,627,904)	6-2(k)	13,225,063			13,225,063
Meas. and Regulating Station Expenses - General	1,571,261	(737,289)	6-2(l)	833,972			833,972
Removing and Resetting Meters	4,513,549			4,513,549			4,513,549
Customer Installation Expenses	3,899,025	(232,207)	6-2(m)	3,666,818			3,666,818
Other Expenses	8,809,036	(1,497,137)	6-2(n)	7,311,899			7,311,899
Rents	44,978			44,978			44,978
Total Operation	46,256,368	(11,427,881)		34,828,486	-		34,828,486
Maintenance:							
Maint. Supervision and Engineering	1,217,571	(271,218)	6-2(o)	946,353			946,353
Maint. of Structures and Improvements	671,144			671,144			671,144
Maint. of Mains	4,299,293	(156,535)	6-2(p)	4,142,758			4,142,758
Maint. of Compressor Station Equipment	689			689			689
Maint. Of Meas. and Regulating Station Expenses - General	175,120			175,120			175,120
Maintenance of Services	1,512,802			1,512,802			1,512,802
Maintenance of Meters and House Regulators	551,317	(386,263)	6-2(q)	165,054			165,054
Maintenance of Other Equipment	512,975			512,975			512,975
Total Maintenance	8,940,911	(814,016)		8,126,895	-		8,126,895
Total Distribution Expenses	55,197,279	(12,241,897)		42,955,381	-		42,955,381
Customer Accounts Expense							
Operation:							
Supervision	313,968			313,968			313,968
Meter Reading Expenses	2,235,325	(284,106)	6-2(r)	1,951,219			1,951,219
Customers Billing and Accounting	6,808,602			6,808,602			6,808,602
Uncollectible Accounts	3,040,669	(1,085,631)	6-2(s)	1,955,038	(113,013)	1	1,842,025
Miscellaneous Customer Accounts Expenses	817,270			817,270			817,270
Total Customer Accounts Expense	13,215,835	(1,369,737)		11,846,097	(113,013)		11,733,084
Customer Service and Information Expense							
Operation;							
Customer Assistance Expenses	215,765			215,765			215,765
Informational & Instructional Advertising	49,000			49,000			49,000
Misc. Customer Service & Informational Expenses	119,320			119,320			119,320
Demonstration and Selling Expenses	459,085			459,085			459,085
All Other	5,707,743	(261,673)	Pet.	5,446,070			5,446,070
Total Customer Service and Information Expense	6,550,913	(261,673)		6,289,240	-		6,289,240
Sales Expense							
Operation:							
Total Miscellaneous Sales Expenses	35,996			35,996			35,996
Total Sales Expense	35,996	-		35,996	-		35,996

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	17,883,679	(327,464)	6-2(t)	17,556,215			17,556,215
Office Supplies and Expenses	8,810,318	(2,194,982)	6-2(u)	6,615,336			6,615,336
Administrative Expenses Transferred - Company	(2,211,000)			(2,211,000)			(2,211,000)
Outside Services Employed	3,466,372	(91,939)	Pet.	3,374,433			3,374,433
Vectren Corporate Administrative Expenses Allocation	17,330,876	(11,461,154)	Pet.	5,869,722			5,869,722
Property Insurance	748,505			748,505			748,505
Injuries and Damages	2,026,617	1,030,586	Pet.	3,057,203			3,057,203
Employee Pensions and Benefits	19,400			19,400			19,400
Regulatory Commission Expenses	820,000	79,980	6-3	899,980	(34,271)	1	865,709
Rents	59,113			59,113			59,113
Miscellaneous General Expenses	1,814,444	751,424	6-2(v)	2,565,868			2,565,868
Total Operation Expenses	50,768,324	(12,213,549)		38,554,775	(34,271)		38,520,504
Maintenance:							
Maintenance of General Plant	808,308			808,308			808,308
Total Maintenance Expense	808,308	-		808,308	-		808,308
Total Administrative and General Expenses	51,576,631	(12,213,549)		39,363,083	(34,271)		39,328,812
Other Gas Supply Expense							
Purchased Gas Expense:							
Natural Gas City Gate Purchases	255,531,553	15,565	Pet.	255,547,118			255,547,118
Total Other Gas Supply Expense	255,531,553	15,565		255,547,118	-		255,547,118
Total Operating Expense	\$ 399,497,649	\$ (30,321,105)		\$ 369,176,541	\$ (147,284)		\$ 369,029,257
DEPRECIATION AND AMORTIZATION EXPENSE							
Depreciation and Amortization Expense	\$ 107,600,550	\$ (10,349,230)	6-1	\$ 97,251,320			\$ 97,251,320
Total Depreciation and Amortization Expense	\$ 107,600,550	\$ (10,349,230)		\$ 97,251,320	\$ -		\$ 97,251,320
TAXES OTHER THAN INCOME							
Property Taxes	\$ 12,296,530	\$ 656,579	Pet.	\$ 12,953,109			\$ 12,953,109
Revenue Taxes	8,912,000	(351,030)	6-4	8,560,970	(375,126)	1	8,185,844
State Income Taxes	4,913,982	(789,998)	6-5	4,123,984	(1,311,262)	1	2,812,722
Total Taxes Other than Income Taxes	\$ 26,122,512	\$ (484,449)		\$ 25,638,063	\$ (1,686,388)		\$ 23,951,675
FEDERAL INCOME TAX EXPENSE							
Federal Income Taxes	\$ 6,128,513	\$ (2,469,898)	6-5	\$ 3,658,615	\$ (5,265,553)	1	\$ (1,606,938)
Total Federal Income Tax Expense	\$ 6,128,513	\$ (2,469,898)		\$ 3,658,615	\$ (5,265,553)		\$ (1,606,938)
PROVISION FOR DEFERRED INCOME TAXES (CREDIT)							
Deferred Income Taxes	\$ 2,883,425	\$ 2,288,469	Pet.	\$ 5,171,894			\$ 5,171,894
Total Deferred Income Taxes	\$ 2,883,425	\$ 2,288,469		\$ 5,171,894	\$ -		\$ 5,171,894
Total Federal Income Tax Expense	\$ 9,011,938	(181,429)		\$ 8,830,509	\$ (5,265,553)		\$ 3,564,956
Total Operating Expense	\$ 542,232,650	(41,336,213)		\$ 500,896,433	\$ (7,099,225)		\$ 493,797,208
Net Operating Income	\$ 97,530,963	\$ 15,650,604		\$ 113,181,571	\$ (19,808,514)		\$ 93,373,057

Vectren North
CAUSE NUMBER 45468

OUCC Revenue Adjustments

(1)
Transported Gas Revenue

Transported Gas Revenue (Public's Exhibit No. 2, Attachment YG-2, page 2)	
Adjustment Increase (Decrease)	<u><u>\$ (7,281,812)</u></u>

(2)
Forfeited Discounts

Forfeited Discounts (Public's Exhibit No. 2, Attachment YG-1, page 3)	
Adjustment Increase (Decrease)	<u><u>\$ 135,729</u></u>

Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

(1)

Depreciation / Amortization Expense

To reflect pro forma depreciation expense.

