

FILED
November 14, 2018
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S INVESTIGATION)
INTO THE IMPACTS OF THE TAX CUTS AND JOBS)
ACT OF 2017 AND POSSIBLE RATE IMPLICATIONS)**

CAUSE NO. 45032 S12

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

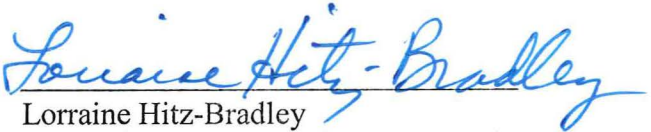
PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF OUCC WITNESS

MARK H. GROSSKOPF

NOVEMBER 14, 2018

Respectfully submitted,



Lorraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

**SETTLEMENT TESTIMONY OF MARK H. GROSSKOPF
CAUSE NO. 45032 S-12
OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC.**

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 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 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") as
6 a Senior Utility Analyst.

7 **Q: Are you the same Mark H. Grosskopf who previously submitted direct**
8 **testimony in this Cause?**

9 A: Yes, I submitted testimony in this Cause marked as Public's Exhibit No. 1.

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

11 A: My settlement testimony supports a Settlement Agreement ("Agreement") between
12 the Parties in this Cause: Ohio Valley Gas Corporation and Ohio Valley Gas, Inc.
13 ("OVG") and the OUCC (collectively, the "Settling Parties"). The Agreement
14 resolves all issues between OVG and the OUCC in this case. I discuss the pertinent
15 matters agreed to in the Settlement relevant to the Commission Investigation in
16 Cause No. 45032.

17 **Q: Is the Agreement a product of arms-length negotiations between the Settling**
18 **Parties?**

19 A: Yes. The Agreement represents a compromise reached in the settlement
20 negotiation process, with give and take by both of the Settling Parties. The Settling

1 Parties devoted the time and effort necessary to fairly balance OVG's interests and
2 those of the ratepayers.

ISSUES RESOLVED IN SETTLEMENT

3 **Q: What issues were addressed in your direct testimony for this Cause?**

4 A: My testimony addressed the amount of excess deferred income taxes ("EDIT") to
5 be refunded to OVG's ratepayers, and the period of time over which EDIT would
6 be refunded. My testimony supported a refund credit against volumetric charges
7 rather than OVG's proposed adjustment to the fixed monthly charge. Regarding
8 OVG's over-collection of taxes from January 1, 2018 through April 30, 2018, I
9 agreed with OVG's proposed amount of \$727,451 to be refunded over the same
10 four-month period in 2019, but disagreed with using the Gas Cost Adjustment
11 ("GCA") mechanism as the method of refund. My specific recommendations on
12 pages 12-13 of my direct testimony are as follows:

13 I recommend amortizing EDIT of \$4,012,142 over 34.25 years,
14 resulting in a return of EDIT to the ratepayers at an annual
15 amortization of \$117,143. This amortization should be reflected as
16 a reduction to existing rates using revenue requirement schedules
17 from Respondent's last rate case, updated to the new tax rate as of
18 May 1, 2018, using the same customer allocation and rate design as
19 approved in Respondent's last rate case, to be submitted for review
20 through a 30-Day filing process. I also recommend Respondent be
21 required to file a compliance filing initiating a temporary tracker to
22 return the excess federal tax collected from January 1, 2018 through
23 April 30, 2018, allocated to each rate class based on actual revenues
24 received during the period collected. This temporary tracker should
25 also be used to reconcile any variances.

26 **Q: Did OVG agree with some of your recommendations?**

27 A: Yes. On page 2 of rebuttal testimony filed on September 21, 2018, OVG agreed
28 the amount of EDIT to be refunded to ratepayers is \$4,012,142, to be spread over a

1 term of 34.25 years. OVG agreed the EDIT refund should take the form of an
2 adjustment to OVG's volumetric charges. OVG also agreed the separate refund of
3 amounts over-collected between January 1, 2018 and May 1, 2018 should be
4 administered through a temporary tracker for each rate class.

