

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN)
INDIANA PUBLIC SERVICE COMPANY FOR)
(1) APPROVAL OF AN ADJUSTMENT TO ITS)
GAS SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION, AND)
STORAGE SYSTEM IMPROVEMENT)
CHARGE ("TDSIC") RATE SCHEDULE; (2))
AUTHORITY TO DEFER 20% OF THE)
APPROVED CAPITAL EXPENDITURES AND)
TDSIC COSTS FOR RECOVERY IN)
PETITIONER'S NEXT GENERAL RATE)
CASE; AND (3) APPROVAL OF)
PETITIONER'S UPDATED 7-YEAR GAS)
PLAN, INCLUDING ACTUAL AND)
PROPOSED ESTIMATED CAPITAL)
EXPENDITURES AND TDSIC COSTS THAT)
EXCEED THE APPROVED AMOUNTS IN)
CAUSE NO. 44403-TDSIC-6, ALL PURSUANT)
TO IND. CODE CH. 8-1-39-9.)

FILED

October 30, 2017

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 44403 TDSIC-07

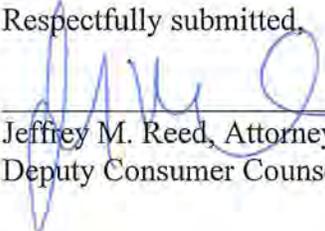
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF

October 30, 2017

Respectfully submitted,



Jeffrey M. Reed, Attorney No. 11651-49
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TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF
CAUSE NO. 44403 TDSIC-7
NORTHERN INDIANA PUBLIC SERVICE COMPANY

I. INTRODUCTION

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

2 **A:** My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the
4 Indiana Office of Utility Consumer Counselor (“OUCC”) as a Senior Utility
5 Analyst. For a summary of my educational and professional experience and my
6 preparation for this case, please see Appendix MHG-1 attached to my testimony.

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

8 **A:** I discuss Northern Indiana Public Service Company’s (“NIPSCO” or “Petitioner”)
9 request for (1) approval of an adjustment to its gas service rates through its
10 Transmission, Distribution, and Storage System Improvement Charge (“TDSIC”)
11 rate schedule for timely recovery of 80% of approved capital expenditures and
12 TDSIC costs incurred, and (2) authority to defer 20% of the approved capital
13 expenditures and TDSIC costs for recovery in Petitioner’s next general rate case.
14 I also discuss Petitioner’s schedules, calculations, and customer class revenue
15 allocations. I discuss the 2% Retail Revenue Cap allowing for deferral of excess
16 revenue requirements above the 2% cap. I further discuss the reconciliation of
17 revenue for under-recovery of previously approved revenue requirements. I
18 review Petitioner’s deferred depreciation and property tax expenses associated

1 with the difference between the amount authorized for the 112th Street Project in
2 Cause No. 44403 and the actual cost of the project. Moreover, I analyze
3 Petitioner's mechanism to provide a credit for margin revenue received from new
4 customers connected under NIPSCO's rural extension program. In addition to my
5 testimony, OUCC witness Leon A. Golden discusses NIPSCO's request for
6 approval of its updated 7-year gas plan, including actual and proposed estimated
7 capital expenditures.

8 **Q: Please provide a brief summary of your recommendations.**

9 **A:** I recommend approval of rate factor calculations in this Cause as shown in
10 Petitioner's Attachment 1, Schedule 8. The schedules and calculations included
11 in attachments to the Verified Petition in this Cause are consistent with the
12 findings set forth in prior Commission Orders for Petitioner's previous TDSIC
13 filings in this Cause.

14 **Q: Do the recommendations of OUCC witness Golden affect the rate factor**
15 **calculations in Petitioner's attachments and schedules?**

16 **A:** No. Mr. Golden's recommendation to disallow cost increases on certain approved
17 project costs does not affect Petitioner's calculations, schedules, or cost recovery
18 in this TDSIC. The projects Mr. Golden addresses have not yet been started, and
19 therefore the proposed disallowances are not a consideration in the cost recovery
20 for this TDSIC.

II. SCHEDULES AND CALCULATIONS

1 **Q: Please describe your review of Petitioner's specific requests in this Cause.**

2 **A:** I analyzed Petitioner's TDSIC cost recovery and revenue calculations set forth in
3 Petitioner's Schedules attached to the Verified Petition. Petitioner's Attachment
4 1, Schedules 1 through 11, and Attachment 2, Schedules 1 through 6 contain the
5 necessary elements for calculating the TDSIC rates. I will address these
6 Attachments and Schedules as they relate to Petitioner's specific requests for
7 authority and approval in this Cause.

