

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE)
COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7,)
8-1-2-61, AND, 8-1-2.5-6 FOR (1) AUTHORITY TO MODIFY)
ITS RETAIL RATES AND CHARGES FOR ELECTRIC)
UTILITY SERVICE THROUGH A PHASE IN OF RATES;)
(2) APPROVAL OF NEW SCHEDULES OF RATES AND)
CHARGES, GENERAL RULES AND REGULATIONS, AND)
RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL)
OF A NEW RIDER FOR VARIABLE NONLABOR O&M)
EXPENSES ASSOCIATED WITH COALFIRED)
GENERATION; (4) MODIFICATION OF THE FUEL COST)
ADJUSTMENT TO PASS BACK 100% OF OFF-SYSTEM)
SALES REVENUES NET OF EXPENSES; (5) APPROVAL)
OF REVISED COMMON AND ELECTRIC)
DEPRECIATION RATES APPLICABLE TO ITS)
ELECTRIC PLANT IN SERVICE; (6) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, INCLUDING BUT NOT LIMITED TO)
APPROVAL OF (A) CERTAIN DEFERRAL MECHANISMS)
FOR PENSION AND OTHER POSTRETIREMENT)
BENEFITS EXPENSES; (B) APPROVAL OF)
REGULATORY ACCOUNTING FOR ACTUAL COSTS OF)
REMOVAL ASSOCIATED WITH COAL UNITS)
FOLLOWING THE RETIREMENT OF MICHIGAN CITY)
UNIT 12, AND (C) A MODIFICATION OF JOINT)
VENTURE ACCOUNTING AUTHORITY TO COMBINE)
RESERVE ACCOUNTS FOR PURPOSES OF PASSING)
BACK JOINT VENTURE CASH, (7) APPROVAL OF)
ALTERNATIVE REGULATORY PLANS FOR THE (A))
MODIFICATION OF ITS INDUSTRIAL SERVICE)
STRUCTURE, AND (B) IMPLEMENTATION OF A LOW)
INCOME PROGRAM; AND (8) REVIEW AND)
DETERMINATION OF NIPSCO'S EARNINGS BANK FOR)
PURPOSES OF IND. CODE § 8-1-2-42.3.)

CAUSE NO. 45772

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 9

TESTIMONY OF KALEB G. LANTRIP

JANUARY 20, 2023

Respectfully submitted,

A rectangular box containing a handwritten signature in black ink. The signature appears to be 'K. Earls' written in a cursive style.

Kelly Earls, Attorney No. 29653-49
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TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 45772
NORTHERN INDIANA PUBLIC SERVICE COMPANY, LLC

I. INTRODUCTION

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

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

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

8 A: I reviewed Northern Indiana Public Service Company, LLC's (hereafter referred
9 to as "Petitioner" or "NIPSCO") proposed adjustments to its Line Locate
10 Expense, Federally Mandated Cost Adjustment ("FMCA") amortization and rate
11 base portions, and Transmission Distribution and Storage System Improvement
12 Charge ("TDSIC") amortization and rate base portions. I provide
13 recommendations regarding these adjustments.

14 **Q: Please describe the review and analysis you conducted in order to prepare**
15 **your testimony.**

16 A: I read NIPSCO's petition, relevant witnesses' testimony on the aforementioned
17 riders' treatment, attachments, and workpapers. Also, I reviewed the data requests

1 parties submitted to NIPSCO and NIPSCO's responses for supporting
2 documentation and clarifying explanations of NIPSCO's requests.

3 **Q: To the extent you do not address a specific item in your testimony, should it**
4 **be construed to mean you agree with NIPSCO's proposal?**

5 A: No. My silence regarding any topics, issues, or items NIPSCO proposes does not
6 indicate my approval of those topics, issues, or items. Rather, the scope of my
7 testimony is limited to the specific items addressed herein.