5 **Q: On what issues did OVG disagree with your recommendations?**

6 A: OVG disagreed with my recommendation for a straight-line payback of \$117,143
7 for each year during the 34.25 year period. OVG cited the straight-line method as
8 being contrary to IRS rules, and not being equitable to OVG based on the present
9 value of money. Both rationales cited by OVG relate to an acceleration of refunds
10 if using the straight-line method in excess of refund amounts, in the early years,
11 based on the reversal of the tax-to-book timing differences OVG would experience
12 by using the average rate assumption method ("ARAM").

13 **Q: How does the Agreement address the issues between the Settling Parties?**

14 A: The Settling Parties have agreed to refund an EDIT of \$4,012,142 over 34.25 years,
15 starting on January 1, 2019, through a separate adjustment to OVG's volumetric
16 rates in an "EDIT Tracker" based on customer allocations and rate design approved
17 in OVG's last rate case. The Settling Parties agree the EDIT refund will be
18 consistent with ARAM, where the precise amount of the annual refund will vary
19 each year, and such amount will be reconciled each following year to true-up the
20 target refund amount in the previous EDIT Tracker.

21 The Settling Parties have also agreed to refund \$727,451, which is the
22 difference between the amount collected from OVG's customers between January
23 1, 2018 and April 30, 2018 and what would have been collected for the same

1 service if rates that went into effect on May 1, 2018 had gone into effect on January
2 1, 2018. The Settling Parties agree OVG will establish specific volumetric rate
3 factors in a Refund Tracker for each rate class to be applied as a reduction to base
4 rates beginning January 1, 2019. The Agreement establishes baseline refund
5 amounts for each of the first four months in 2019 to be reconciled and adjusted in a
6 subsequent month to capture variances, with a final Refund Tracker filing in May
7 2019 to true-up any remaining refund variances.

8 **Q: Do you agree with the OVG's rational in its rebuttal testimony to use ARAM**
9 **in determining the annual EDIT refund amounts?**

10 A: Yes. With the Tax Cuts and Jobs Act ("TCJA"), OVG is required to use ARAM to
11 calculate the refund of EDIT as deferred taxes reverse on OVG's books. While the
12 OUCC maintains that there are other options to account for these refunds in utility
13 rates, the Settling Parties agree that the Settlement Agreement's proposed
14 application of ARAM to determine the refund of OVG's EDIT in settling this
15 subdocket is reasonable, correct, and in compliance with the law.

II. CONCLUSION

16 **Q: Does the OUCC recommend Commission approval of the Agreement?**

17 A: Yes. The Settling Parties each made concessions when they entered into the
18 proposed Agreement. The terms of the Agreement demonstrate the give and take
19 of settlement negotiations in resolving issues in a manner acceptable to the Settling
20 Parties. The Agreement also reduces the risk and expense of litigation of multiple
21 issues. The Agreement provides ratepayers with an expedient refund of an over-
22 collection of federal income tax, and a refund of EDIT representing an accurate

1 refund amortization period in compliance with the TCJA. These factors contribute
2 to an Agreement that is fair and reasonable for both the ratepayer and the utility.
3 For the above-mentioned reasons, the OUCC considers the Agreement to be in the
4 public interest, and recommends the Commission approve the Agreement. The
5 Settling Parties' testimony and exhibits provide evidence to support the Agreement.

6 **Q: Does this conclude your settlement testimony?**

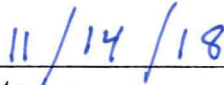
7 A: Yes.

AFFIRMATION

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



Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No. 45032 S12
Commission Investigation/Ohio Valley Gas
Corp. & Ohio Valley Gas, Inc.




Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Public's Exhibit No. 1-S Settlement Testimony of OUCC Witness Mark H. Grosskopf* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 14, 2018.

Clayton Miller
STOLL KEENON OGDEN PLLC
clayton.miller@skofirm.com


Lorraine Hitz-Bradley
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile