FILED
March 31, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN NORTH") FOR (1) AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR GAS UTILITY SERVICE THROUGH A PHASE-IN OF RATES, (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, AND NEW AND REVISED RIDERS, (3) APPROVAL OF A NEW TAX SAVINGS CREDIT RIDER, (4) APPROVAL OF VECTREN NORTH'S ENERGY EFFICIENCY PORTFOLIO OF PROGRAMS AND AUTHORITY TO EXTEND PETITIONER'S ENERGY EFFICIENCY RIDER ("EER"), INCLUDING THE DECOUPLING MECHANISM EFFECTUATED THROUGH THE EER, (5) APPROVAL OF REVISED DEPRECIATION RATES APPLICABLE TO GAS PLANT IN SERVICE, (6) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, AND (7) APPROVAL OF AN ALTERNATIVE REGULATORY PLAN PURSUANT TO WHICH VECTREN NORTH WOULD CONTINUE ITS CUSTOMER BILL ASSISTANCE PROGRAMS.	)	**CAUSE NO. 45468**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 2 – PUBLIC (REDACTED) TESTIMONY OF OUCC WITNESS YI GAO

With the current requirement that all staff work from home, signatures for affirmations are not available at this time.

March 31, 2021

Respectfully submitted,

Loraine Hitz-Bradley

Loraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

INDIANA GAS COMPANY, INC.
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
PUBLIC (REDACTED) TESTIMONY OF OUCC WITNESS YI GAO

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Yi Gao, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, IN 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst. I have worked as a member of the OUCC's Natural Gas Division since February 2020. For a summary of my educational and professional experience and my preparation for this case, please see Appendix YG-1 attached to my testimony.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to address certain adjustments made by Indiana Gas Company Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner" or "Vectren North"), including pro forma revenue and operating and maintenance ("O&M") expense amounts. I also discuss modifications to Petitioner's Universal Service Program ("USP") and recovery of Unaccounted-For-Gas ("UAFG") and bad debt expense through Petitioner's Gas Cost Adjustment ("GCA") filings.

Q: What are your recommendations?

A: I recommend an increase to two of Petitioner's operating revenue accounts. I also recommend the reduction of several pro forma O&M expenses. I recommend extending the USP, with two modifications. Within the GCA, I recommend approving the bad debt recovery percentage of 0.420% and UAFG recovery with a maximum percentage of 0.10%.

II. OPERATING REVENUE

A. Forfeited Discounts (FERC Account 487)

Q: What is Petitioner's proposed test year amount for the Forfeited Discounts account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $3,499,295. (Petitioner's Exhibit No. 19, page 30, line 8.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment of $65,186 associated with late payment fees to this account to arrive at a pro forma amount of $3,564,481. Petitioner's witness Ms. Bell stated:

> Schedule C-3.9 represents the change in operating revenues associated with late payment fees. The Company budgets late payment fees based on an average percentage of the total operating revenues for the calendar year. This percentage – 0.59% within the 2021 budget – is applied to the adjusted operating revenues as a result of Schedules C-3.1 through C-3.8 to determine the pro forma level of late fees for the test year. The resulting adjustment increases operating revenues by $65,186.

(Petitioner's Exhibit No. 2, page 33, lines 19-24.)

Q: Do you agree with the amount Petitioner has proposed to be included in base rates?

A: No. I do not agree with Petitioner's pro forma adjustment to this account of $65,186 associated with late payment fees. In response to OUCC discovery, Petitioner stated:

> The late fee percentage of 0.59 is the annual average ratio of late fees to operating revenues. It is calculated by dividing the sum of the 12 months of total adjusted revenues by the sum of the 12 months of late fees. The late fees for each month are calculated by applying the three-year average (2016-2018) ratio (of late fees to revenue) to the monthly budgeted revenues.

(OUCC DR 3.5, Attachment YG-1, page 1.)

Petitioner used the 3-year average of historical data from 2016-2018 to determine the late payment percentage of 0.59%. The methodology does not align with Petitioner's calculation of the 3-year average percentage of other revenue accounts and Bad Debt recovery. Petitioner used the most up-to-date data from 2017-2019 to determine the 3-year average percentage for these accounts.

