

**ORIGINAL**

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**VERIFIED PETITION OF INDIANA GAS COMPANY, INC. )**  
**D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. )**  
**(“VECTREN NORTH”) 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 )**  
**NORTH’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 )**  
**PLANT IN SERVICE, (6) APPROVAL OF NECESSARY AND )**  
**APPROPRIATE ACCOUNTING RELIEF, AND (7) )**  
**APPROVAL OF AN ALTERNATIVE REGULATORY PLAN )**  
**PURSUANT TO WHICH VECTREN NORTH WOULD )**  
**CONTINUE ITS CUSTOMER BILL ASSISTANCE )**  
**PROGRAMS. )**

**CAUSE NO. 45468**

**APPROVED: NOV 17 2021**

**ORDER OF THE COMMISSION**

**Presiding Officers:**  
**James F. Huston, Chairman**  
**David E. Veleta, Senior Administrative Law Judge**

On December 18, 2020, Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North<sup>1</sup> (formerly known as “Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.” and now referred to as “Petitioner”, “Vectren North”, “CEI North”, or “the Company”) filed its *Verified Petition for General Rate Increase and Associated Relief under Ind. Code § 8-1-2-42.7 and Alternative Regulatory Plan under Ind. Code ch. 8-1-2.5, Notice of Provision of Information in Accordance with the Minimum Standard Filing Requirements* (“Petition”) with the Indiana Utility Regulatory Commission (“Commission”), seeking (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 the Company’s energy efficiency portfolio of programs and authority to extend Petitioner’s

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<sup>1</sup> As of January 25, 2021, Vectren North operates under a new assumed business name: Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North (“Vectren North” or “CEI North”). Pet. Ex. 21-S, p. 4 n1.

Energy Efficiency Rider (“EER”), including the decoupling mechanism effectuated through the EER, (5) approval of revised depreciation rates applicable to gas plant in service, (6) approval of necessary and appropriate accounting relief, and (7) approval of an alternative regulatory plan (“ARP”) under Ind. Code § 8-1-2.5-1 *et seq.* to allow the Company to extend its previously approved Universal Service Program (“USP”).<sup>2</sup> That same day CEI North also filed testimony and exhibits from the following witnesses: Richard C. Leger, Vice President, Regional Operations; Jason R. Mathews, Manager, Regulatory Reporting<sup>3</sup>; Ryan D. Moore, Manager of Finance; Steven A. Hoover, Director of Indiana/Ohio Gas Engineering; Sarah J. Vyvoda, Manager, Engineering Gas Transmission and Storage Integrity; Kate D. Porter, Director, Safety Management Systems and Quality; Jeffrey S. Myerson, Director, Integration Management Office; Michelle M. Townsend, Manager of Business Services Planning and Performance Management; Bertha R. Villatoro, Director of Compensation; John J. Spanos, Senior Vice President with Gannet Fleming Valuation and Rate Consultants, LLC; Brenda L. Musser, Director, Tax; Ann E. Bulkley, Senior Vice President, Concentric Energy Advisors, Inc.; Brett A. Jerasa, Director, Assistant Treasurer<sup>4</sup>; Rina H. Harris, Director, Energy Efficiency; Teresa J. Cullum, Supervisor, Credit and Collections; Russell A. Feingold, Vice President, Black & Veatch Management Consulting, LLC; and Katie J. Ticken, Manager, Regulatory and Rates.

On January 22, 2021, the Commission issued a Docket Entry establishing a procedural schedule and related requirements. Petitions to Intervene were filed on January 13, 2021 by Citizens Action Coalition of Indiana, Inc. (“CAC”), on January 22, 2021 by the Indiana Gas Industrial Group (“Industrial Group”), and Direct Energy Business Marketing, LLC (“Direct Energy”), on February 9, 2021 by Steel Dynamics, Inc. (“SDI”) and on May 6, 2021 by Nucor-Steel Indiana, a division of Nucor Corporation (“Nucor”) (collectively, the “Intervenors”). The Commission issued Docket Entries granting each of said petitions to intervene; thus, all the entities requesting intervention were made parties to this Cause. The Indiana Office of Utility Consumer Counselor (“OUCC”) also participated.

On January 28, 2021, Petitioner submitted late-filed Attachments RCL-4 and RCL-5 to the Direct Testimony of Richard C. Leger (Petitioner’s Exhibit No. 1) consisting of the Proofs of Legal Notice Publication and Customer Notice, respectively. Petitioner’s submission also contained its Verified Certification of Publication and Posting of Notice pursuant to 170 I.A.C. 1-1.1-9(c) and (d).

Pursuant to Ind. Code § 8-1-2-61(b), a public field hearing was held on March 16, 2021 in Carmel, Indiana. Pursuant to the Commission’s Docket Entry dated March 2, 2021, due to the Governor’s Executive Orders regarding the ongoing COVID-19 pandemic and to limit in-person gatherings, the field hearing was conducted primarily through WebEx video and teleconferencing services. Members of the public were afforded the opportunity to provide oral and/or written

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<sup>2</sup> On November 17, 2020, CEI North provided its notice of intent to file a rate case consistent with the Commission’s General Administrative Order 2013-5.

<sup>3</sup> Pursuant to a Notice of Substitution of Witness filed April 30, 2021, Mr. Mathews adopted the prefiled direct testimony of Angie M. Bell, Director, Regulatory and Rates.

<sup>4</sup> Pursuant to a Notice of Substitution of Witness filed February 10, 2021, Mr. Jerasa adopted the prefiled direct testimony of Robert B. McRae, Vice President and Treasurer.

submissions to the Commission.

On March 31, 2021, the OUCC and Intervenors prefiled their respective cases-in-chief and/or direct testimony. The OUCC's prefiled case-in-chief included testimony and attachments from the following witnesses: Mark H. Grosskopf, Senior Utility Analyst; Yi Gao, Utility Analyst; Angela J. Griffith, Utility Analyst; Cinthia J. Sabillon, Utility Analyst; Leja D. Courter, Director, Natural Gas Division; David J. Garrett, Managing Member, Resolve Utility Consulting, PLLC; and Brien R. Krieger, Utility Analyst.

The OUCC also included with its pre-filed evidence written consumer comments pertaining to this docket and the relief requested as Public's Exhibit No. 8.

The Industrial Group's pre-filing on March 31, 2021, included testimony and attachments from the following witnesses: Brian C. Andrews, Associate, Brubaker & Associates, Inc. and Michael Gorman, Managing Principal, Brubaker & Associates, Inc.

Direct Energy prefiled testimony from John Mehling, Senior Regional Operations Manager.

On May 3, 2021, the Industrial Group prefiled cross-answering testimony and exhibits from Michael Gorman.

On May 3, 2021, CEI North prefiled rebuttal testimony, exhibits and workpapers for the following witnesses: Jason Mathews, Ryan Moore, Jeffrey Myerson, Bertha Villatoro, John Spanos, Ann Bulkley, Brett Jerasa, Teresa Cullum, Russell Feingold, Katie Tieken, and Brian S. Wagaman, Director-Gas Control and Supply Administration for CenterPoint Energy Resources Corp.

Petitioner filed four Motions for Protection and Nondisclosure of Confidential and Proprietary Information throughout the course of this proceeding, which motions were granted by Commission docket entries dated January 14, 2021 (First Motion), April 7, 2021 (Second Motion), May 18, 2021 (Third Motion), and May 27, 2021 (Fourth Motion), respectively. Petitioner submitted the Confidential Information preliminarily granted confidential treatment pursuant to the instructions in such docket entries.

On May 18, the Presiding Officers issued a Docket Entry requesting Petitioner to provide additional information, to which Petitioner responded on May 24, 2021. On July 30, 2021, the Presiding Officers issued a second Docket Entry requesting additional information from Petitioner, to which Petitioner responded on August 3, 2021.

On May 20, 2021, CEI North filed a Motion to Continue Hearing and Notice of Settlement, informing the Commission that Petitioner, the OUCC and the Industrial Group ("Joint Movants" for purposes of the May 20 Motion) had reached agreement in principle on a settlement and seeking to continue the hearing scheduled to commence May 24, 2021 to June 18, 2021 to allow the Joint Movants time to memorialize their agreement as well as attempt to achieve unanimous settlement in the case through discussion with the remaining parties. On June 10, 2021, CEI North, the OUCC,

the Industrial Group, Direct Energy and the CAC (“Joint Movants” for purposes of the June 10 Motion) filed a Joint Agreed Motion to Continue Hearing, indicating they had reached agreement in principle on a settlement to resolve the disputed issues in this Cause and seeking a continuance of the hearing scheduled to commence June 18, 2021 to afford the Joint Movants time to memorialize the settlement and continue to try to achieve a unanimous settlement through discussion with the remaining parties.

On June 14, 2021, Petitioner submitted, on behalf of the OUCC, Industrial Group, Direct Energy and CAC, an agreed settlement procedural schedule for this Cause requesting a settlement hearing be scheduled for August 6, 2021.

On June 25, 2021, Petitioner filed a Stipulation and Settlement Agreement (the “Settlement”) among Petitioner, the OUCC, the Industrial Group, CAC, and Direct Energy (collectively, the “Settling Parties”) with respect to all issues raised in this Cause. On that date, Petitioner also filed Settlement Testimony of Jason R. Mathews and the OUCC filed Settlement Testimony of Heather R. Poole. SDI and Nucor did not file testimony in opposition to the Settlement.

On August 6, 2021 a settlement hearing was held and the parties’ evidence, including the Settlement and supporting testimony, was admitted into the record in this Cause without objection.

Based upon the applicable law and the evidence presented, the Commission now finds:

**1. Notice and Jurisdiction.** Due, legal and timely notice of the Petition filed in this Cause was given and published by Petitioner as required by law. Proper and timely notice was given by Petitioner to its customers summarizing the nature and extent of the proposed changes in its rates and charges for gas service. Due, legal and timely notices of the public hearings in this Cause were given and published as required by law. Petitioner is a “public utility” and a “gas utility” as defined in Ind. Code ch. 8-1-2 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. As defined in Ind. Code § 8-1-2.5-2, Petitioner is an “energy utility” and its gas service constitutes “retail energy service” as defined in Ind. Code § 8-1-2.5-3. Petitioner has elected to become subject to the provisions of Ind. Code §§ 8-1-2.5-5 and 8-1-2.5-6. Accordingly, this Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

**2. Petitioner’s Organization and Utility Properties.** CEI North is a public utility incorporated under the laws of the State of Indiana with its principal office address located at 211 NW Riverside Drive, Evansville, Indiana 47708. CEI North is engaged in the business of purchasing, transporting, distributing, storing, and selling natural gas to the public in the State of Indiana. CEI North owns, operates, manages, and controls, among other things, plant property, equipment and facilities within the State of Indiana which are used and useful for the production, transmission, distribution, and furnishing of natural gas service to approximately 620,000 residential, commercial, and industrial customers in north central, central, and southeastern Indiana. CEI North renders such gas utility service by means of utility plant, property, equipment, and related facilities owned, leased, operated, managed, and controlled by it (collectively referred to as the “Utility Properties”) that are used and useful for the convenience of the public in the

production, treatment, transmission, distribution, and sale of gas.

The original cost of Petitioner's utility plant in service at December 31, 2020 (commencement of the test year), as adjusted, was projected at the time of Petitioner's filing of its case-in-chief to be approximately \$2,815,514,667. After adjustment for accumulated depreciation of approximately \$(1,474,469,981) and other adjustments of \$100,338,111, the net original cost of Petitioner's rate base was projected to be approximately \$1,441,382,797 at the same date. The original cost of Petitioner's utility plant in service at December 31, 2021 (end of test year) in its case-in-chief, as adjusted, is projected to be approximately \$3,199,756,245. After adjustment for accumulated depreciation of approximately \$(1,692,249,168) and other adjustments of \$103,291,923, the net original cost of Petitioner's rate base is projected to be approximately \$1,610,799,000 at the same date.

**3. Existing Rates.** Petitioner's existing basic rates and charges for gas utility service were established in its Thirty-Day filing #50170, effective June 1, 2018, pursuant to the Commission's February 16, 2018 Order in Cause No. 45032, its investigation into the impacts on Indiana utilities and customers resulting from the December 22, 2017 Tax Cuts and Jobs Act of 2017 ("TCJA"). The rates approved effective June 1, 2018 reduced CEI North's existing base rates and charges for gas utility service established in its most recent retail base rate case order issued on February 13, 2008, in Cause No. 43298. More than 15 months have passed since the filing date of Petitioner's last request for a general increase in its basic rates and charges.

Petitioner's current gas depreciation rates were authorized by the Commission's Order in Cause No. 39353 on October 28, 1992 and subsequently re-authorized in Cause Nos. 42598 (November 30, 2004) and 43298 (February 13, 2008). Petitioner is seeking approval of new gas depreciation rates in this Cause, based on the study sponsored by witness John R. Spanos.

