

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF THE BOARD OF )  
DIRECTORS FOR UTILITIES OF THE DEPARTMENT )  
OF PUBLIC UTILITIES OF THE CITY OF )  
INDIANAPOLIS, D/B/A/ CITIZENS THERMAL, FOR )  
(1) AUTHORITY TO ADJUST ITS RATES AND ) CAUSE NO. 45855  
CHARGES FOR STEAM UTILITY SERVICE, (2) )  
APPROVAL OF A NEW SCHEDULE OF RATES AND )  
CHARGES, AND (3) APPROVAL OF CERTAIN )  
REVISIONS TO ITS TERMS AND CONDITIONS )  
APPLICABLE TO STEAM UTILITY SERVICE )

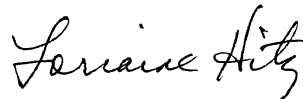
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP

AUGUST 2, 2023

Respectfully submitted,



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Lorraine Hitz  
Attorney No. 18006-29  
Deputy Consumer Counselor

**OUCC SETTLEMENT TESTIMONY OF KALEB G. LANTRIP**  
**CAUSE NO. 45855**  
**CITIZENS THERMAL ENERGY**

**I. INTRODUCTION**

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

2 A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St.,  
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst  
4 in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division.  
5 A summary of my educational background and experience is included in Appendix  
6 A attached to my testimony.

7 **Q: Are you the same Kaleb G. Lantrip who previously submitted direct testimony**  
8 **in this Cause?**

9 A: Yes.

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

11 A: I will describe the OUCC's support for the Stipulation and Settlement Agreement  
12 ("Settlement Agreement"), entered into and filed on Wednesday, August 2, 2023,  
13 by and among Citizens Thermal Energy ("CTE"), the Citizens Thermal Customer  
14 Group ("CTG"), and the OUCC (collectively the "Settling Parties" and individually  
15 "Settling Party"). If approved, the Settlement Agreement will provide certainty  
16 regarding critical issues, including the revenue requirement amount and allocation  
17 among CTE's rate classes, and a depreciation study commitment.

18 **Q: Does the Settlement Agreement balance the interests of CTE and ratepayers?**

19 A: Yes. The Settlement Agreement is the product of multiple negotiations, with each

1 party offering compromise on its testimonial issues. The nature of compromise  
2 includes assessing the litigation risk that the tribunal will find the other side's case  
3 more compelling. While the Settlement Agreement represents a balance of all  
4 parties' interests, given the number of benefits provided to ratepayers as outlined  
5 in the Settlement Agreement and described below, the OUCC, as the statutory  
6 representative of all ratepayers, believes the Settlement Agreement is a fair  
7 resolution, supported by evidence and should be approved.

## II. AFFORDABILITY

8 **Q: Does the Settlement Agreement address affordability?**

9 A: Yes. Through Indiana Code §§ 8-1-2-0.5 and -0.6, the Indiana General Assembly  
10 declared policies recognizing the importance of utility service affordability for  
11 present and future generations. Section 0.5 states that affordability should be  
12 protected when utilities invest in infrastructure necessary for system operation and  
13 maintenance. Section 0.6 states that electric service ratemaking constructs must  
14 consider affordability, among other things.

15 The Settlement Agreement in this cause addresses affordability by reducing  
16 CTE's requested revenue increase in various ways. The bulk of the reduction is  
17 from CTE's agreement to recover its actual Debt Service amount for the four-year  
18 period (2024 - 2027), rather than the actual Debt Service amount for 2024. This  
19 agreed adjustment reduces CTE's request from \$11.09 million to \$8.05 million, a  
20 difference of \$3.04 million annually.<sup>1</sup> In addition, the Settlement Agreement

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<sup>1</sup> See Settlement Agreement, p. 3, point 5.

