
VERIFIED REBUTTAL TESTIMONY OF ALAN FELSENTHAL

1 **INTRODUCTION**

2 **Q1. Please state your name, business address, occupation and employer.**

3 A1. My name is Alan Felsenthal. My business address is One North Wacker
4 Drive, Chicago, Illinois, 60606. I am a Managing Director at
5 PricewaterhouseCoopers LLP ("PwC").

6 **Q2. On whose behalf are you submitting this rebuttal testimony?**

7 A2. I am submitting this testimony on behalf of Northern Indiana Public
8 Service Company LLC ("NIPSCO" or the "Company").

9 **Q3. Please describe your educational background and business experience.**

10 A3. I graduated from the University of Illinois in 1971 and began my career at
11 Arthur Andersen & Co ("Arthur Andersen"), where I was an auditor, and
12 focused on audits of financial statements of regulated entities. In 2002, I
13 joined PwC and became a Managing Director in their Power and Utilities
14 Group and continued performing audits for regulated entities. I was hired
15 by Huron Consulting Group ("Huron") in 2008 and returned to PwC in
16 November of 2010. At both Arthur Andersen and PwC, I supervised

1 audits of financial statements on which the firms issued audit opinions
2 that were filed with the SEC, the Federal Communications Commission,
3 the Federal Energy Regulatory Commission ("FERC") and various state
4 commissions. At Arthur Andersen, PwC and Huron, I consulted on a
5 significant number of utility rate cases and helped develop testimony for
6 myself and others on a variety of issues, including construction work in
7 progress in rate base, projected test years, lead-lag studies, cost allocation,
8 several accounting issues (e.g., pension accounting, regulatory accounting,
9 income tax accounting, cost of removal) and compliance with the income
10 tax normalization requirements.

11 **Q4. Please describe your duties and responsibilities at PwC.**

12 A4. I lead the Firm's regulatory support practice. Throughout my career, my
13 focus has been on the regulated industry sector, primarily electric, gas,
14 telecommunication and water utilities. I have focused on utility
15 accounting, income tax and regulatory issues, primarily as a result of
16 auditing regulated enterprises. The unique accounting standards
17 applicable to regulated entities embodied in Accounting Standards
18 Codification ("ASC") 980, Regulated Operations (formerly, Statement of

1 Financial Accounting Standards ("SFAS") 71, FAS 90, FAS 92, FAS 101 and
2 various Emerging Issues Task Force ("EITF") issues, all need to be
3 understood so that auditors can determine whether a company's financial
4 statements are fairly presented in accordance with generally accepted
5 accounting principles ("GAAP"). I have witnessed the issuance of these
6 standards and have consulted with utilities as to how they should be
7 applied. At both Arthur Andersen and PwC, I worked with the technical
8 industry, accounting and auditing leadership to communicate and consult
9 on utility accounting and audit matters. My curriculum vitae is attached
10 as Attachment 21-R-A.

11 **Q5. Have you previously provided testimony before the Indiana Utility**
12 **Regulatory Commission ("Commission")?**

13 A5. Yes. I have testified or filed testimony before this Commission in four
14 dockets. The first was in connection with Northern Indiana Public Service
15 Company's rate case filing in Cause No. 43526 on the ratemaking
16 treatment of cost of removal. I then testified in Indianapolis Power &
17 Light Company's ("IPL") rate case filing in Cause No. 44576, in which I
18 testified on ratemaking treatment of the Company's net prepaid pension

1 asset, and again in IPL's Cause No. 45029 where I provided rebuttal
2 testimony on the same topic. I also provided rebuttal testimony in
3 Northern Indiana Public Service Company's rate case filing in Cause No.
4 44688, again on this subject.

5 **Q6. Have you testified in other jurisdictions?**

6 A6. Yes. I have testified before the Arizona Corporation Commission, the
7 Florida Public Service Commission, the Illinois Commerce Commission,
8 the Public Utility Commission of Ohio, the Public Utility Commission of
9 Texas, the Washington Utilities and Transportation Commission and
10 FERC.

11 **Q7. Have you provided training on the application of GAAP to regulated**
12 **enterprises?**

13 A7. Yes. At Arthur Andersen, Huron and PwC, I developed and presented
14 utility accounting seminars focusing on the unique aspects of the
15 regulatory process and the resulting accounting consequences of the
16 application of GAAP. I have presented seminars, as well as delivered
17 training on an in-house basis. Seminar participants have included utility
18 company and regulatory commission staff accountants, utility rate

1 departments and internal auditors, tax accountants and others. I have also
2 conducted these seminars in-house for the FERC, several state
3 commissions and I have presented at various Edison Electric Institute and
4 American Gas Association ratemaking and accounting seminars.

5 **Q8. Have you read the direct testimony of NIPSCO witness Jennifer**
6 **Shikany and Michael Gorman on behalf of the NIPSCO Industrial**
7 **Group?**

8 A8. Yes.

9 **Q9. What is the purpose of your rebuttal testimony?**

10 A9. In its direct filing NIPSCO included a net \$369 million prepaid pension
11 asset in the capital structure thereby including this asset in calculating the
12 investors' required return. The net prepaid pension asset consists of a
13 prepaid pension asset of \$435 million offset by an Other Post Employment
14 Benefit ("OPEB") liability of \$66 million. Mr. Gorman rejected the
15 Company's treatment and has removed both the prepaid pension asset
16 and OPEB liability from the capital structure, denying any return
17 associated with these amounts. His recommendation is based on a
18 misunderstanding of basic concepts underlying pension accounting and

1 pension contributions and, most importantly, the source of the prepaid
2 pension asset, which is 100% funded by investors. His testimony
3 erroneously claims that a portion of the prepaid pension asset is sourced
4 with customer funds (he states that customers have contributed the
5 Employee Retirement Income Security Act of 1974 ("ERISA") minimum as
6 a result of NIPSCO including pension expense as a cost of service/revenue
7 requirement component. His direct quote on Line 10, Page 6 of his
8 testimony is "The ERISA funding is a surrogate for funding amounts
9 collected from customers") which demonstrates a lack of understanding of
10 pension accounting and pension funding. The two are unrelated, leading
11 to his inappropriate recommendation.

12 Also, by removing the OPEB liability from the return calculation (for,
13 according to Mr. Gorman, consistency), he ignores that in previous causes,
14 the IURC has addressed and approved ratemaking treatment of the OPEB
15 liability in a manner which reduces return and revenue requirements, and
16 contrary to his own position that customers should not pay a return on
17 customer-contributed funds.

1 While I agree with Mr. Gorman that the OPEB liability and prepaid
2 pension asset should receive the same ratemaking treatment, I believe
3 both should be included in the calculation of the overall return as the
4 prepaid pension asset is investor funded (increasing the overall return)
5 while the OPEB liability is customer funded (decreasing the overall
6 return).

