

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S INVESTIGATION)
INTO THE IMPACTS OF THE TAX CUTS AND JOBS) CAUSE NO. 45032 S-3
ACT OF 2017 AND POSSIBLE RATE IMPLICATIONS)
UNDER PHASE 1 FOR SYCAMORE GAS COMPANY)

PETITION OF SYCAMORE GAS COMPANY FOR)
APPROVAL TO INCREASE ITS RATES AND)
CHARGES FOR GAS SERVICE AND FOR) CAUSE NO. 45072 S-1
AUTHORIZATION TO TRACK ADDITIONS OF)
CUSTOMER SERVICE LINES)
SUBDOCKET RESOLVING TAX ISSUES)

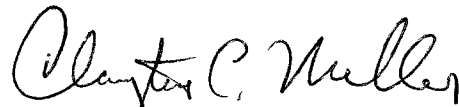
PETITIONER'S / RESPONDENT'S SETTLEMENT TESTIMONY

By docket entry issued on April 1, 2019, the presiding administrative law judge granted the March 28, 2019 joint request of the petitioner / respondent Sycamore Gas Company and the Indiana Office of Utility Consumer Counselor to consolidate these two subdockets. That same docket entry also set a deadline of April 10, 2019 for the parties to file testimony in support of their settlement agreement.

Sycamore Gas now submits the attached settlement testimony of its two witnesses, George Behrens and Michael Martin.

Respectfully submitted,

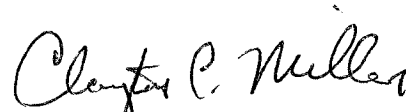
SYCAMORE GAS COMPANY



Clayton C. Miller, Att'y No. 17466-49
Stoll Keenon Ogden, PLLC
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204
Attorney for Sycamore Gas Company

CERTIFICATE OF SERVICE

The undersigned certifies that on April 10, 2019, he served Sycamore Gas Company's settlement testimony on the Indiana Office of Utility Consumer Counselor via electronic mail to infomgt@oucc.in.gov and also to lhitzbradley@oucc.in.gov.

A handwritten signature in black ink that reads "Clayton C. Miller". The signature is written in a cursive style with a large initial 'C'.

Clayton C. Miller

SETTLEMENT TESTIMONY OF GEORGE M. BEHRENS
ON BEHALF OF SYCAMORE GAS COMPANY
IURC CONSOLIDATED CAUSE NOS. 45032-S3 & 45072-S1

SETTLEMENT TESTIMONY OF GEORGE BEHRENS

Q1. Please state your name, address and occupation.

A1. My name is George Behrens. My business address is 1375 East 9th St., Suite 3100, Cleveland, Ohio 44114. I am the President of the Sycamore Gas Company, the respondent and petitioner in these consolidated proceedings ("Sycamore"). I am also the Chief Financial Officer for Hearthstone Utilities, Inc. ("Hearthstone"). In December, 2018, Hearthstone acquired all of the stock of Sycamore Gas, Inc., which is Sycamore's parent company.

Q2. Please state your educational background.

A2. I received a Bachelor of Business Administration degree in Accounting from the University of Wisconsin-Whitewater in 1976 and a Masters in Business Administration degree in Finance from DePaul University in 1982.

Q3. Please summarize your business experience.

A3. I have been Hearthstone's CFO since August of 2017. Previously I was the CFO as well as a member of the board of directors of Mountaineer Gas Company, a natural gas local distribution company based in Charleston, West Virginia. From 1991 until 2006, I was a senior officer at Nicor Inc., Illinois' largest local gas distribution company, where I held a number of executive positions including vice president of finance, treasurer and controller. I am also a co-

founder of Luvian Partners, Inc. and earlier in my career held officer and other positions at GATX, Esmark and Ernst & Young.

Q4. Have you previously testified before the Indiana Utility Regulatory Commission (“IURC”)?

A4. Yes. I filed substitute direct testimony for Sycamore’s former Chief Financial Officer, Cynthia Hughes, in IURC Cause No. 37368 GCA 141 and I have also filed settlement testimony in IURC Cause No. 45131.

Q5. What is the purpose of your settlement testimony in these consolidated proceedings?

