

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

FILED
February 19, 2021
INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 45447

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 4 – TESTIMONY OF OUCC WITNESS
CINTHIA J. SABILLON

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

February 19, 2021

Respectfully submitted,



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

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN
ENERGY DELIVERY OF INDIANA, INC.**

CAUSE NO. 45447

TESTIMONY OF OUCC WITNESS CINTHIA J. SABILLON

I. INTRODUCTION

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

2 A: My name is Cinthia J. Sabillon 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”)
6 as a Utility Analyst. I have worked as a member of the OUCC’s Natural Gas
7 Division since October of 2019. For a summary of my educational and
8 professional experience, as well as my preparation for presenting testimony in this
9 case, please see Appendix CJS-1.

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

11 A: My testimony discusses my review and analysis of certain Southern Indiana Gas
12 and Electric Company, d/b/a Vectren Energy Delivery of Indiana’s (“Vectren
13 South” or “Petitioner”) pro forma operating expenses. I also reviewed Petitioner’s
14 request for an extension of its Energy Efficiency (“EE”) Programs, recovery of
15 associated costs through the Energy Efficiency Funding Component (“EEFC”) of
16 the Energy Efficiency Rider (“EER”), the EE portfolio of programs for years
17 2022—2025, and continuation of its decoupling mechanism. Finally, I reviewed
18 Petitioner’s capital structure.

1 **Q: Please provide a summary of your recommendations.**

2 A: I recommend adjustments to the customer installation expense (FERC Account
3 879), maintenance supervision and engineering expense (FERC Account 885),
4 and demonstration and selling expense (FERC Account 912). I also recommend
5 approval of Vectren South's request for an extension of the 2020 EE Programs,
6 EEFC, and Sales Reconciliation Component ("SRC") through 2021. I recommend
7 approval of Vectren South's 2022-2025 EE programs and for Petitioner to
8 continue using the same progress reporting requirements as those approved in
9 Cause No. 45222. I further recommend adjustments to the Return on Equity
10 ("ROE") and cost-free capital components of Petitioner's capital structure. I also
11 recommend revisions to Vectren South's Tariff for Gas Service, Sheet No. 57,
12 section 18.H.

II. OPERATING EXPENSES

A. Customer Installation Expense (FERC Account 879)

13 **Q: What is Petitioner's proposed test year amount for the Customer Installation**
14 **Expense account?**

15 A: Petitioner used the 2021 budget as its basis for the test year in this case.
16 Petitioner's Exhibit No. 19, page 34, line 54 shows the test year amount for 2021
17 is \$1,086,515.

18 **Q: Did Petitioner make a pro forma adjustment to this account?**

19 A: No.

1 **Q: Has Petitioner's pro forma amount of \$1,086,515 increased from prior years?**

2 A: Yes. As shown on Attachment CJS-1, page 3, from 2016 to 2019 Petitioner
3 incurred between \$650,802 and \$670,286 in this account. In response to OUCC
4 Data Request ("DR") 11.2(b), Petitioner explained the budgeted amounts are
5 created based on historical trends and are assessed and adjusted for expected
6 changes and/or market conditions. For FERC account 879-Customer Installation
7 Expense, costs are associated with dispatching as well as emergency and after-
8 hours calls from customers. The 2021 plan includes a 3% increase over the 2020
9 plan. Petitioner indicated prior year's actuals have been lower due to vacancies,
10 which are accounted for in the budget at a higher functional level under different
11 FERC accounts, based on an estimated turnover impact to labor expense (*Id.* at 2).

12 **Q: Do you agree with the amount Petitioner has proposed to include in base**
13 **rates?**

14 A: No. The proposed amount of \$1,086,515 is inconsistent with prior years' actual
15 costs. The average amount over the historical period (2016-2019) is \$663,541,
16 which makes the budgeted amount a \$422,974 increase from average. I disagree
17 with Petitioner's reasoning for prior years being lower due to vacancies. The costs
18 in this account are associated with dispatching as well as emergency and after-
19 hours calls from customers. Petitioner has been able to respond to after-hours
20 calls from customers these past four years even with these vacancies, which
21 makes the increase inconsistent with past averages and unnecessary.

22 **Q: What is your recommendation for the Customer Installation Expense**
23 **account?**

24 A: I recommend the 2021 pro forma amount be reduced to \$703,950. This amount
25 was calculated by taking the 4-year average from 2016-2019 of \$663,541 and

1 allowing a 3% increase for both 2020 and 2021. The 3% increase for 2020 and
2 2021 is in line with the 3% increase requested for other expense accounts over
3 these 2 years. This calculation is shown on Attachment CJS-1, page 3. Comparing
4 the \$1,086,515 amount to the pro forma Customer Installation Expense amount of
5 \$703,950 results in a decrease to Customer Installation Expenses in the amount of
6 \$382,565. (*Id.*)

B. Maintenance Supervision & Engineering Expense (FERC Account 885)

7 **Q: What is Petitioner's proposed test year amount for the Maintenance**
8 **Supervision and Engineering Expense account?**

9 A: Petitioner used the 2021 budget as its basis for the test year in this case.
10 Petitioner's Exhibit No. 19, page 34, line 59 shows the test year amount for 2021
11 is \$580,525.

12 **Q: Did Petitioner make a pro forma adjustment to this account?**

13 A: No.

14 **Q: Has Petitioner's pro forma amount of \$580,525 increased from prior years?**

15 A: Yes. As shown on Attachment CJS-2, page 3, from 2016 to 2019 Petitioner
16 incurred between \$388,585 and \$432,987 in this account. In response to OUCC
17 DR 11.2(c), Petitioner explained the budgeted amounts are created based on
18 historical trends and are assessed and adjusted for expected changes and/or
19 market conditions. For FERC Account 885-Maintenance Supervision &
20 Engineering Expense, Petitioner indicated prior year's actuals have been lower
21 due to vacancies, which are accounted for in the budget at a higher functional

1 level under different FERC accounts, based on an estimated turnover impact to
2 labor expense. (*Id.* at 2.)

3 **Q: Do you agree with the amount Petitioner has proposed to include in base**
4 **rates?**

5 A: No. The proposed amount of \$580,525 is inconsistent with prior years' actual
6 costs. The average amount over the historical period (2016-2019) is \$416,457,
7 which makes the budgeted amount a \$164,068 increase from average. During the
8 period of 2016-2019, Petitioner was able to perform the necessary maintenance
9 and supervision even with vacancies, and Petitioner was able to cover all the costs
10 related to this account with the prior year budgets. Therefore, vacancies are not a
11 valid reason for increasing the amount.

12 **Q: What is your recommendation for the Maintenance Supervision and**
13 **Engineering Expense?**

14 A: I recommend the 2021 pro forma amount be reduced to \$441,819. This amount
15 was calculated by taking the 4-year average from 2016-2019 of \$416,457 and
16 allowing a 3% increase for both 2020 and 2021. The 3% increase for 2020 and
17 2021 is in line with the 3% increase requested for other expense accounts over
18 these 2 years. This calculation is shown on Attachment CJS-2, page 3. Comparing
19 the \$580,525 amount to the pro forma Maintenance Service and Engineering
20 Expense account of \$441,819 results in a decrease to Maintenance Service and
21 Engineering Expenses in the amount of \$138,706. (*Id.* at 3.)