7 Finally, Mr. Gorman does not discuss the direct and indirect benefits to
8 customers resulting from NIPSCO having a prepaid pension asset in the
9 first place. The benefits are substantial—lowering pension expense and
10 income taxes (for the amortization of the related excess Accumulated
11 Deferred Income Taxes (“ADIT”)) by at least \$26 million – approximately
12 \$10 million more than the revenue requirement effect of including the
13 prepaid pension asset and related ADIT and excess ADIT in the capital
14 structure. I will address the improper and unfair result that Mr. Gorman’s
15 recommendation will produce, with NIPSCO’s customers receiving the
16 direct benefit of an investor-supplied prepaid pension asset while not
17 providing a return to the investors whose investment has produced this
18 customer benefit.

1 SUMMARY

2 **Q10. Can you please summarize your rebuttal testimony?**

3 A10. My rebuttal testimony discusses:

- 4 • The accounting treatment of the Company's prepaid pension asset
5 and OPEB liability as compared to the ERISA requirements for
6 contributions to the pension trust and why it is erroneous to mix
7 the two concepts which Mr. Gorman has done;
- 8 • Why the source of the entire prepaid pension asset must be investor
9 capital thus requiring a return;
- 10 • Why the existence of a prepaid pension asset provides quantitative
11 and qualitative benefits to ratepayers by reducing pension expense
12 (an operating expense included in cost of service) as well as
13 providing employees the likelihood that amounts will be available
14 to pay their retirement benefits. Mr. Gorman's recommendation
15 provides customers the benefit of the lower pension expense
16 without compensating investors for the cash advanced to effectuate
17 this cost of service reduction. Under his proposal, customers will
18 receive a "free lunch" by not providing a return associated with the

investor-supplied prepaid asset which is an integral part of providing service; and,

- The IURC's multiple findings that the prepaid pension asset should be included in the determination of the return and why Mr. Gorman's recommendation should be rejected.

In addition to the quantifiable benefit that customers receive as a result of the investor-funded prepaid pension asset (reduced pension expense), I will show why such contributions to the pension trust which result in NIPSCO's pension plan being funded, on an ERISA basis at around 100%, is a prudent decision benefitting NIPSCO, its customers and employees and why it is therefore appropriate for this investment to be included in the determination of the return as the Company has proposed.

BACKGROUND ON PENSION AND OPEB ACCOUNTING AND PENSION AND OPEN CONTRIBUTIONS

Q11. Mr. Gorman opposes the inclusion of the prepaid pension asset in the capital structure. Before addressing his specific issue, please briefly summarize what the prepaid pension asset is and how it relates to pension expense and pension contributions?

1 A11. Pensions are promised/contracted payments to retirees under a defined
2 benefit plan. The prepaid pension asset is the cumulative difference
3 between (1) amounts expensed for GAAP (and recovery as a component
4 of test year expenses) and (2) contributions to the pension trust. To the
5 extent that cumulative contributions are in excess of GAAP pension
6 expense, a prepaid pension asset will exist.

7 **Q12. What do you mean by “amounts expensed for GAAP”?**

8 A12. For accounting purposes under GAAP, an employee's pension is
9 “accrued” (recognized as an expense) over the employee's service life. In
10 that manner, each year is charged a portion of the pension that is “earned”
11 by the employee providing service for that year. Estimates of the amount
12 that the employee will eventually receive as a pension payment are
13 developed by actuaries considering how long the employee will live after
14 retirement, the promised benefits, etc. The expense is recognized each
15 year of the employee's service life, with a corresponding increase to the
16 pension liability. Once the employee retires, his/her expense accrual stops
17 and pension payments begin. Over time, pension expense (which

1 considers investment returns on pension assets) will equal the pension
2 benefits paid to retirees (less expenses of the plan, if any).

3 The journal entry to record pension expense is:

4 Dr. Pension Expense XXX

5 Cr. Accrued Pension Liability XXX

6 **Q13. What do you mean by “contributions to the pension trust”?**

7 A13. Companies must be able to fund the future retiree payments. It is a
8 prudent business decision to put away amounts prior to the time such
9 retiree payments are to occur and most companies have established a
10 pension trust to accomplish this. This is the “funding” part of the
11 equation. ERISA laws govern pension trust funding requirements and the
12 deductibility of such amounts is based on the Internal Revenue Service
13 (“IRS”) rules. The IRS sets minimum and maximum funding
14 requirements and imposes penalties and other limitations for less well-
15 funded pension plans. The Pension Benefit Guarantee Corporation
16 (“PBGC”) requires participant notices for missed contributions and
17 additional reporting for less well-funded plans.

1 Assets in the pension trust cannot be removed for any purpose other than
2 retiree pension payments. Amounts in the fund can be invested in
3 securities and other vehicles to earn a return—thus reducing the amount
4 that eventually needs to be contributed to the fund in order to have
5 enough cash accumulated to fund the retiree benefits once they begin. If,
6 for example, \$50,000 was needed to fund pension benefits for an employee
7 that will retire in 10 years (the payments beginning in year 11), it is
8 possible to contribute less than \$50,000 to the pension trust as long as the
9 earnings on the amounts invested produce the required \$50,000 when
10 payment to the retiree becomes due. Further, the sooner that contribution
11 is made, the longer that contribution is available to earn within the plan,
12 again requiring less than would be needed if the contribution is delayed.
13 The sooner and greater the contribution, the less the company will be
14 required to contribute over time to be able to make the pension payments.
15 As a result, and importantly from a ratemaking standpoint, pension trust
16 earnings reduce ongoing annual pension expense. As pension expense is
17 included as a recoverable cost in the ratemaking process, these trust
18 earnings inure to the benefit of customers.

1 The journal entry to record a contribution to the pension trust is:

2 Dr. Pension Asset XXX

3 Cr: Cash XXX

4 Without getting into the details of the complex ERISA funding rules, it is
5 important to understand the ERISA objectives. The reason Congress
6 passed ERISA was because of outside pressures resulting from companies
7 being unable to pay the promised pensions to rank-and-file workers. One
8 of the highest profiled examples was the Studebaker Corporation, which
9 closed its South Bend, Indiana, facility in 1963. Because their pension plan
10 was woefully funded, thousands of vested Studebaker employees
11 received just a small portion of benefits earned, while many others
12 received nothing. While the ERISA funding requirements apply to
13 corporate pension plans, they do not apply to public or governmental
14 plans and that is why a number of states and municipalities are having to
15 deal with the well-publicized, negative consequences of significant
16 unfunded pension benefits due their employees.

1 ERISA was, in part, designed to help improve that benefit security for
2 businesses, including the establishment of minimum funding standards.
3 ERISA minimum funding requirements are established by Congress, and
4 do not necessarily always reflect a strict actuarial approach to fully
5 funding pension plans and are subject to the vagaries of the political
6 process (unlike the accrual accounting rules established by the FASB). As
7 a result, minimum funding rules include mechanisms for deferral of
8 funding for plan changes and adverse experience, allowance of usage of
9 prior years' funding to satisfy current year requirements (e.g., "credit
10 balances"), interest rate and other funding "relief" provisions, and even
11 waivers of funding requirements for which companies may apply. These
12 are funding considerations, not GAAP accounting considerations.

