

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY 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-2, ALL)
PURSUANT TO IND. CODE § 8-1-39-9; AND (4) A)
MODIFICATION TO APPENDIX J – TRANSMISSION,)
DISTRIBUTION, AND STORAGE SYSTEM)
IMPROVEMENT CHARGE.)

CAUSE NO. 44733-
TDSIC-3

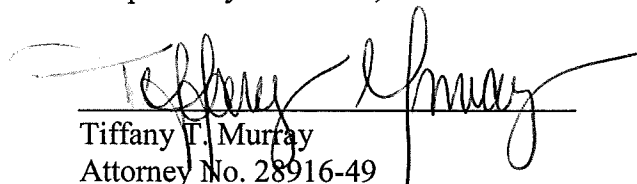
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

STACIE R. GRUCA – PUBLIC'S EXHIBIT NO. 1

APRIL 4, 2018

Respectfully submitted,



Tiffany T. Murray
Attorney No. 28916-49
Deputy Consumer Counselor

**OUCC DIRECT TESTIMONY OF STACIE R. GRUCA
CAUSE NO. 44733 TDSIC-3
NORTHERN INDIANA PUBLIC SERVICE COMPANY**

I. INTRODUCTION

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

2 A: My name is Stacie R. Gruca, and my business address is 115 West Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor ("OUCC") as Director of the Electric
5 Division. A summary of my educational and professional background can be
6 found in the Appendix at the end of my testimony.

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

8 A: I provide an overview of Northern Indiana Public Service Company's (hereafter
9 "NIPSCO" or "Petitioner") adjustment to its electric service rates through its
10 Transmission, Distribution, and Storage System Improvement Charge ("TDSIC")
11 rate schedule and deferral of 20% of the approved TDSIC costs for recovery in
12 NIPSCO's next general rate case. Based on my review, NIPSCO's calculations
13 and supporting documentation for its proposed TDSIC adjustment factors appear
14 to be in compliance with the accounting and ratemaking treatment included in the
15 Settlement Agreement approved by the Indiana Utility Regulatory Commission
16 ("Commission") in its Cause No. 44733 Order dated July 12, 2016, as well as the
17 Commission's Order in Cause No. 44733 TDSIC-2 dated October 31, 2017.

18 **Q: Please describe the examination and analysis you conducted in order to
19 prepare your testimony and attachments in this Cause.**

20 A: I read and reviewed Petitioner's verified petition, prefiled testimony, attachments,
21 and work papers filed and/or provided in this case. I reviewed the Commission's

1 Order in Cause No. 44733 TDSIC-2. I also reviewed Petitioner's response to
2 informal questions and participated in a conference call with NIPSCO staff.

II. TDSIC-3 RATE SCHEDULE ADJUSTMENT

3 **Q: Please discuss the evidence submitted by Petitioner to support its requested**
4 **TDSIC-3 rate schedule adjustment.**

5 A: Petitioner's TDSIC-3 rate schedule adjustment is based on an 80% tracked and
6 20% deferred recovery structure, per Ind. Code Ch. 8-1-39. As such, in its filing,
7 NIPSCO provided its revenue requirement for its TDSIC-3 to recover a return on
8 investment at 80% as well as its revenue requirement to recover depreciation
9 expense and property tax expense at 80%. NIPSCO's filing provided its TDSIC
10 costs incurred in connection with its transmission, distribution, and storage system
11 improvements to be recovered during the June 2018 through November 2018
12 billing period.

13 **Q: What costs does Petitioner propose to recover in its TDSIC-3 filing?**

14 A: Petitioner proposes to recover total TDSIC-2 revenues of approximately
15 \$12,744,537. This includes 80% distribution revenue requirement adjusted for
16 prior period variances of \$8,265,570 and 80% transmission revenue requirement
17 adjusted for prior period variances of \$4,478,967.