Pro Forma Depreciation Expense (Public's Exhibit No. 1, Attachment MHG-2)	\$ 83,012,000	
Less: Test Period Depreciation Expense	(107,600,550)	
Less: CSIA Depreciation Expense Adjustment	<u>(798,481)</u>	
Pro Forma Depreciation Expense Adjustment		\$(25,387,031)
CSIA Depreciation Expense Recovery Adjustment (Pet. Sch. C-3.4)	798,481	
CSIA Amortization Expense Recovery Adjustment (Pet. Sch. C-3.4)	49,536	
CSIA 20% Deferral Amortization Adjustment (Pet. Sch. C-3.18)	12,143,636	
CSIA Program Expense Amort. (Public's Exhibit No. 3, Attachment AJG-1, page 1)	1,080,590	
Bare Steel/Cast Iron Prog. Amort. (Public's Exhibit No. 3, Attachment AJG-1, page 1)	<u>965,558</u>	
Pro Forma CSIA/BS/CI Depreciation and Amortization Adjustment		<u>15,037,801</u>
Total Depreciation and Amortization Expense Adjustment Increase/(Decrease)		<u><u>\$(10,349,230)</u></u>

Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

(2)
O&M Expenses

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

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

Adjustment Increase (Decrease) \$ (404,439)

(b) Stored Gas Expense - Operation - Purification Expense:

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

Adjustment Increase (Decrease) \$ (158,018)

(c) Stored Gas Expense - Maintenance - Maintenance of Lines:

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

Adjustment Increase (Decrease) \$ (99,499)

(d) Stored Gas Expense - Maintenance - Maintenance of Compressor Station Equipment:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-6, page 1)

Adjustment Increase (Decrease) \$ (289,532)

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

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

Adjustment Increase (Decrease) \$ (1,471,025)

(f) Transmission Expense - Operation - Measuring & Regulating Station Expenses:

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

Adjustment Increase (Decrease) \$ (660,991)

Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

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

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

Adjustment Increase (Decrease) \$ (130,994)

(h) Transmission Expense - Maintenance - Maintenance of 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)

\$ (295,000)

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

(263,153)

Adjustment Increase (Decrease) \$ (558,153)

(i) Transmission Expense - Maintenance - Maintenance of Measuring & Regulating Station:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-5, page 3)

Adjustment Increase (Decrease) \$ (367,290)

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

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-6, page 2)

Adjustment Increase (Decrease) \$ (4,333,344)

(k) Distribution Expense - Operation - Mains & Services Expenses:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-7, page 2)

Adjustment Increase (Decrease) \$ (4,627,904)

Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

(l) Distribution Expense - Operation - Measuring & Regulating Station Expenses-General:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-8, page 2)

Adjustment Increase (Decrease) \$ (737,289)

(m) Distribution Expense - Operation - Customer Installation Expenses:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-9, page 2)

Adjustment Increase (Decrease) \$ (232,207)

(n) Distribution Expense - Operation - Other Expenses:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-10, page 2)

Adjustment Increase (Decrease) \$ (1,497,137)

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

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-11, page 2)

Adjustment Increase (Decrease) \$ (271,218)

(p) Distribution Expense - Maintenance - Maintenance of Mains:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-12, page 2)

Adjustment Increase (Decrease) \$ (156,535)

(q) Distribution Expense - Maintenance - Maintenance of Meters & House Regulators:

Decrease expense to lower pro forma annual budget. (Public's Exhibit No. 4, Attachment CJS-13, page 2)

Adjustment Increase (Decrease) \$ (386,263)

Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

(r) Customer Accounts Expense - Operation - Meter Reading Expense:

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

Adjustment Increase (Decrease) \$ (284,106)

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

Increase in COVID-19 Expense (Public's Exhibit No. 2, Attachment YG-7, page 3) \$ 452,748

Decrease Uncollectible Accounts (Public's Exhibit No. 3, Attachment AJG-3, page 2) (1,538,379)

Adjustment Increase (Decrease) \$ (1,085,631)

(t) Administrative & General Expense - Operation - Administrative & General Salaries:

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

Adjustment Increase (Decrease) \$ (327,464)

(u) Administrative & General Expense - Operation - Office Supplies and Expenses:

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

Adjustment Increase (Decrease) \$ (2,194,982)

(v) Administrative & General Expense - Operation - Miscellaneous General Expenses:

Increase expense to increase pro forma annual budget. (Public's Exhibit No. 2, Attachment YG-9, page 1)

Adjustment Increase (Decrease) \$ 751,424

Vectren North
CAUSE NUMBER 45468

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	\$ 614,078,004
Times: 2020-2021 IURC Fee	0.1273654%
Pro Forma IURC Fee	<u>782,123</u>
Less: Test Year IURC Fee	<u>820,000</u>

Adjustment Increase (Decrease)	<u>(37,877)</u>
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Total Regulatory Expense Adjustment	<u><u>\$ 79,980</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	\$ 614,078,004
Less: Uncollectible Accounts Expense	2,579,128
Less: Statutory Exemption	1,000
Pro Forma Revenues Subject to URT	<u>611,497,876</u>
Times: Utility Receipt Tax Rate	0.0140
Pro Forma Utility Receipt Tax	<u>8,560,970</u>
Less: Test Year Utility Receipt Tax	<u>8,912,000</u>

Adjustment Increase (Decrease)	<u><u>\$ (351,030)</u></u>
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Vectren North
CAUSE NUMBER 45468

OUCG Expense Adjustments

(5)
Income Tax Expense

To reflect pro forma income tax expense.

	Federal	State
Operating Revenue	\$ 614,078,004	\$ 614,078,004
O&M Expenses	369,176,541	369,176,541
Depreciation Expense	97,251,320	97,251,320
Property Tax	12,953,109	12,953,109
Other Taxes	8,560,970	8,560,970
State Income Tax	4,123,984	
Subtotal	122,012,080	126,136,064
Less: Synchronized interest	(25,922,046)	(25,922,046)
Add Back: Utility Receipt Tax	-	8,560,970
Non-Deductible Permanent Tax Differences	595,764	595,764
Excess of Tax over Book Depreciation	8,864,324	(13,256,682)
Other Reconciling Items (Per Petitioner)	(33,492,394)	(33,492,394)
State Taxable Income		62,621,676
Taxable Income	72,057,728	
Taxes Rate	21.0%	4.9%
Tax at Present Rate	15,132,123	3,068,462
Provisions for Deferred Income Tax (Pet.)	-	2,290,704
Income Taxes	15,132,123	5,359,166
Federal ITC Amortization	(3,326)	
Excess Deferred Income Tax Amortization	(8,415,000)	(1,235,182)
Consolidated Return Benefit of Interest Exp.	(3,055,182)	
Pro Forma Income Tax Expense	3,658,615	4,123,984
Less Test Period Expense	6,128,513	4,913,982
Income Tax Adjustments	\$ (2,469,898)	\$ (789,998)