Pursuant to Ind. Code § 8-1-2-42(g), CEI North files a quarterly Gas Cost Adjustment ("GCA") proceeding in Cause No. 37394 GCA XXX, to adjust its rates to account for fluctuation in its gas costs. CEI North recovers through its GCA the actual cost of Unaccounted For Gas ("UAFG") up to a maximum UAFG percentage of 0.8%, which was approved in CEI North's last base gas rate case in Cause No. 43298. CEI North also recovers bad debt expense associated with the cost of gas. CEI North proposes to continue these recoveries through the GCA.

CEI North recovers costs associated with implementing its gas energy efficiency programs through its EER. The EER also includes a sales reconciliation component ("SRC") that effectuates the decoupling of CEI North's fixed-cost recovery from sales of natural gas to its residential and commercial customers. Petitioner's current EE programs were approved in Cause No. 45222 and authorized to continue until a final order is issued in this Cause.

Pursuant to the Commission's August 27, 2014 Order in consolidated Cause Nos. 44429 and 44430, CEI North files a semi-annual proceeding in Cause No. 44430 TDSIC XX to recover 80% of approved capital expenditures and TDSIC costs incurred in connection with CEI North's eligible transmission, distribution, and storage system improvements ("TDSIC Projects") through its Compliance and System Improvement Adjustment ("CSIA"). The CSIA also includes recovery for approved projects required to comply with federal mandates under Ind. Code ch. 8-1-8.4. CEI

North's current CSIA mechanism includes a component to pass back credits resulting from changes in the Federal tax rates under the TCJA.

4. **Test Year.** As authorized by Ind. Code § 8-1-2-42.7(d)(1) ("Section 42.7"), Petitioner proposed a forward-looking test period using projected data. As provided in the Commission's January 22, 2021 Docket Entry, the test year to be used for determining Petitioner's projected operating revenues, expenses and operating income is the 12-month period ending December 31, 2021. The historical base period is the 12-month period ending December 31, 2019.

5. **CEI North's Requested Relief.** In its case-in-chief, CEI North requested Commission approval of an overall increase in rates and charges for gas service that would produce additional gas revenues in two steps of approximately \$20.8 million, which would reflect an overall revenue increase of 3.38% (revised after rebuttal and corrections to an increase of approximately \$19.9 million). As detailed in its case-in-chief, Petitioner also requested Commission approval of a new schedule of rates and charges applicable to gas utility service, as well as new and revised riders; revised depreciation rates applicable to gas and common plant in service; and other necessary and appropriate accounting relief.

Petitioner also sought approval of a new tax savings credit rider ("TSCR"). Pursuant to the Commission's August 29, 2018 Order in Cause No. 45032 S21, Petitioner's Excess Accumulated Deferred Income Tax ("EADIT") liability balances arising from the revaluation of Accumulated Deferred Income Tax balances at the lower federal tax rate resulting from the TCJA are currently being passed back through Petitioner's current CSIA mechanism. Petitioner proposed to remove this component from the CSIA mechanism and include it in the TSCR. The TSCR would also capture any future changes in the federal or state income tax rate.

Petitioner also sought authority to extend its 2020 energy efficiency programs and associated EER through December 31, 2021, and approval to offer its energy efficiency portfolio of programs defined in its 2020-2025 Market Potential Study and Action Plan ("MPSAP") for program years 2022-2025. Petitioner sought authority to recover all costs associated with offering the 2022-2025 Plan. Petitioner sought authority to extend the Energy Efficiency Funding Component ("EEFC") of the EER through December 31, 2025 and the SRC – through which Petitioner's decoupling mechanism is effectuated – through an order in Petitioner's next general rate case.

Petitioner also included in its case-in-chief in this Cause a request for approval of an Alternative Regulatory Plan under Ind. Code ch. 8-1-2.5 to extend its USP to continue assisting its low-income customers. Petitioner proposed three modifications to its existing Commission-approved USP: (1) continuation of the program until a request is made to terminate it, as opposed to a defined expiration date, (2) authority to maintain the current bill discount tiers of 15%, 26% and 32% but further authority to adjust these tiers in future heating seasons depending on changes made to LIHEAP customer eligibility requirements, and (3) modification of the self-declared household income eligibility requirement for purposes of both low-income customers qualifying for USP discounts and the Company's Crisis Hardship Program, from the current at or below 200% Federal Poverty Level to at or below 70% of the State Median Income.

6. **Opposition and Rebuttal.** The OUCC and Intervenors raised a number of challenges to CEI North's filing, including challenging depreciation rates, rate of return, operating and maintenance ("O&M") expenses, cost of service allocations, and rate design. The OUCC and Intervenors also raised issues regarding Petitioner's proposed Phase 2 rate updates. Direct Energy raised certain issues related to Petitioner's Rate 245 tariff. The extent to which these parties disagreed with each other is shown in their cross-answering testimony. The extent to which CEI North disagreed or agreed with the OUCC and intervenors was addressed in CEI North's rebuttal evidence.

7. **The Settlement.** The Settlement filed with the Commission on June 25, 2021, presents the Settling Parties' resolution of all issues in this Cause. The Settlement is attached to this Order and incorporated by reference. Schedules supporting the calculation of Petitioner's revenue requirement as of December 31, 2021 pursuant to the Settlement are included in Appendix A to the Settlement. The witnesses offering settlement testimony discussed the arm's-length nature of the negotiations and the efforts undertaken to reach a balanced settlement that fairly resolves the issues. The Settlement and supporting evidence is outlined below.

OUCC witness Heather R. Poole testified the Settlement was the product of arms-length negotiations, requiring each party to compromise. Ms. Poole further testified the Settling Parties devoted considerable time and effort to fairly balance CEI North's interests and those of CEI North's customers. She stated each of the Settling Parties made material concessions when entering into the Settlement and the Settlement lessens the rate impact and prevents rate shock for captive ratepayers. She testified the Settlement also reduces the risk and expense of litigation.

Ms. Poole summarized the terms of the Settlement, walking through each of the provisions that addressed items in which differences existed between Petitioner's and the OUCC's cases-in-chief.

CEI North witness Mr. Jason R. Mathews also testified in support of the Settlement. Mr. Mathews testified that the Settlement is a comprehensive settlement that addresses all pending issues in this case. He testified that the Settlement reflects negotiated positions relative to those presented by the Settling Parties in direct and rebuttal testimony; captures all issues reviewed by the parties in this case; and represents a fair and reasonable result on the disputed aspects of the case. He stated that while the Settlement reflects a revenue decrease, CEI North views the Settlement as a reasonable resolution that will allow CEI North to continue providing safe and reliable service to its customers, while fulfilling the commitments made in the Settlement. Mr. Mathews testified the Settlement is the result of arm's-length negotiations by a diverse group of stakeholders with differing views on the issues raised in this Cause. He further testified that the Settling Parties devoted many days to discussions, collaborative exchange of information, and settlement negotiations.

While these witnesses testified to the reasonableness of the Settlement as a whole, their respective settlement testimony also offered additional perspective on the terms of the Settlement as discussed below. The Settling Parties agreed that, except as expressly modified by the Settlement, CEI North's requested relief in this Cause should be granted in its entirety.

**A. Phased Rate Implementation.** Mr. Mathews testified regarding the stipulated changes to the Phases of CEI North's implementation of its authorized decrease to base rates and charges for natural gas utility services as set forth in Section B.1 of the Settlement. The first change in rates ("Phase 1") will occur upon issuance of an order in this Cause and will be based upon the agreed revenue requirement, as adjusted to reflect the actual original cost of CEI North's net utility plant in service, actual capital structure, and associated annualized depreciation expense as of June 30, 2021. Mr. Mathews and Ms. Poole testified that following a Final Order in this Cause approving the Settlement, Petitioner's Phase 1 rates will go into effect upon submission of CEI North's compliance filing on an interim-subject-to-refund basis pending a 60-day review process by the other parties.<sup>5</sup>

The Settling Parties agreed that the Phase 2 update will be limited to rate base, capital structure, depreciation expense, and taxes, and based upon the agreed revenue requirement as of December 31, 2021, as adjusted, if necessary to reflect the lesser of (i) CEI North's forecasted test-year-end rate base as updated in rebuttal (\$1,610,799,000), or (ii) CEI North's rate base reflecting certified test-year-end net plant in service as of December 31, 2021. Phase 2 rates will go into effect upon submission on an interim-subject-to-refund basis pending the 60-day review process. Petitioner had originally proposed to update to the actual rate base and capital structure as of the end of the test year as well as update the full test year revenue requirement for actual results for calendar year 2021. Pursuant to the Settlement, revenues and O&M expenses will not be updated in Phase 2 as originally contemplated by CEI North.

**B. Stipulated Revenue Requirement.** As discussed by Mr. Mathews, Section B.2 of the Settlement sets forth the parties' agreement with respect to the total revenue requirement and resulting net operating income. The stipulated total revenue requirement is \$608,110,584, which constitutes a decrease in revenues at present rates of \$(5,967,418). The stipulated revenue decrease is \$26,726,619 less than the Company's original request of an increase of \$20,759,200. Based on corrections and rebuttal, Petitioner had revised its requested revenue increase to approximately \$19.9 million. The OUCC and Industrial Group had recommended an overall revenue decrease of \$(26.9 million) and \$(9.9 million), respectively. The Industrial Group's proposed revenue decrease represents an amount before giving effect to Petitioner's corrections and rebuttal.

**C. Rate Base.** Ms. Poole and Mr. Mathews also testified regarding the Settling Parties' agreement with respect to Petitioner's test year end net original cost rate base as set forth in Section B.3 of the Settlement. The stipulated net original cost rate base on which the Settling Parties agreed Petitioner should be permitted to earn a return is \$1,610,799,000. As discussed above, CEI North's Phase 2 rate update filing will reflect a rate base that is the lesser of this stipulated amount or actual rate base as of December 31, 2021.

**D. Cost of Capital.** Petitioner's proposed cost of equity in its case-in-chief was 10.15%; OUCC proposed 9.20% and Industrial Group proposed 9.25%. As part of the overall settlement package, the Settling Parties agreed to a 9.80% cost of equity. Ms. Poole testified the

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<sup>5</sup> Mr. Mathews noted in his Settlement Testimony that at the time Petitioner's Phase 1 compliance filing is made, it will also update the tariff to reflect Petitioner's new assumed business name "Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North" or "CEI North".



OUCG considers this a fair and reasonable result when combined with other considerations and compromises made in the Settlement. The resulting weighted average cost of capital based on Petitioner's projected capital structure is 6.16%, which reflects Petitioner's acceptance on rebuttal of an increase to cost-free capital of \$0.692 million to reflect non-interest-bearing customer deposits. The Settling Parties also agreed that Petitioner would refund customer deposits of \$0.141 million, reflected in the D-Schedules included in Appendix A to the Settlement. The Settling Parties agreed to use CEI North's methodology to calculate synchronized interest, adjusted to reflect the final capital structure and rate base. Mr. Mathews opined that the stipulated weighted cost of capital times the stipulated net original cost rate base yields a fair return for purposes of this case. According to the Settlement, Petitioner should be authorized a fair return of \$99,225,218 for an overall return for earnings test purposes of 6.16%.

**E. Depreciation and Amortization.** CEI North sought to establish new depreciation accrual rates calculated using the Equal Life Group ("ELG") methodology. As a part of the compromise included in the overall settlement package, CEI North agreed to use the Average Life Group ("ALG") methodology and service lives recommended by OUCG witness David J. Garrett, as presented in Public's Exhibit No. 6, Attachment DJG-3. In addition, the Settlement reflects an increase to the amortization period for the CSIA Program Expense Amortization to 41 years and an increase to the amortization period for the Bare Steel Cast Iron Program Expense Amortization to 37 years.

The Settling Parties also reached agreement on a six-year amortization period for rate case expense, COVID-related expenses, and the investment related IT expenses. In addition, the Settling Parties stipulated to a total rate case expense of \$1,300,000, a reduction of \$350,000 from the Company's original rate case expense proposal. Mr. Mathews testified that this recognized that rate case expense will be lower than originally estimated, given that a litigated hearing and post-hearing schedule will be avoided. The stipulated rate case expense, annualized, will be approximately \$216,667. If Petitioner files a general rate case before the expiration of the amortization period of six years, any unamortized portion will be rolled into Petitioner's next rate case. If not already addressed by an intervening base rate case order before expiration of the stipulated six-year amortization period, Petitioner agreed to file a revised tariff to remove the annual amortization portion from base rates unless a new general rate case petition is pending at that time.

**F. Pro Forma Revenues.** Section B.5 of the Settlement incorporates two *pro forma* revenue adjustments that CEI North had accepted on rebuttal: (1) an increase of \$70,542 to Federal Energy Regulatory Commission ("FERC") Account 487 (Forfeited Discounts) and (2) an increase of \$115,925 to FERC Account 489.2 (Transported Gas Revenue). Resulting stipulated total *pro forma* revenues as of the end of the test year are \$608,110,584.