Q: What is your recommendation for the Forfeited Discounts account?

A: I recommend using the 3-year average percentage of 0.60% for late payment fees from 2017-2019 to arrive at an amount of $3,635,024 for the Forfeited Discounts account. This methodology aligns with Petitioner's calculation of the 3-year average percentage of other revenue accounts and Bad Debt recovery. The percentage of 0.60% is calculated with supporting data provided by Petitioner in response to OUCC discovery. (OUCC DR 3.5, Attachment YG-1, page 2.) Comparing the $3,635,024 amount to the test year Forfeited Discounts account of $3,499,295 results in an increase to Forfeited Discounts in the amount of $135,729. (Attachment YG-1, page 3.)

B. Transported Gas Revenue (FERC Account 489.2)

Q: What is Petitioner's proposed test year amount for the Transported Gas Revenue account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $57,020,180. (Petitioner's Exhibit No. 19, page 30, line 5.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment of ($7,397,737) to this account to arrive at a pro forma amount of $49,622,443.

Q: Do you agree with the amount Petitioner has proposed to be included in base rates?

A: No. I do not agree with Petitioner's pro forma amount for this account of $49,622,443. In response to OUCC discovery, Petitioner stated there are two targeted economic development ("TED") projects that were either not included in the 2021 budget, or an incorrect amount of revenue was included in the 2021 budget. (Confidential OUCC DR 11.2, Attachment YG-2, page 1.)

Q: What is your recommendation for the Transported Gas Revenue account?

A: I recommend increasing Petitioner's proposed pro forma amount for Transported Gas Revenue account by $115,925 to account for the revenue for the two TED projects discussed above, to arrive at a total pro forma amount of $49,738,368. (Attachment YG-2, page 2.) Comparing the $49,738,368 amount to the test year Transported Gas Revenue account of $57,020,180 results in a decrease to Transported Gas Revenue in the amount of $7,281,812. (*Id.*)

III. OPERATING EXPENSES

A. Operation Supervision and Engineering (FERC Account 814)

Q: What is Petitioner's proposed test year amount for the Operation Supervision and Engineering account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $1,385,947. (Petitioner's Exhibit No. 19, page 30, line 29.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment of ($8,516) to this account to arrive at a pro forma amount of $1,377,432.

Q: Has Petitioner's pro forma amount of $1,377,432 increased from prior years?

A: Yes. From 2016 to 2019 Petitioner incurred expenses between $199,235 and $1,248,418 in this account. (Attachment YG-3, page 1.) Petitioner stated the budgeted costs and increases from prior years are primarily related to compliance spend for operations supervision and engineering that is recovered through the Compliance and System Improvement Adjustment ("CSIA") mechanism. (OUCC DR 7.3, Attachment YG-3, page 2.)

Q: Do you agree with the pro forma amount for the Operation Supervision and Engineering account?

A: No. Petitioner verified the prior years' actual amounts include both CSIA passthrough amounts and expenses included in base rates. (OUCC DR 13.1, Attachment YG-3, page 3.) However, Petitioner provided no justification for the increase of compliance expense incurred in operation supervision and engineering recovered through the CSIA mechanism from prior years. The proposed pro forma amount is inconsistent with prior years' actual costs. 2016 and 2017 have unusually low amounts at $199,235 and $228,999 respectively, so I have excluded them from my calculation of the average. Less the outlier amounts of $199,235 in 2016 and $228,999 in 2017, the average amount over the historical period of 2018 to 2019 is $925,166, which makes Petitioner's proposed pro forma amount of $1,377,432 a departure from average. (Attachment YG-3, page 1.)

Q: What is your recommendation for the Operation Supervision and Engineering account?

A: I recommend the 2021 pro forma amount be lowered to $981,508. This amount was calculated by taking the 2-year average from 2018 to 2019 of $925,166 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts over these 2 years. (Attachment YG-3, page 1.) Comparing the $981,508 amount to the test year Operation Supervision and Engineering account of $1,385,947 results in a decrease to Operation Supervision and Engineering expense in the amount of $404,439. (*Id*.)