A5. I am sponsoring the attached Stipulation and Settlement Agreement (“Agreement”) reached on March 26, 2019 between Sycamore and the only other party to this cause, the Indiana Office of Utility Consumer Counselor (“OUCC”), and I recommend that the IURC approve the Agreement as being in the public interest. Sycamore appreciates the constructive dialogue our witnesses and attorney have had with the OUCC's witnesses and attorney, the result of which has been a reasonable proposed resolution of these subdockets that is in the public interest.

Q6. The Agreement addresses “all previously unresolved issues arising out of IURC Cause Nos. 45032, 45032-S3 and 45072” concerning the impact of the federal Tax Cuts and Jobs Act of 2017 (“TCJA”). Do Sycamore’s current rates reflect the impact of the TCJA?

A6. Yes. In its March 6, 2019 order in Cause No. 45072, the IURC established new base utility rates for Sycamore which were calculated based on Sycamore’s tax expense utilizing the federal corporate income tax rates established by the TCJA. The last bills issued to Sycamore’s customers under its former utility rates were based on meter readings at the end of February,

2019, and the first bills issued under the new rates approved in Cause No. 45072 were based on meter readings at the end of March, 2019.

Q7. What is the period of time for determining the amount of the bill credit?

A7. The Agreement calls for Sycamore to issue a credit on the bills to its current customers, with the total amount of credit determined based on Sycamore's billings for service from January 1, 2018 through February 28, 2019. As explained in the separate settlement testimony of Sycamore consultant Michael Martin, the starting point for the consumption period is the meter readings from the end of December, 2017 (that is, those readings established the zero point for subsequently measured consumption) and the ending point is the meter readings from the end of February, 2019.

Q8. Has Sycamore withheld any amount to compensate it for its costs incurred in any of the IURC proceedings relating to the TCJA or to calculate the bill credit and administer its issuance?

A8. No. Sycamore's new management has agreed to settle these cases for what amounts to 100 cents on the dollar, and the total \$327,370 in bill credits does not reflect any offset for the not inconsiderable costs Sycamore has already incurred, or additional costs that it will incur to administer the credit.

Q9. Why is Sycamore agreeing to pay the full amount advocated by the OUCC?

A9. Although part of the reason is certainly to eliminate the cost and uncertainty of further litigation, the primary driver is actually the desire of Sycamore's new management to put this

matter behind them in a manner which provides an expedited benefit to its customers and hopefully establishes good will with both the IURC and the OUCC.

Q10. Your predecessor filed testimony on behalf of Sycamore addressing this Commission's ability to order a refund in Sycamore's specific circumstances. How does Sycamore now view the prospect of issuing bill credits to its current customers totaling \$327,370 as proposed in your Settlement?

A10. I have reviewed the testimony filed by Sycamore's previous president, John Browner, and while I believe that his stated positions were reasonable, I also recognize that the IURC has taken a different view, as set forth in its October 9, 2018 order in Cause No. 45032-S3. Providing a rebate to current customers in the amount of \$327,370 as called for in the Settlement represents our conclusion that, given the totality of circumstances, Sycamore is willing to waive its prior objections in this case and, for the reasons stated in my previous answer, provide customers with these substantial bill credits.

Q11. Does this conclude your settlement testimony?

A11 Yes

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STIPULATION AND SETTLEMENT AGREEMENT

This stipulation and settlement agreement (“Settlement Agreement”) is entered into by the Indiana Office of Utility Consumer Counselor (“OUCC”) and the respondent Sycamore Gas Company (“SGC”). SGC and the OUCC are collectively referred to herein as the “Parties.”

In the interest of efficiency and in order to avoid further litigation relating to the Indiana Utility Regulatory Commission’s (“Commission”) investigation into the impact of the federal Tax Cuts and Jobs Act of 2017 (“TCJA”), the Parties have reached an agreement on all remaining issues in two related matters: IURC Cause Nos. 45032-S3 and Cause No. 45072-S1.

The TCJA took effect on January 1, 2018 and on January 3, 2018, the Commission initiated on its own motion an investigation, Cause No. 45032, into the impact of the TCJA on rate-regulated jurisdictional utilities, including SGC. The Commission subsequently initiated a subdocket specific to SGC, Cause No. 45032-S3, and on October 9, 2018, the Commission issued an order in that subdocket addressing the Phase One issue of its TCJA investigation. In that Phase One order, the Commission directed SGC to reduce its rates on a prospective basis to

reflect lower tax rates under the TCJA. On November 7, 2018, SGC appealed that order to the Indiana Court of Appeals. Sycamore requested, and that Court granted, a stay of the Commission-ordered rate reduction pending resolution of the appeal.

