STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

FILED
November 30, 2020
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR (1) APPROVAL OF AN ADJUSTMENT TO ITS ELECTRIC 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 ELECTRIC PLAN, INCLUDING ACTUAL AND PROPOSED ESTIMATED CAPITAL EXPENDITURES AND TDSIC COSTS THAT EXCEED THE APPROVED AMOUNTS IN CAUSE NO. 44733-TDSIC-6, AND (4) AUTHORITY TO MODIFY THE RATEMAKING TREATMENT AUTHORIZED IN CAUSE NO. 44371, ALL PURSUANT TO IND. CODE § 8-1-39-9.	)))))))))))))))))	**CAUSE NO. 44733 TDSIC-7**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
PUBLIC'S EXHIBIT NO. 2
TESTIMONY OF OUCC WITNESS
KALEB G. LANTRIP

November 30, 2020

Respectfully submitted,

Tiffany Murray
Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 44733 TDSIC-7
NORTHERN INDIANA PUBLIC SERVICE COMPANY, LLC

I. INTRODUCTION

Q: Please state your name, business address, and employment capacity.

A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A summary of my educational background and experience is included in Appendix A attached to my testimony.

Q: What is the purpose of your testimony?

A: I address Northern Indiana Public Service Company LLC's ("NIPSCO" or "Petitioner") adjustment to its electric service rates through its Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") rate schedule, and 20% deferral of approved TDSIC costs for recovery in NIPSCO's next general rate case. Ultimately, I recommend the Commission deny NIPSCO's proposal to change how it recovers depreciation and property tax from how it has done so throughout its TDSIC Plan, including denying projected depreciation and property tax expenses of $1,712,468, and approve recovery of $13,403,586 revenue requirement in NIPSCO's TDSIC-7. Likewise, I recommend the Commission deny NIPSCO's proposal to include projected depreciation and property tax expense in its 20% TDSIC cost deferral and approve a total deferral of $3,238,716. Additionally, I recommend the approved TDSIC-7 revenue requirement be allocated using the customer class allocation factors approved in the Commission's Cause No. 45159 Order.

Q: What did you review to prepare your testimony in this Cause?

A: I reviewed NIPSCO's petition, testimony, attachments, and workpapers provided in this filing. I also reviewed the Cause No. 44733 Settlement Agreement ("Settlement Agreement") and the Cause No. 44733 TDSIC-4 Settlement Agreement ("TDSIC-4 Settlement"). In addition, I participated in tech-to-tech conference calls with NIPSCO staff on August 26, 2020, September 16, 2020, October 14, 2020, and October 28, 2020. Finally, I reviewed NIPSCO's responses to OUCC data requests.

II. TDSIC-7

Q: How did Petitioner support its requested TDSIC-7 rate schedule adjustment?

A: Petitioner's TDSIC-7 rate schedule adjustment is based on an 80% tracked and 20% deferred recovery structure, per Ind. Code ch. 8-1-39. As such, in its filing, NIPSCO provided its TDSIC-7 semi-annual revenue requirement to recover a return on investment at 80%, as well as its semi-annual revenue requirement to recover depreciation expense at 80%, and property tax at 80%. NIPSCO's filing provided the TDSIC costs incurred between June 1, 2019 and July 31, 2020 in connection with its transmission, distribution, and storage system improvements to be recovered during the February 2021 through July 2021 billing period.

Q: What costs does Petitioner propose to track in its semi-annual TDSIC-7 filing?

A: Petitioner proposes to track and recover a TDSIC-7 semi-annual revenue requirement totaling approximately $14,242,729. This includes 80% semi-annual revenue requirement for capital totaling $7,205,357, and 80% semi-annual revenue requirement for depreciation and property tax expenses totaling $7,037,372 ($5,669,386 actual reconciliation expenses and $1,712,469 projected expenses). NIPSCO also proposes recovering $882,968 of under-collected revenues for the TDSIC-5 billing period, for an adjusted TDSIC-7 revenue requirement of $15,125,697.

Q: What impact will NIPSCO's TDSIC-7 factor have on a typical residential customer's bill?

