

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 44403 TDSIC-008

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF

April 30, 2018

Respectfully submitted,



Jeffrey M. Reed, Attorney No. 11651-49
Deputy Consumer Counselor

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Chief Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF
CAUSE NO. 44403 TDSIC-8
NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC

I. INTRODUCTION

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

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

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

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

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

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

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

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

16 A: No. Mr. Golden has not recommended any changes that affect Petitioner's
17 calculations, schedules, or cost recovery in this TDSIC.

II. SCHEDULES AND CALCULATIONS

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

19 A: I analyzed Petitioner's TDSIC cost recovery and revenue calculations set forth in
20 Petitioner's Schedules attached to the Verified Petition. Petitioner's Attachment
21 1, Schedules 1 through 11, and Attachment 2, Schedules 1 through 6 contain the
22 necessary elements for calculating the TDSIC rates. I address these Attachments

1 and Schedules as they relate to Petitioner's specific requests for authority and
2 approval below.

3 **TDSIC Rate Schedules**

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

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

18 **Q: Did Petitioner use the new federal income tax rate to calculate its TDSIC-8**
19 **revenue requirement?**

20 A: Yes. Consistent with the Tax Cuts and Jobs Act of 2017, Petitioner applied a
21 21% federal income tax rate to the revenue requirement in this filing. It is the
22 OUCC's expectation that the amount associated with collecting the 35% federal
23 income tax rate during the months of January through June 2018 for TDSIC-7
24 will be reconciled in Petitioner's TDSIC-9 filing. This reconciliation in TDSIC-9

1 is consistent with the Settlement Agreement recently filed in Petitioner's Cause
2 No. 44988.

3 **Customer Class Revenue Allocations**

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

6 A: Yes. In TDSIC-1 and TDSIC-2, Petitioner's customer class allocations were
7 based on margin revenue, without the commodity cost of gas included. However,
8 on page 49 of the Final Order in Cause No. 44403 TDSIC-3 issued on March 30,
9 2016, the Commission found that, "NIPSCO's approved capital expenditures and
10 TDSIC costs should be allocated to the various customer classes based on total
11 revenue, including gas cost revenue, as set forth in the Industrial Group's Exhibit
12 1, Table 2 at 23." Accordingly, in this Cause, the approved allocation percentages
13 are reflected in Petitioner's Attachment 2, Schedule 4. I reviewed and verified the
14 resulting calculation of the TDSIC factors included in Attachment 1, Schedule 7.

15 **2% Cap Test Calculation**

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

18 A: Yes. I traced pertinent numbers to accompanying schedules and verified
19 Petitioner's calculations. This schedule complies with the Commission's
20 interpretation of Ind. Code § 8-1-39-14(a) whereby "The commission may not
21 approve a TDSIC that would result in an average aggregate increase in a public
22 utility's total retail revenues of more than two percent (2%) in a twelve (12)
23 month period." NIPSCO's proposed revenue requirement does not exceed the 2%
24 Retail Revenue Cap for the twelve months ended June 30, 2017.

1 **TDSIC Rate Factors**

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

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

7 **Q: Did NIPSCO reconcile recovery of approved revenue requirements with
8 actual revenue collected?**

9 A: Yes. Petitioner's Attachment 1, Schedule 6 shows the reconciliation of the
10 approved TDSIC-6 revenue requirement with actual revenue collected during the
11 6-month period of July 2017 through December 2017. The reconciliation results
12 in an over-recovery in the amount of \$200,286 as reflected on Petitioner's
13 Attachment 1, Schedule 8. This amount is deducted from the revenue requirement
14 to be collected from customers through the TDSIC rate calculation in this Cause.