13 **Q14. Please summarize the difference between Pension**
14 **Accounting/Ratemaking and Pension Contributions**

15 A14. In a regulated entity, revenue requirements typically include recovery of
16 pension expense as determined in accordance with GAAP, while
17 contributions to the pension trust are determined to comply with ERISA
18 laws at a minimum, but additional amounts may be contributed in certain

1 years in connection with an organization's particular business objectives.
2 ERISA requirements have minimum funding levels determined by the
3 Government to help ensure that funds will be available to pay pension
4 benefits, but the ERISA rules governing contributions are unrelated to the
5 GAAP requirements to accrue pension costs. These ERISA laws do not
6 and should not factor into cost of service. ERISA contributions are based
7 on a number of factors, which I just described.

8 As discussed previously, GAAP pension expense is included in cost of
9 service. When a company makes contributions in excess of GAAP
10 pension expense (regardless if such contributions are above or equal to
11 ERISA minimums), a prepaid pension asset is recorded. The amount of
12 that prepaid pension asset is the cumulative amount of contributions in
13 excess of cumulative GAAP pension expense. Thus, by definition, the
14 prepaid pension asset is funded entirely by investors and should earn a
15 return.

16 **Q15. Can you provide a simplified example to illustrate the accounting,**
17 **funding and ratemaking?**

1 A15. Yes. Assume that cumulative GAAP pension expense is \$100 and
2 cumulative pension contributions (pursuant to ERISA) are \$150. We can
3 also assume that this pension contribution is at a level to fund the plan at
4 100% of benefit liabilities. The journal entry to record the pension expense
5 and pension contribution is:

6	Dr. Pension Expense	\$100
7	Cr. Accrued Pension	\$100
8	Dr. Pension Asset	\$150
9	Cr. Cash	\$150

10 (The above example does not include the ultimate payments made to the
11 pensioners after they retire—which will come from the pension trust--
12 such payments to retirees from the trust are not a factor in this cause.)

13 Continuing the example, for ratemaking purposes \$100 has been included
14 in cost of service/revenue requirements as this is the GAAP pension
15 expense. As a result, IF pension trust contributions equaled GAAP
16 pension expense (which would only be a coincidence), i.e. \$100, then there

1 would be no prepaid pension asset (\$100 of expense offset by \$100 of
2 contributions—the prepaid pension asset will equal the pension liability).
3 It would only be a coincidence if the two were equal as they are the result
4 of different calculations and are achieving different purposes. However,
5 since the company was able to contribute \$150 to the trust with only \$100
6 coming from customers through recovery of pension expense, the
7 additional \$50, recorded as a prepaid pension asset, MUST have come
8 from investors, as there are no other sources. Even if the ERISA minimum
9 was, say \$120, yet the company made the decision to fund \$150, the entire
10 prepaid pension asset would be sourced from investors. As this example
11 demonstrates the prepaid pension asset is 100% funded by investors,
12 regardless of the amount related to ERISA minimums versus discretionary
13 contributions above the ERISA minimum, and as a result should earn a
14 return. Not a penny of the prepaid pension asset has been funded by
15 customers.

16 **Q16. Is there any other point you would like to make with this simplified**
17 **example?**

1 A16. Yes. The prepaid pension asset will reduce the GAAP pension expense,
2 which reduces the cost of service/revenue requirement, benefitting
3 customers. The greater the prepaid pension asset, the greater the
4 reduction in pension expense. This occurs because, under GAAP, the
5 pension expense includes a factor for the expected return on plan assets.
6 If the company were to only make contributions equal to the GAAP
7 expense, there would be no prepaid pension asset and pension expense
8 would be higher.

9 **Q17. In the long-run, will the cumulative pension expense recorded under**
10 **GAAP equal the contributions to the pension trust plus investment**
11 **returns on such trust contributions?**

12 A17. Yes. During the entire lifetime of the pension plan, total cumulative
13 employer contributions plus investment earnings on such trust assets
14 must necessarily equal total cumulative GAAP expense (i.e., in the long-
15 run, once the last participant has been paid their final benefit, the prepaid
16 pension asset or liability will be \$0).

17 Because, in the long-run, contributions to the pension trust plus
18 investment earnings on trust assets will equal the long-run pension

1 expense, it follows that by making pension trust contributions earlier in
2 the lifetime of the plan, total pension expense will be reduced, providing a
3 benefit to customers.

4 **Q18. Are OPEB's treated the same way?**

5 A18. From an accounting perspective, yes. From a contribution/funding
6 perspective, no. In addition to pensions, many employers provide other
7 retiree benefits such as for medical costs and life insurance and the
8 accounting rules for OPEB's are similar to those of pensions. However,
9 the contributions for OPEB's are quite different than for pensions in that
10 there are no specific requirements to pre-fund these obligations. Thus, no
11 prepaid asset exists for OPEBs. Instead, there is an excess of cumulative
12 OPEB expense compared to required contributions (close to zero),
13 producing an OPEB liability. Because the OPEB expense is included in
14 revenue requirements on an accrual basis, it is considered a customer
15 supplied source of cost free capital. The OPEB accrual is treated as zero
16 cost capital in the capital structure, the economic equivalent of reducing
17 rate base.

1 The pension asset and OPEB liability are, therefore, mirror images of each
2 other and should be reflected in ratemaking in a consistent manner,
3 meaning the prepaid pension asset is ultimately funded entirely by
4 investors requiring a return, while the ultimate source of the OPEB
5 liability is customers, reducing the return.

6 **Q19. While you have already established that ERISA rules do not impact**
7 **GAAP accounting and should not impact ratemaking, without going**
8 **into the detailed calculations, can you briefly clarify the difference**
9 **between the objectives of the GAAP determination of pension expense**
10 **and the objectives of the ERISA requirements?**

11 A19. Yes. GAAP requirements are included in ASC 715 and described in Ms.
12 Shikany's direct testimony. The components of the calculation include
13 service costs, interest costs, earnings on fund assets and certain
14 amortizations. The GAAP objective is to attribute pension costs earned by
15 eligible employees to each fiscal year they are employed in a smooth,
16 systematic, and rational manner.

17 In contrast, the purpose of ERISA minimum funding is to require
18 contributions by the employer in order to maintain a well-funded plan,

1 which in turn provides benefit security for employees. While ERISA does
2 not require a plan to fund 100% of pension liabilities each year, that is the
3 target for minimum funding. Each year the minimum contribution is the
4 sum of normal cost (the cost of benefits accruing during the year) plus a 7-
5 year amortization of any shortfall (i.e., the difference between plan assets
6 and 100% of plan liabilities). Absent any actuarial gains or losses, the
7 result of making minimum required contributions would be a plan that is
8 100% funded after 7 years.