C. Demonstration and Selling Expense (FERC Account 912)

1 **Q: What is Petitioner's proposed test year amount for the Demonstration and**
2 **Selling Expense?**

3 A: Petitioner used the 2021 budget as its basis for the test year in this case.
4 Petitioner's Exhibit No. 19, page 34, line 82 shows the test year amount for 2021
5 is \$389,004.

6 **Q: Did Petitioner make a pro forma adjustment to this account?**

7 A: No.

8 **Q: Has Petitioner's pro forma amount of \$389,004 increased from prior years?**

9 A: Yes. As shown on Attachment CJS-3, page 3, from 2016 to 2019 Petitioner
10 incurred between \$215,193 and \$297,275 in this account. In response to OUCC
11 DR 11.2(e), Petitioner explained Economic Development comprises most of the
12 expense in FERC Account 912-Demonstration and Selling Expenses. Petitioner
13 indicated the 2021 test year planned \$250,000 for the Indiana Economic
14 Development Foundation, Inc., of which \$44,075 should be allocated to Vectren
15 South Gas. (*Id.* at 2.) In response to OUCC DR 15.14, Petitioner confirmed the
16 entire invoice was budgeted to Vectren South for 2021 but only \$44,075 should
17 have been budgeted to Vectren South Gas. (*Id.* at 4.)

18 **Q: Do you agree with the amount Petitioner has proposed to include in base**
19 **rates?**

20 A: No. As noted above, Vectren South indicated there was an invoice incorrectly
21 charging 100% of the costs to Vectren South.

1 **Q: What is your recommendation for the Demonstration and Selling Expense**
2 **account?**

3 A: I recommend the 2021 pro forma amount be reduced to \$183,079. This amount
4 was calculated by taking the proposed pro forma amount of \$389,004 and
5 subtracting \$205,925, which is the excess amount mistakenly budgeted to Vectren
6 South. This calculation is shown on Attachment CJS-3, page 3. Comparing the
7 \$389,004 amount to the pro forma Demonstration and Selling Expense account of
8 \$183,079 results in a decrease to Demonstration and Selling Expense in the
9 amount of \$205,925. (*Id.* at 3.)

III. ENERGY EFFICIENCY

A. Prior Agreements

10 **Q: Are the EE programs and the EER currently in effect the result of an**
11 **extension agreed to in a prior Settlement Agreement?**

12 A: Yes. In Cause No. 45222, Petitioner received approval for an extension of the
13 current EE programs until December 31, 2020 or the date the order is issued in
14 Petitioner's next rate case. *In re Vectren South*, Cause No. 45222, Final Order, p.
15 5 (Ind. Util. Regul. Comm'n July 17, 2019). The Cause No. 45222 approval was
16 an extension, with modifications, of the Settlement Agreement between the
17 OUCC and Vectren South approved by the Commission in Cause No. 44598 on
18 September 9, 2015 ("2015 Settlement Agreement"). The Commission Order
19 approving the modified 2015 Settlement Agreement set forth an extension of
20 Vectren South's EE programs and the EER, including the EEFC and SRC,
21 through December 31, 2019. *In re Vectren South*, Cause No. 44598, Final Order,

1 p. 10 (Ind. Util. Regul. Comm'n Sept. 9, 2015).

B. 2021 Program extension

2 **Q: Please explain the 2021 EE extension.**

3 A: Vectren South is requesting an extension to continue offering EE Programs and to
4 recover associated costs through the EEFC of the EER. Vectren South's request
5 for an extension of cost recovery through the EER is inclusive of the decoupling
6 mechanism known as the SRC. (Petition, page 10.) Vectren South requests the
7 extension be approved to continue through 2021 rather than expire at the end of
8 2020 as approved by the Commission in Cause No. 45222. Cause No. 45222,
9 Final Order, p. 5 (Ind. Util. Regul. Comm'n July 17, 2019).

10 **Q: Are Vectren South's EE program offerings included in the proposed**
11 **extension the same as the currently approved program offerings?**

12 A: Yes, the 2021 EE programs proposed in this Cause are a continuation of current
13 2020 program offerings. A table with the 2021 program offerings is provided in
14 Petitioner's Exhibit No. 14, the testimony of Rina H. Harris, page 12, Table RHH-
15 1.

16 **Q: How were the EE program offerings included in the extension developed?**

17 A: The Vectren Oversight Board ("VOB") hired and worked with GDS Associates,
18 Inc., and its subcontractor EMI Consulting to conduct the Market Potential Study
19 and Action Plan ("MPSAP") to design a portfolio of EE programs for the years
20 2020-2025. The 2021 EE program extension requested in this Cause is the result
21 of the MPSAP. The VOB approved the resulting MPSAP in March 2019. The
22 OUCC recommends approval of the 2021 EE extension and recovery of

1 associated costs through the EEFC of the EER as previously approved is Cause
2 No. 45222. Cause No. 45222, Final Order, p. 5 (Ind. Util. Regul. Comm'n July
3 17, 2019).

C. 2022-2025 plan proposed programs

4 **Q: Please describe the 2022-2025 Plan.**

5 A: The 2022-2025 Plan is a result of the MPSAP for years 2020-2025 and is
6 consistent with current natural gas EE offerings. The EE programs proposed are a
7 continuation of current program offerings, with some expansions, modifications,
8 and new measures. A list of the programs included in the proposed Action Plan is
9 provided in Rina H. Harris' testimony. (Petitioner's Exhibit No. 14, page 19, line
10 9 through page 22, line 3.)

11 **Q: How were the EE program offerings included in the 2022-2025 Plan**
12 **developed?**

13 A: EMI Consulting partnered with GDS to conduct the MPSAP to design a portfolio
14 of EE programs for the years 2020-2025. The 2022-2025 EE programs requested
15 in this Cause are the result of the MPSAP. Detailed steps are provided in Ms.
16 Harris' testimony. (Petitioner's Exhibit No. 14, page 16, line 12 through page 18,
17 line 4.)

18 **Q: Is Vectren South adding any new programs in its 2022—2025 Plan not**
19 **currently offered?**

20 A: No. Vectren South is not adding any new programs but is introducing enhanced
21 features and delivery channels such as an online marketplace and instant rebates
22 within its residential portfolio. These program enhancements will include new
23 delivery mechanisms to complement the existing program design (Petitioner's

1 Exhibit No. 14, page 22, lines 7-10.) Vectren South will also offer a residential
2 and commercial HVAC midstream program, which will allow customers to
3 receive a discount at the time of purchase. (Petitioner's Exhibit No. 14, page 22,
4 lines 16-18.)

5 **Q: Does the 2022-2025 Plan include integrated gas and electric programs?**

6 A: Yes. According to Petitioner's witness Harris, "Vectren has delivered gas and
7 electric programs since 2016. Vectren plans to continue to offer integrated
8 programs in its 2022-2025 Plan." (Petitioner's Exhibit No. 14, page 23, lines 16-
9 17.) A list of integrated programs is provided in Petitioner's Exhibit No. 14, page
10 19, Table RHH-3.

