

OFFICIAL
EXHIBITS

STATE OF INDIANA

FILED
October 25, 2018
INDIANA UTILITY
REGULATORY COMMISSION

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; (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-3, ALL PURSUANT TO IND. CODE § 8-1-)
39-9; AND (4) APPROVAL OF PETITIONER'S RETURN)
OF EXCESS INCOME TAX REVENUE RECOVERED)
THROUGH ITS BASE RATES BETWEEN JANUARY 1)
AND APRIL 30, 2018 THROUGH ITS TDSIC FACTOR.

CAUSE NO. 44733-
TDSIC-4

IURC
PUBLIC'S
EXHIBIT NO. 1-5
11-8-18
DATE REPORTER

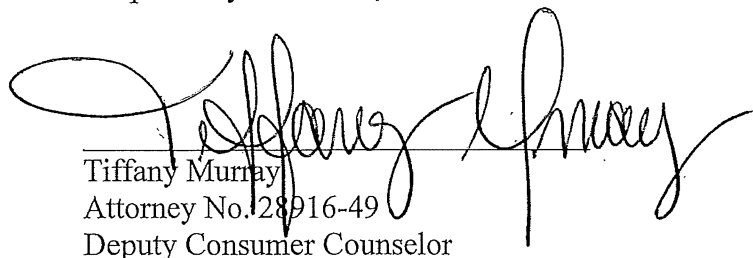
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SETTLEMENT TESTIMONY OF

ANTHONY A. ALVAREZ – PUBLIC'S EXHIBIT NO. 1S

OCTOBER 25, 2018

Respectfully submitted,


Tiffany Murray
Attorney No. 28916-49
Deputy Consumer Counselor

SETTLEMENT TESTIMONY OF OUCC WITNESS ANTHONY A. ALVAREZ
CAUSE NO. 44733 TDSIC-4
NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC

I. INTRODUCTION

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

2 A: My name is Anthony A. Alvarez, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility
4 Analyst in the Electric Division of the Indiana Office of Utility Consumer
5 Counselor ("OUCC"). I describe my educational background in Appendix AAA to
6 my testimony.

7 **Q: Did you submit direct testimony in this Cause?**

8 A: Yes.

9 **Q: What is the purpose of your settlement testimony?**

10 A: My settlement testimony supports the Stipulation and Settlement Agreement
11 ("Settlement") reached by and between Northern Indiana Public Service Company
12 LLC ("Petitioner" or "NIPSCO") and the OUCC (collectively, the "Settling
13 Parties"). The Agreement resolves all issues between the Settling Parties in this
14 Cause. To highlight why the public interest is served by the Agreement, my
15 testimony focuses on the differences between NIPSCO's and the OUCC's cases-
16 in-chief, and details how the Settlement Agreement resolves these issues.

17 My direct testimony recommended the Commission find \$123.5 million in
18 estimated project costs from NIPSCO's Plan Update-4 as ineligible for TDSIC cost
19 recovery because I believed these costs were associated with multiple-unit-projects,
20 which are now excluded from TDSIC recovery based upon the Indiana Supreme

1 Court opinion issued on June 20, 2018 in Case No. 18S-EX-334.¹ However, based
2 upon further explanation provided in the rebuttal testimony of NIPSCO witness Mr.
3 Charles Vamos and through settlement discussions with NIPSCO, I support
4 eliminating only \$59,561,459² in estimated project costs for future recovery from
5 NIPSCO's 7-Year Plan, based upon the terms in the Settlement Agreement. My
6 settlement testimony below explains the basis for this resolution in more detail and
7 emphasizes the ratepayer benefits generated by the Settlement Agreement.