TDSIC Rate Schedules

8 **Q: Describe your analysis of Petitioner's TDSIC rate schedules.**

9 **A:** I performed a comprehensive analysis of the calculations and data flow contained
10 in Petitioner's TDSIC rate schedules. I tied specific data to source documentation
11 provided by Petitioner, verified calculations, and compared the schedules to those
12 schedules approved in NIPSCO's prior TDSIC filings. I also reviewed work
13 order documentation to verify completed capital projects, inquired into the
14 calculation and procedures for indirect costs and allowance for funds used during
15 construction ("AFUDC"), reviewed summary detail of operation and maintenance
16 ("O&M") expenses, and verified customer counts and total therms billed with
17 summary documentation. I verified the calculation for the cost of long term debt
18 and reconciled cost of capital balances shown on Attachment 2, Schedule 1 with
19 NIPSCO's balance sheet. I also verified the public utility fee and tax rates
20 indicated on Attachment 2, Schedule 2. I will discuss other specific schedules in
21 more detail later in my testimony.
22

1 **Customer Class Revenue Allocations**

2 **Q: Is Petitioner's allocation of revenue requirements consistent with the**
3 **allocation methodology approved by the Commission?**

4 **A:** Yes. In the Final Order in Cause No. 44403 TDSIC-3 issued on March 30, 2016,
5 the Commission states that the TDSIC Statute does not allow for an adjustment
6 for transmission and distribution considerations affecting allocation of approved
7 capital expenditures and TDSIC costs. This is consistent with the OUCC's
8 understanding of the TDSIC statute. Previously, Petitioner's customer class
9 allocations were based on margin revenue, without the commodity cost of gas
10 included. However, on page 49 of the Commission's TDSIC-3 Order, the
11 Commission found that, "NIPSCO's approved capital expenditures and TDSIC
12 costs should be allocated to the various customer classes based on total revenue,
13 including gas cost revenue, as set forth in the Industrial Group's Exhibit 1, Table
14 2 at 23." Accordingly, the approved allocation percentages are reflected in
15 Petitioner's Attachment 2, Schedule 4. I reviewed and verified the resulting
16 calculation of the TDSIC factors included on Attachment 1, Schedule 7.

17 **2% Test Calculation**

18 **Q: Is NIPSCO's 2% Cap Test reflected in Attachment 1, Schedule 9 calculated**
19 **correctly?**

20 **A:** Yes. I traced pertinent numbers to accompanying schedules and verified the
21 calculations provided by Petitioner. This schedule complies with the
22 Commission's interpretation of Ind. Code § 8-1-39-14(a) whereby "The
23 commission may not approve a TDSIC that would result in an average aggregate
24 increase in a public utility's total retail revenues of more than two percent (2%) in
25 a twelve (12) month period." NIPSCO's proposed revenue requirement does not

1 exceed the 2% Retail Revenue Cap for the current 6-month TDSIC period.

2 **TDSIC Rate Factors**

3 **Q: Have you reviewed NIPSCO's TDSIC rate factor calculations in this Cause?**

4 **A:** Yes. Petitioner's Attachment 1, Schedule 8 presents the Calculation of Total Rate
5 Adjustment Factors. I have reviewed the calculations and flow of inputs from
6 other schedules in this attachment. Attachment 1, Schedule 8 accurately reflects
7 the TDSIC rate factors for this Cause.

8 **Q: Is recovery of approved revenue requirements reconciled with actual**
9 **revenue collected?**

10 **A:** Yes. Petitioner's Attachment 1, Schedule 6 shows the reconciliation of the
11 approved TDSIC-5 revenue requirement with actual revenue collected during the
12 6-month period of January 2017 through June 2017. The reconciliation results in
13 an under-recovery in the amount of \$902,350 as reflected on Petitioner's
14 Attachment 1, Schedule 8, whereby this amount is added to the revenue
15 requirement to be collected from customers through the TDSIC rate calculation in
16 this Cause.

17 **Q: Have you reviewed NIPSCO's applicable tariff revisions to Appendix F,**
18 **shown on Petitioner's Attachment 3?**

19 **A:** Yes. Petitioner's Attachment 3 includes the new proposed TDSIC Rate Schedules
20 on Appendix F. Appendix F accurately reflects the TDSIC calculations presented
21 by Petitioner in Attachment 1.

22 **20% Deferral**

23 **Q: Please discuss NIPSCO's proposed treatment of a 20% deferral of TDSIC**
24 **capital expenditures and costs.**

25 **A:** Ind. Code § 8-1-39-9(b) provides that twenty percent (20%) of the approved

1 capital expenditures and TDSIC costs, including depreciation, AFUDC, and post
2 in service carrying costs, shall be deferred and recovered as part of the next
3 general rate case that the utility files with the Commission. Petitioner's
4 Attachment 1, Schedule 5 calculates the total deferred revenue requirement
5 broken out by the capital portion and the expense portion. Petitioner's
6 Attachment 1, Schedule 10 reflects cumulative total deferred revenue
7 requirements, showing the 20% deferred amounts for the past and current TDSIC
8 filings, broken out by return on capital, return of expense, and carrying charges.
9 Schedule 10 is also broken out into the transmission, distribution, and storage cost
10 elements for each TDSIC filing. I traced all data inputs in this schedule to the
11 source schedules and verified the calculations. This schedule is accurately
12 tracking deferred capital expenditures and expenses, pending recovery in
13 Petitioner's next base rate case.