The Parties proposed, and the Commission agreed, to address the Phase Two issues of the Commission's TCJA investigation in SGC's general rate case, Cause No. 45072. Among other things, Phase Two involves the question of requiring utilities to issue retroactive refunds back to the effective date of the TCJA. While the Parties settled the other aspects of Phase Two of the TCJA investigation, and the Commission accepted their settlement in its order dated March 6, 2019 in Cause No. 45072, resolution of the unsettled Phase Two question involving a possible customer refund based on a retroactive rate adjustment was deferred to Cause No. 45072-S1 until resolution of the appeal of the Commission's October order in Cause No. 45032-S3.

As set forth below and in the attached Confidential Exhibit SA, the Parties' resolution of the issues encompasses any and all previously unresolved issues arising out of IURC Cause Nos. 45032, 45032-S3 and 45072. The Parties specifically stipulate and agree to the following terms and conditions.

1. Stay of the Appeal of the Commission's Order in Cause No. 45032-S3. SGC has filed a motion ("Remand Motion") with the Indiana Court of Appeals under Indiana Rule of Appellate Procedure 37 asking the Court to issue a stay and remand of SGC's appeal, # 18A-EX-02666, of the Commission's October 9, 2018 order in the TCJA subdocket, IURC Cause No. 45032-S3. In its Remand Motion, SGC asked the Court to transfer jurisdiction of that IURC cause back to the Commission for the limited purpose of receiving and considering approval of this Settlement Agreement. If the Commission approves this Settlement Agreement without change, SGC would then dismiss its appeal. On March 22, 2019, the Court of Appeals ("Court")

granted SGC's Motion and remanded Cause No. 45032 S3 to the Commission. The Court ordered SGC to file a status report, motion to dismiss or its appellate brief on or before May 6, 2019.

2. SGC Refunds to Current Customers Via Bill Credit. Within forty-five (45) days of the issuance of an order by the Commission approving this Settlement Agreement, SGC shall issue a one-time bill credit to current customers as of the date the bill credit is issued in an aggregate total amount of \$327,370 ("Bill Credit"). The Bill Credit represents the difference between what SGC's customers were lawfully charged for gas service over the fourteen-month period beginning January, 2018 and what those same customers would have paid for the same amount of gas service if SGC's lawful rates had been based on the lower federal corporate income tax rates established by the TCJA. The total Bill Credit shall be allocated among customer classes based on the allocation of all customers' actual billed volumetric usage for the period January 1, 2018 through February 28, 2019 as reflected on Confidential Exhibit SA attached to the Settlement Agreement and will be further allocated to individual current customers within those customer classes based upon their actual billed volumetric usage for the period January 1, 2018 through February 28, 2019. Former customers, as well as current customers who had no usage between January 1, 2018 and February 28, 2019, will not receive any Bill Credit. The Parties agree that once the Bill Credit has been paid, SGC will have no further liability relating to any aspect of the Commission's TCJA investigation other than the refund of excess accumulated deferred income taxes as included in SGC's new rates established in Cause No. 45072.

3. Dismissal of Rate Case Subdocket. At the conclusion of finding section 4.B. on page 13 of the March 6, 2019 order in IURC Cause No. 45072, the Commission created Cause

No. 45072-S1 “for the purpose of addressing the remaining Phase 2 TCJA issue.” The Parties agree that the contemplated subdocket will not be necessary in the event the Commission accepts this Settlement Agreement resolving all remaining open issues from Phases One and Two of the Commission’s TCJA investigation, including the issue of “whether [SGC] owes its customers a refund for the time between January 1, 2018 and the date that [SGC’s] rates take effect as a result of” the order in Cause No. 45072.

4. Accounting of Bill Credits. Within sixty (60) days after issuing the Bill Credits, SGC shall generate a confidential spreadsheet identifying each customer and the amount credited to that customer’s gas bill pursuant to this Settlement to confirm that SGC’s current customers received a total of \$327,370 in Bill Credits. SGC shall provide this spreadsheet to the OUCC pursuant to the terms of the parties’ nondisclosure agreement.