II. LINE LOCATE EXPENSE ADJUSTMENT

8 **Q: What adjustment is NIPSCO proposing for line location expenses?**

9 A: NIPSCO Witness Talbot supports embedding an annual amount of line locate
10 expenses into base rates, using a four-year average derived from year-to-year
11 variances in line locate tickets for the period 2017 through 2021. This four-year
12 average would forecast a growth rate of 11.75%.¹ Petitioner lists this adjustment
13 as "OM 2G."² The historic test year of 2021 was an actual line locate expense of
14 \$2,573,972, and NIPSCO's forecasted 2023 line locate expense would be
15 \$4,657,357.

16 **Q: Do you agree with NIPSCO's recommended adjustment for line location**
17 **expenses?**

18 A: No. NIPSCO's 4-year average uses a base year of 2017 for comparison of a
19 growth rate and the escalation in field executed tickets between 2017 and 2018
20 weights the average growth substantially in recommending the 11.75% 4-year
21 average. In reviewing NIPSCO's other O&M adjustments, NIPSCO's use of 2017

¹ Petitioner's Confidential Exhibit No. 9, Direct Testimony of Ronald E. Talbot, p. 49, l. 11 through p. 50, l. 8. See also Petitioner's Confidential Exhibit No. 22-S2, pp. 459-469.

² Petitioner's Exhibit No. 3, Direct Testimony of Jennifer L. Shikany, Attachment 3-C-S2, page 40.

1 data here is an outlier, in that NIPSCO does not appear to consider it a relevant
2 year upon which to base its other adjustments. Therefore, 2017 should be
3 excluded as NIPSCO's use of the 2017 data for this adjustment is inconsistent
4 with all other O&M adjustments. If NIPSCO used a three-year average, with 2018
5 being the base year of comparison, the average field ticket volume would create a
6 5.58% forecasted growth and a 2023 forecasted line locate expense of \$4,165,663.
7 Therefore, I recommend the use of a three-year average, which would reduce
8 NIPSCO's adjustment OM 2G by (\$491,694).³

III. FMCA ADJUSTMENTS

9 **Q: What is NIPSCO's forecasted rate base impact for FMCA costs?**

10 A: NIPSCO is proposing adjustment RB 11, with a ratemaking impact of a \$545,389
11 increase to rate base. This amount includes \$146,440 of legacy FMCA costs
12 which fell outside the reconciliation period of the previous rate case (Cause No.
13 45159). Additionally, NIPSCO has forecasted \$398,949 of FMCA costs if its
14 pending Certificate of Public Convenience and Necessity ("CPCN") petition for
15 coal ash remediation costs under Cause No. 45700 is approved.⁴

16 **Q: Do you agree with NIPSCO's proposed RB 11 adjustment?**

17 A: Not completely. I do not object to the inclusion of the \$146,440 of legacy FMCA
18 costs, as this amount has already been approved by the Commission as a deferred
19 cost eligible for inclusion in base rates. However, the \$398,949 portion is from the
20 pending Cause No. 45700 case, where the OUCC's position was that the coal ash

³ Workpaper KGL-1.

⁴ Petitioner's Exhibit No. 4, Direct Testimony of Kevin J. Blissmer, p. 16, l. 5 through p. 17, l. 4

1 remediation costs could be handled in base rates with an adjustment to
2 depreciation rates.⁵ Because this amount has not been approved by the
3 Commission, I do not agree with its inclusion in the RB 11 adjustment.

4 **Q: Does NIPSCO propose any other adjustments due to FMCA costs?**

5 A: Yes. NIPSCO is proposing the annual amortization expense adjustment AMTZ 6
6 for \$153,661, which is the forecasted 20% deferred amount available if the Cause
7 No. 45700 FMCA CPCN petition is approved by the Commission. NIPSCO is
8 proposing to amortize this balance over a 4-year period.⁶ The regulatory asset
9 balance to be amortized over 4 years is derived from the above RB 11 adjustment
10 grossed up for 2023 tax impact.⁷

11 **Q: Do you agree with NIPSCO's proposed adjustment AMTZ 6?**

12 A: No. As stated above, this adjustment is predicated on the Commission's approval
13 of the Cause No. 45700 CPCN. And the OUCC's position was that the costs of
14 removal in that filing would be better addressed through a depreciation study
15 adjustment to rates. Additionally, until Cause No. 45700 is concluded, and an
16 order issued, any amounts related to this cause are purely speculative and should
17 not be approved in this proceeding.