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

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

20 **20% Deferral**

21 **Q: Please discuss NIPSCO's proposed treatment of the 20% deferral of TDSIC
22 capital expenditures and costs.**

23 A: Ind. Code § 8-1-39-9(b) provides that twenty percent (20%) of the approved
24 capital expenditures and TDSIC costs, including depreciation, AFUDC, and post
25 in service carrying costs, shall be deferred and recovered as part of the next

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

12 **112th Street Project**

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

16 **A:** Yes. In this Cause, and consistent with the Commission's Order in Cause No.
17 44403 TDSIC-1, Petitioner removed the capital expenditures associated with the
18 112th Street Project that exceeded the estimate provided by NIPSCO in Cause No.
19 44403 from the TDSIC recovery calculations in this Cause. Also consistent with
20 the Commission Order in Cause No. 44403 TDSIC-1, NIPSCO will defer, for
21 recovery in its next base rate case, the depreciation and property tax expense
22 related to the difference between the approved amount and the actual amount of
23 the 112th Street Project. The deferred depreciation expense and property tax
24 expense associated with the 112th Street Project is shown on Petitioner's

1 Attachment 1, Schedule 11.

2 **Rural Extension Margin Credit**

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

6 A: Yes. NIPSCO is authorized to provide a credit in the TDSIC tracker for actual
7 margins received from new customers added under the rural extensions projects,
8 thereby reducing the cost impact to existing customers. NIPSCO will credit 80%
9 of actual margins associated with new customers connected through the rural
10 extension program. In Cause No. 44403 TDSIC-1, Petitioner stated its rationale
11 for the 80% margin credit as follows: "NIPSCO proposes to credit 80% of margin
12 for new rural customers through the gas TDSIC tracker because 80% of the
13 underlying project costs are recovered through the tracker under Ind. Code § 8-1-
14 39-11." (Cause No. 44403 TDSIC-1, Public's Exhibit No. 3, Attachment MHG-
15 6.)

16 **Q: Does Petitioner recognize a rural extension margin credit in this TDSIC-8**
17 **filing?**

18 A: Yes. The rural extension margin credit is reflected on line 6 of Petitioner's
19 Attachment 1, Schedule 5. Per my analysis of Petitioner's records and
20 calculations in this Cause, I agree with the rural extension margin credit shown on
21 Petitioner's Attachment 1, Schedule 5.

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

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

III. CONCLUSION

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

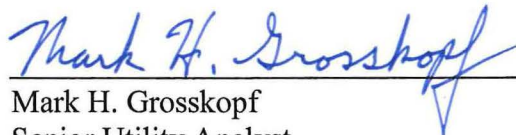
3 A: Petitioner's TDSIC calculation schedules, Attachment 1, Schedules 1-11, and
4 Attachment 2, Schedules 1-6, accurately calculate and track TDSIC costs and rate
5 factors based on NIPSCO's proposal. I recommend approval of the rate factor
6 calculations performed in this Cause. NIPSCO's TDSIC rate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

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

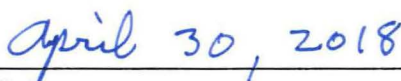
9 A: Yes.

AFFIRMATION

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



Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of Utility Consumer Counsel
Cause No. 44403 TDSIC-008
NIPSCO



Date

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

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

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

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

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

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

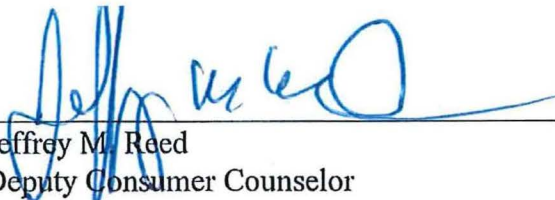
19 A: I reviewed Petitioner's testimony, exhibits and supporting documentation for
20 NIPSCO's case-in-chief, and analyzed Petitioner's responses to OUCC discovery
21 requests. I reviewed Commission Orders for NIPSCO's previous TDSIC filings,
22 and participated in numerous meetings with other OUCC staff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

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1 Testimony of OUCC Witness Mark H. Grosskopf* has been served upon the following counsel of record in the captioned proceeding by electronic service on April 30, 2018.

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