**G. O&M Expense.** The OUCG had recommended a reduction of \$20.8 million to CEI North's forecasted O&M expense levels. For purposes of Settlement and reflecting the compromise reached by the Settling Parties, CEI North agreed to a reduction of \$8,500,000 to its total forecasted O&M amount. This stipulated amount is not assigned to particular FERC accounts, but is a reduction in total. The Settling Parties agreed to use CEI North's methodology to calculate other flow-through adjustments to bad debt expense, property tax, IURC fee, utility receipts tax,

and income tax resulting from the changes made in the revenue requirement pursuant to the Settlement.

**H. Customer Deposits and Bill Transparency.** Pursuant to Section B.7 of the Settlement, CEI North agreed to remove the following statement from Section 18.H of Tariff Sheet No. 57: “except that any credit balances less than \$10.00 will not be refunded to Customer unless so requested by Customer.” In addition, the Company agreed to conduct annual reviews to ensure customers who meet the criteria set forth in 170 I.A.C. 5-1-15(g) receive deposit refunds in a timely manner; and that pursuant to 170 I.A.C. 5-1-15(g)(6), after one year, inactive accounts with unclaimed deposits will be presumed abandoned and treated in accordance with Ind. Code ch. 32-34-1.

Section B.13 of the Settlement reflects the commitment of CEI North to include a notation on each customer bill explaining that an itemized breakdown of charges included on their bill is available by calling a customer service representative.

**I. Future CSIA Proceedings.** Section B.8 of the Settlement addresses matters related to Petitioner’s future CSIA proceedings. CEI North committed to include a breakdown of Incremental O&M Expense for the Compliance Component of the CSIA mechanism, where “Incremental O&M Expense” is defined as the incremental O&M expense that is the result of a new requirement resulting from a regulation or enhancement of a regulation, requiring compliance beginning January 1, 2022 or later (a “New Compliance Requirement”) or other incremental O&M expense that Petitioner demonstrates is not included in the test year forecast in this Cause. Mr. Mathews explained that this means in a future CSIA seeking recovery of incremental O&M expense, the expense would have to relate to compliance that Petitioner is not required to do during the test year or Petitioner must show that the compliance was not included in the forecast. CEI North undertook commitments to provide detailed testimony regarding any New Compliance Requirement for which Incremental O&M Expense is sought to be recovered, and to demonstrate how such Incremental O&M Expense is not included in base rates. Petitioner also committed to segregate or track separately costs included in Incremental O&M Expense.

Section B.8.b of the Settlement sets forth the Settling Parties’ stipulation with respect to the allocators to be used for Petitioner’s CSIA mechanism. Allocators for the TDSIC Component of Petitioner’s CSIA mechanism will be based on total revenues, whereas allocators for the Compliance Component of Petitioner’s CSIA mechanism will be based on non-gas revenues. Furthermore, the allocators will be by rate class and not broken down by storage, transmission, and distribution. The Settling Parties further agreed the stipulated allocators for each CSIA Component will be used for all TDSIC or Compliance Projects (respectively) included in CEI North’s next CSIA as well as TDSIC or Compliance Projects (respectively) added after the CSIA has been approved. The allocators for both the Compliance Component and the TDSIC Component using the stipulated revenues in the Settlement are set forth in Attachment JRM-S1 as well as the Settlement Testimony of Ms. Poole.

**J. USP.** The Settling Parties agreed to the extension of the Universal Service Program as described in CEI North’s case-in-chief and rebuttal. Specifically, the Settling Parties stipulated that each Settling Party shall have the same right as Petitioner to initiate a petition to

modify, review, or terminate the USP. CEI North agreed that if the USP is terminated, it will file a revised tariff to reflect the impact of the termination on the USP Rider. The Settling Parties also agreed that CEI North's shareholder contribution to the USP shall remain at 30% of program costs and any administrative costs shall not be counted towards that amount.

**K. TSCR.** The Settling Parties agreed to the proposed TSCR mechanism as presented in Petitioner's case-in-chief. CEI North committed to providing in each TSCR filing the Excel spreadsheets used to create schedules.

**L. Energy Efficiency Programs and Rider.** Section B.11 addresses the Settling Parties' agreement to the extension of CEI North's Energy Efficiency ("EE") programs and continuation of the EEFC component of the EER through 2025 and SRC component (through which decoupling is effectuated) through issuance of a final order in Petitioner's next general rate case, all as presented in Petitioner's case-in-chief.

**M. GCA.** Section B.12.a addresses the Settling Parties' agreement to CEI North's use of 0.42% as the bad debt percentage collected through the GCA while Section B.12.b specifies the maximum annual UAFG percentage will be lowered from 0.8% to 0.6%. Mr. Mathews testified that the reduction in the cap is a compromise reached during settlement negotiations.

**N. Tariff Changes; Rate 245.** The Settling Parties agree to CEI North's proposed tariff changes as presented in the Company's case-in-chief. To resolve issues raised by Direct Energy related to concerns over Petitioner's volumetric threshold for Rate 245 customers, CEI North agreed to lower its volumetric threshold to qualify for Rate 245 from 5,000 dekatherms annually to 2,500 dekatherms annually, provided that a monthly telemetry charge will be added for customers who elect to transport and who use between 2,500 and 5,000 dekatherms annually. The Settlement stipulates that the telemetry charge will be established as a pass-through charge of CEI North's costs for wireless/cellular service associated with reading meters for such customers. Mr. Mathews testified that the telemetry charge is estimated to be \$10-\$15 per month. In addition, the Settlement reflects CEI North's agreement on rebuttal to eliminate the prohibition of imbalance trades on Operational Flow Order ("OFO") days and the Settling Parties stipulated that CEI North will use commercially reasonable efforts to implement that change within six months of approval by this Commission.

**O. Cost of Service, Revenue Allocation and Rate Design.** Sections B.15 and B.16 set forth the Settling Parties' agreements on cost of service, cost allocation and rate design. The Settling Parties agreed to use CEI North's cost of service study, without modification. In Section B.16, Petitioner agreed to the following customer charges.

<b>Rate Class</b>	<b>Stipulated Customer Service Charge</b>
210	\$16.50, with the CSIA charge reset after a Final Order of the Commission in this Cause
220/225	As set forth in Petitioner's case-in-chief: Group 1: \$18.25 Group 2: \$49.50 Group 3: \$100.00
240	\$175.00 as set forth in Petitioner's case-in-chief
245	\$205.00 as set forth in Petitioner's case-in-chief
260	\$1,100.00 as set forth in Petitioner's case-in-chief

**P. Stipulation Effect, Scope and Approval.** Section C.1 of the Settlement makes clear that the Settlement is the result of negotiations and compromise reached during those negotiations. The Settling Parties expressly agreed neither the making of the Settlement nor any of its provisions shall constitute an admission or waiver by any Settling Party in any proceeding other than this proceeding, now or in the future, and the Settlement is not to be cited as precedent. Mr. Mathews testified that the parties agreed the Settlement is a compromise and will be null and void unless approved in its entirety without modification or further condition that is unacceptable to any Settling Party. He testified the Settlement also includes provisions concerning the substantial evidence in the record supporting the approval of the Settlement, recognizes the confidentiality of the settlement communications and reflects other terms typically found in settlement agreements before this Commission.

**8. Commission Discussion and Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 I.A.C. 1-1.1-17(d). Therefore, before the Commission can approve the Settlement, we must determine whether the evidence in this cause sufficiently supports the conclusions that the Settlement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement. Our review of the reasonableness of the Settlement is aided by the parties' express agreement on the rate base and implementation and update methodology to be used in determining Petitioner's rates, the agreed upon allocation of the decrease and agreed upon rate design, as well as the Settling Parties' express agreement on the

cost of common equity and revenue requirement adjustments used to determine the adjusted financial results at present and settlement rates. All of the agreed-upon components of the stipulated revenue requirement are supported by and shown in Appendix A to the Stipulation and Settlement and supporting settlement testimony. Therefore, we are able to examine the basis for all of the components of the change in base rates and charges provided for in the Settlement and find such increases are reasonable for purposes of settlement and supported by the evidence of record.

Further, the Settlement provides for a rate decrease. Approval of the Settlement eliminates the risks, uncertainty, and consumption of time and resources that would otherwise be required for the Commission to issue its final order in this proceeding. The Settlement resolves various disputed issues about Petitioner's forecasted expense levels, depreciation rates, updates, and implementation of rates under Ind. Code § 8-1-2-42.7, and the appropriate return on equity. The Settlement also addresses certain issues among the Settling Parties for purposes of future proceedings.

Below, the Commission will review and address some of the specific components of the Settlement.

**A. Stipulated Depreciation, Amortization, O&M, Rate Base and Revenues.** Other than disagreements regarding the appropriate return on equity, the OUCC's recommendation to significantly reduce CEI North's forecasted expense levels for purposes of setting rates and the recommendation to adopt a different methodology with respect to depreciation accrual rates were primary drivers behind the substantial difference between the OUCC and CEI North in this Cause. The Industrial Group also challenged the inclusion of certain forecasted O&M expense and the calculation of depreciation rates.

i. Depreciation. The OUCC's and Industrial Group's objections to Petitioner's proposed depreciation rates resulted in their recommendations to reduce Petitioner's revenue requirement by \$12.5 million and \$10.9 million, respectively. Petitioner's witness Spanos responded to the OUCC's and Industrial Group's position, defending Petitioner's selection of ELG as the basis for its proposed depreciation rates and responding to OUCC witness Garrett's service life recommendations. Under the Settlement, CEI North has agreed to the depreciation accrual rates proposed by OUCC witness Garrett, based on his recommended service lives and the use of the ALG methodology. In his direct testimony, Mr. Garrett stated that using ELG results in higher depreciation rates in the early years of a vintage's life whereas use of the ALG results in the same depreciation rate applied to each age interval. We also note that Petitioner has already been using the ALG methodology and that Petitioner's decision to continue using the ALG methodology is a product of compromise reached during negotiations, which avoids further rate case expense if the issue were litigated. In *Duke Energy Indiana, LLC's* ("DEI") most recent rate case, DEI proposed depreciation rates under the ELG procedure while the OUCC and the Industrial Group advocated for the ALG methodology.<sup>6</sup> In our Order in that Cause, we stated that ALG depreciation rates result in systematic and rational cost recovery with near term customer rate relief and full cost recovery of utility investments. *Id.* Although we have determined that the

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<sup>6</sup> *Duke Energy Indiana, LLC*, Cause No. 45253, Final Order p. 90 (June 29, 2020).

ELG methodology was reasonable in prior decisions, we are persuaded based on the evidence that Petitioner's continued use of the ALG methodology is appropriate. As such, we find that the stipulated accrual rates are supported by the evidence in this Cause and are reasonable and in the public interest in the overall context of the Settlement.

ii. Amortization. The Settling Parties reached agreement to increase the amortization periods for the CSIA Program Expense Amortization and Bare Steel Cast Iron Program Expense Amortization. Petitioner had proposed amortization periods of 35 years and 32 years for those programs, respectively, in its case-in-chief. The OUCC proposed adjustments to the amortization periods for these program deferrals based on its proposed depreciation rates. Although CEI North disagreed with the depreciation rates proposed by the OUCC and Industrial Group, Mr. Mathews testified on rebuttal that Petitioner agreed with the OUCC's methodology in updating the amortization periods to reflect depreciation rates as approved in this Order.

The Settling Parties also agreed to increase the regulatory asset amortization for rate case expense, COVID-related expenses, and investment related information technology ("IT") expenses to a six-year period. Petitioner had proposed an amortization period of five years and the OUCC had recommended a period of seven years. This stipulation is within the range of the evidence presented by the parties and reasonably aligns with the expected duration of those regulatory assets. The Settling Parties have specified what will occur if Petitioner's next general rate case is filed before or after expiration of the stipulated six-year amortization period to ensure that Petitioner is able to recover any unamortized amounts while ensuring customers do not pay more than the stipulated level for these expenses. The OUCC had also recommended reducing rate case expense by 50% in its case in chief. The Settling Parties' stipulated level of rate case expense reasonably accounts for the anticipated reduction in expense incurred due to settlement and avoidance of a litigated hearing and post-hearing schedule. The Commission finds that this resolution is reasonable in the context of the overall settlement package and is in the public interest.

iii. O&M. In its case-in-chief, the OUCC had recommended a reduction of Petitioner's forecasted expense levels by \$20.8 million by comparing certain FERC account forecasts to prior years' expense. Petitioner opposed this on rebuttal, explaining that Petitioner does not set the budget at a FERC account level. Industrial Group witness Gorman recommended disallowance of \$1.8 million related to incentive compensation and \$8.8 million related to shared services charges. The Settling Parties' stipulation to an overall O&M expense reduction of \$8,500,000 reflects a compromise that contributes significantly to the overall reduction of the requested revenue increase.