9 These two concepts have different objectives. But even if a company
10 made only the ERISA minimum required contributions to their plan, there
11 can be a prepaid pension asset generated because the US GAAP expense is
12 calculated independently of required ERISA contributions.

13 **AREAS OF AGREEMENT WITH MR. GORMAN**

14 **Q20. On page 10, line 21 of his testimony, Mr. Gorman states that, "If the**
15 **prepaid pension asset was funded by collections from customers, then**
16 **the Company is simply not entitled to include the asset in its cost of**
17 **service." Do you agree?**

1 A20. Yes. I agree that any asset that is funded by collections from customers
2 should not earn a return. However, while I continue to believe that
3 customers pay for utility service, not individual costs, as previously
4 demonstrated, by definition, the prepaid pension asset is funded by
5 investors, not customers. On the other hand, since the OPEB liability is
6 accrued through charges to expense which is included in the revenue
7 requirement, with no separate funding, it is customer supplied and it is
8 appropriate to reduce the return for this item, which NIPSCO has done by
9 including the OPEB liability as zero cost capital in the capital structure.

10 Interestingly, Mr. Gorman's recommendation in this proceeding with
11 respect to the OPEB liability violates his stated position. Mr. Gorman's
12 position (in the interest of "consistency") is to NOT reduce return for this
13 customer contributed amount, effectively requiring customers to pay a
14 return on amounts they have paid.

15 **PENSION CONTRIBUTIONS UNDER ERISA VERSUS PENSION ACCOUNTING UNDER**
16 **GAAP**

17 **Q21. Mr. Gorman testifies at page 6, line 10, "The IURC measures a prepaid**
18 **pension asset as the difference between actual pension contributions**
19 **and the ERISA minimum contributions. The ERISA funding is a**

1 surrogate for funding amounts collected from customers." Do you
2 agree?

3 A21. No. This is my main point of contention with Mr. Gorman's testimony.

4 The statement I quoted brings into question Mr. Gorman's reasoning and
5 resulting recommendation on this issue. There is no correlation between
6 pension accounting and pension funding under ERISA. In a paper on the
7 subject of pensions prepared by the Pension Committee of the American
8 Academy of Actuaries it states clearly that "amounts calculated under
9 pension funding rules are completely different than those calculated for
10 pension accounting, and one must be careful not to mix the two topics." ¹

11 In addition, in the Basis for Conclusions in Statement of Financial
12 Accounting for Pensions No. 87, Employer's Accounting for Pensions the
13 FASB stated:

14 This Statement reaffirms the APB's conclusion that funding
15 decisions should not necessarily be used as the basis for
16 accounting recognition of cost. The amount funded

¹ See Fundamentals of Current Pension Funding and Accounting For Private Sector Pension Plans, an analysis by the Pension Committee of the American Academy of Actuaries, July 2004

(however determined) is, of course, given accounting recognition as a use of cash, but the Board believes this is one of many areas in which information about cash flows alone is not sufficient, and information on an accrual basis is also needed. **The question of when to fund the obligation is not an accounting issue.** It is a financing question that is properly influenced by many factors (such as tax considerations and the availability of attractive alternative investments) that are unrelated to how the pension obligation is incurred. (Emphasis added).

Mixing the accounting and funding is exactly what Mr. Gorman has done in his testimony and appears to be the foundation on which his recommendation is based.

The prepaid pension asset represents the excess of cumulative contributions to the pension trust above the cumulative GAAP expense.

The ERISA minimum funding requirement (as well as the maximum tax deductible limitation) is not based on GAAP expense or accruals. I believe that most accountants familiar with GAAP accounting rules for pensions and ERISA contribution rules would know they are different and reach this conclusion.

Q22. Mr. Gorman testifies (at page 10) that NIPSCO had not “demonstrated whether the prepaid pension asset was funded by either investor

1 **supplied capital or collections of pension-related costs from retail**
2 **customers.” Is he correct?**

3 A22. No. The premise of his position supports the previously described
4 misunderstanding of pension expense for GAAP and ratemaking
5 purposes and pension funding. Under GAAP, a prepaid pension asset
6 results when contributions to the pension trust are in excess of the
7 amounts recorded as pension expense under GAAP. If contributions to
8 the pension trust equaled GAAP pension expense, there would be no
9 prepaid pension asset. If contributions are less than GAAP pension
10 expense, a pension liability results (Note that this is the case for OPEB's).
11 Contributions in excess of GAAP expense are common and typically arise
12 when contributions required under the federal ERISA rules (whether the
13 ERISA minimum or greater to meet certain thresholds) are higher than
14 GAAP expense. Such contributions and GAAP pension expense are
15 calculated in completely different ways and will rarely, if ever, equal. For
16 ratemaking purposes, only GAAP pension expense is generally included
17 in the determination of the revenue requirement. As a result, in order to
18 fund the required contributions in excess of GAAP expense, investor-
19 supplied funds must be used.

1 As noted previously, a prepaid pension asset arises when contributions
2 are in excess of GAAP expense; therefore, the prepaid pension asset is
3 entirely funded by investors and investors alone. As a result, investors
4 require that the return reflect their investment in the prepaid pension
5 asset as it represents funds provided by investors which are prudently
6 invested in the delivery of utility service.

7 It is undeniable that the prepaid pension asset is investor funded. To
8 separate the prepaid pension asset into "ERISA minimum" and
9 "discretionary" components and suggest that one was paid by customers
10 and one was paid by investors is a mistaken and flawed position.

11 **Q23. Mr. Gorman alleges that NIPSCO is not "accurately interpreting" the**
12 **Commission's Order in Cause Nos. 44576/44602. How do you interpret**
13 **that Order?**

14 A23. I interpret the Commission's finding in Cause Nos. 44576/44602 as being
15 applicable only in the case where a utility proposes to include a prepaid
16 pension asset in rate base. NIPSCO does not seek to include the prepaid
17 pension asset in rate base. Accordingly, the limitation it states on
18 inclusion of a prepaid pension asset in rate base is not applicable.

1 Q24. Why do you interpret the ruling in Cause Nos. 44576/44602 as only
2 applicable when a utility seeks to include a prepaid pension asset in
3 rate base?