11 **Q: Are the proposed EE programs cost effective?**

12 A: Yes. EMI Consulting, MPSAP partner to GDC, conducted cost benefit testing
13 associated with Vectren South's Action Plan. Utilizing DSMore, the measures and
14 programs were analyzed for cost-effectiveness (Petitioner's Exhibit No. 14, page
15 34, lines 9-11). The economic analysis consisted of a full range of market
16 perspectives including: the Participant Test, Utility Cost Test ("UCT"), Rate
17 Impact Measure ("RIM") Test, and the Total Resource Cost ("TRC") Test. Each
18 of the tests was conducted for each program. All the economic tests were based
19 on the cost-effectiveness methodologies from the California Standard Practice
20 Manual. (*Id.* lines 12-17.) Each EE program in the 2020-2025 Plan passes the
21 UCT and TRC test, except for the low-income programs, which are exempt from
22 having to pass cost-effectiveness tests in order to promote a greater social good
23 (*Id.* at 35, lines 3-5.)

D. 2022—2025 Budget and Saving Goals

1 **Q: Please discuss the budget proposed for the 2022- 2025 EE programs.**

2 A: Vectren South's EE 2022-2025 plan has an estimated budget of \$36 million, with
3 \$8.3 million in 2022, \$8.7 million in 2023, \$9.3 million in 2024, and \$9.5 million
4 in 2025. (Petitioner's Exhibit No. 14, page 24, lines 12-13.) In response to OUCC
5 DR 8.10, Petitioner provided a corrected copy of Petitioner's Exhibit No. 14, page
6 26, Table RHH-4-2022-2025, Program Goals and Budget Summary (Attachment
7 CJS-4, page 2). Petitioner corrected the proposed budget amounts for the
8 residential portfolio. This correction now reflects a change from \$27,544,000 to
9 \$25,476,000 on the residential portfolio and a change from \$38,015,000 to
10 \$35,949,000 on the total budget, resulting in a decrease to the total budget of
11 \$2,066,000. After reviewing the revised Table RHH-4, I found the Residential
12 Portfolio total amount of \$25,476,000 and the Commercial Portfolio total amount
13 of \$10,471,000 were added incorrectly. The total portfolio should be \$35,947,000
14 instead of \$35,949,000. Therefore, the OUCC recommends Petitioner revise the
15 budget to \$35,947,000 to account for the \$2,000 that was incorrectly unaccounted
16 for in the revised table.

17 **Q: Please discuss the saving goals proposed for the 2022-2025 EE programs.**

18 A: The 2022-2025 EE programs are designed to achieve savings of 11.6 million
19 therms, with 2.7 million to be saved in 2022, 2.8 million therms to be saved in
20 2023, 2.9 million therms to be saved in 2024, and 3.1 million therms to be saved
21 in 2025. (Petitioner's Exhibit No. 14, page 25, lines 1-4.) Ms. Harris' testimony

1 provides more details on savings goals by program. (Petitioner's Exhibit No. 14,
2 page 27 through page 30.)

3 **Q: Does Vectren South's request address the usage of unspent funds from year**
4 **to year?**

5 A: Yes. Vectren South requests continued authority to roll forward any unused funds
6 from year-to-year within the 2022-2025 EE program, if any, at the end of each
7 program year. (Petitioner's Exhibit No. 14, page 24, lines 17-19.) Vectren South
8 requests if these funds are rolled forward within the 2022-2025 EE program, then
9 the funds should be incremental and not reduce flex funding available to obtain
10 savings. (Petitioner's Exhibit No. 14, page 24, lines 21-23.) The OUCC agrees
11 unspent funds should be rolled forward from year-to-year, as this is consistent
12 with Petitioner's previously approved plan. *In re Vectren South*, Cause No.
13 45222, Final Order, p. 5 (Ind. Util. Regul. Comm'n July 17, 2019).

E. Evaluation, Measurement & Verification ("EM&V")

14 **Q: Is Vectren South requesting any changes to the evaluation and measurement**
15 **of the programs?**

16 A: No changes are proposed to how EM&V of programs is conducted. Vectren South
17 proposes to continue to use an independent evaluator for EM&V. (Petitioner's
18 Exhibit No. 14, page 32, lines 20-24.) The annual results will continue to be used
19 to inform the VOB regarding design and funding. The OUCC agrees EM&V
20 should remain unchanged, as it was approved in the prior plan. *In re Vectren*
21 *South*, Cause No. 45222, Final Order, p. 5 (Ind. Util. Regul. Comm'n July 17,
22 2019).

F. Oversight and Administration

1 **Q: Is Vectren South requesting any changes to the VOB's operation and**
2 **authority?**

3 A: No. Vectren South requests the programs continue to be monitored through the
4 VOB as currently approved. (Petitioner's Exhibit No. 14, page 32, line 10-11.)

5 The VOB consists of Vectren South, the OUCC, and the Citizens Action
6 Coalition. The VOB assists in administration of the EE programs, has the
7 authority to approve annual operating plans, the use of flexible funding, and
8 rolling forward unused funds into the next program year. The VOB also has the
9 authority to increase budgeted funding by up to ten percent (10%) over the
10 budget, if necessary, to support program adoption without having to seek
11 Commission approval. *In re Vectren South*, Cause No. 45222, Final Order, p. 5
12 (Ind. Util. Regul. Comm'n July 17, 2019.) The OUCC does not request any
13 changes to the current authority of the VOB, of which the OUCC is a voting
14 member.

G. Cost Recovery through the EER

15 **Q: Is Vectren South requesting any changes to the EEFC or SRC?**

16 A: No. The terms of the 2015 Settlement Agreement regarding the EER, inclusive of
17 the EEFC and SRC, will remain in place. Vectren South proposes to continue its
18 annual EER filing on or around March 31 of each year, with adjusted EER rates to
19 go into effect on or around May 1 of each year, utilizing the Commission's 30-
20 Day administrative filing process. This is the same process as was approved in
21 Cause No. 45222. *In re Vectren South*, Cause No. 45222, Final Order, p. 5 (Ind.

1 Util. Regul. Comm'n July 17, 2019.) Vectren South will maintain the 4% cap on
2 the SRC, with amounts above the 4% cap being deferred until the next EER filing
3 or base rate case. *Id.* The deferral cap per program year of \$4.5 million for
4 Vectren North and \$1.5 million for Vectren South will continue to apply. (*In re*
5 *Vectren South*, Cause No. 45222, Final Order, p. 5 (Ind. Util. Regul. Comm'n
6 July 17, 2019.) The OUCC agrees with the continuation of the EEFC and SRC
7 unchanged as approved in Cause No. 45222.