A: According to NIPSCO's schedules, a typical residential customer using 1,000 kWh per month will experience a $4.24 charge on their bill, which is an approximate $3.15 increase from the factor currently in effect.[1]

Q: Is NIPSCO's recovery request a departure from how it previously recovered depreciation and property tax expense under this Cause?

A: Yes. NIPSCO witness Erin K. Meece supports NIPSCO's proposal to change how it recovers depreciation and property tax expense; she cites NIPSCO's federally mandated cost adjustment ("FMCA") gas and electric filings in an attempt to validate this new request. She states NIPSCO is requesting similar treatment in its pending gas TDSIC-1 filing under Cause No. 45330.[2] She also states this proposal is intended to reduce regulatory lag.[3]

Q: Does your calculation of 80% of NIPSCO's TDSIC costs match the amount Petitioner proposes tracking?

A: No. As discussed below, I recommend denying NIPSCO's proposal to recover projected property tax and depreciation expenses and recommend adjusting NIPSCO's tracked TDSIC costs accordingly.

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[1] Petitioner's Exhibit No. 2, Direct Testimony of Erin K. Meece, p. 18, lines 3-5.
[2] *Id.*, line 15 through p. 12, line 10.
[3] *Id.*, line 18 through p. 12, line 2.

Q: Are you providing an attachment demonstrating your calculation of recommended rates in the current filing?

A: Yes. Attachment KGL-1 shows my recommended cost recovery of approximately $13,403,586 (or approximately $5,804,047 for residential customers).[4] My calculation includes the semi-annual revenue requirement to recover a return on investment, and a semi-annual revenue requirement to recover depreciation expense applicable to customers during the billing period July 1, 2019 through July 31, 2020. However, I recommend the Commission deny NIPSCO recovery of projected depreciation and property tax expenses of $1,712,468, in which I have excluded such expenses from my calculation.

Q: Why are you recommending the Commission deny NIPSCO's proposal to recover projected depreciation and property tax expenses?

A: There are several reasons why NIPSCO's proposal should be rejected. First and foremost, the cost recovery procedures for NIPSCO's electric TDSIC tracker are governed by the Cause No. 44733 Settlement Agreement's terms. NIPSCO's prior tracker filings in this Cause have been consistent with that Settlement Agreement and approved by the Commission. Permitting NIPSCO to change its cost recovery procedures midway through its 7-Year TDSIC Plan would be improper and serve only to undermine the negotiated compromises made to reach the Settlement Agreement. Much of Indiana's utility regulatory policy is supported by and the result of negotiated settlements; the integrity of the regulatory process is dependent upon them. On its own, adherence to the Settlement

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[4] Attachment KGL-1.

Agreement is reason enough, in my opinion, for the Commission to reject NIPSCO’s proposal.

Second, and in support of my first argument, NIPSCO has offered inadequate support for its proposed cost recovery change. NIPSCO’s FMCA trackers are governed by a separate statute containing provisions that are distinct from the TDSIC statute; therefore, the FMCA cost recovery process should have no bearing on NIPSCO’s existing TDSIC tracker. NIPSCO’s only other stated support for proposing this cost recovery change is that it would serve to reduce regulatory lag. The TDSIC mechanism itself reduces regulatory lag in that it permits a utility to recover eligible investments outside of a base rate case. By making this proposal, NIPSCO simply seeks to further reduce whatever regulatory lag remains, and it does so too late in the TDSIC process and without adequate justification. Even if NIPSCO’s rebuttal evidence in this proceeding were to include more support for why it believes this change should be made, the Commission should reject any new theories proposed in rebuttal as untimely and prejudicial to the OUCC’s review.

Finally, NIPSCO’s proposal to recover depreciation and property tax expense on utility assets not yet in service is inconsistent with ratemaking principles. TDSIC cost recovery should be based on utility plant-in-service where the value and in-service dates of those assets are fixed, known, and measurable. Instead, NIPSCO is proposing to collect depreciation expense and property tax expense on capital investments beyond the cut-off date of July 31, 2020, based on estimated plant-in-service completion dates. While NIPSCO may project that it will add certain utility assets to plant during the recovery period, it is unknown if it will actually do so, and it would be inappropriate to require customers to fund this uncertainty. NIPSCO’s request to recover forecasted depreciation and property expense is unlike any other TDSIC filing of which I am aware and inconsistent with standard ratemaking principles. NIPSCO's proposed change to how it recovers depreciation and property tax expense should be rejected, and its prior methodology for recovering these expenses should remain in place for the duration of the remaining years of its 7-Year TDSIC Plan.