B. <u>Purification Expenses (FERC Account 821)</u>

Q: What is Petitioner's proposed test year amount for the Purification Expenses account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $483,949. (Petitioner's Exhibit No. 19, page 30, line 36.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: No.

Q: Has Petitioner's pro forma amount of $483,949 increased from prior years?

A: Yes. From 2016 to 2019 Petitioner incurred expenses between $242,456 and $433,941 in this account. (Attachment YG-4, page 1.) Petitioner stated changes in various factors such as organizational changes and/or market conditions are expected, and the increased expenses in the test year are to ensure purification cleanouts, material change outs and repairs are done to maximize the life of the assets, which have previously been delayed in the past due to prioritization of O&M projects. (OUCC DR 7.5, Attachment YG-4, page 2.) Petitioner also stated:

> Purification cleanouts, material change outs and repairs occur on a variable time frame depending on the use of the material. The timing can vary from every other year to up to 10 years for a complete change out. The project to make the replacement was delayed in one year to allow for summer withdrawal to meet the need of a Transmission Integrity Management requirement and in another year to stay within budgeted money. The delay was not long considering the length the product is in service. In addition, the Company takes samples of gas treatment material which can also prolong the change out time depending on the results.

(OUCC DR 13.3, Attachment YG-4, page 3.)

Q: Do you agree with Petitioner's pro forma amount for the Purification Expenses account?

A: No. Petitioner provided explanations for the delay of purification cleanouts, material change outs and repairs but did not explain why the delay will lead to the increased amount of the Purification Expenses account. The annual budget for purification cleanouts, material change outs and repairs that is not spent in the prior years due to the delay should not result in an increase of annual budget for the purification expenses for now and in the future. The fluctuation of historical purification expenses from 2016 to 2019 will be smoothed out by averaging the expenses incurred during these 4 years. The average amount over the historical period of 2016 to 2019 is $307,221, which makes the pro forma amount of $483,949 a departure from average without justification.

Q: What is your recommendation for the Purification Expenses account?

A: I recommend the 2021 pro forma amount be reduced to $325,931. This amount is calculated by taking the 4-year average from 2016 to 2019 of $307,221 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts. (Attachment YG-4, page 1.) Comparing the $325,931 amount to the test year Purification Expenses amount of $483,949 results in a decrease to Purification Expenses in the amount of $158,018. (*Id.*)

C. <u>Maintenance of Lines (FERC Account 833)</u>

Q: What is Petitioner's proposed test year amount for the Maintenance of Lines account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $200,407. (Petitioner's Exhibit No. 19, page 30, line 42.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: No.

Q: Has Petitioner's pro forma amount of $200,407 increased from prior years?

A: Yes. From 2016 to 2019 Petitioner incurred expenses of between $63,487 and $147,108 in this account. (Attachment YG-5, page 1.) Petitioner stated changes in various factors such as organizational changes and/or market conditions are expected, and the increased expenses in the test year are to conduct station painting and other maintenance to station control valves and regulators, which have previously been delayed in the past due to prioritization of O&M projects. (OUCC DR 7.6, Attachment YG-5, page 2.) Petitioner further explained:

> While painting projects are an important part of facility maintenance, some were delayed in order to focus on other higher priority items. Plant painting happens every 10–15 years, sometimes less depending on site conditions and is a significant cost above other O&M cost when it occurs. In prior years, the Gas Storage and LP Operations cost center has focused on valve control work related to conduit and some small sensing line change outs related to station controls. The Company proactively made these repairs as a preventative measure while funding was available. These activities were completed in conjunction with the painting of pipelines since the plant was offline and all of the valves and controllers were wrapped up and sealed so the Company had the opportunity to conduct the work.

(OUCC DR 13.4, Attachment YG-5, page 3.)

Q: Do you agree with Petitioner's pro forma amount for the Maintenance of Lines account?