8 **Q: Please describe how Vectren South reports program progress.**

9 A: Vectren South reports program progress by filing reports with the Commission
10 pursuant to the Cause No. 45222 Final Order. These reports are: 1) Annual
11 operating plan (within 60 days of the start of each program year); 2) Quarterly
12 performance reports (scorecards) to gauge performance during the program year
13 (within 60 days of each quarter end); 3) Annual final reports (within 60 days of
14 year-end); and 4) Annual EM&V results (within 30 days of VOB approval).
15 (Petitioner's Exhibit No. 14, page 31, line 24 to page 32, line 5.)

16 **Q: Will Vectren South continue to file the program progress reports with the**
17 **Commission?**

18 A: Yes. In response to OUCC DR 8.9, Petitioner stated, "[y]es, pursuant to the
19 Commission Order, Vectren plans to continue submission of progress reports to
20 the Commission." (Attachment CJS-5.)

21 **Q: Is Vectren South's 2022-2025 Plan in the public interest?**

22 A: Yes, the 2022-2025 Plan is in the public interest. The OUCC recommends
23 approval of the Plan. This Plan will allow Vectren South to continue to provide
24 customers with opportunities to reduce their energy usage and educate them about

1 how they consume energy. The approval of the Plan will allow Vectren South to
2 integrate gas and electric programs resulting in lower program costs and higher
3 Energy Efficiency benefits for the customer.

IV. CUSTOMER DEPOSITS

4 **Q: Did you review Petitioner's customer deposit information?**

5 A: Yes. In response to OUCC DR 18.6(a), Petitioner indicated after it reviewed the
6 requirements for refunding of deposits, it identified several deposits that do not
7 conform with the applicable deposit rule. (Attachment CJS-9, page 1.)

8 **Q: What is the applicable deposit rule?**

9 A: The applicable deposit rule, 170 I.A.C. 5-1-15(g) states:

10 Any deposit or accrued interest shall be promptly refunded directly
11 to the customer or credited to the customer's account without the
12 customers' request when the customer: (A) submits satisfactory
13 payment for a period of either: (i) twelve (12) successive months;
14 or (ii) twelve (12) out of any fifteen (15) consecutive months
15 without late payment in two (2) consecutive months.

16 **Q: Why don't the deposits identified by Petitioner conform with the applicable
17 deposit rule?**

18 A: Petitioner indicated the current logic within the billing system programming does
19 not contemplate part (ii) of the rule (12 out of 15 consecutive months without late
20 payment in 2 consecutive months). (*Id.*) Petitioner also indicated an audit was
21 completed of all electric and gas customer deposits and Petitioner learned there
22 are \$153,771 of deposits that should be refunded to customers. Petitioner is
23 working through a process to return deposits to customers who meet the criteria
24 set forth in the rule. (*Id.*)

1 **Q: Did you review any other customer deposit information?**

2 A: Yes. In response to OUCC DR 18.6(a), Petitioner provided an Excel file with total
3 deposit detail. After reviewing this file, the OUCC found there is a balance of
4 \$21,032.06 in inactive accounts that have been held for more than 15 months and
5 have not been returned. (*Id* at 2.) In some instances, these customer deposits date
6 back to 1996.

7 **Q: Is there an administrative rule regarding what should be done with customer**
8 **deposits held in inactive accounts?**

9 A: Yes, 170 I.A.C. 5-1-15(g)(6) states:

10 Any deposit made by the applicant, customer, or any other person
11 to the utility (less any lawful deductions), or any sum the utility is
12 ordered to refund for utility service, that has remained unclaimed
13 for one (1) year after the utility has made diligent efforts to locate
14 the person who made the deposit or the heirs of the person, shall be
15 presumed abandoned and treated in accordance with Ind. Code 32-
16 34-1 *et seq.*

17 Furthermore, in response to OUCC DR 18.7, Petitioner stated there are 30
18 inactive accounts with less than \$50 in total balances that have not been refunded.
19 (Attachment CJS-10.)

20 **Q: Do you have any recommendations based on your review of Petitioner's**
21 **customer deposit information?**

22 A: Yes. I recommend Vectren South timely refund the \$21,032.06 in customer
23 deposits to the customers who have established their creditworthiness as required
24 by 170 I.A.C. 5-1-15(g)(1). If these deposits are reasonably determined to be
25 abandoned, then Vectren South should treat such deposits in accordance with Ind.
26 Code § 32-34-1 *et seq.*

1 Also, I recommend Petitioner check customer deposits on an annual basis
2 to make sure the customers who meet the criteria set forth in 170 I.A.C. 5-1-15(g)
3 receive their deposits in a timely manner.

4 **Q: Does the OUCC propose any adjustments to Vectren South's Tariff for Gas**
5 **Service, Sheet No. 57, Deposit or Arrangement to ensure payment of bill?**

6 A: Yes. Tariff Sheet No. 57, Section 18.H. states, "[c]redit balances less than \$10.00
7 will not be refunded to Customer unless so requested." Per 170 I.A.C. 5-1-
8 15(g)(1), customer deposits should be returned once the customer has established
9 its creditworthiness. As mentioned above, 170 I.A.C. 5-1-15(g)(6) states:

10 Any deposit made by the applicant, customer, or any other person
11 to the utility (less any lawful deductions), or any sum the utility is
12 ordered to refund for utility service, that has remained unclaimed
13 for one (1) year after the utility has made diligent efforts to locate
14 the person who made the deposit or heirs of the person, shall be
15 presumed abandoned and treated in accordance with IC 32-34-1 *et*
16 *seq.*

17 Vectren South should refund customer deposits to the customers
18 regardless of the amount without requiring customers to make a request to
19 Vectren South. If these deposits are reasonably determined to be abandoned, then
20 Vectren South should treat such deposits in accordance with Ind. Code 32-34-1 *et*
21 *seq.*

22 **Q: What is your recommendation regarding Section 18.H. of Tariff Sheet No.**
23 **57?**

24 A: I recommend the last sentence of Section 18.H be stricken. See Attachment CJS-8
25 for a red-line version of Sheet No. 57 striking the last sentence of Section 18.H.

26 **Q: Do you have other recommendations about deposits?**

27 A: Yes. I recommend the inclusion of additional categories of deposits in Petitioner's
28 capital structure as cost-free capital, as described below.

V. CAPITAL STRUCTURE

1 **Q: Did you make any adjustments to Petitioner's cost of common equity**
2 **proposed in this case?**

3 A: Yes. Per the recommendation of OUCC witness Courter, I have adjusted the cost
4 of common equity to 9.2% in the capital structure, as shown on Attachment CJS-
5 6.

6 **Q: Did you make any adjustments to cost-free capital?**

7 A: Yes. The amount included in customer deposits in Petitioner's capital structure
8 included only one of Petitioner's accounts (2341000) for customer deposits. In
9 response to OUCC DR 1.1, Petitioner provided a trial balance showing a total of
10 four accounts for customer deposits (2341000, 2341100, 2341200, and 2341210).
11 In response to OUCC DR-15.4, Petitioner stated the inclusion of only interest-
12 bearing deposits, as opposed to both interest-bearing and non-interest-bearing
13 deposits within its proposed capital structure, is consistent with the previous two
14 base rate case proceedings for Vectren South, Cause No. 43112 (Gas) and 43839
15 (Electric). (Attachment CJS-7, page 1.) In both Causes, the overall weighted cost
16 of capital was determined by using only interest-bearing customer deposits as
17 reflected in the balance of account 2341000. (*Id.*)

18 **Q: Do you agree only interest-bearing customer deposits should be included in**
19 **the capital structure?**

20 A: No. Cause No. 43112 was a settled case and is non-precedential. The facts of each
21 rate case are unique. Although Petitioner's capital structure approved in the last
22 rate case had only interest-bearing customer deposits, this does not mean
23 Petitioner's capital structure in this Cause cannot include non-interest-bearing

1 customer deposits. All cost-free capital should be included in the capital structure,
2 not only the accounts on which Vectren South must pay interest.