II. SUMMARY OF SUPREME COURT OPINION AND CONTESTED ISSUES

8 **Q: What did your direct testimony state concerning the June 20, 2018 Supreme**
9 **Court Opinion on multiple-unit-projects?**

10 A: In my direct testimony, I highlighted the Indiana Supreme Court's findings in its
11 June 20, 2018 opinion, which found that multiple-unit-projects described using
12 ascertainable criteria are not eligible for TDSIC cost treatment ("Supreme Court
13 Opinion").³ In particular, the Court found:

14 We conclude the TDSIC Statute does not apply to project categories
15 or multiple-unit projects described using ascertainable criteria. The
16 Statute requires the Commission to "designate" eligible projects in
17 a threshold seven-year plan under Section 10. The only
18 interpretation of "designate" that satisfies the dual statutory
19 requirements of particularity and cost justification is one requiring
20 projects to be identified with specificity from the outset. In addition,
21 Section 9 "update" petitions enable the utility to obtain rate
22 adjustments as it completes the approved projects and incurs the
23 additional budgeted costs. The only projects consistent with Section

¹ Modified on Rehearing on September 25, 2018.

² Total estimated project cost associated with DLCP1 – Circuit Performance Improvement Project and DLWP1 – Pole Replacement Projects – Distribution from Cause No. 44733 net of costs recovered in TDSIC-1, -2, and -3.

³ See *NIPSCO Ind. Grp. v. NIPSCO*, Case No. 18S-EX-334, Modified on Rehearing, September 25, 2018, Slip Op. 10 -11.

10's preapproval requirement are those the utility specified at the beginning of the plan, and not "new" projects or those requiring the passage of time to specify later. The Commission erred when it authorized multiple-unit-project categories in a Section 10 proceeding and approved NIPSCO's later specification of projects under Section 9.

See NIPSCO Ind. Grp. v. NIPSCO, Case No. 18S-EX-334, Modified on Rehearing, September 25, 2018, Slip Op. 10 -11.

Q: Did NIPSCO's direct testimony address the Supreme Court Opinion?

A: No. However, in response to OUCC discovery issued before the OUCC filed its direct case, NIPSCO stated it "considers the Circuit Performance Improvement project to be a multiple unit project."⁴ For the remainder of the projects in its 7-Year Plan, NIPSCO stated it has "'designated' each specific project and each asset...."⁵

Q: How did your direct testimony apply the Supreme Court Opinion to NIPSCO's Plan Update-4?

A: Based on my understanding of the Supreme Court Opinion and my technical expertise in project management and engineering, I analyzed NIPSCO's Plan Update-4 and identified seven projects that I considered to be multiple-unit,⁶ as I did not believe these projects were adequately designated with specificity in NIPSCO's 7-Year Plan filing in Cause No. 44733. NIPSCO's Plan Update-4 shows these projects are estimated to cost, in total, \$111,454,649. I recommended the total

⁴ Attachment AAA-4, NIPSCO's response to OUCC Request 3-010.

⁵ *Id.*

⁶ Those seven projects are: (1) TSNRS4 – Substation Deliverability Projects – Transmission; (2) TLNRL5 – Line Deliverability Projects – Transmission; (3) DSNRS10 – New Distribution Substation; (4) DSNRS11 Substation Deliverability Projects – Distribution; (5) DLCP1 Circuit Performance Improvement Projects – Distribution; (6) DLWP1 Pole Replacement Projects – Distribution, and; (7) DLNRL19 Line Deliverability Projects – Distribution.

1 estimated project cost be removed from the Plan. The OUCC did not seek to modify
2 the revenue requirements approved in Cause Nos. 44733 TDSIC-1, -2, or -3,
3 because it was not the OUCC's intention to claw back any funds NIPSCO had
4 already collected for these multiple-unit-projects, as doing so would be inconsistent
5 with the Supreme Court Opinion.⁷

6 In addition, my direct testimony identified four (4) "new" projects in
7 NIPSCO's Plan Update-4,⁸ which I testified were previously included within a
8 multiple-unit-project category and now ineligible for TDSIC recovery. These four
9 projects show a total estimated cost of \$12,076,460 in NIPSCO's Plan Update-4.
10 All in all, in my direct testimony, I recommended disallowance of \$123,531,109 in
11 total project cost estimates from NIPSCO's Plan Update-4 request.

12 **Q: Please describe NIPSCO's response in its rebuttal testimony.**

13 A: Except for the Circuit Performance Improvement project, NIPSCO opposed my
14 recommendation to disallow future TDSIC project cost recovery for each of the
15 remaining six projects I recommended removing from Plan Update-4 because of
16 the Supreme Court Opinion. NIPSCO's witness Vamos stated that each of the
17 remaining projects "have all been identified and designated in NIPSCO's Electric

⁷ "To be sure, the Industrial Group's failure to appeal the TDSIC-3 order does mean, as the Group acknowledges, that specific projects identified and approved in TDSIC-3 are beyond challenge." Slip Op. at 15 – 16.