Vectren North
CAUSE NUMBER 45468

Calculation of Pro Forma Original Cost Rate Base

		Per Applicant	Per OUCC	OUCC More (Less)
Utility Plant in Service at	12/31/21	\$3,199,756,245	\$3,199,756,245	\$ -
Less: Accumulated Depreciation		(1,692,249,168)	(1,692,249,168)	-
Less: Intangible Asset Retirement - Net (Attachment MHG-3)		-	(17,659,667)	(17,659,667)
Net Plant in Service		1,507,507,077	1,489,847,410	(17,659,667)
Construction Work in Progress		-	-	-
Working Capital Allowance		-	-	-
Acquisition Adjustment - Cost		20,299,804	-	(20,299,804)
Acquisition Adjustment - Amortization		(15,813,182)	-	15,813,182
Net Acquisition Adjustment (Attachment MHG-4)		4,486,622	-	(4,486,622)
Add: Gas in Underground Storage (13 mo. Avg.)		22,994,347	22,994,347	-
Utility Materials & Supplies (13 mo. Avg.)		3,969,975	3,969,975	-
Liquified Petroleum Gas (13 mo. Avg.)		1,297,271	1,297,271	-
Prepaid Gas Delivery (13 mo. Avg.)		17,714,260	17,714,260	-
PISCC - BS/CI and CSIA		52,829,448	52,829,448	-
Total Original Cost Rate Base		<u>\$1,610,799,000</u>	<u>\$1,588,652,711</u>	<u>\$ (22,146,289)</u>

Vectren North
CAUSE NUMBER 45468

Pro forma Capital Structure
As of December 31, 2021

	Amount (000's)	Percent of Total	Cost	Weighted Cost
Long Term Debt	\$ 614,876	36.87%	4.36%	1.61%
Preferred Stock	-	0.00%	0.00%	0.00%
Common Equity	770,688	46.21%	9.20%	4.25%
Cost Free Capital	255,666	15.33%	0.00%	0.00%
Other Capital	26,672	1.59%	1.50%	0.02%
Total Capital	<u>\$1,667,902</u>	<u>100.00%</u>		<u>5.88%</u>

Synchronized Interest Calculation

Long Term Debt	36.87%	4.36%	1.61%
Customer Deposits	1.61%	1.50%	0.02%
Interest Component of ITC	0.00%	4.36%	0.00%
Total			<u>1.63%</u>
Total Original Cost Rate Base			<u>\$ 1,588,652,711</u>
Synchronized Interest Expense			<u>\$ 25,922,046</u>

Vectren North
CAUSE NUMBER 45468

Current and Proposed Monthly Service Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUCC Proposed</u>	<u>OUCC More (Less)</u>
Residential Sales Service				
<u>(Rate 210)</u>				
Effective Monthly Service Charge	\$ 11.25	\$ 21.50	\$ 12.00	\$ (9.50)
Current CSIA Charge	6.34	0.00	0.00	0.00
Total Monthly Flat Charge	<u>\$ 17.59</u>	<u>\$ 21.50</u>	<u>\$ 12.00</u>	<u>\$ (9.50)</u>
General Sales Service and School/Government Transportation Service				
<u>(Rate 220/225):</u>				
Group 1	\$ 17.00	\$ 18.25	\$ 18.25	\$ -
Group 2	46.00	49.50	49.50	-
Group 3	93.00	100.00	100.00	-
Interruptible Sales Service				
<u>(Rate 240):</u>				
	\$ 175.00	\$ 175.00	\$ 175.00	\$ -
Large General Transportation Service				
<u>(Rate 245):</u>				
	\$ 200.00	\$ 205.00	\$ 205.00	\$ -
Large Volume Transportation Service				
<u>(Rate 260):</u>				
	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ -

VECTREN NORTH
CAUSE NO. 45468
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)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	301	601	Organization	\$ 34	\$ (49)	0.00%	\$ -	0.00%	\$ -
2	302	602	Franchise and Consents	2	(3)	0.00%	-	0.00%	-
3	303	603	Miscellaneous Intangible Plant	68,060	39,410	10.00%	6,806	10.00%	6,806
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	16,177	4,854	6.67%	1,078	6.67%	1,078
6	303.12	603.12	Miscellaneous Intangible Plant - 12 Year	35,685	2,254	8.33%	2,974	8.33%	2,974
7	303.99	603.99	Miscellaneous Intangible Plant - Fully Depr	82,309	82,309	0.00%	-	0.00%	-
8			Total Intangible Plant	\$ 202,267	\$ 128,774	5.37%	\$ 10,858	5.37%	\$ 10,858
			Removal of Intangible Plant (OUCC Adj.)	(17,660)				5.37%	(948)
				<u>\$ 184,607</u>					<u>\$ 9,910</u>

MANUFACTURED 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)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	304.1	604.1	Land	\$ 187	\$ -	0.00%	\$ -	0.00%	\$ -
2	304.2	604.2	Land Rights	63	-	0.00%	-	0.00%	-
3	305.1	605.1	Struct & Improvements	1,353	1,140	1.09%	15	0.95%	13
4	311.1	611.1	Liquid Petroleum Gas Eq-Fully Depreciated	7,861	9,399	0.00%	-	0.00%	-
5	311.2	611.2	Liquid Petroleum Gas Eq	4,226	-	2.79%	118	2.79%	118
6			Total Manufactured Gas Production Plant	\$ 13,689	\$ 10,539	0.97%	\$ 133	0.96%	\$ 131

VECTREN NORTH
CAUSE NO. 45468
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)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	350.1	650.1	Land	\$ 178	\$ 2	0.00%	\$ -	0.00%	\$ -
2	350.2	650.2	Rights-of-Way	337	125	2.84%	10	2.63%	9
3	351.2	651.2	Compressor Station Strct	694	601	0.15%	1	0.12%	1
4	351.3	651.3	Meas & Reg Station Strct	80	56	2.93%	2	2.64%	2
5	351.4	651.4	Other Structures	2,686	1,026	2.18%	59	1.83%	49
6	352	652	Wells	14,596	12,984	0.20%	29	0.17%	25
7	352.1	652.1	Storage Leaseholds & Rts	644	402	2.43%	16	2.26%	15
8	352.2	652.2	Reservoirs	1,605	1,620	0.36%	6	0.33%	5
9	352.3	652.3	Nonrecoverable Nat Gas	2,034	1,095	1.20%	24	1.11%	23
10	353	653	Lines	4,053	3,334	0.87%	35	0.67%	27
11	354	654	Compressor Station Equip-Fully Depreciated	4,712	5,400	0.00%	-	0.00%	-
12	354.1	654.1	Compressor Station Equip	-	-	2.52%	-	2.52%	-
13	355	655	Measuring & Regulating Eq	2,383	1,569	1.76%	42	1.09%	26
14	356	656	Purification Equipment	13,383	10,593	0.62%	83	0.49%	66
15			Total Underground Storage Plant	\$ 47,386	\$ 38,805	0.65%	\$ 307	0.52%	\$ 247

VECTREN NORTH
CAUSE NO. 45468
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	\$ 11,805	\$ -	0.00%	\$ -	0.00%	\$ -
2	365.2	665.2	Rights-of-Way	11,232	2,323	1.43%	161	1.34%	151
3	366.2	666.2	Meas & Reg Station Strct	609	161	2.44%	15	2.10%	13
4	367	667	Mains	320,785	49,057	2.16%	6,929	1.71%	5,485
5	368	668	Compressor Station Equip	-	-	2.52%	-	2.52%	-
6	369	669	Meas & Reg Station Equip	64,495	13,439	3.28%	2,115	2.65%	1,709
7	370	670	Communication Equipment	63	15	6.74%	4	5.72%	4
8			Total Transmission Plant	\$ 408,989	\$ 64,995	2.26%	\$ 9,224	1.80%	\$ 7,361