3 The three non-interest-bearing accounts (2341100, 2341200 and 2341210)
4 are true cost-free capital because Vectren South is not paying any interest to its
5 customers for use of this money. Consequently, I have added accounts 2341100,
6 2341200 and 2341210 to the cost-free capital component in the capital structure.
7 The balances of these accounts total \$1,979,292:

- 8 • Account 2341100 has a balance of \$179,292.
- 9 • Account 2341200 has a balance of \$1,400,000.
- 10 • Account 2341210 has a balance of \$400,000.

11 **Q: Have you adjusted Petitioner's capital structure based on your review of the**
12 **customer deposit accounts?**

13 A: Yes. I have increased cost-free capital by \$1.979 million to arrive at the forward
14 test year cost-free capital amount of \$433.766 million as reflected on Attachment
15 CJS-6, page 2. This amount is also carried forward to my rate of return summary
16 on Attachment CJS-6, page 1. I agree with Petitioner's calculation of long-term
17 debt, the remaining cost-free capital, and other capital items within the capital
18 structure.

19 **Q: Did you make any adjustments to the Synchronized Interest Calculation**
20 **within the Capital Structure?**

21 A: Yes. The total weighted average for synchronized interest of 1.34% is the same as
22 what Vectren South proposed. However, OUCC witness Grosskopf has
23 recommended a reduction to Vectren South's original cost rate base from

1 \$469,388,809 to \$465,150,859. The resulting synchronized interest expense is
2 \$6,225,579, as shown on Attachment CJS-6, page 1.

VI. OUCC RECOMMENDATIONS

3 **Q: Please summarize your recommendations related to operating expenses.**

4 A: I recommend the following pro forma adjustments be made to operating expenses:

- 5 1. Decrease Customer Installation Expense by \$382,565.
- 6 2. Decrease Maintenance Supervision and Engineering Expense by
7 \$138,706.
- 8 3. Decrease Demonstrations and Selling Expense by \$205,925.

9 **Q: Please summarize your recommendations related to other items addressed in**
10 **your testimony.**

11 A: The OUCC recommends Commission approval of the following:

- 12 1. The extension of the EE programs, EEFC, and SRC through 2021.
- 13 2. Vectren South's 2022-2025 EE programs, continuation of unchanged
14 EM&V process, continuation of current VOB authority, continuation
15 of authority to roll forward unspent funds from year-to-year,
16 continuation of the EEFC and SRC unchanged, Petitioner's continued
17 use of the same progress reporting requirements as those approved in
18 the Commission's Order in Cause No. 45222, and a decrease to the
19 total portfolio budget of \$2,000.
- 20 3. Adjustments to the capital structure: ROE of 9.2% based on the
21 recommendation by OUCC witness Courter, an increase of \$1.979
22 million to cost-free capital, and a decrease of \$64,231 to synchronized
23 interest expense.
- 24 4. Petitioner refund the amount of \$21,032.06 customer deposits on
25 inactive accounts per 170 I.A.C. 5-1-15(g)(6).
- 26 5. Petitioner check customer deposits on an annual basis to make sure the
27 customers who meet the criteria set forth in 170 I.A.C. 5-1-15(g)
28 receive their deposits in a timely manner.

1 6. Revision of Vectren South's Tariff for Gas Service, Sheet No. 57,
2 Section 18.H to require Vectren South to refund all deposits to
3 customers, regardless of the amount.

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

5 **A: Yes, it does.**

APPENDIX TO TESTIMONY OF
OUCC WITNESS CINTHIA J. SABILLON

1 **Q: Describe your educational background and experience.**

2 A: I graduated from the Kelley School of Business at Indiana University in
3 Indianapolis, Indiana with a Bachelor of Science Degree in Finance, and a minor
4 in Economics in August 2019. While attending the Business School, I worked for
5 AT&T, in multiple locations in Indiana as a Retail Sales Consultant. I assisted
6 customers with sales of AT&T cellular, internet, and TV services.

7 In October 2019, I began my employment with the OUCC as a Utility
8 Analyst. My current responsibilities include reviewing, analyzing, and preparing
9 testimony for Gas Cost Adjustment (“GCA”) cases, Certificate of Public
10 Convenience and Necessity (“CPCN”) cases, Financing cases, Gas Demand Side
11 Management cases (“GDSM”) and Targeted Economic Development (“TED”)
12 Project cases for natural gas utilities.

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

14 A: Yes, I have testified in GCA, CPCN, GDSM, TED Project and Financing cases
15 before the Commission.

16 **Q: Please describe the review you conducted to prepare this testimony.**

17 A: I reviewed the Verified Petition submitted by Vectren South, the pre-filed direct
18 testimony of Vectren South’s witnesses Angie M. Bell, Brenda L. Musser, Rina
19 H. Harris, and Brett A. Jerasa, the revised testimony, and supporting
20 documentation including workpapers. I analyzed Petitioner’s responses to OUCC
21 discovery requests. Lastly, I attended a pre-filing meeting with Petitioner’s

- 1 representatives and several meetings with the OUCC case team, including general
- 2 case meetings, accounting meetings and energy efficiency meetings.

- Q 11.2:** Referencing Petitioner’s Exhibit No. 19, Schedule C-1.1, page 2, column [A] Test Year Unadjusted:
- a. Line 53, FERC Account 878 - Removing and Resetting Meters. Please explain why the budgeted amount of \$700,807 for this account is not capitalized.
 - b. Line 54, FERC Account 879- Customer Installation Expense. Please explain how Petitioner calculated the budgeted amount of \$1,086,515 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - c. Line 59, FERC Account 885 - Maint. Supervision and Engineering. Please explain how Petitioner calculated the budgeted amount of \$580,525 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - d. Line 63, FERC Account 893 - Maintenance of Meters and House Regulators. Please explain how Petitioner calculated the budgeted amount of \$116,379 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to 2019.
 - e. Line 82, FERC Account 912 - Demonstration and Selling Expenses. Please explain how Petitioner calculated the budgeted amount of \$389,004 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018, and 2019.

Objection:

Vectren South objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren South can determine what information is sought insofar as the term “increased significantly” is not defined or explained and Vectren South does not agree with the characterization. See Vectren South’s response to OUC Data Request 2.2(a) for an explanation of how Vectren South interprets the term “significant.”

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

Response:

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company’s best estimated allocation by FERC account, favorability (or overages) in one particular FERC account does not necessarily result in an overall reduction (or increase) in O&M, as the underspend (or overage) could offset overages (or favorability) in other FERC accounts.