18 **Q: What is the impact on a typical residential customers' bill as a result of**
19 **NIPSCO's proposed TDSIC rate schedule?**

20 A: According to Petitioner, as a result of its TDSIC-3 filing, a typical residential
21 customer using 1,000 kWh per month will experience an approximate \$0.04
22 decrease in the monthly bill.¹

¹ Petitioner Witness Ms. Jennifer L. Shikany's Testimony, Page 17, Line 17 and Page 18, Lines 1-2.

1 **Q: Were you able to verify Petitioner's calculation of 80% of the total revenue**
2 **requirement incurred in connection with Petitioner's transmission,**
3 **distribution, and storage system improvements to be recovered in TDSIC-3?**

4 A: Yes. Attachment SRG-1 shows NIPSCO's total TDSIC costs tracked in TDSIC-
5 3, resulting in an decrease of approximately \$0.000045 per kWh for residential
6 customers, utilizing the cost allocation factors approved in NIPSCO's last rate
7 case for distribution (56.09%) and transmission (26.08%) attributable to
8 residential customers. (See Attachment SRG-1.)

9 **Q: Did NIPSCO include two (2) months of revenue requirement-capital in**
10 **TDSIC-3 that was inadvertently excluded from its TDSIC-1 filing?**

11 A: Yes. NIPSCO witness Ms. Jennifer L. Shikany stated on page 11 of her
12 testimony:

13 In TDSIC-1, the calculation of the electric revenue requirement-
14 capital to be recovered was converted to a 6-month revenue
15 requirement, but should have been an 8-month revenue
16 requirement. To address this issue, an adjustment equal to the
17 difference in this calculation (as well as a line item showing the
18 Total Adjusted) has been added to the calculation of the Post-In-
19 Service Carrying Charges that flows to Attachment 1, Schedule 5,
20 Line 2.

21 **Q: Do you agree that NIPSCO's TDSIC-1 calculation of the revenue**
22 **requirement-capital only reflected a 6-month revenue requirement and**
23 **should have included an 8-month revenue requirement?**

24 A: Yes. The billing period for TDSIC-1 was February 2017 through September
25 2017, an 8-month billing period. However, as shown on NIPSCO's Cause No.
26 44733 TDSIC-1, Attachment 1, Schedule 2, Line 4, the annual return
27 requirement-capital was converted to a semi-annual revenue requirement, which
28 included only 50% (6-months) of the annual revenue requirement-capital.

III. DEFERRED TDSIC COSTS

1 **Q: Did NIPSCO provide the amount of 20% deferred TDSIC costs it anticipates**
2 **to recover in NIPSCO's next base rate case?**

3 A: Yes. NIPSCO provided its revenue requirement to recover return on investment
4 at 20%, depreciation expense at 20%, and carrying charges, to derive its total
5 deferred TDSIC-3 costs of \$5,409,655, anticipated to be deferred until its next
6 base rate case.

7 **Q: Did NIPSCO adjust its 20% deferred TDSIC costs to exclude gross up for**
8 **taxes?**

9 A: Yes. Consistent with the Commission's order in Cause No. 44733 TDSIC-2, and
10 as indicated by NIPSCO witness Ms. Jennifer L. Shikany on page 5 of her
11 testimony, the appropriate time to include the tax gross up related to the 20%
12 deferral is when those costs are included in the revenue requirement in a future
13 base rate case. Accordingly, NIPSCO did not gross up the 20% deferred TDSIC
14 costs for taxes in TDSIC-3. Additionally, NIPSCO revised its Attachment 1,
15 Schedule 10, to reflect that the 20% deferred TDSIC costs for TDSIC-1, TDSIC-
16 2, and TDSIC-3 do not include any gross up for taxes.