Q: How does your adjustment to NIPSCO's TDSIC-7 factor affect a typical residential customer's bill?

A: My adjustment removing the prospective CWIP portion of projected depreciation and property tax expense results in a $3.72 charge on the bill of a typical residential customer using 1,000 kWh a month. This is a $2.64 increase from the factor currently in place, and $0.52 less than Petitioner's requested factor.[5]

III. DEFERRED TDSIC COSTS

Q: Did NIPSCO provide its proposed 20% deferred TDSIC cost amount it anticipates recovering in its next base rate case?

A: Yes. NIPSCO provided its 20% deferred semi-annual revenue requirement calculation of $3,666,834 in Petitioner's Attachment 1, Sch. 10. This calculation includes 20% deferred recovery of its return on capital ($906,163), return on post-in-service carrying costs ("PISCC") ($538,354), actual depreciation and property tax expenses ($1,331,226), projected depreciation and property tax expenses ($428,117), and carrying charges ($462,974).

Q: Do you agree with NIPSCO's calculation of deferred TDSIC costs?

A: No. For the reasons outlined in the previous section, I recommend denying NIPSCO's proposal to include projected depreciation and property tax expenses in its TDSIC filing.

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[5] See Attachment KGL-1.

Therefore, I also recommend NIPSCO's 20% deferred TDSIC costs exclude projected depreciation and property tax expenses. Adjusting the 20% deferral to remove the amount associated with projected depreciation and property tax expenses results in a total TDSIC-7 regulatory deferral of $3,238,716.

IV. RECONCILIATION PERIOD

Q: Does this filing have a longer reconciliation period than past TDSIC updates in this Cause?

A: Yes. Due to the implementation of NIPSCO's new base rates in Cause No. 45159, completed projects in the TDSIC Plan have been rolled into base rates as of the end of 2019. To comply with the TDSIC statute under Ind. Code § 8-1-39-9(d), which prohibits a utility from filing a TDSIC cost recovery petition within nine months after the date on which it receives new basic rates and charges, the reconciliation period in this filing covers a longer timeframe than has been used in NIPSCO's prior TDSIC updates. The longer reconciliation period also accounts for the magnitude of the TDSIC rate increase from the current factor's billed rates.

V. OUCC RECOMMENDATIONS

Q: What does the OUCC recommend regarding NIPSCO's proposed recovery in this proceeding?

A: For the reasons described above, the OUCC recommends the Commission deny NIPSCO's proposal to change how it recovers depreciation and property tax from how it has done so throughout its TDSIC Plan. Denying projected depreciation and property tax expenses results in a reduction to NIPSCO's TDSIC-7 revenue requirement of $1,712,468. The OUCC recommends the Commission approve recovery of a $13,403,586 revenue requirement in NIPSCO's TDSIC-7. Likewise, the OUCC recommends the Commission deny NIPSCO's proposal to include projected depreciation and property tax expense in its 20% TDSIC cost deferral. Removing projected depreciation and property tax expense from the 20% TDSIC cost deferral results in a total deferral of $3,238,716. The approved TDSIC-7 revenue requirement should be allocated using the customer class allocation factors the Commission approved in NIPSCO's recent base rate case, Cause No. 45159.

Q: Does this conclude your testimony?

A: Yes.

APPENDIX A

Q: Please describe your educational background and experience.

A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a Bachelor of Science in Business with majors in Accounting and Finance. I am licensed in the State of Indiana as a Certified Public Accountant. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Spring 2018 Conference held by New Mexico State University and the Intermediate Course Fall 2019 conference held by the Institute of Public Utilities at Michigan State University. In September 2019, I attended the annual Society of Depreciation Professionals conference held in Philadelphia and the Basics of Depreciation course.

Q: Have you previously testified before the Commission?

A: Yes.

Q: Please describe your duties and responsibilities at the OUCC.