IV. TDSIC ADJUSTMENTS

18 **Q: What is NIPSCO's forecasted rate base impact due to TDSIC costs?**

19 A: NIPSCO is proposing adjustment RB 10, with a ratemaking impact to base rates
20 of \$24,558,486. This is composed of legacy TDSIC costs of \$5,528,538 which

⁵ Attachment KGL-1: Cause No. 45700, Public's Exhibit No. 3, Testimony of Kaleb G. Lantrip, p. 8, ll. 7-19.

⁶ Shikany Direct, p. 71, ll. 5-19.

⁷ Petitioner's Confidential Ex. 22-S2, pp. 635-640.

1 fell outside the reconciliation period of the previous rate case (Cause No. 45159).⁸
2 Additionally, there is a forecasted increase for 2022's year-over-year of
3 \$7,298,503 and an increase for 2023 of \$11,731,445, which includes the transition
4 to billing under the current TDSIC Plan, Cause No. 45557, on August 1, 2022.
5 The total projected balance for the year ended December 2023 is \$24,558,486.

6 **Q: Do you agree with NIPSCO's proposed RB 10 adjustment?**

7 A: Yes, subject to NIPSCO's revisions at the end of the forecasted 2023 test year for
8 actual deferred 20% portion of the TDSIC plan, the Commission has given
9 approval of this recovery under Indiana Code § 8-1-39-9.

10 **Q: Does NIPSCO propose any other adjustments due to TDSIC costs?**

11 A: Yes. NIPSCO proposes to amortize the RB 10 balance, grossed up for 2023 taxes,
12 over a 4-year period through Adjustment AMTZ 5 for an annual amortization
13 expense of \$7,155,773.⁹ Additionally, NIPSCO is proposing Adjustment OM 4 to
14 remove the impact of \$1,738,399 of one-time advanced metering infrastructure
15 ("AMI") operations and maintenance ("O&M") expenses, as NIPSCO is
16 proposing to include this cost recovery through its TDSIC Rider mechanism
17 instead.¹⁰

18 **Q: Do you agree with NIPSCO's proposed TDSIC adjustments AMTZ 5 and**
19 **OM 4?**

20 A: Yes. The AMTZ 5's proposed amortization of deferred TDSIC costs over 4 years
21 is an acceptable means of spreading cost recovery over time. Additionally, the
22 OM 4 adjustment to reduce expense in the Forward Test Year is acceptable as the

⁸ Shikany Direct, Att. 3-C-S2, p. 96.

⁹ Shikany Direct, p. 70, ll. 12-17. See also Pet. Conf. Ex. No. 22-S2, pp. 629-634.

¹⁰ Shikany Direct, p. 47, l. 16 through p. 48, l. 3.

1 issue of AMI O&M was a topic of interest in the Cause No. 45557 CPCN and is
2 more prudent to address in the review of the TDSIC rider.

V. OUCC RECOMMENDATIONS

3 **Q: Please summarize your recommendations to the Commission in this cause.**

4 A: I recommend the Commission approve NIPSCO's adjustments with the following
5 changes.

6 1) NIPSCO's Adjustment OM 2G for line locate expenses should be
7 based on a 3-year average growth rate instead of NIPSCO's proposed
8 4-year average, which would result in a FTY expense of \$4,165,663.
9 This would be a reduction of (\$491,694) from NIPSCO's
10 recommendation.

11 2) NIPSCO's FMCA Adjustments RB 11 be held at \$146,440 and AMTZ
12 6 at \$36,610 4-year period amortization expense in recognition of the
13 Commission's approval of these legacy costs. Any costs resulting from
14 Cause No. 45700 FMCA CPCN should not be included as the case is
15 still pending approval.