- a. Amounts planned to FERC 878 are related to routine meter order work. This includes removing, resetting, changing, testing and servicing existing meter sets for various reasons and is expensed per FERC guidelines. Unless the entire

meter setting is replaced, these activities are expensed. Labor for initial installation of meters is capitalized to FERC 382 at the time of installation.

- b. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The plan for FERC 879 consists of costs associated with dispatching along with emergency and after hours calls from customers. The costs are primarily labor costs and have seen an average increase of 4% year over year from 2017 through 2021. The 2021 plan includes a 3% increase over the 2020 plan. Prior years actuals have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- c. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. Similar to item (b), prior years actuals for FERC 885 have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- d. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The budgeted test year for FERC 893 anticipates more emergency calls due to an increase in customers and an overall increase in call level trends from year to year.
- e. Economic Development comprises most of the expense in FERC Account 912 – Demonstration and Selling Expenses. The 2021 test year planned \$250,000 for the Indiana Economic Development Foundation, Inc. invoice, of which \$44,075 should be allocated to Vectren South Gas.

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.

Cause No. 45447

Customer Installation Expense (FERC Account-879) Adjustment

Actual Customer Installation Expense	
2016	\$670,286
2017	650,802
2018	664,592
2019	<u>668,483</u>
Total	\$2,654,163
4-yr average	\$663,541
3% increase for 2020	\$683,447
3% increase for 2021	\$703,950

Petitioner's Unadjusted Test Year	\$1,086,515 From Petitioner's Exhibit No. 19, page 33, line 21
OUC Pro Forma Adjustment	<u>(382,565)</u>
OUC Pro Forma at Present Rates	\$703,950 From Above

Note: Actual lines expense for 2016 - 2019 taken from historical trial balance provided in response to
OUC DR 1.1.

- Q 11.2:** Referencing Petitioner’s Exhibit No. 19, Schedule C-1.1, page 2, column [A] Test Year Unadjusted:
- a. Line 53, FERC Account 878 - Removing and Resetting Meters. Please explain why the budgeted amount of \$700,807 for this account is not capitalized.
 - b. Line 54, FERC Account 879- Customer Installation Expense. Please explain how Petitioner calculated the budgeted amount of \$1,086,515 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - c. Line 59, FERC Account 885 - Maint. Supervision and Engineering. Please explain how Petitioner calculated the budgeted amount of \$580,525 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - d. Line 63, FERC Account 893 - Maintenance of Meters and House Regulators. Please explain how Petitioner calculated the budgeted amount of \$116,379 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to 2019.
 - e. Line 82, FERC Account 912 - Demonstration and Selling Expenses. Please explain how Petitioner calculated the budgeted amount of \$389,004 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018, and 2019.

Objection:

Vectren South objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren South can determine what information is sought insofar as the term “increased significantly” is not defined or explained and Vectren South does not agree with the characterization. See Vectren South’s response to OUCC Data Request 2.2(a) for an explanation of how Vectren South interprets the term “significant.”

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

Response:

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company’s best estimated allocation by FERC account, favorability (or overages) in one particular FERC account does not necessarily result in an overall reduction (or increase) in O&M, as the underspend (or overage) could offset overages (or favorability) in other FERC accounts.

- a. Amounts planned to FERC 878 are related to routine meter order work. This includes removing, resetting, changing, testing and servicing existing meter sets for various reasons and is expensed per FERC guidelines. Unless the entire

meter setting is replaced, these activities are expensed. Labor for initial installation of meters is capitalized to FERC 382 at the time of installation.

- b. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The plan for FERC 879 consists of costs associated with dispatching along with emergency and after hours calls from customers. The costs are primarily labor costs and have seen an average increase of 4% year over year from 2017 through 2021. The 2021 plan includes a 3% increase over the 2020 plan. Prior years actuals have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- c. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. Similar to item (b), prior years actuals for FERC 885 have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- d. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The budgeted test year for FERC 893 anticipates more emergency calls due to an increase in customers and an overall increase in call level trends from year to year.
- e. Economic Development comprises most of the expense in FERC Account 912 – Demonstration and Selling Expenses. The 2021 test year planned \$250,000 for the Indiana Economic Development Foundation, Inc. invoice, of which \$44,075 should be allocated to Vectren South Gas.

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.

Cause No. 45447

Maintenance Supervision & Engineering Expense (FERC Account-879) Adjustment

Actual Maint. Supervision & Engineering Expense	
2016	\$427,077
2017	417,178
2018	432,987
2019	388,585
Total	<u>\$1,665,827</u>
4-yr average	\$416,457
3% increase for 2020	\$428,950
3% increase for 2021	\$441,819
Petitioner's Unadjusted Test Year	\$580,525 From Petitioner's Exhibit No. 19, page 33, line 21
OUCG Pro Forma Adjustment	<u>(138,706)</u>
OUCG Pro Forma at Present Rates	\$441,819 From Above

Note: Actual lines expense for 2016 - 2019 taken from historical trial balance provided in response to OUCG DR 1.1.

- Q 11.2:** Referencing Petitioner’s Exhibit No. 19, Schedule C-1.1, page 2, column [A] Test Year Unadjusted:
- a. Line 53, FERC Account 878 - Removing and Resetting Meters. Please explain why the budgeted amount of \$700,807 for this account is not capitalized.
 - b. Line 54, FERC Account 879- Customer Installation Expense. Please explain how Petitioner calculated the budgeted amount of \$1,086,515 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - c. Line 59, FERC Account 885 - Maint. Supervision and Engineering. Please explain how Petitioner calculated the budgeted amount of \$580,525 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.
 - d. Line 63, FERC Account 893 - Maintenance of Meters and House Regulators. Please explain how Petitioner calculated the budgeted amount of \$116,379 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to 2019.
 - e. Line 82, FERC Account 912 - Demonstration and Selling Expenses. Please explain how Petitioner calculated the budgeted amount of \$389,004 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018, and 2019.

Objection:

Vectren South objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren South can determine what information is sought insofar as the term “increased significantly” is not defined or explained and Vectren South does not agree with the characterization. See Vectren South’s response to OUC Data Request 2.2(a) for an explanation of how Vectren South interprets the term “significant.”

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

Response:

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company’s best estimated allocation by FERC account, favorability (or overages) in one particular FERC account does not necessarily result in an overall reduction (or increase) in O&M, as the underspend (or overage) could offset overages (or favorability) in other FERC accounts.

- a. Amounts planned to FERC 878 are related to routine meter order work. This includes removing, resetting, changing, testing and servicing existing meter sets for various reasons and is expensed per FERC guidelines. Unless the entire

meter setting is replaced, these activities are expensed. Labor for initial installation of meters is capitalized to FERC 382 at the time of installation.