⁸ (1) TSNRS15 New/Rebuild Substation – Munster 345/138kV Transformer Upgrade; 35404-22 BKR; #2 XFR 138kV & 13894-#2 XFR; (2) TLNRL14 Circuit 6972 Rebuild – South Chalmers to South Prairie; (3) DSNRS21 Replace Transformer – Hokey Creek #1 and #2 69/12kV, and; (4) DLNRL45 Circuit Rebuild Wakarusa 1291 Tap.

1 7-Year TDSIC Plan since its inception in Cause No. 44733.” (Petitioner’s Exhibit
2 No. 3, page 2.)

3 Mr. Vamos explained how NIPSCO “described, identified, and designated”
4 each of the six projects in its Asset Registers submitted in Cause No. 44733,
5 including the “name and location of the projects/assets, anticipated year of
6 execution, and a cost estimate” or in the instance of proposed new substations, “the
7 location of the new substation was identified, the estimated year of completion was
8 identified, and the cost of the project was also based upon parametric estimates.”
9 (*Id.* at 14 - 17.) Regarding NIPSCO’s Pole Replacement Project - Distribution, Mr.
10 Vamos’ rebuttal made a “distinction” between the *inspection* of NIPSCO’s
11 distribution poles and the *post-inspection work* NIPSCO undertakes. Mr. Vamos
12 argued that each pole to be inspected and the costs associated with each inspection
13 was specifically identified and therefore, recoverable in the TDSIC. But he
14 conceded that, if the Commission were to determine that the post-inspection
15 activity is not “specific enough to have been ‘designated’ by NIPSCO” then, at
16 most, post-inspection costs should be disallowed from recovery. (*Id.* at 17 – 18.)

17 In responding to my testimony on “new” projects, Mr. Vamos detailed how
18 NIPSCO assigns Project ID numbers, in which he explained that as the Plan
19 progresses, assets are taken from their individual Asset Register and placed into
20 individual, more granular projects. He stated that NIPSCO can track each
21 asset/project listed in its Asset Register from Cause No. 44733 from beginning-to-
22 end and can tie-out how each asset moves from a project category into a new Project

1 ID. He provided an example of a project identified in the Deliverability and
2 Condition Based Asset Register in Cause No. 44733 and how that project was
3 assigned a Project ID in TDSIC-4. Mr. Vamos also testified that assigning a Project
4 ID in a TDSIC proceeding is not an action to create a new project or select a
5 previously unidentified project from a list, but an administrative tracking tool. (*Id.*
6 at 19 – 24.)

III. SETTLEMENT AGREEMENT

7 **Q: Please provide an overview of the Settlement Agreement.**

8 A: As demonstrated by the summary above, NIPSCO and the OUCC did not agree on
9 how the Supreme Court Opinion should be applied to NIPSCO's Plan Update-4.
10 Prior to further explanation from NIPSCO, the OUCC wanted to apply the Supreme
11 Court Opinion in a broader manner than NIPSCO, finding more projects it deemed
12 were inadequately identified in NIPSCO's 7-Year Plan case, Cause No. 44733.
13 NIPSCO only agreed that its Circuit Performance Improvement project fell within
14 the Indiana Supreme Court's rejection of multiple-unit-projects based on
15 ascertainable planning criteria, and all other projects the OUCC proposed to
16 eliminate were adequately identified from the outset. In settlement, the Parties have
17 agreed to a compromise result they believe complies with the Indiana Supreme
18 Court's interpretation of the TDSIC Statute, and the Cause No. 44733 Settlement
19 Agreement.

20 **Q: What is the central agreement of the Settling Parties?**

21 A: As shown in Paragraph 2(d), the Settlement Agreement provides for removal of the
22 NIPSCO's Circuit Performance Improvement Projects - Distribution and Pole

1 Replacement Projects – Distribution from its 7-Year TDSIC Plan on a going-
2 forward basis. The Settlement reflects NIPSCO's agreement that these projects do
3 not comply with the Supreme Court Opinion, which concluded that multiple-unit-
4 projects based on ascertainable planning criteria are not eligible for TDSIC cost
5 recovery. The Settlement clarifies that the removal of these projects is prospective,
6 and that the Agreement does not adjust NIPSCO's TDSIC-1, -2, -3 revenue
7 requirements for multiple-unit-projects.