5. Request for Prompt Approval by the Commission. The Parties have spent significant time reviewing each other’s cases and negotiating this settlement in an effort to minimize time-consuming and costly litigation. The Parties ask that this proposed resolution of all remaining matters relating to the impact of the TCJA be promptly considered and approved by the Commission.

6. Sufficient Evidence to Support Settlement Agreement. The Parties intend that this Settlement Agreement will be filed with the Commission in this cause along with settlement testimony. SGC’s settlement witness will sponsor and support the Settlement Agreement and Confidential Exhibit SA showing the derivation of the total amount of the Bill Credit. The Parties further agree that the settlement testimony, Settlement Agreement and Confidential Exhibit SA constitute substantial evidence forming a sufficient basis for the Commission to accept the Parties’ Settlement Agreement and to enter findings of fact and conclusions of law

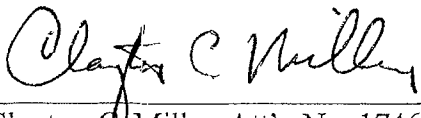
necessary for the Commission to issue an order adopting and approving this Settlement Agreement without alteration. The one-time Bill Credit called for in this Settlement Agreement is in the public interest by expediting SGC's customers' receipt of the full value of the Bill Credit.

7. Stipulation, Effect, Scope and Approval. The Parties acknowledge and agree that (i) this Settlement Agreement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to either party; (ii) each term of this Settlement Agreement is the result of negotiation in the settlement process and the agreement to any particular term shall not constitute an admission or waiver by any party in any other proceeding; (iii) the Settlement Agreement shall not be used as a precedent in any other proceeding or for any other purposes except to the extent provided for herein or to the extent necessary to implement or enforce its terms; (iv) the communications and discussions of materials produced and exchanged during negotiation of the Settlement Agreement relate to the offers of settlement and are privileged, confidential, and inadmissible.

8. Parties Authorized to Execute the Settlement Agreement. The undersigned represent and agree that each is fully-authorized to execute this Settlement Agreement on behalf of their designated clients, who will be bound thereby.

ACCEPTED AND AGREED this 26th day of March, 2019.

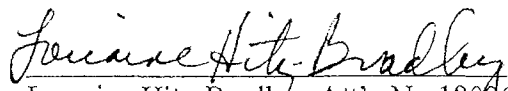
SYCAMORE GAS COMPANY



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INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



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Indiana Office of Utility Consumer
Counselor

Sycamore Gas Company

SETTLEMENT DOCUMENT (PUBLIC VERSION)

Exhibit SA

Calculation of Excess Tax Revenues Collected in Current Rates by Rate Schedule and Customer Class
Actual Billed Volumetric Usage for Period January 1, 2018 through February 28, 2019

Rate Schedule	Total Therms Usage--14 Months Ended 2/28/19	Excess Tax Collection- \$/therm	Total Refund
General Service			
Residential Service			
Res. Sales GS - Rate Code 10	4,857,667		
<u>Res. Sales GS - Rate Code 20</u>	<u>816,175</u>		
Total Residential - GS	5,673,842	0.0263	149,222
Commercial Service			
Com. Sales GS- Rate Code 11	1,127,482		
Com. Sales GS- Rate Code 13	1,477,162		
Com. Sales GS- Rate Code 14	959,731		
<u>Com. Sales GS- Rate Code 21</u>	<u>244,719</u>		
Total Commercial - GS	3,809,094	0.0263	100,179
Industrial Service			
Ind. Sales GS - Rate Code 12	99,817		
Ind. Sales GS - Rate Code 15	184,702		
Ind. Sales GS - Rate Code 16	758,290		
<u>Ind. Sales GS - Rate Code 22</u>	<u>3,996</u>		
Total Industrial - GS	<u>1,046,805</u>	0.0263	<u>27,531</u>
Total General Service	10,529,741	0.0263	276,932
Wholesale Gas Service			
Aurora Municipal Gas - Rate 31	██████████		
Total Wholesale Gas service	██████████	██████████	██████████
Total Sales			
Interruptible Transportation			
G1 - IT Trans. Service - Rate 41	██████████		
G2 - IT Trans. Service - Rate 51	██████████		
Total Interruptible Transportation	██████████	██████████	██████████
Firm Transportation			
IT Firm Rate 42	██████████		
Firm Trans. Rate 55	██████████		
Firm Trans. Rate 56	██████████		
Total Firm Transportation	██████████	██████████	██████████
Rate STS - School Transportation Service			
<u>Firm Trans. Rate 71</u>	██████████	██████████	██████████
Employment Stabilization Service			
██	██████████		
ES - Rate 61	██████████		
Total Employment Stabilization	██████████	██████████	██████████
Total Excess Tax Revenue Collected Actual Usage			<u>\$327,370</u>