VECTREN NORTH
CAUSE NO. 45468
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)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	374.1	674.1	Land	\$ 840	\$ -	0.00%	\$ -	0.00%	\$ -
2	374.2	674.2	Land Rights	18,610	9,107	0.96%	179	0.89%	166
3	375	675	Structures & Improvements	2,651	2,278	1.10%	29	0.97%	26
4	376	676	Mains	1,198,157	524,641	1.75%	20,968	1.63%	19,530
5	377	677	Compressor Station Equip-Fully Depreciated	1,556	1,757	0.00%	-	0.00%	-
6	377.1	677.1	Compressor Station Equip	-	-	2.52%	-	2.52%	-
7	378	678	Meas & Reg Station Eq-Gen	34,383	21,838	1.98%	681	1.73%	595
8	379	679	Meas & Reg Station Eq-Cit	10,710	9,810	1.62%	174	1.38%	148
9	380	680	Services	845,356	642,666	4.76%	40,239	3.96%	33,476
10	381	681	Meters	116,788	32,239	4.49%	5,244	3.61%	4,216
11	382	682	Meter Installations	94,277	73,220	5.87%	5,534	4.26%	4,016
12	383	683	House Regulators	30,859	22,923	1.49%	460	1.38%	426
13	384	684	House Regulator Install	29	21	1.02%	0	0.95%	0
14	385	685	Indus Meas & Reg St Equip	40,138	39,564	1.06%	425	0.89%	357
15	387	687	Other Equipment	341	50	8.09%	28	7.48%	25
16			Total Distribution Plant	\$2,394,695	\$ 1,380,114	3.09%	\$ 73,960	2.63%	\$ 62,981

VECTREN NORTH
CAUSE NO. 45468
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)	OUCC Proposed Accrual Rate (K)	OUCC's Proposed Depreciation Expense (L=DxK)
1	389.1	689.1	Land and Land Rights	\$ 2,519	\$ -	0.00%	\$ -	0.00%	\$ -
2	390	690	Structures & Improvements	51,946	20,699	2.25%	1,169	1.50%	779
3	391.1	691.1	Electronic Equipment	2,956	1,059	8.96%	265	8.94%	264
4	391.2	691.2	Furniture & Fixtures	4,149	2,057	6.23%	258	6.24%	259
5	392.1	692.1	Automobiles	-	-	0.00%	-	0.00%	-
6	392.2	692.2	Light Trucks	24,480	13,852	3.11%	761	2.41%	590
7	392.3	692.3	Trailers	1,842	851	4.09%	75	3.16%	58
8	392.4	692.4	Heavy Trucks	8,565	4,686	2.19%	188	1.91%	164
9	393	693	Stores Equipment-Fully Depreciated	1,951	2,088	0.00%	-	0.00%	-
10	393.1	693.1	Stores Equipment	-	-	4.00%	-	4.00%	-
11	394	694	Tools, Shop & Garage Equip	12,692	6,978	3.32%	421	3.31%	420
12	395	695	Laboratory Equipment	2,972	3,105	1.12%	33	1.12%	33
13	396	696	Power Operated Equipment-Fully Depreciated	6,434	7,944	0.00%	-	0.00%	-
14	396.1	696.1	Power Operated Equipment	880	-	4.64%	41	4.64%	41
15	397	697	Communication Equipment	10,384	5,367	5.16%	536	5.18%	538
16	398	698	Miscellaneous Equipment	961	335	4.92%	47	4.92%	47
17			Total General Plant	\$ 132,732	\$ 69,021	2.86%	\$ 3,795	2.41%	\$ 3,194
18			Total Gas Plant	\$ 3,199,756	\$ 1,692,249	3.07%	\$ 98,276	2.62%	\$ 83,824
			Less: General Plant Transportation Equipment -						
19			Sum (Lines 5-8)				(1,024)		(812)
20			Depreciation Expense (Line 18 + Line 19)				<u>\$ 97,252</u>		<u>\$ 83,012</u>

- Q 5.2:** Regarding the Information Technology Investment discussed in Section A on page 20 of Ms. Bell's testimony, and the Pushdown of Assets discussed in Section B on pages 20-21 of Ms. Bell's testimony;
- Will the information technology investment discussed in Section A replace any of the information technology systems discussed in Section B?
 - Please provide a list of the asset grouping(s), or sub-grouping(s) included in the current technology replacement program.
 - Please quantify the projected net book value ("NBV") as of December 2021 for each grouping(s) or sub-grouping(s) included in the current technology replacement program.
 - What is the asset value, accumulated depreciation, and NBV of the information technology systems discussed in Section B assigned to Vectren North's rate base for the period ending December 31, 2021?
 - Please provide the in-service date for each information technology system asset in the "push down" group discussed in Section B.
 - Please provide the depreciable life, or amortization period, for each information technology system asset in the "push down" group discussed in Section B.

Response:

- Yes, please see the attached file titled "45468_OUCC 05.02_Attachment JSM-1 Reconciled with Data Retention Strategy - Additional Information" for a listing of the software applications being replaced with the information technology investment. The column titled VUHI Asset Classification identifies if it resides in the pushdown of the VUHI intangible assets.
- Please see the response to OUCC DR 05.2a.
- Please see the attachment in response to OUCC DR 05.02a, specifically towards the bottom of the 2nd page for the estimated net book value as of December 2021 allocated to Vectren North for the software applications that will be replaced with the current technology replacement program.
- Please see the attached document titled "45468_OUCC 05.02 Intangible Asset Push Down – Vectren North – with VUHI Asset Classification" on tab "OUCC 05.02 VUHI – Intangible". The tab referenced includes total VUHI intangible asset information in column C through M with the allocation for Vectren North presented in column N through P.
- Please see the attachment in response to OUCC DR 05.02d, specifically column J of the "VUHI Data" tab.
- Please see the attachment in response to OUCC DR 05.02d, specifically column P of the "VUHI Data" tab.