14 **112th Street Project**

15 **Q: Has NIPSCO adjusted the TDSIC revenue requirement calculation in this**
16 **Cause to reflect the specific cost recovery treatment for the 112th Street**
17 **Project approved in TDSIC-1?**

18 A: Yes. In this Cause, and consistent with the Commission Order in Cause No.
19 44403 TDSIC-1, Petitioner removed from TDSIC recovery calculations the
20 capital expenditures associated with the 112th Street Project that exceeded the
21 estimate provided by NIPSCO in Cause No. 44403. Also consistent with the
22 Commission Order in Cause No. 44403 TDSIC-1, NIPSCO will defer, for
23 recovery in its next base rate case, the depreciation and property tax expense
24 related to the difference between the approved amount and the actual amount of

1 the 112th Street Project. The deferred depreciation expense and property tax
2 expense associated with the 112th Street Project is shown on Petitioner's
3 Attachment 1, Schedule 11.

4 **Rural Extension Margin Credit**

5 **Q: Did NIPSCO receive approval in TDSIC-1 to credit margin revenue received**
6 **from new rural customers against the TDSIC revenue received as a result of**
7 **rural extensions?**

8 **A:** Yes. NIPSCO is authorized to provide a credit in the TDSIC tracker for actual
9 margins received from new customers added under the rural extensions projects,
10 thereby reducing the cost impact to existing customers. NIPSCO will credit 80%
11 of actual margins associated with new customers connected through the rural
12 extension program. In Cause No. 44403 TDSIC-1, Petitioner stated its rationale
13 for the 80% margin credit as follows: "NIPSCO proposes to credit 80% of margin
14 for new rural customers through the gas TDSIC tracker because 80% of the
15 underlying project costs are recovered through the tracker under Ind. Code § 8-1-
16 39-11."

17 **Q: Does Petitioner recognize a rural extension margin credit in this TDSIC-7**
18 **filing?**

19 **A:** Yes. The Rural Extension Margin Credit is reflected on line 12 of Petitioner's
20 Attachment 1, Schedule 5. Per my analysis of Petitioner's records and
21 calculations in this Cause, I agree with the Rural Extension Margin Credit
22 calculated on Petitioner's Attachment 1, Schedule 5.

23 **Q: Should the application of a margin credit towards rural extension investment**
24 **cost recovery be an integral part of TDSIC filings?**

25 **A:** Yes. The margin credit balances the interests of the utility and the ratepayers.
26 The OUCC continues to support NIPSCO's approved 80% margin credit for rural

1 extensions for each TDSIC filing.

III. CONCLUSION

2 **Q: What are your recommendations regarding NIPSCO's requested approvals**
3 **in the current TDSIC?**

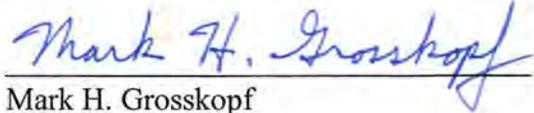
4 **A:** Petitioner's TDSIC calculation schedules, Attachment 1, Schedules 1-11, and
5 Attachment 2, Schedules 1-6, accurately calculate and track TDSIC costs and rate
6 factors based on NIPSCO's proposal. I recommend approval of the rate factor
7 calculations performed in this Cause. NIPSCO's TDSIC rate factors are
8 accurately reflected on Petitioner's Attachment 3, Appendix F.

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

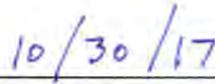
10 **A:** Yes.

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 Counsel
Cause No. 44403 TDSIC-007
NIPSCO



Date

**APPENDIX MHG-1 TO TESTIMONY OF
OUCC WITNESS MARK H. GROSSKOPF**

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

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of
3 Science degree in business with a major in accounting. I worked in auditing and
4 accounting positions at various companies from 1980 to 1995. I joined the OUCC
5 in April of 1995 and have worked as a member of the OUCC's Natural Gas
6 Division since June of 1999. I became a Certified Public Accountant in
7 November of 1998. I also completed both weeks of the National Association of
8 Regulatory Utility Commissioners Annual Regulatory Studies program at
9 Michigan State University. I completed an additional week of the Advanced
10 Regulatory Studies Program hosted by the Institute of Public Utilities Regulatory
11 Research and Education at Michigan State University.

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

13 A: Yes, I have testified as an accounting witness in various causes involving water,
14 wastewater, electric, and gas utilities, including but not limited to, rate cases,
15 pipeline safety adjustment cases, 7-Year Plan, and Transmission, Distribution,
16 and Storage System Improvement Charge ("TDSIC") Tracker cases.

17 **Q: Please describe the review and analysis you conducted to prepare your**
18 **testimony.**

19 A: I reviewed Petitioner's testimony, exhibits and supporting documentation for
20 NIPSCO's case-in-chief, and analyzed Petitioner's responses to OUCC discovery
21 requests. I reviewed Commission Orders for NIPSCO's previous TDSIC filings,
22 and participated in numerous meetings with other OUCC staff members and
23 Petitioner's representatives to identify and address the issues in this Cause.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1 Testimony of OUCC Witness Mark H. Grosskopf* has been served upon the following counsel of record in the captioned proceeding by electronic service on October 30, 2017.

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