4 A24. Because the Commission said so in its Order. This section of the
5 Commission's order leads off with: "The Commission must address two
6 issues in considering the inclusion of a pension asset in rate base." *IPL*, p.
7 22. The first issue was whether a pension asset "constitutes used and
8 useful utility property under Ind. Code § 8-1-2-6." *Id.* "If so, we must
9 then address what amount of the prepaid asset should be recognized as
10 investor capital on which a return should be provided." *Id.*, p. 23. The
11 Commission then proceeded to find that the prepaid pension asset can
12 qualify as "used and useful utility property." *Id.* But for purposes of
13 determining the value of the prepaid pension asset to include in rate base,
14 the Commission imposed a limit: "While we agree with IPL that the
15 prepaid pension asset represents a component of working capital, we
16 disagree that the entire \$138.5 million should be recognized as investor-
17 supplied capital and included in rate base." *Id.* Significantly, the
18 Commission concluded its discussion with the following caveat: "Our
19 conclusion in this case should not be read to foreclose alternative

1 proposals to address prepaid pension assets." *Id.*, n. 5. At the time, the
2 "alternative proposal" that the Commission had received was the
3 alternative to include the prepaid pension asset in the capital structure. So
4 I read this Order as setting a limitation when the proposal is to include the
5 prepaid pension asset in rate base (which the Commission repeatedly says
6 it is) and not applying to the "alternative" of including it in the capital
7 structure.

8 **Q25. Has the IURC ever taken the position to exclude the entire prepaid**
9 **pension asset from the determination of return as recommended by Mr.**
10 **Gorman in this Cause?**

11 A25. No. When presented with evidence supporting a return calculated from
12 the prepaid pension asset (either through including in rate base or as a
13 zero cost component of the capital structure) the IURC has consistently
14 and appropriately included the prepaid pension asset in the
15 determination of return. See Cause Nos. 44075 and 44967 for Indiana-
16 Michigan, Cause 44450 for Indiana-American Water Company, Cause
17 Nos. 44576 for IPL and Cause Nos. 44688 and 44988 for NIPSCO. Even in
18 IPL's Cause No. 44576, a return on the prepaid pension asset was

1 permitted, albeit only on a portion of the prepaid pension asset based on a
2 mistaken belief as to the source of the prepaid pension asset.

3 The IURC has never taken the extreme position recommended by Mr.
4 Gorman in this case to disallow the entire prepaid pension asset.

5 Given this history, it seems like a reset on this issue may be required,
6 focusing on the issues and facts so as to arrive at the correct answer based
7 on ratemaking theory and fairness and not the mixed and confused
8 positions presented in some prior Causes.

9 **Q26. Is NIPSCO alone in recording pension expense in accordance with**
10 **GAAP and contributing to its pension trust at close to the 100% of the**
11 **ERISA funding level?**

12 A26. No. NIPSCO, like virtually every other utility in the country, includes
13 only the GAAP pension expense in cost of service which, as previously
14 discussed, is unrelated to ERISA funding levels, whether it be the ERISA
15 minimum or something more than the ERISA funding requirement. As a
16 result, NIPSCO, as well as other utilities, have only collected GAAP
17 pension expense through rates. Any amounts contributed to the pension

1 trust in excess of GAAP pension expense must come from investors, there
2 is no other available source.

3 GAAP measures a prepaid pension asset as the amount of contributions in
4 excess of GAAP pension expense. This is the asset that NIPSCO is seeking
5 to include in its capital structure and it is this asset balance which is fully
6 funded by investors. ERISA funding contributions have nothing to do
7 with the prepaid pension asset. This matter needs to be decided fairly and
8 based on sound ratemaking theory, and not on the erroneous belief that
9 customers fund the ERISA minimum amount or any discretionary
10 contributions in excess of that minimum amount.

11 **PENSION FUNDING CONSIDERATIONS**

12 **Q27. What are some of the management considerations for determining**
13 **contributions to the pension trust?**

14 A27. As I stated, ERISA has established pension funding levels to increase the
15 likelihood that funds will be available to pay pension benefits to retirees.
16 There were many aspects of ERISA designed to help improve that benefit
17 security, including the establishment of minimum funding standards.
18 Minimum funding standards have been updated and revised over the

1 years (OBRA 1987, RPA 1994, PPA 2006, etc.) and because minimum
2 funding requirements are established by Congress, they are inherently
3 political, and do not necessarily always reflect a strict actuarial approach
4 to fully funding pension plans. As a result, minimum funding rules
5 include mechanisms for deferral of funding for plan changes and adverse
6 experience, allowance of usage of prior years' funding to satisfy current
7 year requirements (e.g., "credit balances"), interest rate and other funding
8 "relief" provisions, and even waivers of funding requirements for which
9 companies may apply.

10 In addition, due to the vagaries of the minimum funding rules, required
11 contribution levels can change dramatically from one year to the next. To
12 help smooth contribution levels and provide funding flexibility to an
13 organization, management, together with its actuaries, typically develop a
14 funding policy for making contributions to a plan. Key objectives of such
15 a funding policy typically include funding at a steady, predictable level
16 with a targeted funded percentage in the short-term, to meet the
17 organization's objectives for the plan.

1 **Q28. Why is it prudent for NIPSCO investors to contribute in excess of**
2 **ERISA minimum funding levels?**

3 A28. There are a number of reasons. A well-funded plan increases benefit
4 security for employees and has lower expected future contribution levels
5 reducing the potential that future contributions will need to be increased
6 to pay the costs of benefits being remitted to retirees. It also results in
7 reduced PBGC premium requirements, avoidance of potential benefit
8 restriction or employee notice requirements, and reduced financial
9 reporting expense.

10 As a result, it is prudent for investors to fund this difference between
11 GAAP pension expense (the amount funded through rates paid by
12 customers) and ERISA minimums or a higher amount as determined by
13 the Company and its actuaries.

14 **Q29. What are the significant benefits to customers, employees and NIPSCO**
15 **by contributing closer to 100% of the ERISA funding levels?**

16 A29. One of the drivers of GAAP pension expense is the return on plan assets.
17 The larger the balance of plan assets, the lower future GAAP pension
18 expense. As a result, GAAP pension expense is reduced, reducing cost of

1 service/revenue requirements, benefiting customers. In addition,
2 customers also benefit from the company's ability to attract and retain
3 qualified employees knowing their pension is adequately funded.
4 Further, companies with a well-funded pension plan are viewed as having
5 less risk to the investment community which, all else being equal, should
6 reduce the required return which also benefits customers.

7 **Q30. Why would a well-funded pension plan reduce risk?**

8 A30. A well-funded pension plan (where assets are closer to 100% of benefit
9 liabilities) offers a variety of advantages in addition to stable, predictable
10 contribution levels. For example, funding policy contributions help
11 position the plan to be able to absorb adverse experience (e.g., the 2008
12 stock market crash) without necessitating a significant change in annual
13 funding. My understanding is that NIPSCO's funding policy and
14 contributions are assessed each year and allow for variation when
15 circumstances dictate. This could include suspension of contributions if
16 certain funding levels are exceeded or making additional contributions in
17 connection with NIPSCO's overall business plan (e.g., in order to manage
18 Company cash or overall tax deductions).