Original Timing of Replacement / Upgrade	Future State Application	Data Retention Requirement and Strategy	VUHI Asset Classification	Additional Information
No replacement planned	FIS Integrity	Supporting applications with no data of its own hence not relevant for Data Retention. Cashpro Web application is being considered for retirement in 2021.	N/A	Cashpro Web was not capitalized and so is not included in the VUHI Intangibles Pushdown of Assets.
No replacement planned	SAP	Financial data must be retained at least 5 years depending on the record category and asset related data must be retained for life of the asset. Historical data repository expected to be implemented in 2022 and Hyperion EPN is being considered for retirement in 2022.	Hyperion	
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. KBACE Payroll Reports application is being considered for retirement in 2021.	Kbace	
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. KSA Code Reporting application is being considered for retirement in 2021.	Kbace	
2019/2020	SAP	Financial data must be retained at least 5 years depending on the record category and asset related data must be retained for life of an asset. Historical data repository expected to be implemented in 2022 and Markview is being considered for retirement in 2022.	Markview	
2019/2020	SAP	Financial data must be retained for at least 5 years depending on record category and asset related data must be retained for life of the asset. Historical data repository expected to be implemented in 2022 and Oracle EBS is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Financial data must be retained for at least five years depending on record category. Historical data repository expected to be implemented in 2022 and Oracle EBS is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Financial data must be retained for at least five years depending on record category. Historical data repository expected to be implemented in 2022 and Oracle EBS is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Financial data must be retained for at least five years depending on record category. Historical data repository expected to be implemented in 2022 and Oracle EBS is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Financial data including labor hours must be retained at least five years depending on the record category. Historical data repository expected to be implemented in 2022. Workforce Time Entry is being considered for retirement in 2022.	Workforce Time Entry	
No replacement planned	SAP	Supporting application with no data to be retained hence not relevant for Data Retention. RIA Checkpoint application is being considered for retirement in 2021.	N/A	Not a separate asset in the financial records for VUHI.
2019/2020	SAP	Financial data including tax information must be retained for at least five years depending on the record category. Historical data repository expected to be implemented in 2022 and Payroll Tax CI Series is being considered for retirement in 2022.	N/A	Not a separate asset in the financial records for VUHI.
2019/2020	Upgraded Version of PowerPlant PowerTax	Historical data will be retained in the upgraded application.	PowerPlant	
2018	ABB Service Suite	Supporting application with no data to be retained hence not relevant for Data Retention. Agency application is coupled to FOCAS and will be retired with FOCAS.	N/A	Not a separate asset in the financial records for VUHI. FOCAS is included in Other. Not being considered for retirement.
2018	SAP	Financial data must be retained at least 5 years and asset data is required for life of the asset. Historical data repository expected to be implemented in 2022. Maximo is being considered for retirement in 2022.	Maximo	
2018	ABB Service Suite	Supporting application with no data to be retained hence not relevant for Data Retention. Sycto application is being considered for retirement in 2022.	Sycto	
2018	ABB Service Suite	Supporting application with no data to be retained hence not relevant for Data Retention. G4 application is being considered for retirement in 2022.	Viyarat / Click / Other	G4 is imbedded in both Viyarat / Click / Other classifications and cannot be broken out separately in financial records.
2018	SAP	Supporting application with no data to be retained hence not relevant for Data Retention. The Rules Manager application is coupled to Maximo and will be retired in conjunction with Maximo.	Maximo	
2020	SAP	Generation operations data must be retained at least 5 years. Historical data repository expected to be implemented in 2022. Assets is being considered for retirement in 2022.	N/A	Application supports electric only.
No replacement planned	SAP	Generation operations and maintenance data must be retained at least five years depending on the record category. Historical data repository expected to be implemented in 2022. Intellile is being considered for retirement in 2022.	N/A	Application supports electric only.
No replacement planned	SAP	Generation workorder data must be retained at least five years depending on the record category. Historical data repository expected to be implemented in 2022. MAINTelligence is being considered for retirement in 2022.	N/A	Application supports electric only.
No replacement planned	SAP	Supporting application with no data to be retained hence not relevant for Data Retention. VIF application is being considered for retirement in 2021.	Other	Application supports electric only.
2019/2020	SAP	Data related to revenue management and authorizations of payments for financial obligations including employee benefits and has to be retained for six to fifteen years depending on the record category. Historical data repository expected to be implemented in 2022. Oracle HCM is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Data related to employee personal information has to be retained for six to ten years depending on the record category. Historical data repository expected to be implemented in 2022. Oracle HCM is being considered for retirement in 2022.	Oracle eBusiness Suite	
2019/2020	SAP	Data related to employee training and performance has to be retained for six to ten years depending on the record category. Historical data repository expected to be implemented in 2022. Oracle HCM is being considered for retirement in 2022.	Oracle eBusiness Suite	
No replacement planned	SAP	Supporting application with no data of its own hence not relevant for Data Retention. Upon additional review it has been determined that Red Tag will not be retired.	N/A	Not a separate asset in financial records for VUHI.
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. RPS is being considered for retirement in 2021.	N/A	Not a separate asset in financial records for VUHI.
2019/2020	SAP	Financial data must be retained at least 5 years depending on the record category and asset related data must be retained for life of an asset. Historical data repository expected to be implemented in 2022. Oracle eBusiness Suite is being considered for retirement in 2022.	Oracle eBusiness Suite	
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. Intellium is being considered for retirement in 2021.	N/A	Not a separate asset in the financial records for VUHI.
2019/2020	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. Lohman is being considered for retirement in 2021.	N/A	Not a separate asset in the financial records for VUHI.
2019/2021	SAP	Accounts Payable Data needs to be retained for at least ten years depending on the record category. Historical data repository expected to be implemented in 2022. Oracle eBusiness Suite is being considered for retirement in 2022.	Oracle eBusiness Suite	
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. Structure is being considered for retirement in 2021.	N/A	Not a separate asset in the financial records for VUHI.
No replacement planned	SAP	Supporting application for Assets with no data of its own hence not relevant for Data Retention. Cogent Datahub is being considered for retirement in 2021.	N/A	Not a separate asset in the financial records for VUHI - part of Assets.
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. IBM Grid Caprus Integration Server application is coupled to Hyperion and will be retired in conjunction with Hyperion.	Hyperion	
No replacement planned	SAP	Supporting applications with no data of its own hence not relevant for Data Retention. Nostra View application is coupled to OBIEE and will be retired in conjunction with OBIEE.	OBIEE	OBIEE retirement date is unknown at this time.

VUHI Asset Classification	DEC-21 PROJECTED NBV **ADJUSTMENT PER WPB
Hyperion	\$ 83,310
Kbace	\$ -
Markview	\$ -
Oracle eBusiness Suite	\$ 604,117
Workforce Time Entry	\$ 17,363
Maximo	\$ 1,223,166
Other	\$ 1,258,160
TOTAL	\$ 3,186,051