SETTLEMENT TESTIMONY OF MICHAEL J. MARTIN

ON BEHALF OF SYCAMORE GAS COMPANY

IURC CAUSE NO. 45032 – S3 and 45072 – S1

Q1. Please state your name.

A1. Michael J. Martin

Q2. Please state your business address and occupation.

A2. My business address is 8835 Worthington Circle, Indianapolis, IN, 46278. I am the President of the Martin Energy Consulting and I have been retained by Sycamore Gas Company, Inc. (“Sycamore” or “Petitioner”) to provide regulatory advice and to support rate impact calculations pursuant to the Indiana Utility Regulatory Commission’s (IURC) investigation in Cause 45032 regarding the impacts of the Tax Reduction and Job Act of 2017 and the resolution of a sub docket opened by the IURC in approving the settlement of Sycamore’s rate case at Cause No. 45072.

Q3. Please describe your education and work experience.

A3. I received a Bachelor of Science degree in Accounting from Trine University (formerly known as Tri-State University) in Angola Indiana in 1973 and a Master of Business Administration degree from Valparaiso University, Valparaiso, IN with Honors in 2008. Following retirement from Northern Indiana Public Service Company (“NIPSCO”) as their Director Regulatory and Governmental Affairs in 2013, I became Campus Director for Trine University’s Indianapolis Regional Campus in Avon, IN until October 2014. In October, 2014, I opened an energy consulting practice and began teaching undergraduate and graduate classes in

economics, finance and accounting as an adjunct instructor for various colleges and universities which included Butler and Trine University. Starting in the summer of 2015 and ongoing, I have been lecturing for Trine University at one of its Southeast Asia partner schools located in Melaka Malaysia teaching many of the same disciplines aforementioned.

Q4. Please describe your previous assignments as President of Martin Energy Consulting and work experience and responsibilities while employed by NIPSCO and others prior.

A4. Since the fall of 2014, as President of Martin Energy Consulting, I have provided a small manufacturing business advice regarding options to improve energy efficiency at a new plant site and incentives available from both their natural gas and electricity provider. I also provided regulatory advice for an independent pipeline company regarding state and federal pipeline safety rules. Most recently I have provided rate and regulatory solutions to Sycamore Gas Company in the IURC's tax investigation at Cause No. 45032, a rate case recently decided by the IURC in Cause No. 45072, and a federal mandate case filed in Cause No. 45131 pending IURC approval.

While employed by NIPSCO I testified on several rate, regulatory, and tariff matters on the natural gas segment of that company. Prior to joining NIPSCO, by way of a merger between its parent company, NiSource and The Columbia Energy Group, I represented two of Columbia's natural gas distribution companies in similar capacities. While employed by Columbia, I participated in several rate cases and provided testimony on most issues that are addressed in determining a utility's need for rate relief.

Q5. Have you previously testified before the Indiana Utility Regulatory Commission (“IURC”)?

A5. Yes, on several occasions. In addition, I have testified before the Pennsylvania Public Utility Commission, Maryland Public Service Commission and New York Public Service Commission. In addition, I was actively involved in the American Gas Association, Pennsylvania Energy Association, and Indiana Energy Association and served as the Chair of their Regulatory Committees.

Q6. Did you previously provide direct testimony in Sycamore’s rate case proceeding in Cause 45072?

A6. Yes.

Q7. What was the purpose of your testimony in that proceeding?

A7. Among several matters, I supported Sycamore’s calculation of base revenues at present, proposed and settlement rate levels. In addition, I was responsible for compiling the bill frequency analysis that was utilized for determining the revenue produced at the aforementioned rate levels for Sycamore’s sales and transportation customers.