1 **Q31. You have repeatedly referred to the customer benefit of having a**
2 **prepaid pension asset. Can you quantify the customer benefits due to**
3 **having a prepaid pension asset?**

4 **A31.** Yes. The Company's expected return on plan assets is 7%. Applying this
5 rate to the electric allocated portion of the prepaid pension asset reduces
6 test year pension expense by an estimated \$20.5 million. This expense
7 reduction estimate understates the complete benefit that customers will
8 receive as it does not consider the additional customer benefit that will
9 result as the related excess ADIT are amortized to reduce income tax
10 expense. The Company has \$36.1 million in excess ADIT associated with
11 the prepaid pension asset allocated to electric operations. This is non-
12 plant related excess ADIT for which I understand the Company has
13 proposed a 10-year amortization period. The annual amortization of the
14 PPA-related excess ADIT would further increase the \$20.5 million in
15 savings for customers from the PPA by \$5.5 million per year (after the
16 excess ADIT amortization is grossed-up), producing an estimated test year
17 customer benefit of \$26 million. It should be noted that this \$26 million in
18 savings does not include the additional avoided expense that would be
19 incurred if the pension trust had been funded at a lower level.

1 In other words, customers are receiving a significant and valuable cost of
2 service/revenue requirement benefit as a result of NIPSCO having a well-
3 funded pension trust.

4 **Q32. How does this customer benefit compare to the cost of including the**
5 **prepaid pension asset in the calculation of return?**

6 A32. Based on information I obtained from the Company, the estimated
7 revenue requirement impact of including the prepaid pension asset as a
8 zero cost component of return (considering the related ADIT and excess
9 ADIT impact) is approximately \$16 million. It is unfair for customers to
10 receive a \$26 million benefit without permitting a return to the investors
11 who are supplying the source of the benefit. This is the "free lunch" I
12 referred to previously

13 **Q33. By not permitting a return to investors on amounts they have**
14 **contributed to the pension trust above the GAAP expense (the prepaid**
15 **pension asset) would investors decision to continue contribution at**
16 **close to the ERISA 100% funding level be affected?**

17 A33. I do not know for sure, but would imagine that investors will not be as
18 likely to continue to fund payments for which they are not being

1 compensated with an appropriate return on their investment. As a result
2 of reduced contributions, the prepaid pension asset would decrease,
3 increasing pension expense and customer rates as well as decreasing the
4 indirect benefits to NIPSCO customers and employees which I have
5 previously described.

6 Because of the direct and indirect customer and employee benefits due to
7 NIPSCO's pension funding decisions creating the prepaid pension asset,
8 Mr. Gorman and the IURC should be encouraging (by including it in the
9 determination of the return), not discouraging (by denying a return)
10 investors to maximize contributions to the pension trust and the prepaid
11 pension asset.

12 **THE OPEB LIABILITY IS A MIRROR IMAGE OF THE PREPAID PENSION ASSET**

13 **Q34. In his concluding recommendation on page 14, Mr. Gorman testifies,**
14 **"For consistency purposes, I also am eliminating a post-retirement**
15 **liability component of the capital structure which is effectively an offset**
16 **to the prepaid pension asset." Why is this consistent?**

17 A34. The accounting for pensions and OPEB is similar, but while the pension
18 plan calls for funding to comply with ERISA, there are no such funding

1 requirements for OPEB. Mr. Gorman's position is to exclude both the
2 prepaid pension asset and the OPEB liability as components of the capital
3 structure. However, while being consistent, he is violating one of his
4 principles, that customers receive the benefit of amounts they have
5 contributed. The corollary of customers not being asked to pay a return
6 on funds they contribute is that investors should earn a return on amounts
7 they have contributed. Both the prepaid pension asset and the OPEB
8 liability should be considered as capital structure components (as zero
9 cost capital) as the Company has proposed. Just as customers deserve to
10 have the OPEB liability included in cost of service to reduce revenue
11 requirement for amounts they have funded through rates, investors
12 deserve to have the prepaid pension asset included in cost of service for
13 amounts they have funded.

14 **Q35. Has the IURC consistently treated the OPEB liability as reducing the**
15 **revenue requirement because the source of the liability is customers?**

16 A35. Yes. The IURC recognized that this time value of money cost should be
17 compensated when it first considered the change to FAS 106 regarding the
18 treatment of OPEBs. In its order in *Re Joint Petition of Indiana Bell et al*,

1 Cause No. 39348 (IURC 12/30/1992), at 36-37, the IURC found that the cost
2 of OPEBs should be recognized for ratemaking purposes on an accrual
3 instead of a cash basis due to a change in the governing accounting
4 standard, *i.e.* FAS 106. The IURC addressed a concern that this treatment
5 would cause the amount reflected in the ratemaking process to exceed the
6 current cash amount, stating as follows:

7 There was considerable concern expressed by certain of the
8 parties to this Cause as to the immediate disposition of any
9 funds collected in excess of the current portion of the
10 expense. There was no dispute that the only immediate
11 purpose for such funds is to offset the newly booked SFAS
12 106 accruals which are not currently payable cash expenses.
13 The two general proposals set forth by the evidence were
14 that the utility would simply have the benefit of these funds
15 as cash on hand or that a restricted fund would be
16 established similar to that required for general pension
17 benefits. In the former case the utility would compensate the
18 ratepayers for the use of these **funds by including that**
19 **amount in the capital structure as a zero cost item or a**
20 **deduction to rate base.** It appears the intent is to assure that
21 the utility will "pay" for the use of these funds at its
22 authorized cost of capital. In the latter case the funds would
23 be invested by a fund manager with the actual returns
24 thereon being used to offset the accrued liabilities through
25 reductions in required future contributions to the fund.

26 *Re Joint Petition of Indiana Bell, Cause No. 39348 (IURC 12/30/1992)*
27 (emphasis added), at 36-37.

1 The result of this decision is that, in the ratemaking process, the OPEB
2 liability (the difference between the cumulative OPEB expense recognized
3 under GAAP and the cumulative cash contributed to fund OPEB) either is
4 treated as zero cost capital in the capital structure or as a rate base
5 reduction.

6 To be consistent with this IURC conclusion regarding the OPEB liability
7 (funded by customers, reducing NIPSCO's return), the treatment of the
8 prepaid pension asset (funded by NIPSCO investors, requiring an increase
9 in return) is the appropriate and consistent result.

10 OTHER JURISDICTIONS

11 Q36. Have any other regulatory commissions adopted the concept of
12 distinguishing between ERISA minimum contributions and actual
13 contributions to the pension trust when determining the appropriate
14 level of the prepaid pension asset should earn a return?

15 A36. No. To my knowledge, this concept has not been applied or, even
16 considered in other jurisdictions.

17 Q37. Why wouldn't this concept be considered by other jurisdictions?

1 A37. Without knowing for certain, I do not believe this concept has been
2 adopted or considered by other jurisdictions because it is flawed and
3 cannot be supported by those knowledgeable with pension accounting,
4 pension funding and the source of the prepaid pension asset (investors).