A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility Regulatory Commission ("Commission"). My scope of review is typically focused on accounting and utility ratemaking issues. This involves reading testimonies of petitioners and intervenors, previous orders issued by the Commission, and any appellate opinions to inform my analyses. I prepare and present testimony based on these analyses and make recommendations to the Commission on behalf of Indiana utility consumers.

AFFIRMATION

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

Kaleb G. Lantrip

Kaleb G. Lantrip
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 44733 TDSIC-07
NIPSCO, LLC

Date: November 30, 2020

Northern Indiana Public Service Company
Cause No. 44733 TDSIC-7
OUCC Calculation of Transmission, Distribution, and Storage System Improvement Charge (TDSIC) - Capital & Expense
February 2021 through July 2021

Line No.	TDSIC Components	Total Transmission and Distribution		Approved Allocation Residential Customers	
	Revenue Requirements - Capital				
1	Plant Additions to Date	$160,953,983			
2	Cost of Capital	6.40%			
3	Annual Return Requirement (Line 1 x Line 2)	10,301,055			
4	Semi-Annual Revenue Requirement (Line 3 x 50%)	5,150,527			
5	Less: LED Street Lighting Revenue (Return on Capital)	619,712			
6	Subtotal Semi-Annual Revenue Requirement (Line 4 + Line 5)	4,530,815			
7	Less: Deferred Semi-Annual Revenue Requirement (Line 6 x 20%)	906,163			
8	Adjusted Semi-Annual Revenue Requirement (80%)	3,624,652			
9	Revenue Conversion Factor	1.245056			
10	Semi-Annual Rev. Req. Adjusted for Taxes/Return on Capital	$4,512,896			
	Revenue Requirement - PISCC				
11	Rev. Req. Post In-Service Carrying Costs (July 2019 through July 2020)	$2,691,773	(1)		
12	Less: Deferred Semi Annual Rev. Req. - Adj for TDSIC-5 Return on Capital and PISCC (Line 11 x 20%)	538,355			
13	Adjusted Semi-Annual Rev. Req. - PISCC (80%)	2,153,418			
14	Semi-Annual Rev. Req. - PISCC Adjusted for Taxes	2,692,460			
15	Subtotal Semi-Annual Capital and PISCC Revenue Requirement (Line 10 + Line 14)	$7,205,357			
	Revenue Requirement - Expense				
16	Actual Depreciation and Property Tax Expense (July 2019 through July 2020)	$6,656,129			
17	Projected Depreciation and Property Tax Expense (February 2021 through July 2021)	$0			
18	Less: Deferred Revenue Requirement - Expense (Line 16 x 20%)	1,331,226			
19	Adjusted Semi-Annual Rev. Req. - Expense (80%)	5,324,903			
	Total Revenue Requirement Adjusted for Prior Period Variance				
20	Subtotal Semi-Annual Revenue Requirement (Line 15 + Line 19)	$12,530,260		$5,804,047	
21	Total Prior Period Variance	873,326		(19,888)	
22	Total TDSIC-7 Revenue Req. Adjusted for Prior Period Variance (Line 20 + Line 21)	13,403,586	(2)	5,784,159	(3)
23	Estimated Kilowatt Hour Sales for February 2021 through July 2021	7,276,466,155		1,553,256,975	
24	Total TDSIC-7 per kWh (Line 24/Line 25)			$0.003724	
25	Current TDSIC Factor per Cause No. 44733			0.001087	
26	Increase/(Decrease) TDSIC Factor (Line 26 - Line 27)			$0.002637	
27	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 28 x 1000 kWh per month)			$ 2.64	

(1) Excludes LED Street Lighting Revenue (Return on Expense) billed through Rate 750 for the respective historical period per the Settlement in Cause No. 44733 and the Order in Cause No. 44733- TDSIC-1-S1
(2) Slight difference from Petitioner due to rounding
(3) Reflects 53.48% distribution allocation and 36.64% transmission allocation for residential customers approved in NIPSCO base rate case, Cause No. 45159. Slight difference due to rounding.

CERTIFICATE OF SERVICE

This is to certify that a copy has been served upon the following parties of record in the captioned proceeding by electronic service on November 30, 2020.

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