IV. TDSIC COST ALLOCATIONS

17 **Q: How were NIPSCO's TDSIC rate factors calculated and billed in TDSIC-1**
18 **and TDSIC-2, and how are rate factors calculated and billed in TDSIC-3?**

19 A: In TDSIC-1, rate factors were calculated based on total load but billed based on
20 firm load, resulting in an under-collection for rate codes 732, 733, and 734. As
21 addressed in the rebuttal testimony of NIPSCO witness Mr. Kurt A. Westerhausen
22 in TDSIC-2, TDSIC-1 rate factors were calculated incorrectly and should have
23 been calculated based on firm load. In the Commission's TDSIC-2 order, the

1 Commission affirmed that the derivation of the customer class specific rate
2 factors to collect the class allocated revenue should use the firm load within that
3 class as proposed by Mr. Westerhausen. Consistent with the Commission's order
4 in TDSIC-2, rate factors in TDSIC-2 and TDSIC-3 were calculated based on firm
5 load and billed based on firm load.

6 **Q: Were the TDSIC-1 under-collection variances for rate codes 732, 733, and**
7 **734 included in the current TDSIC-3 filing?**

8 A: Yes.

9 **Q: How did NIPSCO allocate these variances in the current proceeding?**

10 A: The variances resulting from TDSIC-1 for rate codes 732, 733, and 734 were all
11 allocated back to these same rate codes from which these variances originated.

V. TAX CUTS AND JOBS ACT OF 2017

12 **Q: Did NIPSCO adjust its revenue conversion factor applied to its pre-tax**
13 **revenue requirement to reflect the lower federal income tax rate that became**
14 **effective with the passing of the Tax Cuts and Jobs Act of 2017 ("TCJA")**

15 A: Yes. As indicated by NIPSCO witness Ms. Shikany, on page 12 of her testimony,
16 and as shown on NIPSCO's Attachment 2, Schedule 3, the 21% corporate rate
17 was used in the computation of the revenue conversion factor, which was applied
18 to NIPSCO's pre-tax revenue requirement at 80%.

VI. RECOMMENDATION

19 **Q: What do you recommend regarding NIPSCO's proposed TDSIC-3 rate**
20 **schedule?**

21 A: I recommend the Commission approve recovery of NIPSCO's proposed total
22 revenue requirement included in TDSIC-3 of approximately \$12,744,537, based
23 on the customer class revenue allocation factors approved by the Commission in
24 NIPSCO's last base rate case, Cause No. 44688 and further outlined in the

1 Commission's order in Cause No. 44733 TDSIC-2, and consistent with the
2 TDSIC statute.

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

4 **A: Yes.**

APPENDIX

1 **Q: Please summarize your professional background and experience.**

2 A: I graduated from Indiana University, Indianapolis, with a Bachelor of Science
3 degree in Business, majoring in Accounting, Finance, and International Studies. I
4 recently became Director of the OUCC's Electric Division. Prior to that I was
5 Assistant Director (February 2017-August 2017), Senior Utility Analyst (2011-
6 2017) and Utility Analyst II (2006-2011), all within the OUCC's Electric
7 Division. I began my regulatory career with the OUCC in 2003 as a Utility
8 Analyst in the Electric Division. I attended "Practical Skills for the Changing
9 Electric and Gas Industries," sponsored by the National Association of Regulatory
10 Utility Commissioners ("NARUC") and the New Mexico State University Center
11 for Public Utilities, in Albuquerque, New Mexico. I also attended the 2003
12 Annual Regulatory Studies Program sponsored by NARUC and the Institute of
13 Public Utilities at Michigan State University in East Lansing, Michigan, and the
14 37th Annual Eastern NARUC Utility Rate School sponsored by NARUC and the
15 Institute of Public Utilities at Michigan State University in Clearwater, Florida. I
16 have attended various MISO Subcommittees, Work Groups, and Task Force
17 meetings.