A: No. Petitioner did not explain what the expected changes are in the Maintenance of Lines account which will result in an increased budget. Petitioner stated the increased Maintenance of Lines expenses in the test year are to conduct station painting and other maintenance to station control valves and regulators, which have previously been delayed in the past due to prioritization of O&M projects. (OUCC DR 7.6, Attachment YG-5, page 2.) The painting projects were delayed because the Gas Storage and LP Operations cost center has focused on valve control work and some small sensing line change outs related to station controls in prior years. (OUCC DR 13.4, Attachment YG-5, page 3.) Prioritizing items like valve control work within the Maintenance of Lines account should not lead to an increase of the annual budget in this account, as the total workload is not increased within the scope of the maintenance projects. The proposed pro forma amount is inconsistent with prior years' actual costs. The average amount over the historical period of 2016 to

2019 is $95,116, which makes the pro forma amount of $200,407 a departure from average.

Q: What is your recommendation for the Maintenance of Lines account?

A: I recommend the 2021 pro forma amount be reduced to $100,908. This amount is calculated by taking the 4-year average from 2016 to 2019 of $95,116 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts. (Attachment YG-5, page 1.) Comparing the $100,908 amount to the test year Maintenance of Lines expense amount of $200,407 results in a decrease to Maintenance of Lines in the amount of $99,499. (*Id.*)

D. Maintenance of Compressor Station Equipment (FERC Account 834)

Q: What is Petitioner's proposed test year amount for the Maintenance of Compressor Station Equipment account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $577,966. (Petitioner's Exhibit No. 19, page 30, line 43.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment of ($10,409) to this account to arrive at a pro forma amount of $567,557.

Q: Has Petitioner's pro forma amount of $567,557 increased from prior years?

A: Yes. From 2016 to 2019 Petitioner has incurred expenses of between $233,967 and $533,822 in this account. (Attachment YG-6, page 1.) Petitioner stated the increase is mainly caused by (1) compliance spend for maintenance of compressor station equipment that is recovered through the CSIA mechanism, and (2) in 2019, Vectren North:

> encountered issues with the Dolan Station compression equipment, which led to bringing a contractor on site to help do repair work and provide materials. These repairs also required field crews to work overtime in order to get the compression units back online to resume flow of gas out of the field.

(OUCC DR 7.7, Attachment YG-6, page 2.)

Petitioner explained these repairs were completed on November 9, 2019. (OUCC DR 13.5, Attachment YG-6, page 4.) The contractor hired to deal with the issues of the Dolan Station compression equipment left the site when the repairs were completed, and no more overtime was associated with the repairs. (*Id.*) Petitioner also stated:

> The engine was installed in 1994 and after sixteen [sic] years, many long-term maintenance needs are coming up to keep the unit functioning for another fifteen to thirty years. Short term maintenance projects can balance out over the years. These long-term maintenance projects are a significant cost change from the annual maintenance costs, and the Company works to spread them out over a few years as needed to maintain the unit in proper operations. The project that was completed was for resealing the engine cylinder water jacket seals. Other maintenance projects are also continuing without the assistance of the contractor such as bearing replacement and ignition system repairs.

(*Id.*)

Q: Do you agree with Petitioner's pro forma amount for the Maintenance of Compressor Station Equipment account?

A: No. Petitioner verified the prior years' actual amounts include both CSIA passthrough amounts and expenses included in base rates. (OUCC DR 13.5, Attachment YG-6, page 3.) As mentioned above, the instance regarding the Dolan Station compression equipment occurred in 2019 and was completed in November 2019. This instance qualifies as a non-recurring event and the associated expense incurred in 2019 should be considered an outlier. Also, Petitioner did not explain what the monetary impacts of long-term engine maintenance needs are on the overall pro forma amount for the Maintenance of Compressor Station Equipment account in the test year. The proposed pro forma amount is inconsistent with prior years' actual costs. Less the outlier amount of $533,822 in 2019, the average amount over the historical period of 2016 to 2018 is $271,877, which makes the pro forma amount of $567,557 a departure from average. (Attachment YG-6, page 1.)

Q: What is your recommendation for the Maintenance of Compressor Station Equipment account?