We agree with Petitioner that the OUCC's recommended reductions were based on a misleading methodology since Petitioner does not budget at the FERC account level. We also note that the Settling Parties' stipulation to an overall O&M expense reduction reflects a compromise that contributes significantly to the overall reduction of the requested revenue increase. As such, we find this term of the Settlement to be a reasonable resolution of the disputed items and in the public interest.

iv. Rate Base. OUCC witness Grosskopf had recommended removing from Petitioner's rate base \$17,659,667 related to IT assets identified for replacement and assets

receiving no future investment. He also recommended an adjustment related to acquisition adjustments for Westport Natural Gas Company and Terre Haute/Richmond Gas Corporation plant-in-service and amortization approved in Cause Nos. 38302 and 38918. His proposed removal of the acquisition adjustment from rate base resulted in a net reduction of \$4,486,622. Industrial Group witness Gorman recommended exclusion from rate base of \$40.5 million in Vectren Utility Holdings, Inc. (“VUHI”) pushdown assets (an approximate \$1.8 million further reduction to Petitioner’s revenue requirement using Mr. Gorman’s recommended pre-tax rate of return of 7.44%). Witness Mathews responded to both Mr. Grosskopf’s and Mr. Gorman’s adjustments related to IT and VUHI pushdown, as well as Mr. Grosskopf’s adjustment related to the acquisition adjustments. He noted that Mr. Gorman did not identify which of the pushed down assets he contends are or will soon be retired but simply eliminates all of them. He explained that the OUCC misinterpreted Petitioner’s discovery response, which he included within Attachment JRM-R1 Intangible Asset Push Down – Vectren North. He stated that the OUCC incorrectly included two asset groupings that were not part of the current replacement program, specifically the Oracle eBusiness Suite and lines 47 and 48 within the ‘Other’ assets grouping with an estimated net book value as of December 31, 2021, of \$5,704,658 and \$8,568,709 respectively. He explained that the first asset grouping incorrectly included by the OUCC as a potential retirement includes the Meter Data Management and Operational Device Management applications that, while Oracle-based, will continue into the foreseeable future. The second asset grouping that the OUCC identified for potential retirement includes many small applications that are not part of the technology replacement program.

The Settling Parties agreed that CEI North should be able to earn a return on an original cost rate base of \$1,610,799,000. This agreement contemplates the inclusion of the IT and VUHI pushdown assets, and the reduction removes a portion of the Picarro leak detection equipment. The stipulated rate base amount is supported by and within the scope of the evidence and represents a reasonable resolution of the issues raised by the Settling Parties.

v. Revenues. The stipulations as to pro forma revenues reflect items Petitioner had accepted on rebuttal. We find it reasonable to incorporate the Settling Parties’ agreement with respect to these items.

## **B. Cost of Capital.**

i. Cost of Equity. The Settling Parties agreed CEI North’s cost of equity should be 9.80%, representing a reduction from Petitioner’s initial request of 10.15% and an increase to the OUCC and intervenors’ initial return on equity (“ROE”) proposals of 9.20% and 9.25% respectively. OUCC witness Grosskopf stated in his settlement testimony that the OUCC considers the agreed-upon ROE of 9.80% to be a fair and reasonable result when combined with other considerations and compromises made in the Settlement. Petitioner witness Mathews agreed that an ROE of 9.80% represents a reasonable resolution of the issue. The Commission finds the stipulated ROE of 9.80% is within the range of the evidence presented by Petitioner, the OUCC, and the Industrial Group and is reasonable in the context of the overall Settlement.

ii. Capital Structure. CEI North’s projected investor-supplied capitalization as of December 31, 2021 reflected a forecasted equity ratio of 55.62% and forecasted

debt ratio of 44.38%. Industrial Group witness Gorman expressed concerns that Petitioner's projected capital structure is too heavily weighted with equity capital. He did not recommend an adjustment but urged the Commission to direct Petitioner to maintain a balanced capital structure mix of debt and equity.

On rebuttal, Petitioner's witness Jerasa testified that the projected capital structure mix aligns with Petitioner's current capital structure which was in effect at the time of the Commission's Order in Cause No. 43298 (Petitioner's most recent general gas rate case), and recent other rate cases for other energy utilities. The Settling Parties' stipulation with respect to Petitioner's capital structure incorporates Petitioner's acceptance of the OUCC's recommendation to increase cost-free capital of \$692,403 to reflect non-interest-bearing customer deposits. The agreed cost of equity and capital structure will produce a weighted average cost of capital of 6.16%.

The Commission finds that the stipulated weighted cost of capital, when multiplied by the stipulated net original cost rate base produces a fair return for purposes of this case and for earnings test purposes, and is reasonable in the context of the overall settlement and supported by the evidence. We further find that the projected capital structure included in the Settlement will produce a balanced capital structure mix of debt and equity.

### **C. Future CSIA Proceedings.**

i. Incremental O&M Expense. Section B.8.a. addresses concerns raised by OUCC witness Griffith regarding the presentation of evidence with respect to incremental O&M expense sought to be recovered through the CSIA mechanism. On rebuttal, Petitioner explained that while Petitioner agreed that recovery of O&M in future CSIA mechanisms should not be duplicative of the current programs included in the proposed base rates, a CSIA/TDSIC petition should not be a "mini base rate case," which is what a comparison by FERC account would be. The Settling Parties' stipulation with respect to CEI North's presentation of evidence supporting Incremental O&M Expense sought to be recovered in a future CSIA proceeding is a reasonable manner of resolving the dispute between the parties.

ii. Allocation Factors. While OUCC witness Krieger supported CEI North's proposal to develop and utilize CSIA/TDSIC allocation factors using non-gas revenues by rate class, Industrial Group witness Gorman urged the Commission to reject this proposal. Mr. Gorman proposed Petitioner use total revenues by rate class as the basis to allocate future TDSIC costs to each rate class. He explained that in Cause No. 44429 TDSIC 4, the Commission determined that Ind. Code ch. 8-1-39 ("TDSIC Statute") requires allocation factors be based on total revenue from Petitioner's most recent base rate case, including gas cost revenue, and not on margin or non-gas revenue as Petitioner proposes. However, if the Commission were to approve allocation factors based on non-gas revenues as proposed by Petitioner, Mr. Gorman recommended the allocators should reflect the distinct class revenues shown in Mr. Feingold's cost of service study for the transmission, distribution and underground storage investments in the TDSIC. In Settlement, the Settling Parties agreed the TDSIC component of the CSIA mechanism shall be allocated based on total revenues while the Compliance component is based on non-gas revenues. The resulting allocation factors are as follows:



<b><u>TDSIC Allocation Factors (Based on Total Operating Revenue)</u></b>				
<b>Class</b>	<b>Revenues at Current Rates</b>	<b>Revenue Increase</b>	<b>Total Revenues</b>	<b>Percent of Total</b>
210	\$ 411,964,319	\$ (1,932,636)	\$ 410,031,683	68.0099%
220/229	\$ 147,164,617	\$ (280,229)	\$ 146,884,388	24.3630%
225	\$ 2,432,805	\$ 159,435	\$ 2,592,240	0.4300%
240	\$ 1,851,888	\$ (45,537)	\$ 1,806,351	0.2996%
245	\$ 13,676,811	\$ (839,302)	\$ 12,837,509	2.1293%
260/270	\$ 31,776,863	\$ (3,029,148)	\$ 28,747,715	4.7682%
<b>Total</b>	<b>\$ 608,867,304</b>	<b>\$ (5,967,418)</b>	<b>\$ 602,899,885</b>	<b>100.0000%</b>
<b><u>Compliance Allocation Factors (Based on Total Margin Revenues)</u></b>				
<b>Class</b>	<b>Total Revenues</b>	<b>Less: Gas Costs</b>	<b>Total Margin Revenues</b>	<b>Percent of Total</b>
210	\$ 410,031,683	\$ (174,863,681)	\$ 235,168,002	67.7029%
220/229	\$ 146,884,388	\$ (79,607,880)	\$ 67,276,508	19.3684%
225	\$ 2,592,240	\$ -	\$ 2,592,240	0.7463%
240	\$ 1,806,351	\$ (1,075,558)	\$ 730,793	0.2104%
245	\$ 12,837,509	\$ -	\$ 12,837,509	3.6958%
260/270	\$ 28,747,715	\$ -	\$ 28,747,715	8.2762%
<b>Total</b>	<b>\$ 602,899,885</b>	<b>\$ (255,547,118)</b>	<b>\$ 347,352,767</b>	<b>100.0000%</b>

The allocators are to apply by rate class as opposed to being functionally disaggregated according to storage, transmission, and distribution function as was proposed by Mr. Gorman. Mr. Mathews noted in his Settlement Testimony that this is consistent with Petitioner’s current allocators.

Our March 30, 2016 Order in Cause No. 44403 TDSIC 3 and our June 29, 2016 Order in Cause No. 44403 TDSIC 4 recognized that “the TDSIC Statute unambiguously calls for use of ‘revenue’ allocation factors, not ‘margin’ allocations.” Consistent with this interpretation, we find it appropriate that Petitioner’s approved TDSIC capital expenditures and costs included for recovery in the TDSIC component of the CSIA mechanism should be allocated to the various customer classes based on total revenue from Petitioner’s most recent base rate case, including gas cost revenue. As such, we find this term of the Settlement is supported by the evidence, consistent with our interpretation of the TDSIC Statute, and in the public interest.

**D. GCA.** In her direct testimony, Petitioner witness Bell stated that Petitioner’s uncollectible expense or bad debt rate of 0.42% used in this proceeding was determined based on (1) the ratio of the three-year (2017-2019) average of bad debt charge offs, net of collections; to (2) total revenues. There was no dispute over Petitioner’s proposed bad debt expense level for purposes of its GCA proceedings. Accordingly, the incorporation of the Settling Parties’ agreement on this matter into the Settlement reflects their collective position, which we find is reasonable and supported by Petitioner witness Bell’s direct testimony. With respect to Petitioner’s

recovery of UAFG in its GCA, however, the OUCC recommended a change from the previously stipulated percentage. CEI North opposed the OUCC's recommended cap of 0.1%, noting with reference to an attachment to OUCC witness Gao's testimony that the level of UAFG was above that percentage in several of the past ten years. The UAFG percentage shown on that Attachment, however, did not exceed the stipulated 0.6% cap during the periods shown. Petitioner's witness Tieken testified on rebuttal that "absent agreement, the Company should recover all UAFG costs . . ." Mr. Mathews indicated the stipulated cap of 0.6% is a compromise reached during settlement negotiations. When viewed in the context of the overall Settlement, the Commission finds this stipulation to be reasonable and supported by the evidence.

**E. Tariff Rate 245.** Direct Energy witness Mehling proposed changes to Petitioner's Rate 245,<sup>7</sup> recommending a lower volumetric threshold of 2,500 dekatherms annually, versus the current 5,000 dekatherms annual threshold. Direct Energy Ex. 1, at p. 4. Mr. Mehling testified that the current volumetric threshold for Rate 245 arbitrarily limits supply options for end users and acts as a barrier to competition. Mr. Mehling explained that lowering the volumetric threshold from 5,000 dekatherms annually to 2,500 dekatherms annually would create more opportunities for 670 end users to lower their costs. Mr. Mehling noted that Petitioner already allows schools and governmental entities, regardless of size, to transport under Rate 225 and that several similarly located local distribution companies do not have the same minimum thresholds as Petitioner. Alternatively, Direct Energy recommended allowing aggregation of usage for end-use customers with multiple locations under common ownership. Mr. Mehling explained that this would create more opportunities for 300 commercial and industrial customers such as big box retailers to lower their costs, but Mr. Mehling testified that this would be less advantageous for Petitioner and for end users, as the administrative burdens would be greater and fewer end users would benefit.

Petitioner's witness Wagaman explained that the alternative posed by Direct Energy would require significant investments into Petitioner's Customer Information System and would be burdensome for Petitioner and customers as it would require changes in multiple processes and procedures. Mr. Wagaman testified that CEI North's current volumetric threshold for Rate 245 allows it to provide rate stability to smaller customers who are less sophisticated in the gas pricing market. He stated that if the imbalance threshold for third-party shippers was lowered from 20% to 5% and if new transport customers were obligated to pay the increased telemetry costs from migration, he would support Direct Energy's request to lower the volumetric threshold and eliminate the nomination error charge. Petitioner witness Feingold testified on rebuttal that Direct Energy's proposal was not accompanied by an updated cost of service study, and therefore did not allow for adjustment of Petitioner's cost allocation factors and direct assignments of plant and expenses to reflect the anticipated transfer of customers between rate classes, which could affect the revenue allocation and rate design proposals in this case. The Settlement addresses Mr. Feingold's concern, in part, by providing for a telemetry charge to be included for customers made eligible for Rate 245 by virtue of the stipulation. Mr. Mathews explained that the Settlement reflects this additional charge for the customers falling within this throughput only for two reasons: first, it is an additional cost CEI North will incur upon migration that is not reflected in its revenue

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<sup>7</sup> Mr. Mehling incorrectly refers to Vectren North rates as Rate 145 and Rate 125 throughout his testimony. The correct designations for the Vectren North rates are Rate 245 and Rate 225. Pet. Ex. 20-R, at p. 7 n.4.

requirement; and second, at the lower volumes, the designed volumetric rates are less likely to recover these additional costs than customers in this class who have higher volumes.