- b. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The plan for FERC 879 consists of costs associated with dispatching along with emergency and after hours calls from customers. The costs are primarily labor costs and have seen an average increase of 4% year over year from 2017 through 2021. The 2021 plan includes a 3% increase over the 2020 plan. Prior years actuals have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- c. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. Similar to item (b), prior years actuals for FERC 885 have been lower due to vacancies, which are accounted for in the budget at a higher functional level under different FERC accounts, based on an estimated turnover impact to labor expense.
- d. Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. The budgeted test year for FERC 893 anticipates more emergency calls due to an increase in customers and an overall increase in call level trends from year to year.
- e. Economic Development comprises most of the expense in FERC Account 912 – Demonstration and Selling Expenses. The 2021 test year planned \$250,000 for the Indiana Economic Development Foundation, Inc. invoice, of which \$44,075 should be allocated to Vectren South Gas.

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.

Cause No. 45447

Demonstration and Selling Expense (FERC Account-912) Adjustment

Actual Demonstration and Selling Expense	
2016	\$257,756
2017	272,465
2018	297,275
2019	<u>215,193</u>
Total	\$1,042,689
4-yr average	\$260,672
Petitioner's Unadjusted Test Year	\$389,004 From Petitioner's Exhibit No. 19, page 33, line 21
OUCG Pro Forma Adjustment	<u>(205,925)</u> Reduction due to incorrectly charging 100% of invoice to Vectren South.
OUCG Pro Forma at Present Rates	\$183,079

Note: Actual lines expense for 2016 - 2019 taken from historical trial balance provided in response to OUCG DR 1.1.

Q 15.14: In response to OUCC DR 11.2e., Petitioner stated: “The 2021 test year planned \$250,000 for the Indiana Economic Development Foundation, Inc. invoice, of which \$44,075 should be allocated to Vectren South Gas.”

- a. Please confirm the entire \$250,000 invoice was budgeted to Vectren South Gas for 2021, but only \$44,075 should have been budgeted to Vectren South Gas.
- b. If not confirmed, please explain Petitioner’s response to OUCC DR 11.2e.

Response:

- a. That is correct. The entire \$250,000 invoice was budgeted to Vectren South Gas for 2021, but only \$44,075 should have been budgeted to Vectren South Gas.
- b. Not applicable.

Q 8.10: Refer to Petitioner’s Exhibit No. 14, page 26, Table RHH-4: 2022 – 2025 Program Goals and Budget Summary. Please explain why the program budgets for 2022 – 2025 on Table RHH – 4 are different than the ones in the Market Potential Study & Actual Plan 2019, page 51, Table 2-2 Vectren Indiana Gas DSM 2020 – 2025 Savings (page 360 of Petitioner’s Exhibit No. 14.).

Response:

After further review, table RHH-4 did not represent the complete budget, as outlined in the Market Potential Study & Action Plan, page 51, Table 2-2. Please see the attached file labeled “45447_OUCC DR 8.10 Corrected Table RHH-4” with revised budget amounts. This budget is consistent with Vectren’s proposed budget request as outlined in witness Harris direct testimony “Table RHH-5 – 2022 – 2025 Program Detail”.

Vectren South will file corrections to Petitioner’s Exhibit No. 14, direct testimony of Rina Harris with the corrected Table RHH-4 (page 26 of direct testimony).

Residential			
Year	Participants in Year	Energy Savings in Therms Savings in Year	Budget, 000\$
2022	60,139	1,911,720	5,900
2023	57,315	1,977,090	6,179
2024	57,537	2,054,181	6,678
2025	57,738	2,125,438	6,719
Total	232,729	8,068,429	25,476
Commercial			
Year	Participants in Year	Energy Savings in Therms Savings in Year	Budget, 000\$
2022	2,518	832,956	2,444
2023	2,810	863,798	2,544
2024	3,152	903,045	2,698
2025	3,514	943,252	2,785
Total	11,994	3,543,051	10,471
Total			
Year	Participants in Year	Energy Savings in Therms Savings in Year	Budget, 000\$
2022	62,657	2,744,676	8,345
2023	60,125	2,840,888	8,723
2024	60,689	2,957,226	9,377
2025	61,252	3,068,690	9,504
Total	244,723	11,611,480	35,949

*Residential & Commercial Budget includes indirect costs.

Q 8.9: Referring to Petitioner's Exhibit No. 14, page 32, lines 1-5, is Vectren planning to continue to file the mentioned program progress reports with the Commission if Vectren's proposed 2022-2025 EE Plan is approved?

Response:

Yes, pursuant to the Commission Order, Vectren plans to continue submission of progress reports to the Commission.

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.

Cause No. 45447

Rate of Return Summary

As of December 31, 2021

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

Synchronized Interest Calculation

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

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
Cause No. 45447
Cost-free Capital Adjustment
As of December 31, 2021

Class of Capital	Amount (\$000)
<u>Cost-Free Capital:</u>	
Deferred Income Taxes	\$ 305,968
Tax Regulatory Assets (FAS 109)	<u>\$ 160,287</u>
Subtotal Deferred Income Taxes	\$ 466,255
Customer Advances for Construction	\$ 4,485
OPEB	\$ 7,376
Prepaid Pension	\$ (46,329)
OUCC Adjustment	<u>\$ 1,979</u>
Total Cost-Free Capital	<u><u>\$ 433,766</u></u>

Q15.4: Please explain why account 2341000 is the only customer deposit account included in the capital structure on Petitioner's Exhibit No. 18, Sch. D-5.

Response:

The Company's inclusion of interest bearing deposit accounts, as opposed to both interest bearing and non-interest bearing deposits, within its proposed capital structure is consistent with its previous two base rate case proceedings for Vectren South, Cause Nos. 43112 (Gas) and 43839 (Electric). In each proceeding's order, the overall weighted cost of capital was determined by utilizing only the interest-bearing customer deposits as reflected the in the balance of account 2341000.

Subsequent to those base rate case proceedings, the Company continues to utilize that same methodology in reporting Vectren South's capital structure within the annual Periodic Review (State Form 56430), the semi-annual Electric TDSIC (Cause No. 44910), and the semi-annual Gas Transmission, Distribution, and Storage System Improvement Charge (Cause No. 44429).

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

18. DEPOSIT OR ARRANGEMENT TO ENSURE PAYMENT OF BILL

- A. Company may require from a present or prospective Residential Customer a cash deposit when standards of creditworthiness, as set forth in the Commission's Regulations, are not satisfied. The amount of such deposit shall not exceed one-third of the expected annual billing for Gas Service to be furnished to Customer.
- B. Company may require from a present or prospective Commercial or Industrial Customer a cash deposit equal to the sum of estimated billing amounts for Customer's two consecutive months of highest usage. Such deposits may be based on historical or expected usage.
- C. In lieu of a cash deposit, Company may in its reasonable discretion require an alternative security arrangement (e.g., a prepayment which is intended to serve the same purpose as a cash deposit).
- D. Interest will be paid, at an interest rate set annually by the Commission, on deposits held more than thirty (30) days, beginning with the date of deposit to the date the deposit is credited to Customer's account.
- E. Deposits for Residential Customers will be credited to Customer's Bill after Customer has established a creditworthy payment record in accordance with standards set forth in the Commission's Regulations. At the request of Customer, the deposit shall be refunded to Customer in lieu of being credited to Customer's Bill.
- F. The deposit of a Residential Customer who does not establish a creditworthy payment record may be retained by Company until Gas Service is discontinued.
- G. The deposit of a Commercial or Industrial Customer may be retained by Company until Gas Service is discontinued.
- H. The deposit, plus accrued interest, if any, may be applied to the final Bill when Gas Service is discontinued. After applying the deposit and interest to the final Bill, any credit balance shall be refunded to Customer. ~~Credit balances less than \$10.00 will not be refunded to Customer unless so requested by Customer.~~

Q 18.6: In response to OUCC DR 15.1, Petitioner provided customer deposit lists for accounts 2341000 and 2341100 as of December 31, 2020. Per 170 I.A.C. 5-1-15(g):

Any deposit or accrued interest shall be promptly refunded directly to the customer or credited to the customer's account without the customers' request when the customer: (A) submits satisfactory payment for a period of either: (i) twelve (12) successive months; or (ii) twelve (12) out of any fifteen (15) consecutive months without late payment in two (2) consecutive months.