A: I recommend the 2021 pro forma amount be reduced to $288,434. This amount is calculated by taking the 3-year average from 2016 to 2018 of $271,877 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts. (Attachment YG-6, page 1.) Comparing the $288,434 amount to the test year Maintenance of Compressor Station Equipment expense amount of $577,966 results in a decrease to Maintenance of Compressor Station Equipment in the amount of $289,532. (*Id.*)

E. Uncollectible Accounts (FERC Account 904)

Q: What is Petitioner's proposed test year amount for the Uncollectible Accounts account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $3,040,669. (Petitioner's Exhibit No. 19, page 31, line 92.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment for bad debt expense to this account in the amount of ($1,539,163), which is discussed by OUCC witness Griffith.

Petitioner also made a pro forma adjustment to this account of $633,847 associated with COVID-19 deferred expenses. Petitioner's Witness Bell stated:

> Schedule C-3.11 represents the increase in operating expenses of $633,847 associated with the proposed five (5) year amortization of COVID-19 deferred expenses…the Company will conduct a true-up at the conclusion of the first quarter of 2021…The difference between those periods as a percentage of revenues and the dollars associated with those periods will be considered the actual COVID-19 impact with a true-up to the regulatory asset occurring at that time.

(Petitioner's Exhibit No. 2, page 34, line 11 through page 35, line 5.)

Petitioner calculated the Expected COVID-19 Deferred Expenses amount for the test year at $3,169,233. (Petitioner's Exhibit No. 19, page 59, line 1.) Petitioner amortized the deferred amount of $3,169,233 over 5 years, resulting in an annual amortization of $633,847, which is Petitioner's pro forma adjustment amount as referenced above.

Q: Do you agree with the amount Petitioner has proposed to include in base rates?

A: No. I do not agree with Petitioner's pro forma adjustment of $633,847 to this account. Petitioner anticipates filing a new Transmission, Distribution and Storage Improvement Charge ("TDSIC") plan and CSIA recovery mechanism after the expiration of the current TDSIC and CSIA, and after new base rates are in effect. (OUCC DR 5.6, Attachment YG-7, pages 1-2.) Petitioner's last CSIA plan was seven (7) years and the future CSIA or TDSIC will be between five (5) to seven (7) years pursuant to Ind. Code § 8-1-39-7.8. With Petitioner expecting to file another CSIA or TDSIC plan that could last up to 7 years, Petitioner will be required to file a general rate case before the expiration of its approved plan per Ind. Code § 8-1-

39-9(e). Petitioner did not provide a specific reason to use a 5-year amortization period.

Q: What is your recommendation for the Uncollectible Accounts Expense account?

A: I recommend amortizing the COVID-19 deferred expenses over seven (7) years with an annual pro forma adjustment of $452,748 to the Uncollectible Accounts expense account. The amortization amount of $452,748 for the expected COVID-19 deferred expenses was calculated by dividing the expected COVID-19 deferred expenses of $3,169,233 by seven (7) years. (Attachment YG-7, page 3.)

The amortization period of seven (7) years falls between the possible time of Petitioner's rate case filing within five (5) to seven (7) years per the TDSIC statute. If Petitioner files a general rate case before the expiration of the amortization period of seven (7) years, any unamortized portion of the COVID-19 deferred expenses can be rolled into Petitioner's next rate case. In this way, Petitioner will be ensured to collect the whole true-up amount of the COVID-19 deferred expenses. If Petitioner does not file a general rate case before the expiration of the amortization period of seven (7) years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren North's customers will not be required to pay more than the total amount of $3,169,233 for the COVID-19 deferred expenses.

F. Regulatory Commission Expenses (FERC Account 928)

Q: What is Petitioner's proposed test year amount for the Regulatory Commission Expenses account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $820,000. (Petitioner's Exhibit No. 19, page 32, line 119.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment for the IURC fee to this account in the amount of ($38,115), as discussed by OUCC witness Grosskopf. Petitioner also made a pro forma adjustment of $330,000 associated with rate case expense to this account. Petitioner's witness Bell stated:

> Schedule C-3.12 represents an adjustment of $330,000 to increase test year expenses for the estimated incremental rate case costs associated with this proceeding. Line 1 reflects the total estimated cost of the current proceeding, $1,650,000. Line 2 reflects the amortization period of five (5) years. Line 3 reflects the annual pro forma amortization.