With respect to the concern over Petitioner's less sophisticated customers becoming subject to marketing efforts of Direct Energy and its competitors, the Presiding Officers inquired via Docket Entry how the Settlement protects less sophisticated customers from the exposure risks referenced by Mr. Wagaman. In its response (Pet. Ex. 23), CEI North stated that customers or marketers will reach out to Petitioner prior to joining the transportation program to verify eligibility requirements. At that time, Petitioner will educate business customers and answer any questions they may have on the transportation program. In addition, Petitioner noted that Northern Indiana Public Service Company and the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis both have gas transportation tariffs with thresholds at or below the stipulated level and there do not appear to be concerns.

We find that the Settling Parties' agreement with respect to the threshold to qualify for Rate 245 is a reasonable compromise on the issues raised by Direct Energy and will not create undue risk for smaller customers opting to take service under Rate 245. Accordingly, we find the stipulation on this point to be a reasonable manner in which to address the parties' concerns and is in the public interest.

While Mr. Mehling also recommended elimination of the nomination error charge (Direct Energy Ex. 1, at p. 6), the Settlement did not include a provision eliminating this charge. CEI North explained that timely and accurate nomination is critical for balancing Petitioner's pipeline distribution system and the nomination charge is an effective tool to encourage accurate nominations. Pet. Ex. 20-R, at pp. 14-15. Pursuant to the term of the Settlement that provides CEI North should be granted the relief it has requested except as expressly modified by the terms of the Settlement, we find that the Settling Parties have not agreed to eliminate the nomination error charge, which we find to be a reasonable outcome with respect to this issue.

Mr. Mehling had also recommended elimination of CEI North's prohibition against imbalance trading on OFO days. Mehling Direct, at p. 11. CEI North accepted the recommendation to eliminate the prohibition of imbalance trades on OFO days with certain conditions. Mr. Wagaman explained that CEI North's current billing system would need to be modified in order to allow imbalance trades on OFO days. He testified that CEI North would need time to program and implement the changes. Pet. Ex. 20-R, at p. 20. The Settlement incorporates a commitment by CEI North to use commercially reasonable efforts to implement the change accepted on rebuttal within six months of this Order. We find this term of the Settlement to be a reasonable manner to address the concerns of Direct Energy and CEI North on this point.

**F. Customer Deposits and Bill Transparency.** OUCC witness Sabillon recommended that when customers' payments are satisfactory, Petitioner should refund customer deposits regardless of the amount without requiring a customer to make a request to Petitioner. Accordingly, she recommended CEI North strike language stating that "Credit Balances less than \$10.00 will not be refunded to Customer unless so requested by Customer." Petitioner's witness Tieken accepted Ms. Sabillon's recommendation on rebuttal. The Settlement reflects the parties' agreement to remove this language from CEI North's tariff. With regard to Ms. Sabillon's

recommendation that Petitioner conduct an annual review of customer deposits, Petitioner confirmed on rebuttal that this was now part of its process.

OUCC witness Courter recommended CEI North be required to itemize customer bills to include the customer service charge, TDSIC charge, universal service fund charge, distribution charge, gas cost charge, and sales tax, as well as any other charges included on the customer's bill. In the alternative, Mr. Courter recommended Petitioner be ordered to include a bold face notation on the bill that customers may call its customer service representatives if they want an itemized breakdown of their bills. Petitioner noted that its current bill format provides the level of detail required by 170 I.A.C. 5-1-13(A), but agreed on rebuttal to the language Mr. Courter gave as his alternative recommendation. This was then incorporated into the Settlement to address the OUCC's stated concerns over bill transparency. The Commission finds the provisions of the Settlement on customer deposits and bill transparency represent a reasonable resolution of the remaining disputed issues between the parties on these subjects.

**G. Updates and Implementation of Phase 1 and Phase 2 Rates.** Both the OUCC and the Industrial Group opposed Petitioner's proposal to include updates to its full revenue requirement in its Phase 2 update. Both recommended the update be limited to rate base, capital structure, depreciation, and taxes. Pub. Ex. 1, at pp. 19-20; Industrial Group Ex. 1, at pp. 140-141. On rebuttal, Petitioner's witness Tieken accepted the OUCC's position on the scope of the update to be included in Phase 2 implementation with a 60-day review. Pet. Ex. 17-R, at p. 12.

The Settlement provides the Settling Parties' agreed process for implementing Phase 1 and Phase 2 rates, which tracks very closely to the process this Commission has previously approved in settlements for other utilities using a forward-looking test period. *Northern Indiana Public Service Company*, Cause No. 44988, 2018 WL 4566587, 347 P.U.R. 4<sup>th</sup> 5 (Ind. U.R.C. Sept. 18, 2018); *Indiana-American Water Company, Inc.*, Cause No. 45142, 2019 WL 2903633, 352 P.U.R. 4<sup>th</sup> 402 (Ind. U.R.C. June 26, 2019). The stipulation for Phase 1 rates follows Petitioner's proposal from its case-in-chief. The stipulation for Phase 2 rates adopts the OUCC's and Industrial Group's position of updating only for rate base, capital structure, depreciation, and taxes.

For Phase 1 rates, upon issuance of this Order approving the Settlement, Petitioner will file a compliance filing reflecting rates based on the agreed revenue requirement as updated to reflect the original cost of net utility plant in service, actual capital structure and associated annualized depreciation expense as of June 30, 2021. Phase 1 rates will take effect upon submission on an interim-subject-to-refund basis pending the 60-day review process agreed to among the Settling Parties.

Petitioner's Phase 2 update will be based on the agreed revenue requirement as of December 31, 2021, as adjusted, if necessary, to reflect the lesser of (i) Petitioner's forecasted test-year end rate base as updated in rebuttal (\$1,610,799,000), or (ii) Petitioner's rate base reflecting certified test-year-end net plant in service as of December 31, 2021. Phase 2 rates will also take effect upon submission of CEI North's second compliance filing with the Commission under this Cause on an interim-subject-to-refund basis pending the 60-day review process agreed to among the Settling Parties.

The Commission finds this term of the Settlement, which is consistent with prior Commission orders on phased rate implementation in the context of a forward-looking test year, achieves a fair and balanced approach to updating for actuals as of the end of the test year consistent with Indiana law.

**H. Revenue Allocation and Rate Design.** The Settlement presents the Settling Parties' overall agreement with respect to distribution of the revenues CEI North is to be permitted to collect as a result of the Settlement. The rate design presented in the Settlement reflects the agreements reached with respect to each customer class to fairly address that class' needs. The revenue allocation uses Petitioner's cost of service study without modification. The stipulated customer charges represent an increase from the levels approved in Petitioner's last base rate case. The evidence supports the stipulations on rate design for the various customer classes and the Commission finds the negotiated compromise on rate design is reasonable and should be approved.

**I. TSCR, EER, and USP.** The evidence in support of settlement reflects the Settling Parties' agreement on Petitioner's TSCR, EER and USP proposals that remained largely undisputed after rebuttal. The only remaining dispute related to the level of shareholder contribution to Petitioner's USP. The OUCC recommended Petitioner move from its current 30% contribution to 50%. Pub. Ex. 2, at p. 21. Petitioner opposed this on rebuttal, stating that the 30% already exceeds the shareholder contribution level of other similarly situated utilities offering a Universal Service Program. Pet. Ex. 15-R, at p. 6. The Settling Parties resolved to maintain Petitioner's current 30% level of shareholder contribution as part of the overall settlement. We find the resolution of this item and the incorporation of the undisputed items into the overall Settlement to be supported by the evidence and in the public interest. We discuss in greater detail below our findings on Petitioner's ARP, its proposed new tax savings credit rider, and its continued decoupling.

**J. CEI North's Line Locate Practices.** On May 18, 2021, the Presiding Officers issued a docket entry requesting that CEI North: (1) explain the process it uses for line locates; (2) provide copies of the contracts that CEI North maintains with locate vendors; and (3) explain how Petitioner recovers the costs of its contracts with locate vendors. On May 24, 2021, Petitioner submitted its Response to the Presiding Officers' docket entry in which it described in detail its participation in the Indiana One-Call Program throughout its service territory. Petitioner stated that it uses a contract locating vendor for line locate requests and that as of March 2019, Petitioner contracts exclusively with On the Spot Utility Resources LLC. In response to the cost recovery inquiry, Petitioner stated, "All locating costs excluding penalties and costs related to locates completed for fiber installations are charged to capital or O&M and are recovered through the Company's base rates." As such, any monetary penalties assessed to Petitioner for failure to locate or for inaccurate locates are not being recovered from Petitioner's ratepayers in the form of higher rates.

**9. Conclusion.** We find the testimony supporting the Settlement addresses the reasons the Settlement is reasonable and in the public interest. Specifically, OUCC witness Poole stated that the Settlement was the product of arm's-length negotiations and represents a compromise reached by all Settling Parties to fairly balance Petitioner's interests and those of Petitioner's customers. She explained that each Settling Party made material concessions, which resulted in a

residential customer rate that lessens the rate increase impact and prevents rate shock. She added that the Settlement reduces the risk and expense of litigation of multiple issues. Petitioner witness Mathews testified that the Settlement reflects negotiated positions relative to those presented by the Settling Parties in direct and rebuttal testimony; captures all issues reviewed by the parties in this case; and represents a fair and reasonable result on the disputed issues in this proceeding. Based upon our review of the record, particularly the Settlement terms and supporting testimony and attachments, the Commission finds the Settlement is within the range of potential outcomes and represents a fair, just, and reasonable resolution of the issues.

**ORIGINAL COST RATE BASE  
As of December 31, 2021**

UTILITY PLANT IN SERVICE	\$3,199,756,245
LESS: ACCUMULATED DEPRECIATION	(\$1,692,249,168)
NET UTILITY PLANT IN SERVICE	\$1,507,507,077
ADD: ACQUISITION ADJUSTMENT	\$4,486,622
ADD: GAS IN UNDERGROUND STORAGE	\$22,994,347
ADD: UTILITY MATERIALS & SUPPLIES	\$3,969,975
ADD: LIQUIFIED PETROLEUM GAS	\$1,297,271
ADD: PREPAID GAS DELIVERY	\$17,714,260
ADD: PISCC – BS/CI & CSIA	<u>\$52,829,448</u>
 <b>NET ORIGINAL COST RATE BASE</b>	 <b><u>\$1,610,799,000</u></b>

Based upon the Settlement and the foregoing findings, we find that Petitioner’s projected capital structure and weighted cost of capital is as follows:

**CAPITAL STRUCTURE AND OVERALL WEIGHTED COST OF CAPITAL**  
**As of December 31, 2021**

<u>Class of Capital</u>	<u>Pro Forma</u> <u>Amount</u> <u>(\$000)</u>	<u>% of</u> <u>Total</u>	<u>(%)</u> <u>Cost</u>	<u>Weighted</u> <u>Cost</u>
Long-term debt	\$614,876	36.87%	4.36%	1.61%
Common equity	\$770,688	46.21%	9.80%	4.53%
Preferred Stock	\$-	0.00%	0.00%	0.00%
Cost-Free Capital	\$255,666	15.33%	0.00%	0.00%
Other Capital	<u>\$26,671</u>	<u>1.59%</u>	<u>1.50%</u>	<u>0.02%</u>
Total capitalization	<u>\$1,667,902</u>	<u>100.00%</u>		<u>6.16%</u>

On the basis of the Settlement and the supporting evidence presented in these proceedings and subject to the certification and update mechanism provided in the Settlement, we find that Petitioner should be authorized to implement rates and charges in two phases to produce total annual operating revenue of \$608,110,584. This revenue is reasonably estimated to afford Petitioner the opportunity to earn net operating income of \$99,225,218.

The Commission further finds and concludes that the Settlement is reasonable, supported by substantial evidence, and in the public interest. Accordingly, the Settlement is approved.

**10. Effect of the Settlement.** Consistent with the terms of the Settlement, the Settlement is not to be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms; consequently, with regard to future citation of the Settlement or of this Order, we find our approval herein should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1996 WL 34604507 (Ind. U.R.C. March 19, 1997).