Q8. What is the purpose of your testimony regarding the March 26, 2019 settlement with the Indiana Office of consumer Counselor (OUCC) which resolves the sub docket cases opened by the IURC at Cause 45032-S3 and Cause No. 45072-1

A8. The four primary purposes of this testimony are:

1. To summarize the primary objectives and terms of the March 26, 2019 settlement of Sub dockets 45032 - S3 and 45072 - S1 with the OUCC;

2. To explain the derivation of the federal income tax reduction in Sycamore's rates on January 1, 2018 when the Federal Tax Cuts and Job Act of 2017 (TCJA) became effective;
3. To explain the calculation of the impact of the federal income tax reduction on customers' bills for the period January 1, 2018 through February 28, 2019;
4. To explain the methodology that Sycamore will implement to rebate, through one-time bill credits, the customer's proportionate share of the impact of the pre-January 1, 2018 federal income tax rates.

Q9. Please explain the primary objective of the March 26, 2019 settlement with the OUCC?

A9. On March 6, 2019 the Commission approved Sycamore's rate case settlement with the OUCC. In Sycamore's initial rate case filing and in the settlement with the OUCC all rates were computed using the lower 21% tax rate effective January 1, 2018 as required by the TCJA and the return of excess accumulated deferred income taxes (EADIT.) As a result, the customer rates approved in the March 6th Commission Order in Cause 45072, no longer include recovery of income taxes calculated at the higher pre-January 1, 2018 federal income tax rate. The primary objective of this settlement, was to determine the amount of additional federal income tax costs billed to customers at the pre-January 1, 2018 tax rate for the period from January 1, 2018 through February 28, 2019 and to pay that amount to current customers in the form of bill credits.

Q10. What are the primary terms of the March 26, 2019 settlement?

A10. Sycamore had appealed the Commission's October 9, 2018 order in Cause No. 45032-S3. As a threshold matter, Sycamore has asked the Indiana Court of Appeals to stay that appeal and remand that cause back to the IURC. The Court granted Sycamore's motion and remanded Cause no. 45032-S3 to the Commission. If the Commission approves this settlement, as proposed, Sycamore will dismiss its appeal before the Indiana Court of Appeals.

Next, within forty-five (45) days of the Commission Order approving the Settlement Agreement, Sycamore will issue a one-time bill credit to current customers in an aggregate total amount of \$327,370 ("Bill Credit"). The Bill Credit represents the difference between what Sycamore's customers were lawfully charged for gas service during the fourteen-month period January 1, 2018 through February 28, 2019 and what those customers would have paid for the same amount of gas service if Sycamore's lawful rates had been based on the lower (21%) federal corporate income tax rates established by the TCJA. The total Bill Credit shall be allocated among customer classes based on the allocation of all customers' actual billed volumetric usage for the period January 1, 2018 through February 28, 2019 as reflected on Confidential Exhibit SA attached to this Settlement Agreement and will be further allocated to individual current customers within those customer classes based upon their actual billed volumetric usage for the period January 1, 2018 through February 28, 2019.

Former customers, as well as current customers who had no usage between January 1, 2018 and February 28, 2019, will not receive a Bill Credit. The Parties agree that once the Bill Credit has been paid, Sycamore will have no further liability relating to any aspect of the Commission's TCJA investigation other than the amortization of EADIT included in Sycamore's new rates established in Cause No 45072.

Also, within sixty (60) days after issuing the Bill Credits to current customers, Sycamore shall generate a confidential spreadsheet identifying each customer and the amount credited to that customer's gas bill pursuant to this Settlement. The spreadsheet will confirm that Sycamore's customers received a total of \$327,370 in Bill Credits. Sycamore will provide this spreadsheet to the OUCC pursuant to the terms of the parties' nondisclosure agreement.

Q11. Are the objectives and terms of the settlement in the customers' best interest?

A11. Yes. The Parties have spent significant time reviewing each other's cases and negotiating this settlement in an effort to minimize time-consuming and costly litigation. The one-time Bill Credit called for in this Settlement Agreement is in the public interest and expedites Sycamore's customers' receipt of the full value of the Bill Credit by including it in a normal bill which will be issued within 45 days of the Commission approving this settlement.

Q12. Please explain the derivation of the federal income tax reduction in Sycamore's rates on January 1, 2018 when the Federal Tax Cuts and Job Act of 2017 (TCJA) became effective.