Vectren North - Intangible Asset Pushdown - with VUHI Asset Classification

		ACTUALS - FIXED ASSET SYSTEM					PROJECTION - BASED ON ESTIMATED DEPRECIATION OF JUNE 2019 WORK ORDER BALANCES			PROJECTION - ACTIVITY JULY 2019 - DECEMBER 2021			TOTAL PROJECTION			VECTREN NORTH ALLOCATION		
		JUN-19 GROSS	JUN-19 ACCUM	Sum of JUN-19	DEC-21 ACCUM	Sum of DEC-21	ESTIMATED ADDITIONS JUL 19 - DEC 21 NBV	ESTIMATED ACCUM RESERVE JUL 19 - DEC 21 NBV	DEC-21 PROJECTED NBV	GROSS PLANT	ACCUMULATED RESERVE	**ADJUSTMENT PER WPB-2**	GROSS PLANT	ACCUMULATED RESERVE	DEC-21 PROJECTED NBV			
AMT		\$ 77,726,170	\$ 68,741,447	\$ 8,984,723	\$ 72,760,456	\$ 4,965,714			\$ 4,965,714	\$ 77,726,170	\$ 72,760,456	\$ 4,965,714	\$ 33,810,884	\$ 31,650,798	\$ 2,160,086			
GIS		\$ 72,939,551	\$ 64,010,861	\$ 8,928,689	\$ 67,970,520	\$ 4,960,022			\$ 4,960,022	\$ 72,939,551	\$ 67,970,520	\$ 4,960,022	\$ 31,728,705	\$ 29,571,095	\$ 2,157,609			
Maximo		\$ 4,582,756	\$ 4,582,756	\$ -	\$ 4,582,756	\$ -			\$ -	\$ 4,582,756	\$ 4,582,756	\$ -	\$ 1,993,499	\$ 1,993,499	\$ -			
Other		\$ 149,213	\$ 112,532	\$ 36,682	\$ 149,213	\$ -			\$ -	\$ 149,213	\$ 149,213	\$ -	\$ 64,908	\$ 64,908	\$ -			
Vectren.com		\$ 54,650	\$ 35,295	\$ 19,355	\$ 48,957	\$ 5,693			\$ 5,693	\$ 54,650	\$ 48,957	\$ 5,693	\$ 23,773	\$ 21,296	\$ 2,476			
Banner		\$ 77,529,288	\$ 61,864,588	\$ 15,664,700	\$ 65,457,130	\$ 12,072,158	\$ -	\$ -	\$ 12,072,158	\$ 77,529,288	\$ 65,457,130	\$ 12,072,158	\$ 33,725,240	\$ 28,473,852	\$ 5,251,389			
Banner		\$ 64,126,041	\$ 61,243,710	\$ 2,882,331	\$ 62,600,647	\$ 1,525,393			\$ 1,525,393	\$ 64,126,041	\$ 62,600,647	\$ 1,525,393	\$ 27,894,628	\$ 27,231,286	\$ 663,342			
CC&B		\$ 13,403,247	\$ 620,876	\$ 12,782,369	\$ 2,856,483	\$ 10,546,764			\$ 10,546,764	\$ 13,403,247	\$ 2,856,483	\$ 10,546,764	\$ 5,830,413	\$ 1,242,970	\$ 4,587,443			
Oracle		\$ 27,446,676	\$ 21,176,198	\$ 6,270,478	\$ 24,374,358	\$ 3,068,221	\$ -	\$ 477,551	\$ 2,990,670	\$ 27,446,676	\$ 24,374,358	\$ 3,068,221	\$ 8,782,904	\$ 7,953,890	\$ 829,014			
GIS		\$ 14,982	\$ 6,055	\$ 8,927	\$ 9,801	\$ 5,181			\$ 5,181	\$ 14,982	\$ 9,801	\$ 5,181	\$ 4,794	\$ 3,136	\$ 1,658			
OBIEE		\$ 375,325	\$ 244,012	\$ 131,314	\$ 336,867	\$ 38,459			\$ 38,459	\$ 375,325	\$ 336,867	\$ 38,459	\$ 107,797	\$ 107,797	\$ -			
Oracle eBusiness Suite		\$ 26,822,818	\$ 20,842,782	\$ 6,080,036	\$ 23,931,792	\$ 2,991,025	\$ 477,551		\$ 2,513,475	\$ 26,822,818	\$ 24,409,343	\$ 2,513,475	\$ 8,615,302	\$ 7,810,990	\$ 804,312			
Server		\$ 67,993	\$ 67,993	\$ -	\$ 67,993	\$ -			\$ -	\$ 67,993	\$ 67,993	\$ -	\$ 21,566	\$ 21,566	\$ -			
Syco		\$ 66,057	\$ 15,864	\$ 50,193	\$ 32,554	\$ 33,554			\$ 33,554	\$ 66,057	\$ 32,554	\$ 33,554	\$ 20,138	\$ 10,737	\$ 9,401			
Other		\$ 183,161,817	\$ 92,459,767	\$ 90,701,751	\$ 123,230,436	\$ 59,931,081	\$ 16,082,606	\$ 1,960,639	\$ 74,053,048	\$ 183,161,817	\$ 123,230,436	\$ 59,931,081	\$ 88,607,521	\$ 56,394,446	\$ 32,213,075			
Altera		\$ 326,030	\$ 231,173	\$ 94,857	\$ 280,237	\$ 45,793			\$ 45,793	\$ 326,030	\$ 280,237	\$ 45,793	\$ 141,823	\$ 121,903	\$ 19,920			
AgileCraft		\$ 258,137	\$ 30,830	\$ 227,307	\$ 95,352	\$ 162,785			\$ 162,785	\$ 258,137	\$ 95,352	\$ 162,785	\$ 112,290	\$ 41,478	\$ 70,811			
Audio/Visual Communication		\$ 84,938	\$ 13,197	\$ 71,741	\$ 34,439	\$ 50,499			\$ 50,499	\$ 84,938	\$ 34,439	\$ 50,499	\$ 14,981	\$ 21,961	\$ -			
AVL		\$ 310,782	\$ 188,732	\$ 122,050	\$ 265,273	\$ 45,509			\$ 45,509	\$ 310,782	\$ 265,273	\$ 45,509	\$ 136,190	\$ 115,394	\$ 20,796			
Banner		\$ 260,400	\$ 260,400	\$ -	\$ 260,400	\$ -			\$ -	\$ 260,400	\$ 260,400	\$ -	\$ 113,274	\$ 113,274	\$ -			
Citrix Portal		\$ 80,860	\$ 77,791	\$ 3,069	\$ 80,810	\$ 50			\$ 50	\$ 80,860	\$ 80,810	\$ 50	\$ 35,174	\$ 35,152	\$ 22			
Click		\$ 6,720,911	\$ 1,183,659	\$ 5,537,251	\$ 2,876,100	\$ 3,844,811			\$ 3,844,811	\$ 6,720,911	\$ 2,876,100	\$ 3,844,811	\$ 2,923,596	\$ 1,251,104	\$ 1,672,493			
Communications		\$ 331,442	\$ 263,190	\$ 68,252	\$ 311,368	\$ 20,074			\$ 20,074	\$ 331,442	\$ 311,368	\$ 20,074	\$ 144,177	\$ 135,445	\$ 8,732			
Corporate Analytics		\$ 3,205,504	\$ 720,472	\$ 2,485,032	\$ 1,522,085	\$ 1,683,419			\$ 1,683,419	\$ 3,205,504	\$ 1,522,085	\$ 1,683,419	\$ 1,394,394	\$ 662,107	\$ 732,287			
Cyber Hardware		\$ 135,616	\$ 45,611	\$ 90,005	\$ 79,454	\$ 56,162			\$ 56,162	\$ 135,616	\$ 79,454	\$ 56,162	\$ 58,993	\$ 34,862	\$ 24,131			
Cyber Software		\$ 2,001,564	\$ 815,545	\$ 1,186,019	\$ 1,295,192	\$ 706,372			\$ 706,372	\$ 2,001,564	\$ 1,295,192	\$ 706,372	\$ 870,680	\$ 563,408	\$ 307,272			
Desktop Software		\$ 4,422,825	\$ 3,320,904	\$ 1,101,922	\$ 3,924,559	\$ 498,266			\$ 498,266	\$ 4,422,825	\$ 3,924,559	\$ 498,266	\$ 1,923,929	\$ 1,707,183	\$ 216,746			
Disaster Recovery		\$ 4,101,527	\$ 880,472	\$ 3,221,055	\$ 1,881,826	\$ 2,219,701			\$ 2,219,701	\$ 4,101,527	\$ 1,881,826	\$ 2,219,701	\$ 1,784,184	\$ 1,615,947	\$ 168,539			
ED Work Mgmt Systems		\$ 849,135	\$ 267,080	\$ 582,054	\$ 479,388	\$ 369,746			\$ 369,746	\$ 849,135	\$ 479,388	\$ 369,746	\$ 369,574	\$ 208,534	\$ 160,840			
FDM		\$ 788,621	\$ 299,594	\$ 489,027	\$ 499,093	\$ 289,528			\$ 289,528	\$ 788,621	\$ 499,093	\$ 289,528	\$ 343,050	\$ 217,106	\$ 125,945			
Fuel Focus		\$ 175,410	\$ 75,051	\$ 100,359	\$ 118,854	\$ 56,457			\$ 56,457	\$ 175,410	\$ 118,854	\$ 56,457	\$ 76,304	\$ 51,745	\$ 24,559			
GIS		\$ 2,157,836	\$ 361,718	\$ 1,796,117	\$ 909,351	\$ 1,248,484			\$ 1,248,484	\$ 2,157,836	\$ 909,351	\$ 1,248,484	\$ 395,665	\$ 543,091	\$ -			
Hyperion		\$ 4,436,388	\$ 4,036,410	\$ 399,968	\$ 4,244,871	\$ 191,517			\$ 191,517	\$ 4,436,388	\$ 4,244,871	\$ 191,517	\$ 1,929,828	\$ 1,846,519	\$ 83,310			
Kbase		\$ 52,291	\$ 52,291	\$ -	\$ 52,291	\$ -			\$ -	\$ 52,291	\$ 52,291	\$ -	\$ 22,747	\$ 22,747	\$ -			
Markview		\$ 1,118,828	\$ 1,111,887	\$ 6,942	\$ 1,118,828	\$ -			\$ -	\$ 1,118,828	\$ 1,118,828	\$ -	\$ 486,690	\$ 486,690	\$ -			
Maximo		\$ 13,256,952	\$ 7,802,025	\$ 5,454,927	\$ 10,445,099	\$ 2,811,852			\$ 2,811,852	\$ 13,256,952	\$ 10,445,099	\$ 2,811,852	\$ 5,766,774	\$ 4,543,618	\$ 1,223,156			
Microsoft		\$ 10,268,642	\$ 5,072,063	\$ 5,196,579	\$ 7,068,351	\$ 3,200,291			\$ 3,200,291	\$ 10,268,642	\$ 7,068,351	\$ 3,200,291	\$ 4,466,859	\$ 3,074,733	\$ 1,392,127			
Mobile Hardware		\$ 200,588	\$ 180,337	\$ 20,251	\$ 172,714	\$ 27,874			\$ 27,874	\$ 200,588	\$ 172,714	\$ 27,874	\$ 87,256	\$ 75,131	\$ 12,125			
Monitors/Printers		\$ 93,881	\$ 33,243	\$ 60,638	\$ 56,715	\$ 37,165			\$ 37,165	\$ 93,881	\$ 60,638	\$ 33,243	\$ 40,838	\$ 40,838	\$ -			
Network		\$ 356,902	\$ 204,130	\$ 152,763	\$ 264,087	\$ 92,814			\$ 92,814	\$ 356,902	\$ 264,087	\$ 92,814	\$ 155,252	\$ 114,878	\$ 40,734			
OBIEE		\$ 4,659,691	\$ 2,375,933	\$ 2,283,758	\$ 3,399,162	\$ 1,260,529			\$ 1,260,529	\$ 4,659,691	\$ 3,399,162	\$ 1,260,529	\$ 2,026,966	\$ 1,478,635	\$ 548,330			
OmniSmart		\$ 5,816,700	\$ 1,432,493	\$ 4,384,207	\$ 2,886,743	\$ 2,929,958			\$ 2,929,958	\$ 5,816,700	\$ 2,886,743	\$ 2,929,958	\$ 5,230,256	\$ 1,256,733	\$ 1,274,517			
OMS		\$ 179,799	\$ 179,799	\$ -	\$ 179,799	\$ -			\$ -	\$ 179,799	\$ 179,799	\$ -	\$ 78,213	\$ 78,213	\$ -			
OnBase		\$ 9,038,736	\$ 2,565,348	\$ 6,473,388	\$ 4,826,431	\$ 4,212,305			\$ 4,212,305	\$ 9,038,736	\$ 4,826,431	\$ 4,212,305	\$ 3,931,850	\$ 2,099,498	\$ 1,832,353			
Oracle eBusiness Suite		\$ 28,523,939	\$ 12,384,399	\$ 16,139,540	\$ 15,409,784	\$ 13,114,155			\$ 13,114,155	\$ 28,523,939	\$ 15,409,784	\$ 13,114,155	\$ 12,407,914	\$ 6,703,256	\$ 5,704,658			
Other		\$ 28,935,929	\$ 19,743,132	\$ 9,192,797	\$ 23,359,714	\$ 5,576,215	\$ 16,082,606	\$ 1,960,639	\$ 19,698,181	\$ 28,935,929	\$ 23,359,714	\$ 5,576,215	\$ 21,519,390	\$ 12,950,682	\$ 8,568,700			
PC/Laptops/Thin Clients		\$ (9)	\$ (3)	\$ (6)	\$ (5)	\$ (4)			\$ (4)	\$ (9)	\$ (5)	\$ (4)	\$ (4)	\$ (2)	\$ (2)			
PowerPlant		\$ 4,304,091	\$ 3,070,290	\$ 1,233,805	\$ 3,837,205	\$ 466,897			\$ 466,897	\$ 4,304,091	\$ 3,837,205	\$ 466,897	\$ 1,872,282	\$ 1,669,164	\$ 203,068			
SCADA		\$ 372,029	\$ 88,768	\$ 283,261	\$ 181,786	\$ 100,243			\$ 100,243	\$ 372,029	\$ 181,786	\$ 100,243	\$ 161,833	\$ 79,077	\$ 82,756			
Server		\$ 3,203,928	\$ 1,143,927	\$ 2,060,001	\$ 1,907,381	\$ 1,296,547			\$ 1,296,547	\$ 3,203,928	\$ 1,907,381	\$ 1,296,547	\$ 1,393,709	\$ 829,711	\$ 563,998			
Solar Winds		\$ 149,887	\$ 60,949	\$ 88,937	\$ 98,800	\$ 51,187			\$ 51,187	\$ 149,887	\$ 98,800	\$ 51,187	\$ 65,244	\$ 42,078	\$ 22,968			
SSC		\$ 549	\$ 354	\$ 194	\$ 354	\$ 194			\$ 194	\$ 549	\$ 354	\$ 194	\$ 83	\$ 83	\$ -			
Storage		\$ 1,603,612	\$ 551,073	\$ 1,052,539	\$ 926,901	\$ 676,711			\$ 676,711	\$ 1,603,612	\$ 926,901	\$ 676,711	\$ 697,571	\$ 403,202	\$ 294,369			
Syco		\$ 6,907,968	\$ 2,307,694	\$ 4,600,274	\$ 4,040,376	\$ 2,867,592			\$ 2,867,592	\$ 6,907,968	\$ 4,040,376	\$ 2,867,592	\$ 3,004,966	\$ 1,757,564	\$ 1,247,402			
System Testing		\$ 281,111	\$ 142,799	\$ 138,312	\$ 213,127	\$ 67,984			\$ 67,984	\$ 281,111	\$ 213,127	\$ 67,984	\$ 12,283	\$ 92,675	\$ -			
TIBCO		\$ 7,400,095	\$ 4,402,036	\$ 2,998,059	\$ 5,635,168	\$ 1,764,927			\$ 1,764,927	\$ 7,400,095	\$ 5,635,168	\$ 1,764,927	\$ 3,219,041	\$ 2,451,298	\$ 767,743			
UPS		\$ 54,776	\$ 20,313	\$ 34,463	\$ 34,007	\$ 20,769			\$ 20,769									