**11. Alternative Regulatory Plan – Universal Service Program.** Petitioner’s USP is offered under an Alternative Regulatory Plan authorized by Ind.Code § 8-1-2.5-6. According to Ind. Code § 8-1-2.5-6(a):

Notwithstanding any other law or rule adopted by the commission, except those cited, or rules adopted that pertain to those cited, in [IC 8-1-2.5-11], in approving retail energy services or establishing just and reasonable rates and charges, or both for an energy utility electing to become subject to this section, the commission may do the following:

(1) Adopt alternative regulatory practices, procedures, and mechanisms, and establish rates and charges that:

(A) are in the public interest as determined by consideration of the factors described in [IC 8-1-2.5-5]; and

(B) enhance or maintain the value of the energy utility's retail energy services or property; including practices, procedures, and mechanisms focusing on the price, quality, reliability, and efficiency of the service provided by the energy utility.

The factors we must consider under Ind. Code § 8-1-2.5-5(b) in determining whether the public interest will be served are:

(1) Whether technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies render the exercise, in whole or in part, of jurisdiction by the commission unnecessary or wasteful.

(2) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will be beneficial for the energy utility, the energy utility's customers, or the state.

(3) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency.

(4) Whether the exercise of commission jurisdiction inhibits an energy utility from competing with other providers of functionally similar energy services or equipment.

Petitioner's witness Cullum described the history of Petitioner's USP. The program was first approved as a pilot program in Cause No. 42590. It was most recently approved in the Commission's Order in Cause No. 45405 on September 23, 2020, which authorized continuation of the USP as approved on September 10, 2014 in Cause No. 44455 without modification except to its expiration date, until a final order in this rate case. Pet. Ex. 15, pp. 6-7. She noted that this Commission has previously found that the USP promotes energy utility efficiency because it makes heating bills more manageable during winter heating months, and it reduces service terminations and costs related to collections and arrearages. Pet. Ex. 15, at p. 18; *Indiana Gas Co., Inc.*, Cause No. 42590, 2004 WL 2309057 (Ind. U.R.C. Aug. 18, 2004), at p. 7 (Findings Paragraph No. 4.a). Here, Petitioner has proposed three modifications to its USP, and the Settlement in this Cause accepts the proposed USP with the further modification described therein with respect to parties' rights to seek review, modification, or termination of the program. As such, and in accordance with Ind. Code § 8-1-2.5-5(b), we find Petitioner's ARP with respect to the USP continues to be beneficial to the utility, its customers, and the state of Indiana, is in the public interest, and should be approved as modified by the Settlement.

**12. TSCR.** Petitioner has proposed, and the Settling Parties have agreed to, a new TSCR to be established for the continued pass back to customers of Petitioner's EADIT Credit (currently being credited via Petitioner's CSIA mechanism). The TSCR will also capture future changes in the statutory federal and state income tax rates and effects on EADIT. Pet. Ex. 17, at p.



30. Any effects on EADIT due to such changes in income tax rates would be addressed in a subdocket proceeding brought before this Commission in connection with the TSCR.

Petitioner proposed to make an annual filing on or before November 1<sup>st</sup> of each year, utilizing the Thirty-Day administrative filing process set forth in 170 I.A.C. 1-6. Each annual TSCR filing will include a reconciliation of actual credits to authorized credits for the 12-month period ending August 31. Pet. Ex. 17, at p. 31. The EADIT Credits will continue to be reflected in Petitioner's CSIA through the projection period ending December 31, 2021 (Cause No. 44430 TDSIC 14 to be in effect July 2021 through December 31, 2021). The first annual TSCR filing will be made on or before November 1, 2021 to reflect the projection period of January 2022 through December 2022. The second TSCR annual filing (to be made on or before November 1, 2022) will reconcile the 12-month period ending August 31, 2021 and projected EADIT Credits for January 2023 through December 2023. Petitioner's witness Tieken provided an illustration to show which mechanism the EADIT Credits will flow through and the respective Projection and Reconciliation Periods pursuant to this proposal. Pet. Ex. 17, at p. 32.

In the event of future legislation that would change either the federal or state income tax rate, Petitioner proposes that its new TSCR rider would adjust the rates to reflect the new statutory rate and would function much like the first phase of the Commission's Investigation into the effects of the Tax Cuts and Jobs Act of 2017 in Cause No. 45032. The Company would file a new petition in a new docket seeking an adjustment to the TSCR rider to adjust all rates and charges to reflect the difference between (1) the amount of federal or state taxes that the given rate or charge was designed to recover based on the tax rate in effect at the time the rate or charge was approved and (2) the amount of federal or state taxes that would have been embedded in the given rate or charge had the new tax rate applicable to the Company as a result of the new legislation been in effect at the time of approval. The Company also proposes to create a subdocket in that new cause to evaluate any effects of change in EADIT (positive or negative) resulting from the change. Finally, the Company requests authority to use regulatory accounting, such as regulatory assets or liabilities, for all calculated differences resulting from the new legislation and what would have been recorded if the legislation did not go into effect until such time as the change can be fully reflected in rates. Pet. Ex. 17, at p. 33.

In our Order in *Sycamore Gas Company, Inc.*, Cause No. 45032-S3, 2018 WL 4963763 (Ind. U.R.C. Oct. 9, 2018), at \*6, we noted that "because taxes are a pass-through expense, a change in the federal income tax rate should have no substantive bearing on whether a utility is or is not earning its authorized return." We went on to note that "the nature of the income tax component of the revenue requirement makes it different than many other types of expenses because the rate of the burden is defined in statute rather than dependent on the management actions of the utility." *Id.* Accordingly, we find that a mechanism such as the TSCR is an appropriate tool for being able to flow through future changes to income tax rates as Petitioner has proposed and as the Settling Parties have agreed. We find Petitioner's TSCR should be approved and implemented as described in Petitioner's case-in-chief. In the event of a future legislative change in the federal or state tax rate, we find that Petitioner should be authorized to change its rates as reflected in its case-in-chief and should be authorized to utilize regulatory accounting as it has requested.

**13. EER and Decoupling.** In the December 1, 2006 Order in consolidated Cause Nos. 42943 and 43046, the Commission approved Petitioner's first portfolio of EE programs and its implementation of the EER, including the EEFC and SRC. We approved an extension of the EE programs through 2015 in Cause No. 44019 and again through 2019 in Cause No. 44598. In Cause No. 45222, the EE programs and EER were further extended through the date of an Order in Petitioner's next general rate case. The SRC is subject to a 4% cap, with any amounts above the 4% cap to be deferred until the next EER filing or next general rate case. This is Petitioner's next general rate case, and Petitioner seeks to extend the EE programs and EER as extended in Cause No. 45222 through the end of 2021. Petitioner also seeks approval of its EE portfolio for program years 2022-2025. Finally, Petitioner seeks to extend the EER and continue the SRC through the issuance of an Order in Petitioner's next general rate case.

In Section B.11 of the Settlement, the Settling Parties agreed to the extension of Petitioner's EE programs and to continuation of Petitioner's decoupling mechanism effectuated through the SRC in its EER. In his settlement testimony, OUC witness Grosskopf acknowledged this agreement is consistent with Petitioner's position in its case-in-chief. In her direct testimony, Petitioner witness Harris sponsored Petitioner's MPSAP. She explained that the 2022-2025 Plan is the result of Petitioner's natural gas MPSAP and is a continuation of current natural gas EE program offerings, while expanding and modifying some program designs and adding new measures. As shown in Ms. Harris' direct testimony on Table RHH-3, the 2022-2025 EE programs include continuation of the following programs: Residential Prescriptive; Residential New Construction; Income Qualified Weatherization; Energy Efficient Schools; Residential Behavioral Savings; Multi-Family Direct Install; Targeted Income; Home Energy House Call; Neighborhood Program; and Home Energy Assessment. The Food Bank and Home Energy Management Systems programs were added as new offerings, and the Commercial Prescriptive, Commercial Custom, and Small Business programs were expanded from previous offerings.

Ms. Harris explained that all the programs in the 2022-2025 Plan passed the Total Resource Cost ("TRC") test and Utility Cost Test, except for low-income programs, which do not need to pass cost-effectiveness tests in order to promote a greater social good. She stated that the residential portfolio passed TRC between 1.22 in 2022 and 2.08 in 2025, and the commercial portfolio passed TRC between 2.03 in 2022 and 2.27 in 2025. She added that the overall portfolio passed TRC between 1.29 in 2022 and 1.89 in 2025.<sup>8</sup>

Ms. Harris concluded that approval of the 2022-2025 Plan is in the public interest because it will allow Petitioner to continue providing opportunities for customers to reduce their energy usage and make more educated choices about how they consume energy. She added that the 2022-2025 EE Action Plan continues to promote the efficient use of energy by better aligning Petitioner's interests with those of its customers. In addition, approval of 2022-2025 Plan will allow Petitioner to continue to integrate gas and electric programs resulting in lower program costs, higher EE benefits for the customer, and a more enhanced customer experience.

We find Petitioner's EE portfolio for 2022 through 2025 as described in Petitioner witness Harris' testimony should be approved. Further, Petitioner should continue making its annual EER

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<sup>8</sup> See Petitioner's Ex. 14, Table RHH-6 for the cost effectiveness test results associated with the 2022-2025 Plan.

filings on or around March 31 of each year using the Commission's Thirty-Day administrative filing process (170 IAC 1-6) without modification of its decoupling mechanism as described in the direct testimony of Petitioner witness Tieken. The SRC will continue, per the Settlement, until issuance of an Order in Petitioner's next general rate case in the same format as approved in Cause No. 45222. The terms of the 2015 EE Settlement will remain in place.

**14. Requested Relief of Reporting Requirements from Prior Rate Case.** In the February 13, 2008 Order in Cause No. 43298, the Commission required two annual reports including: (1) a School Safety Report and (2) an Economic Development Report. Those reporting requirements are connected to the acceptance of test year adjustments in the Cause No. 43298 rate case. The parties in the Cause No. 43298 rate case agreed in the settlement to a school safety education program with a cost of \$219,424, and the Commission required a report to be filed annually on the actual costs, the selected schools, and the materials used. Vectren North has filed annual reports under Cause No. 43298 detailing the actual costs, selected schools, and materials used for the education program. The parties also agreed to a pro forma adjustment of \$110,660 to support contributions to economic development organizations in its service territory. The Commission required the Company to provide an annual report on its contributions. Vectren North has filed annual reports under Cause No. 43298 detailing the actual contributions to economic development organizations. As such, the Company believes these reporting requirements expire with the approval of new base rates. Vectren North requested confirmation that these reporting requirements will have expired. In the alternative, Vectren North seeks to be relieved of these reporting requirements. Pet. Ex. 17, pp. 34-35.

Accordingly, we find Vectren North to have satisfied the reporting requirements from the Cause No. 43298 requirements and no further reports are required.

**15. Confidentiality.** Petitioner filed four motions for protective order showing documents to be submitted to the Commission pursuant to 170 I.A.C. 1-5-15 were to be treated as confidential and protected from disclosure to the public under Ind. Code § 5-14-3-4 and Ind. Code § 8-1-2-29. The Presiding Officers granted preliminary confidential treatment for portions of Petitioner's four motions by Docket Entries dated January 14, 2021, April 2, 2021, May 18, 2021, and May 27, 2021, respectively. We now find all such information previously granted preliminary confidential treatment to be confidential and exempt from public access and disclosure by the Commission under Ind. Code § 5-14-3-4 and Ind. Code § 8-1-2-29.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:**

1. The June 25, 2021 Stipulation and Settlement Agreement, a copy of which is attached to this Order, is approved.

2. Subject to the rate implementation process set forth in the Settlement, Petitioner is authorized over the course of the future test year to adjust and increase its base rates and charges for natural gas utility service to produce a decrease in total revenues subject to increase of up to approximately 0.97% in accordance with the findings herein, which rates and charges shall be

designed to produce total annual operating revenues of up to \$608,110,584, which are expected to produce annual net operating income of up to \$99,225,218.

3. Petitioner is authorized to implement the authorized rate increase in two phases to be implemented as set forth in Ordering Paragraph Nos. 4 and 5 below.

4. For Phase 1, Petitioner shall file new schedules of rates and charges with the Energy Division of the Commission on the basis set forth in Finding Paragraph No. 8, reflecting the total revenue requirement set forth in Ordering Paragraph No. 2 with adjustments to: (a) rate base to reflect actual net utility plant in service as of June 30, 2021; (b) return to reflect actual capital structure as of the same date; (c) expenses to reflect annualized depreciation expense on utility plant in service as of June 30, 2021; and (d) gross revenue conversion resulting from the change in revenue requirement caused by these adjustments. Petitioner shall also file a schedule setting forth the actual net utility plant in service as of June 30, 2021, an affidavit certifying that such investment is actually in service, a calculation of actual annualized depreciation expense thereon as of June 30, 2021, and Petitioner's actual capital structure as of that same date. Petitioner's new schedules of rates and charges shall be effective upon filing with the Commission on an interim-subject-to-refund basis pending the 60-day review process described in Finding Paragraph No. 8.