(Petitioner's Exhibit No. 2, page 35, lines 8-12.)

Q: Do you agree with the amount Petitioner has proposed to include in base rates for rate case expense?

A: No. Petitioner's pro forma amount of $1,650,000 associated with rate case expense is reduced by 50% to arrive at the amount of $825,000, as discussed by OUCC witness Courter.

Q: Do you agree with the amortization period Petitioner has proposed associated with rate case expense?

A: No. I do not agree with the five-year amortization period Petitioner used to determine the rate case pro forma adjustment of $330,000 to this account. As discussed above in the Uncollectible Accounts section, Petitioner's last CSIA plan was seven (7) years and the future CSIA or TDSIC will be between five (5) to seven

(7) years pursuant to Ind. Code § 8-1-39-7.8. With Petitioner expecting to file another CSIA or TDSIC plan that could last up to seven (7) years, Petitioner will be required to file a general rate case before the expiration of Petitioner's approved plan per Ind. Code § 8-1-39-9(e). (OUCC DR. 5.6, Attachment YG-7, pages 1-2.) Petitioner did not provide a specific reason to use a 5-year amortization period.

Q: What is your recommendation for the rate case expense within the Regulatory Commission Expense account?

A: I recommend amortizing the rate case expense over seven (7) years for an annual amortization expense of $117,857. This amortization amount of $117,857 for the rate case expense was calculated by dividing the rate case expense of $825,000, as discussed above, by seven (7) years. (Attachment YG-8, page 1.) This amount is combined with the amount recommended by OUCC witness Grosskopf for the IURC fee to arrive at the overall Regulatory Commission expenses.

The amortization period of seven (7) years falls between the possible time of Petitioner's rate case filing within five (5) to seven (7) years per the TDSIC statute. If Petitioner files a general rate case before the expiration of the amortization period of seven (7) years, any unamortized portion of the rate case expense can be rolled into Petitioner's next rate case. In this way, Petitioner will be ensured to collect the entire amount of the rate case expense. If Petitioner does not file a general rate case before the expiration of the amortization period of seven (7) years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren North's customers will not be required to pay more than the total amount of $825,000 for the rate case expense.

G. Miscellaneous General Expenses (FERC Account 930.2)

Q: What is Petitioner's proposed test year amount for the Miscellaneous General Expenses account?

A: Petitioner used the 2021 budget as its basis for the test year in this case. The test year amount for 2021 is $1,814,444. (Petitioner's Exhibit No. 19, page 32, line 121.)

Q: Did Petitioner make a pro forma adjustment to this account?

A: Yes. Petitioner made a pro forma adjustment of $1,051,993 associated with Information Technology ("IT") – related Investments to this account to arrive at a pro forma amount of $2,866,437. Petitioner's witness Bell stated, "Schedule C-3.10 represents the increase in operating expenses of $1,051,993 associated with IT– related investments. This one-time expense associated with roll-out and implementation of the IT-related technology in 2021 is amortized over a five (5) year period." (Petitioner's Exhibit No. 2, page 34, lines 6-9.)

Q: Do you agree with the amount Petitioner has proposed to be included in base rates?

A: No. I do not agree with Petitioner's pro forma adjustment of $1,051,993 to this account. As discussed above in the Uncollectible Accounts section, Petitioner's last CSIA plan was seven (7) years and the future CSIA or TDSIC will be between five (5) to seven (7) years pursuant to Ind. Code § 8-1-39-7.8. With Petitioner expecting to file another CSIA or TDSIC plan that could last up to seven (7) years, Petitioner will be required to file a general rate case before the expiration of Petitioner's approved plan per Ind. Code § 8-1-39-9(e). (OUCC DR. 5.6, Attachment YG-7, pages 1-2.) Petitioner did not provide a specific reason to use a 5-year amortization period.

Q: What is your recommendation for the Miscellaneous General Expenses account?