A12. On February 18, 2018, the IURC issued its Order at Cause No. 45032. In that order, the Commission required all its jurisdictional utilities to provide a calculation of the reduction in federal income taxes if the utilities' current rates were adjusted to reflect the new 21% tax rate effective January 1, 2018 in accordance with TCJA. The jurisdictional utilities were further instructed to provide calculations of reduced federal income tax and its impact on current tariffs within the Commission's 30-day filing procedure. This filing was further referred to as Phase I in this investigation. Sycamore filed its 30-day filing on March 26, 2018 and subsequently, on the same day, asked to withdraw the filing and establish a sub docket in Cause 45032.

Sycamore calculated an annualized revenue reduction of \$224,468 by substituting a 21% federal income tax rate for the 34% used in calculating the revenue requirement in Sycamore’s previous base rate case, Cause No. 43090 effective June 20, 2007. Sycamore allocated the revenue reduction to the tariff rate schedules following the rate schedule revenue allocation approved in Cause No. 43090.

Sycamore submitted draft tariff sheets in its 30-day filing reflecting the following potential reductions in the volumetric distribution charges;

Rate Schedule	Distribution Charge Reduction / therm
Rate GS – General Service	\$0.0263
Rate WS – Service to Aurora for Resale	\$0.0009
Rate ITS – Interruptible Transportation Service	\$0.0013
Rate ES – Employment Stabilization Rate and Coal Conversion Service	\$0.0006
Rate STS – School Transportation Service	\$0.0263
Rate FT – Firm Transportation Service	\$0.0263

In addition, Mr. Mark Grosskopf of the OUCC filed Direct Testimony in Sycamore’s Sub docket case at Cause 45032 – S3 supporting a revenue reduction of \$224,438 when recalculating Sycamore’s annual revenue requirement in Cause 43090. The \$30.00 difference is due to a slight difference of approach employed by Mr. Grosskopf in arriving at the revenue reduction and rounding. Mr. Grosskopf did not determine the impact on Sycamore’s Rate Schedule’s in his Cause 45032-S3 Direct Testimony. However, as explained in the next Question and Answer, Sycamore and the OUCC agreed that the distribution charge reductions per therm in the table above should be used to determine the \$327,370 in customer billings to be refunded for the period January 1, 2018 through February 28, 2019.

Q13. Please explain the calculation of the impact of the federal income tax reduction on customers' bills for the period January 1, 2018 through February 28, 2019

A13. As shown on Exhibit SA to the parties' settlement agreement, the public version of which is attached to the settlement testimony of Sycamore witness George Behrens, the \$327,370 cost of the pre-January 1, 2018 higher federal income tax rate on customer bills, was determined by applying the rates listed in the table shown in answer to question 12 to the sales and transportation service volumes billed during the January, 2018 to February 28, 2019 time period. The sales / transportation volumes come directly from Sycamore's billing records and were derived from a bill frequency report. The bill frequency information shows the volumes sold or delivered for each month of the 14-month period detailed by rate block, rate class and rate schedule. The individual customer bill credits described in the following question and answer will total in aggregate to \$327,370.

Q14. Please explain the approach Sycamore will use to provide current customers a one-time bill credit to reflect the impact of the TCJA.

A14. Working with Sycamore's billing contractor, the Company will provide customers a one-time Bill Credit within 45 days of the final Order in this Cause. The Bill Credit will be provided to customers presently taking service on the Sycamore system based on their specific usage during the 14-month period January 2018 through February 2019. If a customer was taking service during the 14-month period but is no longer active they will not receive a bill credit. Issuing the Bill Credit as called for in the Settlement Agreement is beneficial to customers. First, active customers will receive a rebate based on their actual usage during the 14-month period when the higher pre-January 1, 2018 federal income tax rate was included in customer rates.

Second, customers will receive the full amount of their rebate in one month. Third, customers will receive the full amount of their credit even though their current usage may be lower. Fourth, customers will receive the amount via a bill credit and they will not be required to cash a check which insures they will receive the full amount.

Within 60 days after the bill credit is provided customers, Sycamore will produce a report to be provided parties showing the total amount of bill credits provided each eligible customer. The aggregate amount of the individual customer report will total \$327,370.

Q15. Does this conclude your Settlement Testimony?

A15. Yes.