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA GAS COMPANY,)
 INC. ("INDIANA GAS"), TERRE HAUTE GAS)
 CORPORATION AND RICHMOND GAS CORPORA-)
 TION FOR AUTHORITY (a) TO ENGAGE IN)
 TRANSACTIONS NECESSARY TO EFFECTUATE)
 THE MERGER OR OTHER COMBINATION OF)
 TERRE HAUTE GAS CORPORATION AND)
 RICHMOND GAS CORPORATION INTO OR WITH)
 INDIANA GAS, (b) FOR JOINT PETITIONERS)
 IN CONNECTION WITH SUCH MERGER OR OTHER)
 COMBINATION TO ADJUST THEIR EXISTING)
 RATES AND CHARGES FOR GAS SERVICE)
 RENDERED BY THEM AND FOR APPROVAL OF)
 NEW UNIFORM SCHEDULES OF RATES AND)
 CHARGES AND RULES AND REGULATIONS)
 APPLICABLE THERETO, (c) FOR JOINT)
 PETITIONERS IN CONNECTION WITH SUCH)
 MERGER OR OTHER COMBINATION TO ADJUST)
 THEIR DEPRECIATION RATES, (d) FOR)
 INDIANA GAS IN CONNECTION WITH SUCH)
 MERGER OR OTHER COMBINATION TO ISSUE)
 AND SELL NOT TO EXCEED \$35,000,000 IN)
 AGGREGATE PRINCIPAL AMOUNT OF LONG-TERM)
 DEBT CONSISTING, IN WHOLE OR COMBINA-)
 TION, OF ONE OR MORE NEW SERIES OF)
 FIRST MORTGAGE BONDS OR UNSECURED)
 PROMISSORY NOTES AND NOT TO EXCEED)
 \$45,000,000 IN AGGREGATE AMOUNT OF)
 ADDITIONAL SHARES OF COMMON STOCK,)
 (e) IN THE ALTERNATIVE FOR INDIANA GAS)
 TO ADJUST ITS EXISTING RATES AND)
 CHARGES FOR GAS SERVICE RENDERED BY)
 IT AND FOR APPROVAL OF NEW SCHEDULES)
 THERETO, AND (f) TO MERGE OR COMBINE)
 OHIO RIVER PIPELINE CORPORATION INTO)
 OR WITH INDIANA GAS.)