5. For Phase 2, Petitioner shall file new schedules of rates and charges with the Energy Division of the Commission on the basis set forth in Finding Paragraph No. 8, reflecting the total revenue requirement set forth in Ordering Paragraph No. 2 with adjustments to: (a) rate base to reflect actual net utility plant in service as of December 31, 2021, except that net original cost rate base shall not exceed \$1,610,799,000; (b) return to reflect actual capital structure as of the same date; (c) expenses to reflect annualized depreciation expense on utility plant in service as of December 31, 2021; and (d) gross revenue conversion resulting from the change in revenue requirement caused by these adjustments. Petitioner shall also file a schedule setting forth the actual net utility plant in service as of December 31, 2021, an affidavit certifying that such investment is actually in service, a calculation of actual annualized depreciation expense thereon as of December 31, 2021, and Petitioner's actual capital structure as of that same date. Petitioner's new schedules of rates and charges shall be effective upon filing with the Commission on an interim-subject-to-refund basis pending the 60-day review process described in Finding Paragraph No. 8.

6. All schedules of rates and charges submitted under Ordering Paragraph Nos. 4 and 5, shall be developed according to the agreed upon revenue allocation and rate design as set forth in Paragraph Nos. 15 and 16 of the Settlement and otherwise in the manner described by the terms of the Settlement.

7. The depreciation accrual rates set forth in Schedule B-3.2 contained in Appendix A to the Settlement are approved.

8. Regulatory assets for rate case expense, COVID-related expenses, and investment-related IT expenses shall be amortized over a period of six years from the date of this Order. If Petitioner files a general rate case before the expiration of such amortization period, any unamortized portion will be rolled into Petitioner's next rate case. If not already addressed by an

intervening base rate case order before the expiration of such amortization period, Petitioner shall file a revised tariff to remove the annual amortization portion from base rates unless a new general rate case petition is pending at that time.

9. For purposes of future TDSIC and CSIA proceedings, the revenue allocations by class set forth in Attachment JRM-S1 are approved.

10. Petitioner's proposed ARP and resulting extension of the USP are approved with the modification that all Settling Parties shall have the same rights as Petitioner to initiate a petition to modify, review or terminate the USP. If the USP is terminated, Petitioner shall file a revised tariff to reflect the termination of the USP Rider.

11. Petitioner's proposed TSCR is approved. With each TSCR filing, Petitioner shall file the Excel spreadsheets used to create the schedules.

12. Petitioner's proposed energy efficiency portfolio and resulting EER as approved in Cause No. 45222 is approved through December 31, 2021. Petitioner's energy efficiency portfolio for years 2022 through 2025 is approved. Petitioner's request to extend its EER is approved. The EEFC is extended through 2025 and the SRC is extended through the issuance of a final order in Petitioner's next general rate case.

13. Both bad debt expense associated with the cost of gas and UAFG shall continue to be tracked and recovered through Petitioner's GCA. The bad debt percentage recovered through the GCA shall be 0.42%. The maximum annual UAFG recovered shall be 0.6%.

14. The volumetric threshold to qualify for Rate 245 shall be lowered to 2,500 dekatherms annually. Petitioner shall file a revised tariff reflecting this change in its compliance filing giving effect to the Settlement upon this Order. A pass-through telemetry charge to recover Petitioner's cost for wireless/cellular service associated with reading meters for such customers shall apply to customers who use between 2,500 and 5,000 dekatherms annually and who migrate to Rate 245. Petitioner's compliance filing shall include the cost support for this telemetry charge.

15. Petitioner shall use commercially reasonable efforts (i) to file a revised tariff reflecting the elimination of the prohibition on imbalance trades on OFO days and (ii) to implement such change within six months of the date of this Order.

16. Petitioner shall revise the language in its tariff with respect to customer deposits as set forth in Section B.7 of the Settlement. Otherwise, the tariff changes as proposed by Petitioner in its case-in-chief are approved.

17. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED: NOV 17 2021**

**I hereby certify that the above is a true  
and correct copy of the Order as approved.**

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**Dana Kosco  
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY, )  
INC. D/B/A VECTREN ENERGY DELIVERY OF )  
INDIANA, INC. (“VECTREN NORTH”) 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 NORTH’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 )  
PLANT IN SERVICE, (6) APPROVAL OF )  
NECESSARY AND APPROPRIATE ACCOUNTING )  
RELIEF, AND (7) APPROVAL OF AN )  
ALTERNATIVE REGULATORY PLAN PURSUANT )  
TO WHICH VECTREN NORTH WOULD CONTINUE )  
ITS CUSTOMER BILL ASSISTANCE PROGRAMS. )

FILED  
June 25, 2021  
INDIANA UTILITY  
REGULATORY COMMISSION

CAUSE NO. 45468

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (the “Settlement Agreement”) is entered into by and among Indiana Gas Company Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren North” or the “Company”), the Indiana Office of Utility Consumer Counselor (“OUCC”), the Vectren North Industrial Group (“Industrial Group”), the Citizens Action Coalition of Indiana, Inc. (“CAC”), and Direct Energy Business Marketing, LLC (“Direct Energy”) (collectively, the “Settling Parties”). The Settling Parties, solely for purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable

resolution of all matters raised in this proceeding, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order without modification or further condition that is unacceptable to any Settling Party. The Settling Parties agree that this Settlement Agreement resolves all disputes, claims and issues arising from the general gas rate case proceeding currently pending in Cause No. 45468 as between the Settling Parties. The Settling Parties agree that Vectren North’s requested relief in this Cause should be granted in its entirety except as expressly modified herein.

**A. Background.**

1. Vectren North’s Current Rates and Charges.

a. Base Rates and Charges. Vectren North’s existing base rates and charges for gas utility service were established in its thirty-day filing #50170, effective June 1, 2018, pursuant to the Commission’s February 16, 2018 Order in Cause No. 45032, its investigation into the impacts on Indiana utilities and customers resulting from the December 22, 2017 Tax Cuts and Jobs Act of 2017 (“TCJA”). The rates approved effective June 1, 2018 reduced Vectren North’s existing base rates and charges for gas utility service established in its most recent retail base rate case order issued on February 13, 2008, in Cause No. 43298.

b. GCA. Pursuant to Ind. Code § 8-1-2-42(g), Vectren North files a quarterly Gas Cost Adjustment (“GCA”) proceeding in Cause No. 37394-GCA-XXX, to adjust its rates to account for fluctuation in its gas costs. Vectren North recovers through its GCA the actual cost of Unaccounted For Gas (“UAFG”) up to a maximum UAFG percentage of 0.8%, which was approved in Vectren North’s



last base gas rate case order in Cause No. 43298. Vectren North also recovers bad debt expense associated with the cost of gas. Vectren North proposes to continue these recoveries through the GCA, as modified by the terms of this Settlement Agreement.

c. EER. Vectren North recovers costs associated with implementing its gas energy efficiency programs through its Energy Efficiency Rider (“EER”), which includes an Energy Efficiency Funding Component (“EEFC”) and a Sales Reconciliation Component (“SRC”) that effectuates the decoupling of Vectren North’s fixed-cost recovery from sales of natural gas to its residential and commercial customers.

d. CSIA. Pursuant to the Commission’s August 27, 2014 Order in Cause No. 44429, Vectren North files a semi-annual proceeding in Cause No. 44430-TDSIC-XX to recover 80% of approved capital expenditures and transmission, distribution, and storage system improvements (“TDSIC”) costs incurred in connection with Vectren North’s eligible TDSIC Projects through its Compliance and System Improvement Adjustment (“CSIA”). The CSIA also includes recovery for approved projects required to comply with federal mandates under Ind. Code ch. 8-1-8.4 (“Compliance Projects”). In addition to the TDSIC component and Compliance component, Vectren North’s current CSIA mechanism includes a component to pass back credits resulting from changes in the Federal tax rates under the TCJA. Vectren North has proposed to remove this component from the CSIA mechanism and include it in a separate tax savings credit rider (“TSCR”).

e. USF. Pursuant to the Commission's Orders in Cause Nos. 42590, 43077/43078, 43669, 44094, 44455 and 45405, Vectren North files an annual compliance filing to recover the unfunded balance in the Universal Service Fund ("USF") from customers receiving service under all rate schedules. In this case, Vectren North has proposed changes to its USF Program, as discussed below.

2. Status of Pending Gas Base Rate Case. On December 18, 2020, Vectren North filed with the Commission its Verified Petition for General Rate Increase and Associated Relief under Ind. Code § 8-1-2-42.7 and Alternative Regulatory Plan under Ind. Code ch. 8-1-2.5 and Notice of Provision of Information in Accordance with the Minimum Standard Filing Requirements ("Petition") in this Cause. Vectren North also filed its prepared testimony and exhibits constituting its case-in-chief on that date. In its Petition, Vectren North included a proposed procedural schedule developed with and agreed to by the OUCC, Industrial Group, and CAC. By Docket Entry issued January 22, 2021 the Commission established the procedural schedule in this case as well as the test year for determining Petitioner's projected operating revenues, expenses, and operating income as the 12-month period ending December 31, 2021. The January 22, 2021 Docket Entry also established the rate base cutoff date at the end of the test year.

**B. Settlement Terms.**

1. Stipulated Base Rate Changes.

a. Phase 1. The Settling Parties agree that Vectren North should be authorized to modify its base rates and charges for natural gas utility service in two steps as described in this Settlement Agreement. The first change in rates will be implemented pursuant to the process set forth in Vectren North's case-in-chief and

will be based on the agreed revenue requirement as adjusted to reflect the original cost of Vectren North's net utility plant in service, actual capital structure, and associated depreciation expense as of June 30, 2021 ("Phase 1"). Following issuance of a Final Order in this Cause approving this Settlement, Phase 1 rates will go into effect upon submission on an interim subject to refund basis pending the 60-day review process as described in Vectren North's case-in-chief.

b. Phase 2. The second change in rates will be implemented pursuant to the process set forth in Vectren North's case-in-chief with the following modification: the Phase 2 update should be limited to rate base, capital structure, depreciation expense, and taxes. The Phase 2 update will be based on the agreed revenue requirement as of December 31, 2021, as adjusted, if necessary, to reflect the lesser of (i) Vectren North's forecasted test-year-end rate base (\$1,610,799,000), or (ii) Vectren North's rate base reflecting certified test-year-end net plant in service as of December 31, 2021 ("Phase 2"). Phase 2 rates will go into effect upon submission on an interim subject to refund basis pending the 60-day review process as described in Vectren North's case-in-chief. Appendix A hereto includes the schedules supporting the calculation of Vectren North's revenue requirement as of December 31, 2021.

2. Revenue Requirement and Net Operating Income.

a. Revenue Requirement. The Settling Parties agree that Vectren North's base rates will be designed to produce a Revenue Requirement of \$608,110,584. This Revenue Requirement is an overall Revenue decrease of

\$5.967 million, which is a decrease of \$26.726 million from the amount originally requested by the Company.

b. Net Operating Income. The Settling Parties agree that Vectren North's Revenue Requirement as stipulated in Paragraph B.2.a results in a proposed authorized net operating income ("NOI") of \$99,225,218.

3. Original Cost Rate Base, Capital Structure and Fair Return.

a. Original Cost Rate Base. The Settling Parties agree that Vectren North's original cost rate base on which it should be permitted to earn a return is \$1,610,799,000.

b. Capital Structure. The Settling Parties agree that Vectren North's authorized Return on Equity should be 9.8%. The Settling Parties agree to an increase to cost-free capital of \$0.692 million to reflect non-interest-bearing customer deposits, as accepted by Vectren North on rebuttal. The Settling Parties also agree to refund customer deposits of \$0.141 million, reflected in the D-Schedules included in Appendix A. Based on the following capital structure, the 9.8% ROE and the cost of debt and zero cost capital as agreed, the overall weighted average cost of capital is computed as follows:

Line	Class of Capital	Reference	Amount (\$000)	Percent	Cost	Weighted Cost
1	Long-Term Debt	SCH D-2	\$ 614,876	36.87%	4.36%	1.61%
2	Preferred Stock	SCH D-3	\$ -	0.00%	0.00%	0.00%
3	Common Equity	SCH D-4	\$ 770,688	46.21%	9.80%	4.53%
4	Cost Free Capital	SCH D-5	\$ 255,666	15.33%	0.00%	0.00%
5	Other Capital	SCH D-5	\$ 26,671	1.59%	1.50%	0.02%
6	Total Capital	Sum of Lines 1 - 5	\$ 1,667,902	100.00%		6.16%

The Settling Parties agree to use Vectren North's methodology to calculate

synchronized interest, adjusted to reflect final changes to capital structure and rate base as described in Paragraph B.1 above.

c. Fair Return. The Settling Parties stipulate and agree that the agreed weighted cost of capital times the stipulated net original cost rate base yields a fair return for purposes of this case. Accordingly, the Settling Parties agree that Vectren North should be authorized a fair return of no more than \$99,225,218 yielding an overall return for earnings test purposes of 6.16% based upon the stipulated original cost rate base, capital structure and ROE as set forth above in this Paragraph 3.