1 reduces Rate Case amortization expense by \$40,494<sup>2</sup> and Extensions and  
2 Replacements by \$297,070.<sup>3</sup>

### III. CUSTOMER BENEFITS OF SETTLEMENT AGREEMENT

3 **Q: As a result of the Settlement Agreement, will CTE's base rates reflect a lower**  
4 **revenue requirement than CTE proposed in its case-in-chief?**

5 A: Yes. The Settling Parties agreed to an annualized revenue requirement increase of  
6 \$2,507,387,<sup>4</sup> which is a \$3,381,248 or 42.58% reduction from CTE's as-filed  
7 requested increase of \$5,888,635.<sup>5</sup>

8 **Q: What are the Agreement's revenue requirement terms?**

9 A: The revenue requirement increase is \$2,507,407 (3.01%), which results in an  
10 overall annual pro-forma revenue requirement of \$85,743,283. The revenue  
11 increase is \$3,381,227 lower than the increase proposed by CTE in its case-in-chief.  
12 The difference between Petitioner's original filing and the Settlement are identified  
13 below:

- 14 • A reduction in annual Debt Service component of \$3,043,663;
- 15 • A reduction in Extensions & Replacements budget of \$297,070; and
- 16 • A four-year amortization period for Rate Case expenses, extended from  
17 the three-year period proposed in CTE's case-in-chief, reducing the  
18 annual expense by \$40,494.

19 **Q: What are the Agreement's other substantive terms?**

20 A: CTE accepted the OUCC recommendations to 1) conduct a new depreciation study

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<sup>2</sup> See Settlement Agreement, p. 3, point 3.

<sup>3</sup> See Settlement Agreement, p. 3, point 4.

<sup>4</sup> See Settlement Agreement, p. 2, point 1.

<sup>5</sup> See Petitioner's Exhibit No. 10, Direct Testimony of Mr. Korlon L. Kilpatrick, p. 19, lines 20-21.

1 prior to its next rate case and 2) continue the 30-day agreed schedule in its Fuel  
2 Cost Adjustment ("FAC") filings for the OUCC to review and file testimony. CTE  
3 also agreed to CTG's witness Michael P. Gorman's proposed cost of service  
4 allocation adjustment and modifications to CTE's proposed Rate 2 tariff.

#### **IV. OPERATING EXPENSE ADJUSTMENTS**

5 **Q: Is the increase in CTE's overall revenue requirement supported by the**  
6 **evidence?**

7 A: Yes. The \$2.51 million increase is supported by the evidence filed in this Cause,  
8 discovery request responses, and discussions with the Petitioner and CTG. The  
9 revenue requirement is comprised of specific pro forma revenue and expense, debt  
10 service, and extensions and replacement adjustments to the test year. The  
11 adjustments detailed in the Agreement are as follows: 1) Debt Service component  
12 of \$8,051,168; 2) Extensions & Replacements of \$6,648,832; and 3) Rate Case  
13 amortization expense of \$121,481.

#### **V. COST OF SERVICE STUDY AND RATE DESIGN**

14 **Q: Did the Settling Parties reach agreement on a proposed rate design and cost of**  
15 **service study?**

16 A: Yes. The OUCC and other parties agreed that, solely for the purposes of settlement,  
17 and with the Settling Parties reserving the right to challenge the allocations and  
18 propose alternative cost of service positions in future proceedings, CTE's cost-of-  
19 service study should be adjusted as follows.

20 a) CTE will adjust its proposed cost-of-service study to reflect the  
21 classification of production and distribution plant on an 81% demand  
22 and 19% energy related basis; and

1                   b) The adjustment will not impact Rate 3 customers.<sup>6</sup>

2   **Q:   How did the Settlement Agreement change Rate 2 contract provisions from**  
3   **the case-in-chief proposal?**

4   A:   The Settling Parties agreed to a template steam service contract for Rate 2  
5   customers with the following provisions:

6                   a) The Settling Parties recommend the Commission approve as reasonable,  
7                   non-discriminatory, and just, the “Standard Contract for Rate 2 Demand  
8                   Service” template as set forth in CTE Witness Korlon Kilpatrick’s  
9                   Supplemental testimony;

10                  b) CTE will provide to the Commission and OUCC on a regular basis,  
11                  under confidential terms, all executed Option 2 Standard Contracts; and  
12                  will make such contracts available through discovery to representatives  
13                  of the Customer Group in subsequent proceedings pursuant to an  
14                  appropriate Non-disclosure Agreement; and

15                  c) The establishment of the Standard Contract will apply prospectively and  
16                  in no way apply to or in any way impact any contracts entered into under  
17                  the Steam Rate 2 – Demand Rate Service tariff that were in effect prior  
18                  to the date of an Order being issued in this proceeding.