5 With that said, I am aware a number of jurisdictions, including the FERC,
6 that have included the full prepaid pension asset in the determination of
7 return.

8 **MR. GORMAN'S FAILURE TO CONSIDER ADIT EFFECTS**

9 **Q38. Do you take exception to any other components of Mr. Gorman's**
10 **proposal?**

11 A38. Yes. Mr. Gorman has failed to consider the ADIT and excess ADIT impact
12 of removing the prepaid pension asset and post-retirement liability from
13 the capital structure. Because a portion of both the ADIT and excess ADIT
14 relates to the income tax impact of the GAAP expense and Pension/OPEB
15 contributions, if the difference itself is removed (the prepaid pension asset
16 net of the OPEB liability) from the return calculation, it is inappropriate
17 and unfair to include the return-reducing ADIT and excess ADIT. The
18 Company and I have calculated the ADIT and excess ADIT associated

1 with the prepaid pension asset and the OPEB liability to be approximately
2 122.4 million. While I do not agree that the prepaid pension asset net of
3 the OPEB liability should be removed from NIPSCO's capital structure
4 any revenue requirement impact must also consider removing the related
5 ADIT and excess ADIT, offsetting the recommended revenue requirement
6 reduction.

7 **CONCLUSION**

8 **Q39. What is your recommendation with regard to including this prepaid**
9 **pension asset in NIPSCO's cost of service?**

10 A39. I recommend that the IURC adopt the Company's position on this matter.
11 As the prepaid pension asset is, by definition, funded entirely by investors
12 it should be included in the cost of service. It is unfair for customers to
13 receive a \$20 million reduction in revenue requirements while denying a
14 return to investors whose investment directly contributed to this (and
15 other) benefits. Further, the postretirement liability should be used to
16 offset this asset as it is similarly entirely customer funded. This is the
17 position submitted by the Company and is fair to both the Company and

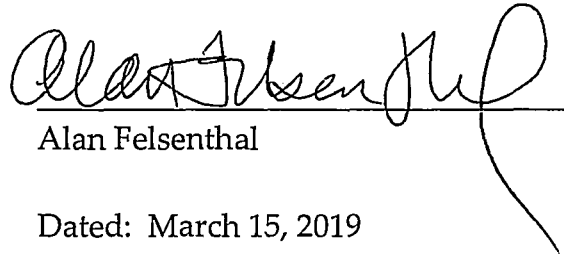
1 customers and consistent with ratemaking principles generally applied by
2 the IURC and other commissions on similar matters.

3 **Q40. Does that conclude your prepared rebuttal testimony?**

4 **A40. Yes.**

VERIFICATION

I, Alan Felsenthal, Managing Director of PricewaterhouseCoopers LLP,
affirm under penalties of perjury that the foregoing representations are true and
correct to the best of my knowledge, information and belief.



Alan Felsenthal

Dated: March 15, 2019

CURRICULUM VITAE
ALAN D. FELSENTHAL

EDUCATIONAL BACKGROUND

June, 1971	B.S. in Accounting University of Illinois Champaign, Illinois
May, 1972	Certified Public Accountant

EMPLOYMENT

2010-	Managing Director, Power and Utilities PricewaterhouseCoopers LLP
2008-2010	Managing Director-Utilities Industry Huron Consulting Group
2002-2007	Managing Director—Utilities Industry PricewaterhouseCoopers LLP
1985-2002	Principal in Utilities and Telecommunications Practice, Arthur Andersen LLP, Chicago
1976-1985	Manager in Utilities and Telecommunications Practice, Arthur Andersen LLP, Chicago
1971-1976	Staff and Senior Accountant, Arthur Andersen LLP, Utilities and Telecommunications Division, Chicago

TESTIMONY EXPERIENCE

Testified before the Illinois Commerce Commission on behalf of Town Gas Company of Illinois, 1985. Accounting witness covering cost of service issues.

Testified before the Illinois Commerce Commission on behalf of Town Gas Company of Illinois, 1986. Generic hearing regarding high gas costs.

Testified before the Florida Public Service Commission on behalf of Central Telephone Company of Florida (1991). Testimony addressed projected test year,

a computer model we developed to simplify forecast procedures and propriety of including pension asset in rate base.

Submitted an expert report and testified in an appeal by Yellow Cab Company versus the City of Chicago, (2000). Topic dealt with the adequacy of taxicab lease rates. Yellow Cab was appealing the lease rates they were permitted to charge lessees. The model developed by the City of Chicago to set lease rates was based on traditional utility ratemaking principles. Was hired by the City of Chicago to review Yellow Cab's appeal compared to traditional ratemaking principles and submit a report. Yellow Cab appealed the decision and a hearing before a judge resulted.

Testified before the Arizona Corporation Commission on behalf of Tucson Electric Power Company, 2008. Rebuttal testimony addressed application of FAS 71 when a portion of the business was opened to competition and appropriate treatment of the FAS 143 cost of removal regulatory liability.

Testified before the Florida Public Service Commission on behalf of Tampa Electric Company and Peoples Gas, (2008). Direct testimony on income taxes, including the appropriate accumulated deferred income tax calculation when a projected test period is used.

Testified before the Washington Utilities and Transportation Commission on behalf of Avista Corporation, (2008).

Testified before the Illinois Commerce Commission on behalf of The Peoples Gas, Light and Coke Company/North Shore Gas Company (2009). Rebuttal and Surrebuttal testimony on the appropriate treatment of prepaid pension asset in rate base.

Testified before the Indiana Utility Regulatory Commission on behalf of Northern Indiana Public Service Company (2009). Rebuttal testimony on the appropriate treatment of cost of removal vis a vis FAS 143.

Submitted an expert report and a reply expert report to a Seattle-based arbitration panel in a dispute involving Grays Harbor Energy LLC vs. Energy Northwest, 2009. Subject involved the appropriate determination of fixed costs and cost of capital pursuant to a purchase and sale agreement.

Testified before the Public Utility Commission of Texas on behalf of Centerpoint Energy (2010). Direct and Rebuttal testimony on a number of income tax issues including consolidated income tax adjustments and FIN 48.

Testified before the Indiana Utility Regulatory Commission on behalf of Indianapolis Power & Light Company (2015). Rebuttal testimony on including prepaid pension asset in rate base.

Testified before the Public Utility Commission of Ohio on behalf of Dayton Power & Light Company (2015). Direct testimony on the results of a lead-lag study.

Submitted rebuttal testimony to the Indiana Utility Regulatory Commission on behalf of Northern Indiana Public Service Company (2016) on the appropriateness of including the prepaid pension asset in rate base.

Submitted an expert report to the Virginia State Corporation Commission regarding the allocation of Dominion Resources Inc. shared service costs to Virginia Electric Power Company (2016).

Submitted an expert report to the Oregon Public Service Commission regarding the capitalization of administrative and general overhead costs. (2017).