- a. Please confirm all the customers on the list provided in response to OUCC DR 15.1 have not made satisfactory payments for a period of either 12 successive months, or 12 out of any 15 consecutive months without late payment in 2 consecutive months.
- b. Please provide payment history for the following customers from the deposit list to prove these customers have not made satisfactory payments to receive their deposits back: Accounts ending in 8027, 8446, 6092 and 5897 (lines 2943 – 2946), 1564, 6683, 1823, 3148, 4347, (lines 22969-22973), 0062, 9923, 2077, 5235, 8218, 9399 (lines 23108-23113), and 5819 (line 23296).

Response:

- a. The response and supporting file to OUCC DR 15.1 included gas, electric, and combination gas / electric customer deposits. The rule quoted only applies to gas customer deposits. In preparing the response to OUCC 18.6, the Company reviewed the requirements for refunding of deposits. As a result, the Company identified several deposits that do not conform with the applicable deposit rule. Currently, the logic within the billing system programming does not contemplate the part (ii) of the rule (12 out of 15 consecutive months without late payment in 2 consecutive months). The Company has completed an audit of all electric and gas customer deposits, and has learned there are \$153,771 of deposits that should be refunded. Please see the attached file labeled "45447_OUCC 18.6(a)_Total Deposit Detail Decomposition". The Company is working through a process, as described below, to return deposits to customers who meet the criteria set forth in the rule.

All residential gas deposits on file that were paid and had not been returned to the customer based on conditions defined in 170 I.A.C. 5-1-15(g) were identified. A process was developed to evaluate eligibility for release of the deposit back to the customer. Those identified as eligible will have their original deposit plus accrued interest promptly either refunded or credited to the customer's account through a manual process. Going forward, this process will continue on a regular basis to identify any newly eligible deposits that meet the conditions as defined in 170 I.A.C. 5-1-15(g).

OUCC RESPONSE 18.6- INDIANA SOUTH GAS

18.6(a)- Total List Decomposition

	Classification	# of Accounts	\$ Deposit Charged (1)	% of Total Accounts	% of Total \$	Comments
1	Commercial and Industrial	5,680	\$6,044,298.52	15.76%	63.10%	Refer to response in DR 15.5
2						Deposits for these accounts are for property owners and are a "master deposit" to cover any account move-in or move-outs as part of their normal course of business. This approach reduces the overall amount of deposit a property manager has to have on file and allows them to transact freely without having deposits refunded and reapplied to multiple accounts they manage and is part of our property management agreement on this income earning asset. This does not apply to actual renters or end-use customers of the unit(s)
3	Property Management	936	\$729,343.12	2.60%	7.61%	
	Residential					
a.	<i>Deposit Charged & Not Collected Active</i>	201	\$17,951.62	0.56%	0.19%	
b.	<i>Inactive Accounts</i>	284	\$21,032.06	0.79%	0.22%	
c.	<i>New Status</i>	1,068	\$136,098.87	2.96%	1.42%	
d.	<i>Deposit Collected- Active</i>				0.00%	
d.i.	Deposit Compliant	26,167	\$2,476,829.79	72.61%	25.86%	
d.ii.	Deposit Non-Compliant	1,700	\$153,771.46	4.72%	1.61%	
4	Total	36,036	\$9,579,325.44	100.00%	100.00%	

Notes:

(1) Deposit charged amount may vary slightly from GL Balance. This amount reflects deposits charged, not deposits collected.

Q 18.7: 170 I.A.C. 5-1-15(g)(6) states:

Any deposit made by the applicant, customer, or any other person to the utility (less any lawful deductions), or any sum the utility is ordered to refund for utility service, that has remained unclaimed for one (1) year after the utility has made diligent efforts to locate the person who made the deposit or the heirs of the person, shall be presumed abandoned and treated in accordance with Ind. Code 32-34-1 *et seq.*

Please confirm all customer deposits listed in the spreadsheet provided in response to OUCC DR 15.1 are current, and should not be presumed abandoned in accordance with Ind. Code 32-34-1 *et seq.*

Response:

Less than \$50 in total balances for deposits for 30 inactive accounts which have less than \$10.00 have not been refunded. In accordance with Vectren South's Gas Tariff, Sheet No. 57, Rule 18(H) "The deposit, plus accrued interest, if any, may be applied to the final Bill when Gas Service is discontinued. After applying the deposit and interest to the final Bill, any credit balance shall be refunded to Customer. Credit balances less than \$10.00 will not be refunded to Customer unless so requested by Customer."

CERTIFICATE OF SERVICE

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

Justin Hage (Atty. No. 33785-32)
Heather A. Watts (Atty. No. 35482-82)
Southern Indiana Gas and Electric
Company d/b/a Vectren Energy Delivery
of Indiana, Inc.
E-mail:
Justin.Hage@centerpointenergy.com
Heather.Watts@centerpointenergy.com

With Copy to:

Michelle D. Quinn
Angie M. Bell
Katie J. Tieken
Southern Indiana Gas and Electric
Company d/b/a Vectren Energy Delivery
of Indiana, Inc.
E-mail:
Michelle.Quinn@centerpointenergy.com
Angie.Bell@centerpointenergy.com
Katie.Tieken@centerpointenergy.com

Jonathan B. Turpin, Atty No. 32179-53
Locke Lord LLP
Email: Jonathan.Turpin@lockelord.com

Nicholas K. Kile (Atty. No. 15203-53)
Hillary J. Close (Atty. No. 25104-49)
Lauren M. Box, (Atty. No. 32521-49)
Barnes & Thornburg LLP
Email: nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Todd A. Richardson, Atty No. 16620-49
Tabitha L. Balzer, Atty No. 29350-53
LEWIS & KAPPES, P.C.
Industrial Group
Email: TRichardson@Lewis-Kappes.com
TBalzer@Lewis-Kappes.com

Jennifer A. Washburn, Atty. No. 30462-49
Citizens Action Coalition
jwashburn@citact.org

Reagan Kurtz
rkurtz@citact.org



Loraine Hitz-Bradley
Attorney No. 18006-29
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 – Telephone

317/232-5923 – Facsimile