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<sup>6</sup> See Settlement Agreement p. 4, point 8.

**VI. DEPRECIATION STUDY**

1 **Q: What commitment did the Settling Parties reach regarding the Petitioner**  
2 **filing a new depreciation study?**

3 A: CTE will conduct a new depreciation study prior to its next rate case.<sup>7</sup>

**VII. EXECUTIVE COMPENSATION**

4 **Q: Did the OUCC review Petitioner's executive compensation study?**

5 A: Yes. The Settling Parties agree that the executive compensation revenue  
6 requirement amount for Citizens Thermal Energy is reasonable as part of the larger  
7 package of this settlement agreement.

**VIII. FAC PROCEEDINGS**

8 **Q: Please explain the agreement between CTE and the OUCC for FAC filings.**

9 A: The Settling Parties agreed to continue the practice of allowing the OUCC a 30-day  
10 schedule to review and file testimony in CTE's quarterly fuel cost update filings,  
11 as originally approved on October 30, 2007 as part of Cause No. 43201.

**IX. OUCC RECOMMENDATIONS**

12 **Q: In what ways is this Settlement Agreement in the public interest?**

13 A: The OUCC believes that this Settlement Agreement is in the public interest due to  
14 its revenue requirement mitigation of \$3,381,227 from CTE's case-in-chief figure,  
15 the commitment to perform an updated depreciation study before the next rate case,  
16 an extension of the agreement to allow for 30-day FAC filing reviews, and revised  
17 contract provisions for its customer base's interests.

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<sup>7</sup> See Settlement Agreement, p. 6, point 12.

1 **Q: Do you believe the Agreement should be approved by the Commission?**

2 A: Yes. In my opinion the Settlement Agreement is reasonable and is in the public

3 interest and therefore should be approved by the Commission in its entirety.

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

5 A: Yes.



**APPENDIX A**

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

2 A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a  
3 Bachelor of Science in Business with majors in Accounting and Finance. I am  
4 licensed in the State of Indiana as a Certified Public Accountant. I attended the  
5 National Association of Regulatory Utility Commissioners ("NARUC") Spring  
6 2018 Conference held by New Mexico State University and the Intermediate  
7 Course Fall 2019 conference held by the Institute of Public Utilities at Michigan  
8 State University. In September 2019, I attended the annual Society of Depreciation  
9 Professionals ("SDP") conference held in Philadelphia and the Basics of  
10 Depreciation course. In April 2022 and 2023, I attended the 53<sup>rd</sup> and 54<sup>th</sup> Society  
11 of Utility Regulatory and Financial Analyst ("SURFA") Forums, both held in  
12 Richmond, Virginia.

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

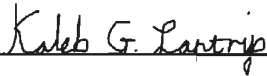
14 A: Yes.

15 **Q: Please describe your duties and responsibilities at the OUCC.**

16 A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility  
17 Regulatory Commission. My scope of review is typically focuses on accounting  
18 and utility ratemaking issues. This involves reading testimonies of petitioners and  
19 intervenors, previous orders issued by the Commission, and any appellate opinions  
20 to inform my analyses. I prepare and present testimony based on these analyses and  
21 make recommendations to the Commission on behalf of Indiana utility consumers.

**AFFIRMATION**

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

A handwritten signature in black ink that reads "Kaleb G. Lantrip". The signature is written in a cursive style and is positioned above a solid horizontal line.

Kaleb G. Lantrip  
Utility Analyst II  
Indiana Office of Utility Consumer Counselor

Cause No. 45855  
Citizens Thermal

Date: August 2, 2023

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1-S Settlement Testimony of OUCC Witness Kaleb G. Lantrip* has been served upon the following counsel of record in the captioned proceeding by electronic service on August 2, 2023.


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