Testified before the Florida Public Service Commission on behalf of Tampa Electric Company and Peoples Gas on the subject of the appropriate treatment of excess Accumulated Deferred Income Taxes resulting from the Tax Cuts and Jobs Act (2018).

Testified before the Indiana Utility Regulatory Commission on behalf of Indianapolis Power & Light Company (2018). Rebuttal testimony on including a return on the Company's prepaid pension asset.

Testified before the FERC on behalf of GridLiance West (2018). Direct testimony supporting the derivation and reasonableness of the Company's Start-Up Regulatory Asset.

REGULATORY CONSULTING EXPERIENCE

Synopsis—Throughout the late 1970's, the 1980's, 1990's, 2000's and 2010's assisted Andersen and PwC partners in the preparation of regulatory testimony covering a variety of accounting issues. Much of this testimony involved income tax accounting issues related to flow-through versus normalization or investment tax credit and the appropriate accounting and ratemaking treatment of excess accumulated deferred income taxes when statutory tax rates change. Also developed testimony on CWIP in rate base and working capital (lead-lag technique), appropriateness of allocation of service company costs to regulated entities, recovery of pre-operating cost regulatory assets and capital structure issues.

In 2015, assisted with the preparation of an Expert Report for EverSource Energy subsidiary Connecticut Light & Power which was submitted to the Connecticut regulator. The issue concerned reopening a rate order to address the treatment of accumulated deferred income taxes which was incorrectly decided in the rate order.

Provided assistance on rate case testimony for the following companies:

- Indianapolis Power & Light Company
- Dayton Power & Light Company
- Pacific Gas & Electric Company
- Iowa-Illinois Gas and Electric Company
- The Peoples Gas Light and Coke Company
- Northern Indiana Public Service Company
- Elizabethtown Gas Company
- New Mexico Gas Company
- GridLiance Corporation
- PPL Montana (contract dispute)
- Southern Bell Telephone Company
- Indiana Bell Telephone Company
- Iowa Power Company
- El Paso Electric Company
- Ameritech Corporation
- Central Illinois Light Company
- Central Illinois Public Service Company
- Tampa Electric Company/Peoples Gas Company
- Public Service Company of New Mexico
- Connecticut Light and Power Company
- Young Brothers, Limited
- Central Telephone Company of Florida
- Central Telephone Company of Texas
- Central Telephone Company of Nevada
- Integrys Energy Group, Inc.

Provided regulatory consulting for the Panama Canal Company. Tariffs charged to transit the Panama Canal were based on a cost of service approach. Assisted the Panama Canal Company in determining test year costs. Tariffs were established based on these costs.

2012-2019. Led several projects to evaluate a rate case filing prior to filing validating the completeness, accuracy, consistency and support of the filing. As a result, adjustments and edits were made to the filing to increase the credibility of the utility's filing. Provided a similar role with respect to rate request responses and rebuttal testimony.

FINANCIAL CONSULTING EXPERIENCE

Assisted two Chinese utility companies in registration filings to have their shares traded on the New York Stock Exchange. Huaneng Power International and Shandong Huaneng Power Company were the first two Chinese utilities to list on the NYSE. Process involved working with attorneys, company personnel and the Securities and Exchange Commission to file the equivalent of a Form S-1.

Assisted a number of companies in the preparation, review and filing of Registration Statements with the SEC to raise debt and equity capital. Consulted with an electric transmission company on whether costs charged to generation companies based on specific costs are in accordance with the costs permitted by the Federal Energy Regulatory Commission.

Consulted with Ameritech Corporation on a number of projects involving cost allocations and compliance with the Federal Communications Commission separations rules.

Consulted with several entities in the preparation of a private letter ruling request to determine whether certain regulatory/ratemaking approaches would violate the Internal Revenue Service (“IRS”) normalization rules. Provided the ratemaking aspect of the request when, combined with income tax consulting assistance formed the basis for a complete request, accepted by the IRS.

FINANCIAL AUDIT EXPERIENCE

- Allegheny Energy
- Ameritech Corporation
- Ameritech Cellular
- Ameritech New Media
- Louisville Gas and Electric Company
- Iowa-Illinois Gas and Electric Company
- Centel Corporation
- Constellation Energy
- Nicor, Inc.
- Peoples Energy

- Nisource
- Focal Communications
- Utilities, Inc.
- Chicago Skyway
- United Airlines

LECTURES AND SEMINARS

Speaker at Edison Electric Institute/American Gas Association Introductory, Intermediate and Advanced Accounting Seminar 1996-2018.

Speaker at SNL (Regulatory Research Associates) Utility Foundations Seminar 2013-2017

Speaker at Power Plan Associates annual conference (2012, 2010, 2008, 2006, 2004, 2002) on recent accounting, regulatory and SEC matters affecting utilities.

Developed and conducted Utilities Industry Basic Accounting and Ratemaking Seminar. This two-day seminar is conducted each year for Andersen, Huron and PwC personnel assigned to utility audits or projects. In addition, the seminar is periodically offered on an open-registration basis for utility company personnel as well as offered and conducted for specific utility companies at their training sites.

Developed and conducted Utility Income Taxes-Accounting and Ratemaking Issues. This two-and-a-half day seminar is conducted each year for Andersen, PwC and Huron personnel assigned to utility audits or income tax projects. In addition, the seminar is conducted annually on an open-registration basis for utility company personnel as well as offered and conducted for specific utility companies at their training sites.

Developed and conducted Rate Case Experience Seminar and Utility Income Tax Seminar. The Rate Case Experience Seminar is week-long seminar is conducted each year on an open-registration basis for utility company personnel as well as offered and conducted for specific utility companies at their training sites. The

Utility Income Tax Seminar is a two-day seminar focusing on the accounting, tax return/compliance and financial statement aspects of utility income taxes taking into consideration the consequences of ratemaking/revenue requirements.

Specific examples of special training conducts for utility companies/regulators are as follows:

- Nicor
- Entergy
- Peoples Energy
- Sempra Energy
- Centerpoint
- Nisource, Inc.
- Cleco Corporation
- Consolidated Edison
- Duke Energy
- National Grid
- Dominion Resources
- Tucson Electric Power
- Portland General Electric
- Pepco Holdings, Inc.
- Ameritech Corporation
- Louisville Gas and Electric
- American Water Works
- Tampa Electric
- Natural Gas Pipeline Company of America
- Transco Pipeline
- Federal Energy Regulatory Commission
- Oklahoma Commission
- Arkansas Commission
- PPL Corporation
- Southern California Edison
- Sempra Energy
- Williams
- Illinois Commerce Commission
- Sprint Corporation
- American Electric Power
- Consumers Power Company
- Arizona Public Service Company
- Qwest
- Northwest Pipeline
- Alaska Regulatory Commission
- Xcel Energy
- Exelon Corporation
- PG&E Corporation

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants

Illinois CPA Society