8 The Settlement further provides that the five remaining projects identified
9 in my direct testimony will remain in NIPSCO's 7-Year Plan, as well as the projects
10 I identified as "new" to TDSIC-4. Based on review of the details NIPSCO provided
11 in its rebuttal testimony, the OUCC agrees that these projects were adequately
12 identified in NIPSCO's 7-Year Plan in Cause No. 44733 such that TDSIC cost
13 recovery for these projects complies with the TDSIC Statute and the Supreme Court
14 Opinion.

15 As a result of this Settlement Agreement, NIPSCO witness Kevin Blissmer
16 sponsors revised TDSIC-4 factors, which reflect removal of any costs associated
17 with its Circuit Performance Improvement - Distribution and Pole Replacement -
18 Distribution Projects. The Settling Parties request that these factors be approved
19 and implemented.

20 **Q: Is the Settlement in the public interest?**

21 A: Yes. On its face, the Settlement results in a reduction to the total spend of
22 NIPSCO's 7-Year Plan, reducing its cap from \$1.25 billion to \$1.19 billion. This
23 creates ratepayer savings. The Settlement also provides for complete resolution of

1 the contested issues, generating regulatory certainty of TDSIC treatment going
2 forward. Further, the Settlement Agreement harmonizes NIPSCO's 7-Year Plan
3 with the Supreme Court Opinion, and complies with the TDSIC statute. Ratepayers
4 benefit from reduced litigation and the efficiencies created by agreed resolutions.

IV. RECOMMENDATIONS

5 **Q: What do you recommend?**

6 A: I recommend the Commission approve the Settlement Agreement reached in this
7 Cause, approve NIPSCO's Plan Update-4, as modified by this Agreement, and
8 approve the revised TDSIC-4 factors.

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

10 A: Yes.

APPENDIX AAA

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

2 A: I hold an MBA from the University of the Philippines (“UP”), in Diliman, Quezon
3 City, Philippines. I also hold a Bachelor’s Degree in Electrical Engineering from
4 the University of Santo Tomas (“UST”), in Manila, Philippines.

5 I joined the OUCC in July 2009, and have completed the regulatory studies
6 program at Michigan State University sponsored by the National Association of
7 Regulatory Utility Commissioners (“NARUC”). I have also participated in other
8 utility and renewable energy resources-related seminars, forums, and conferences.

9 Prior to joining the OUCC, I worked for the Manila Electric Company
10 (“MERALCO”) in the Philippines as a Senior Project Engineer responsible for
11 overall project and account management for large and medium industrial and
12 commercial customers. I evaluated electrical plans, designed overhead and
13 underground primary and secondary distribution lines and facilities, primary and
14 secondary line revamps, extensions and upgrades with voltages up to 34.5 kV. I
15 successfully completed the MERALCO Power Engineering Program, a two-year
16 program designed for engineers in the power and electric utility industries.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read 'Anthony A. Alvarez', is written over a horizontal line.

Anthony A. Alvarez
Utility Analyst
Indiana Office of Utility Consumer Counselor

October 25, 2018

Date

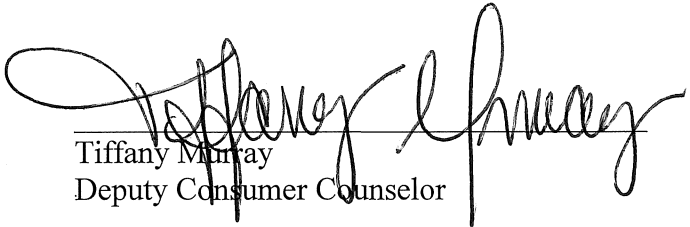
Cause No. 44733 TDSIC-4
NIPSCO

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *OUCC Testimony of Anthony A. Alvarez* *Public's Exhibit No. 1S* has been served upon the following counsel of record in the captioned proceeding by electronic service on October 25, 2018.

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