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

19 A: Yes. I have testified in numerous cases before the Commission, including Cause
20 No. 44733 TDSIC-1 and TDSIC-2.

Northern Indiana Public Service Company
Cause No. 44733 TDSIC-3
Calculation of Transmission, Distribution, and Storage System Improvement Charge (TDSIC) - Capital & Expense
6-Month Billing Period - June 2018 through November 2018

Line No.	TDSIC Components	Total Transmission and Distribution	Residential Customers Rate 711
Revenue Requirement - Capital			
1	Plant Additions to Date	\$ 250,425,745	
2	Cost of Capital	6.55%	
3	Annual Return Requirement (Line 1 x Line 2)	\$ 16,402,886	
4	Semi-Annual Revenue Requirement (Line 3 x 6/12)	\$ 8,201,443	
5	Less: LED Street Lighting Revenue (Return on Capital)	57,057	
6	Subtotal Semi-Annual Revenue Requirement (100%)	\$ 8,144,386	
7	Less: Deferred Semi-Annual Revenue Requirement (Line 6 x 20%)	1,628,877	
8	Adjusted Semi-Annual Revenue Requirement (80%)	\$ 6,515,509	
9	Revenue Conversion Factor	1.277491	
10	Semi-Annual Rev. Req. Adjusted for Taxes / Return on Capital (Line 4 x Line 5)	\$ 8,323,506	
Revenue Requirement - PISCC			
11	Adjustment for TDSIC-1 Return on Capital Calculation (2-month return)	\$ 501,853	
12	Rev. Req. Post In-Service Carrying Costs (May 2017 through Nov 2017)	1,996,558	
13	Subtotal Rev. Req. - Adjustment for TDSIC-1 Return on Capital and PISCC	\$ 2,498,411	
14	Less: Deferred Semi-Annual Rev. Req. - Adj. for TDSIC-1 Return on Capital and PISCC (Line 13 x 20%)	499,682	
15	Adjusted Semi-Annual Rev. Req. - PISCC (80%)	\$ 1,998,729	
16	Semi-Annual Rev. Req. - PISCC Adjusted for Taxes	\$ 2,555,089	
17	Subtotal Semi-Annual Capital and PISCC Revenue Requirement (Line 10 + Line 16)	\$ 10,878,595	
Revenue Requirement - Expense			
18	Depreciation and Property Tax Expense (May 2017 through Nov 2017)	\$ 2,060,213 (1)	
19	Less: Deferred Revenue Requirement - Expense (Line 18 x 20%)	412,043	
20	Adjusted Semi-Annual Rev. Req. - Expense (80%)	\$ 1,648,170	
21	Subtotal Expense (Depreciation and Property Tax) Rev. Req. Adjusted for IURT	\$ 1,673,054	
Total Revenue Requirement Adjusted for Prior Period Variance			
22	Total Semi-Annual Revenue Requirement (Line 17 + Line 21)	\$ 12,551,649	\$ 5,735,780
23	Total Prior Period Variance	192,891	46,053
24	Total TDSIC-3 Revenue Req. Adjusted for Prior Period Variance (Line 22 + Line 23)	\$ 12,744,541 (2)	\$ 5,781,833 (3)
25	Forecasted Firm kWh Sales for 6-month Billing Period Jun 2018 through Nov 2018	7,103,410,948	1,830,357,818
26	Total TDSIC-3 per kWh (Line 24 / Line 25)		\$ 0.003159
27	Current TDSIC Factor per Cause No. 44733 TDSIC-2		0.003204
28	Increase/(Decrease) TDSIC Factor (Line 26 - Line 27)		\$ (0.000045)
29	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 28 x 1,000 kWh per month)		\$ (0.04)

(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 56.09% distribution allocation and 26.08% transmission allocation for residential customers. Slight difference due to rounding.

AFFIRMATION

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

Stacie R. Gruca

Stacie R. Gruca
Electric Division Director
Indiana Office of Utility Consumer Counselor

4/3/2018

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC Testimony of Stacie R. Gruca Public's Exhibit No. 1* has been served upon the following parties of record in the captioned proceeding by electronic service on April 4, 2018.

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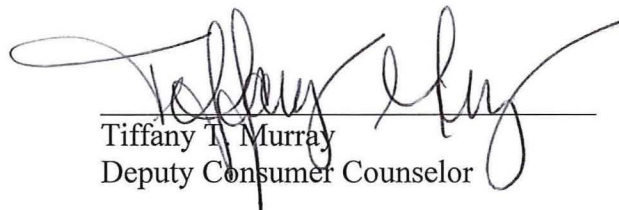
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