IURC
JOINT EXHIBIT

EXHIBIT NO. 1

10-22-90

DATE

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REPORTER

CAUSE NO. 38918

FILED

OCT 24 1990

INDIANA UTILITY
REGULATORY COMMISSION

STIPULATION AND SETTLEMENT AGREEMENT

NOW COME Citizens Action Coalition of Indiana, Inc.
 ("CAC"), City of Muncie, Indiana ("Muncie"), Designated

the debts, liabilities, and obligations of RGC and THG, which shall be assumed by the Combined Company, and the reflection thereof on the books and records of the Combined Company in the amounts as the same are reflected on the books and records of RGC and THG.

D. Acquisition Adjustment.

The Parties stipulate and agree that during the Settlement Period the Combined Company shall be authorized to reflect in rate base the acquisition adjustment (the "Acquisition Adjustment") resulting from the acquisition of RGC and THG and will be authorized to amortize the amount of the Acquisition Adjustment "above the line" as an allowable operating expense computing the amortization using a forty (40) year straight-line method.

It shall be incumbent upon the Combined Company to bear the burden of proof and propose the continuance of the ratemaking treatment for the Acquisition Adjustment in the next general rate proceeding, or any proceeding investigating the reasonableness of the Combined Company's basic rates and charges initiated two (2) years or more after the effective date of the uniform rates, rules and regulations, as provided in ARTICLE III, Part B. The

Settlement Agreement will in no way prejudice the right of any party to propose a different ratemaking treatment with respect to the Acquisition Adjustment in the Combined Company's next general rate proceeding, or in any proceeding regarding the reasonableness of the Combined Company's revenue distribution, rate design or basic rates and charges initiated two (2) years or more after the effective date of the uniform rates, rules and regulations, as provided in ARTICLE III, Part B.

E. Other Authorizations.

The Parties stipulate and agree that IGC, RGC, THG and the Combined Company may be provided in the General Rate Order any other authorizations, provided they are consistent with the Settlement Agreement, which are necessary and appropriate in the premises in order to accomplish the Operational Combination and the Formal Merger of RGC and THG with or into IGC. Such stipulation and agreement does not in any way preclude any of the parties from seeking rehearing and/or other relief with respect to the provision of other authorizations in the General Rate Order. If IGC, RGC, THG and the Combined Company request any other authorizations not provided for in the Settlement Agreement, the Parties reserve all of their rights to oppose such requests.

- Q 8.8:** Regarding Vectren North's Exhibit No. 18, workpaper WPB 4.1 detailing the acquisition adjustment and amortization thereof in this Cause;
- a. Has Vectren North specifically provided justification for continuation of ratemaking treatment for the acquisition adjustment in its testimony and exhibits in this Cause?
 - b. If the answer to (a) above is yes, please specify where this justification is located within Vectren North's testimony and exhibits.
 - c. What specific authority allows Vectren North to include ratemaking treatment for the acquisition adjustment in this Cause?
 - d. What is the justification for disallowance of 10% of the acquisition adjustment as shown in column N of workpaper WPB 4.1?

Response:

- a. Vectren North received authority by Commission's Order in Cause No. 38918 dated August 14, 1991 which approved a stipulation and settlement agreement. This treatment has been continued in each subsequent general rate case. Over the past 30 years, we have not seen or experienced any overall extenuating circumstances which cause us to believe the original rationale presented in Cause 38918, to support the Acquisition Adjustment's above-the-line treatment, has been disproved and thus, the above-the-line treatment not be warranted to be continued.
- b. Not applicable.
- c. See response to part (a).
- d. See response to part (a).

Q 5.5: Referencing page 23, lines 4-11 of her testimony, Ms. Bell discusses the adjustment for the removal of assets associated with extension of service to an industrial customer. On lines 9-11 Ms. Bell states, “the associated contractual (non-gas cost) revenues for this customer were also removed from the test year.”

- 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 \$295,000.
- d. See response to part (c)

Q 1.8: On page 14, lines 11-14 of her testimony, Ms. Bell states: “Consistent 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 North 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 North's knowledge, no similar proposal has been made with the exception of Vectren South (Cause No. 45447) which recently filed its case on October 30, 2020. The Company's proposal for a full update is driven by the uncertainty surrounding the effects from the COVID-19 pandemic.

Q 5.6: Regarding utility plant assets and expenses accounted for within Vectren North's current CSIA mechanism, please answer the following questions;

- a. Will Vectren North continue accumulation of investments in the CSIA during 2021, until a base rate Order is issued?
- b. When does Vectren North envision ceasing the accumulation of investments in the CSIA?
- c. When does Vectren North envision transferring the accumulation of investments in the CSIA to rate base?
- d. Does Vectren North 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 North anticipate filing the last CSIA filing before base rates are approved?
- f. Does Vectren North anticipate filing a new TDSIC plan and CSIA recovery mechanism for Vectren North after the expiration of the current TDSIC and CSIA, and after new base rates are in effect?

Objection:

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

Subject to and without waiver of the foregoing objections, Vectren North 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. 44430-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 (44430-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 05-6(d).
- f. Yes. The Company anticipates filing a proposal for a new TDSIC and CSIA plan to be in effect subsequent to the test year in this proceeding.

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 March 31, 2021.

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