16 3) Approve NIPSCO's proposed RB 10 for \$24,558,486 and AMTZ 5 at
17 \$7,155,773, subject to NIPSCO's actual deferral amount true up
18 reconciliation at the end of December 2023.

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

20 A: Yes.

APPENDIX A

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

2 A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a
3 Bachelor of Science in Business with majors in Accounting and Finance. I am
4 licensed in the State of Indiana as a Certified Public Accountant. I attended the
5 National Association of Regulatory Utility Commissioners ("NARUC") Spring
6 2018 Conference held by New Mexico State University. In August 2019, I
7 attended the Intermediate Rate Course at Michigan State University held by the
8 Institute of Public Utilities. In September 2019, I attended the annual Society of
9 Depreciation Professionals conference held in Philadelphia and the Basics of
10 Depreciation course.

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

12 A: Yes.

13 **Q: Please summarize your recommendations to the Commission in this cause.**

14 A: I review Indiana utilities' requests for regulatory relief filed with the Indiana
15 Utility Regulatory Commission ("Commission"). This involves, among other
16 things, reading testimonies of petitioners and intervenors, previous orders issued
17 by the Commission, and any appellate opinions to inform my analyses. I prepare
18 and present testimony based on these analyses and make recommendations to the
19 Commission on behalf of Indiana utility consumers.

1 Commission's pre-approval.¹⁷ As a result, NIPSCO did not seek to use regulatory
2 asset accounting. The OUCC issued a discovery request asking if NIPSCO
3 considered regulatory asset treatment. NIPSCO responded that it was considered
4 by the Commission in Cause No. 43526,¹⁸ which directed NIPSCO to use
5 accumulated depreciation rather than recording individual regulatory assets and
6 liabilities.¹⁹

7 **Q: How does the OUCC recommend NIPSCO pay for the projects, if not**
8 **through the Federal Mandate statute?**

9 A: NIPSCO could include these costs of removal as part of its depreciation study in
10 its upcoming base rate case. NIPSCO's response to Industrial Group ("IG") data
11 request 3-008 indicated NIPSCO has accounted for coal ash closure costs in
12 setting depreciation rates in previous rate cases (Cause Nos. 43526, 43969, and
13 44688) prior to the currently approved base rates.²⁰ Therefore, NIPSCO should
14 offset its \$40.044 million estimated request using previously collected ash pond
15 closure costs from prior rate cases. NIPSCO's initial response to IG DR 3-010
16 committed to supplementing IG 3-008's response for estimated dollar value
17 recovered through depreciation rates related to ash pond closures.²¹ The
18 supplemental response estimated a depreciation accrual of \$2,971,428 related to
19 the general closure of coal ash ponds at the Michigan City site.²²

¹⁷ See Becker, p. 21, ll. 4-8.

¹⁸ See Attachment KGL-2: NIPSCO's response to OUCC DR-2, p. 1.

¹⁹ See Attachment KGL-3: IURC Cause No. 43526 Reconsideration Order, dated January 18, 2012.

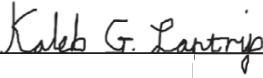
²⁰ See Attachment KGL-4: NIPSCO's Response to IG DR-3, p. 1.

²¹ See Attachment KGL-4, p. 3.

²² See Attachment KGL-5: NIPSCO's Supplemental Response to IG DR-3-010, p. 1.

AFFIRMATION

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

A handwritten signature in black ink that reads "Kaleb G. Lantrip". The signature is written in a cursive style and is positioned above a horizontal line.

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

Cause No. 45772
NIPSCO

Date: 1/20/2023

Certificate of Service

This is to certify that a copy of the Indiana Office of Utility Consumer Counselor's Testimony Filing has been served upon the following parties of record in the captioned proceeding by electronic service on January 20, 2023.

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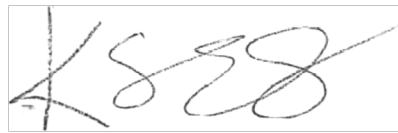
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