4. Depreciation and Amortization Expense.

a. Depreciation Expense. The Settling Parties stipulate that the depreciation accrual rates recommended by OUCC Witness David J. Garrett based on use of the Average Life Group (“ALG”) methodology and revisions to service lives as presented in Public’s Exhibit No. 6, Attachment DJG-3, should be approved and used in the determination of net plant in service values for calculation of Phase 1 and Phase 2 rates. The Settling Parties’ stipulation to depreciation accrual rates contained herein will result in an increase to the amortization period for the CSIA Program Expense Amortization to 41 years and an increase to the amortization period for the Bare Steel Cast Iron Program Expense Amortization to 37 years.

b. Amortization Expense. The Settling Parties agree to the amortization of regulatory assets for rate case expense, COVID-related expenses, and investment related IT expenses over a period of six (6) years. For rate case

expense, the Settling Parties stipulate that, provided the settlement is uncontested, the total rate case expense to be amortized over the stipulated period is \$1,300,000, reflecting a reduction to annual amortized expense of \$113,333 from that proposed in Vectren North's case-in-chief. If Vectren North files a general rate case before the expiration of the amortization period of six (6) years, any unamortized portion will be rolled into Vectren North's next rate case. If not already addressed by an intervening base rate case order before expiration of the stipulated amortization period, Vectren North agrees to file a revised tariff to remove the annual amortization portion from base rates unless a new general rate case petition is pending at that time.

5. Pro Forma Revenues. The Settling Parties agree that Vectren North's pro forma revenues should be adjusted from its case-in-chief position to include adjustments to FERC Account 487 (Forfeited Discounts) of an increase of \$70,542 and FERC Account 489.2 (Transported Gas Revenue) of an increase of \$115,925, resulting in total pro forma revenues as of the end of the test year of \$608,110,584.

6. Operations & Maintenance Expense. The Settling Parties stipulate to a reduction to Vectren North's total forecasted level of Operations & Maintenance ("O&M") expense presented in its case-in-chief of (\$8,500,000). The Settling Parties further agree to use Vectren North's methodology to calculate other flow-through adjustments to bad debt expense, property tax, IURC fee, utility receipts tax, and income tax resulting from the changes made in the revenue requirement.

7. Customer Deposits. Vectren North agrees to check customer deposits on an annual basis to make sure customers who meet the criteria set forth in 170 Ind. Admin.

Code 5-1-15(g) receive deposits in a timely manner and that Section 18.H of Tariff Sheet No. 57 will be revised to remove the statement that reads: “except that any credit balances less than \$10.00 will not be refunded to Customer unless so requested by Customer.” Vectren North agrees, pursuant to 170 I.A.C. 5-1-15(g)(6), any inactive accounts with customer deposits unclaimed after one year shall be presumed abandoned and treated in accordance with Ind. Code ch. 32-34-1.

8. Future CSIA Filings.

a. Incremental O&M Expense. The Settling Parties agree that in any future semi-annual CSIA filings related to the Compliance Component of the CSIA mechanism, Vectren North will include a breakdown of Incremental O&M Expense (defined below) incurred that is not included in base rates. For purposes of this agreement, “Incremental O&M Expense” to be included in such filings means incremental O&M expense that is the result of a new requirement resulting from a regulation or enhancement of a regulation requiring compliance beginning January 1, 2022 or later (referred to herein as a “New Compliance Requirement”) or other incremental O&M expense that Vectren North demonstrates is not included in the test year forecast in this Cause. Vectren North agrees it will bear the burden of proof in future CSIA proceedings where recovery of Incremental O&M Expense is sought. In furtherance of this requirement, Vectren North will segregate or track separately, through its work order management system, costs included in Incremental O&M Expense. Vectren North agrees to supply detailed testimony in future CSIA filings regarding any New Compliance Requirement for which

Incremental O&M Expense is sought to be recovered, and to demonstrate how such Incremental O&M Expense is not included in base rates.

b. CSIA Allocators. The Settling Parties agree that allocators for the TDSIC Component of Vectren North's CSIA mechanism will be based on total revenues and allocators for the Compliance Component will be based on non-gas revenues. The Settling Parties further agree that these allocators will be by rate class and will not be broken down by storage, transmission, and distribution. The stipulated allocators for each CSIA component will be used for all TDSIC or Compliance Projects (respectively) included in Vectren North's next CSIA as well as TDSIC or Compliance Projects (respectively) added after the CSIA has been approved. Below are the stipulated allocators based on stipulated revenues:

<b>TDSIC Allocation Factors (Based on Total Operating Revenue)</b>				
<b>Class</b>	<b>Revenues at Current Rates</b>	<b>Revenue Increase</b>	<b>Total Revenues</b>	<b>Percent of Total</b>
210	\$ 411,964,319	\$ (1,932,636)	\$ 410,031,683	68.0099%
220/229	\$ 147,164,617	\$ (280,229)	\$ 146,884,388	24.3630%
225	\$ 2,432,805	\$ 159,435	\$ 2,592,240	0.4300%
240	\$ 1,851,888	\$ (45,537)	\$ 1,806,351	0.2996%
245	\$ 13,676,811	\$ (839,302)	\$ 12,837,509	2.1293%
260/270	\$ 31,776,863	\$ (3,029,148)	\$ 28,747,715	4.7682%
<b>Total</b>	<b>\$ 608,867,304</b>	<b>\$ (5,967,418)</b>	<b>\$ 602,899,885</b>	<b>100.0000%</b>
<b>Compliance Allocation Factors (Based on Total Margin Revenues)</b>				
<b>Class</b>	<b>Total Revenues</b>	<b>Less: Gas Costs</b>	<b>Total Margin Revenues</b>	<b>Percent of Total</b>
210	\$ 410,031,683	\$ (174,863,681)	\$ 235,168,002	67.7029%
220/229	\$ 146,884,388	\$ (79,607,880)	\$ 67,276,508	19.3684%
225	\$ 2,592,240	\$ -	\$ 2,592,240	0.7463%
240	\$ 1,806,351	\$ (1,075,558)	\$ 730,793	0.2104%
245	\$ 12,837,509	\$ -	\$ 12,837,509	3.6958%
260/270	\$ 28,747,715	\$ -	\$ 28,747,715	8.2762%
<b>Total</b>	<b>\$ 602,899,885</b>	<b>\$ (255,547,118)</b>	<b>\$ 347,352,767</b>	<b>100.0000%</b>

c.



9. Universal Service Program. The Settling Parties agree to the extension of the Universal Service Program (“USP”), subject to the following conditions:

a. Modification, Review or Termination. The Settling Parties stipulate that each of them shall have the same right as Vectren North to initiate a petition to modify, review or terminate the USP. If the USP is terminated, Vectren North agrees to file a revised tariff to reflect the impact of termination on the USF Rider.

b. Shareholder Contribution. The Settling Parties agree that Vectren North’s shareholder contribution to the USP shall remain at 30% of program costs and any administrative costs shall not be counted towards that amount.

10. Tax Savings Credit Rider (“TSCR”). The Settling Parties agree to Vectren North’s proposed TSCR mechanism as presented in its case-in-chief. Vectren North agrees to provide in each TSCR filing the Excel spreadsheets used to create the Schedules.

11. Energy Efficiency Rider (“EER”) Extension. The Settling Parties agree to the extension of Vectren North’s Energy Efficiency (“EE”) programs, and the EEFC and SRC components of the EER through 2021, and continuation of the EEFC through 2025 and SRC through issuance of a Final Order in the next general rate case.

12. GCA.

a. Bad Debt Expense. The Settling Parties agree to Vectren North’s use of 0.42% as the bad debt percentage collected through the GCA.

b. Unaccounted for Gas (“UAFG”). The Settling Parties agree to lower the maximum annual UAFG percentage from 0.8% to 0.6%.

13. Customer Bill Transparency. Vectren North agrees to include a notation on each customer bill that customers may call its customer service representatives should they want an itemized breakdown of the charges included on their bill. This notation will be on every bill going forward.

14. Tariff Changes. The Settling Parties agree to Vectren North’s proposed tariff changes in its case-in-chief. Vectren North agrees to lower its volumetric threshold to qualify for Rate 245 to 2,500 dekatherms annually; *provided* that a monthly telemetry charge will be added for new transport customers who use between 2,500 and 5,000 dekatherms annually and choose to transport. The telemetry charge will be established as a pass-through charge of Vectren North’s costs for wireless/cellular service associated with reading meters for such customers. As reflected in Vectren North’s rebuttal, Vectren North agrees to eliminate the prohibition of imbalance trades on Operational Flow Order (“OFO”) days. Vectren North will use commercially reasonable efforts to implement within six (6) months of approval by the Commission in this Cause. Vectren North will file a revised tariff reflecting this change in its compliance filing giving effect to this Settlement Agreement upon approval by the Commission.

15. Cost of Service/Cost Allocation. The Settling Parties agree to use Vectren North’s cost of service study without modification.

<b>Rate Class</b>	<b>Revenues at Current Rates</b>	<b>Revenue Increase / (Decrease)</b>	<b>Percent Change</b>
210	\$ 411,964,319.00	\$ (1,932,635.91)	-0.47%
220/229	\$ 147,164,617.13	\$ (280,229.47)	-0.19%
225	\$ 2,432,805.02	\$ 159,435.03	6.55%
240	\$ 1,851,888.45	\$ (45,537.39)	-2.46%
245	\$ 13,676,810.96	\$ (839,302.14)	-6.14%
260/270	\$ 31,776,863.13	\$ (3,029,148.48)	-9.53%
	<b>\$ 608,867,303.69</b>	<b>\$ (5,967,418.37)</b>	<b>-0.98%</b>

16. Rate Design. The Settling Parties agree to the following stipulated customer service charges:

<u>Rate Class</u>	<u>Stipulated Customer Service Charge</u>
210	\$16.50, with the CSIA charge reset after a Final Order of the Commission in this Cause
220/225	As set forth in Vectren North's case-in-chief: Group 1: \$18.25 Group 2: \$49.50 Group 3: \$100.00
240	\$175.00 as set forth in Vectren North's case-in-chief
245	\$205.00 as set forth in Vectren North's case-in-chief
260	\$1,100.00 as set forth in Vectren North's case-in-chief

**C. Effect of Settlement and Procedural Matters.**

1. Scope and Effect of Settlement.

a. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

b. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the

Settling Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

c. The Settling Parties' entry into this Settlement Agreement shall not be construed as a limitation on any position they may take or relief they may seek in other pending or future Commission proceedings not specifically addressed in this Settlement Agreement.

2. Authority to Enter Settlement. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein.

3. Privileged Settlement Communications. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

4. Conditions of Settlement. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

5. Evidence in Support of Settlement. Vectren North and the OUCC shall offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same

in accordance with its terms without any modification. Such supportive testimony will be offered into evidence without objection by any Settling Party. The Settling Parties hereby waive cross-examination of each other's witnesses.

6. Commission Approval. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

7. Proposed Order. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

8. Publicity. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

9. Waiver of Opposition. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

Accepted and Agreed on this 25th day of June, 2021.

(signature page follows)

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

By: 


Indiana Office of Utility Consumer Counselor

*Lorraine Hitz-Bradley UCC*  
By: \_\_\_\_\_

Vectren North Industrial Group

By: \_\_\_\_\_

Direct Energy Business Marketing, LLC

By: 

Citizens Action Coalition of Indiana, Inc.

By: \_\_\_\_\_

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

By: \_\_\_\_\_

Indiana Office of Utility Consumer Counselor

By: \_\_\_\_\_

Vectren North Industrial Group

By:  \_\_\_\_\_

Direct Energy Business Marketing, LLC

By: \_\_\_\_\_

Citizens Action Coalition of Indiana, Inc.

By: \_\_\_\_\_



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

By: \_\_\_\_\_

Indiana Office of Utility Consumer Counselor

By: \_\_\_\_\_

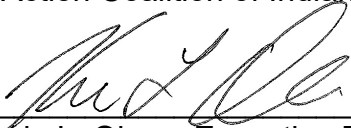
Vectren North Industrial Group

By: \_\_\_\_\_

Direct Energy Business Marketing, LLC

By: \_\_\_\_\_

Citizens Action Coalition of Indiana, Inc.

By:  \_\_\_\_\_  
Kerwin L. Olson, Executive Director