A: I recommend amortizing the IT-related investments expenses over seven (7) years with a pro forma adjustment of $751,424 to the Miscellaneous General Expenses account to arrive at a pro forma amount of $2,565,868. This $751,424 amount was calculated by dividing the IT-related investments expenses of $5,259,966 by seven (7) years. (Attachment YG-9, page 1.) Adding the OUCC's pro forma adjustment of $751,424 to Petitioner's test year amount of $1,814,444 results in the pro forma Miscellaneous General Expenses amount of $2,565,868. (*Id.*)

The amortization period of seven (7) years falls in between the possible time of Petitioner's rate case filing within five (5) to seven (7) years per the TDSIC statute. If Petitioner files a general rate case before the expiration of the amortization period of seven (7) years, any unamortized portion of the IT-related investment expenses can be rolled into Petitioner's next rate case. In this way, Petitioner will be ensured to collect the whole amount of the IT-related investment expenses. If Petitioner does not file a general rate case before the expiration of the amortization period of seven (7) years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren North's customers will not be required to pay more than the total amount of $5,259,966 for the IT-related investment expenses.

IV. UNIVERSAL SERVICE PROGRAM

Q: What is Vectren North's current USP?

A: Vectren North's customers who are qualified for the Low-Income Home Energy Assistance Program ("LIHEAP") will receive bill discounts of 15%, 26% or 32%. Also, Vectren North's crisis hardship program is available for customers at or below 200% of the Federal Poverty Level. Vectren North's shareholders contribute 30% of the total USP fund.

Q: When does Vectren North's current USP expire?

A: Vectren North's USP will be valid until the USP is reviewed in Vectren North's next rate case as ordered in *In re Vectren North*, Cause No. 45405, Final Order, p. 6 (Ind. Util. Regul. Comm'n Sep. 23, 2020).

Q: Does Petitioner meet the statutory requirement to continue the USP?

A: Yes. Petitioner's USP is offered under an Alternative Regulatory Plan, authorized by Ind. Code § 8-1-2.5-6. Vectren North meets the statutory requirements for the purpose of continuing the USP.

Q: What is Petitioner's first proposed modification to the USP?

A: Petitioner's witness Cullum stated, "Vectren North is proposing continuation of the USP program until a request is made by the Company to terminate." (Petitioner's Exhibit No. 15, page 14, lines 11-12.)

Q: Do you agree with Petitioner's first proposed modification to the USP?

A: No. While I do agree with the continuation of the USP until a request is made to terminate, I do not agree the request of termination should be made by Petitioner alone. This program is in the public interest and will benefit Vectren North's low-income customers by reducing their natural gas bills and maintaining the affordability of natural gas service during the winter heating season.

The USP is funded by Vectren North's customers and Petitioner's shareholders. As such, the right to modify, review or terminate the USP should be bilateral as well. I recommend the OUCC have the same right as Petitioner to initiate a petition to modify, review or terminate the USP. If the USP is terminated, Petitioner should file a revised tariff to reflect the impact on the USF Rider.

Q: What is Petitioner's second proposed modification to the USP?

A: Petitioner's witness Cullum proposed "the bill discount tiers of 15%, 26% and 32% remain the same with the ability to adjust in future heating seasons depending on changes made to LIHEAP customer eligibility requirements." (Petitioner's Exhibit No. 15, page 14, lines 19-21.)

Q: Do you agree with Petitioner's second proposed modification to the USP?

A: Yes. This modification will allow more LIHEAP customers to shift to higher discount tiers when household income eligibility changes. According to Petitioner's response to OUCC DR 3.15, Petitioner would request changes in the USP terms in the future through the Commission's 30-day administrative filing process. (Attachment YG-10, page 1.)

Q: What is Petitioner's third proposed modification to the USP?

A: Petitioner's witness Cullum proposed to "modify the self-declared household income eligibility requirement for crisis hardship fund from the current at or below 200% Federal Poverty Level to at or below 70% of the State Median Income." (Petitioner's Exhibit No. 15, page 15, lines 6-8.)

Q: Do you agree with Petitioner's third proposed modification to the USP?

A: Yes. This modification will allow more Vectren North customers who meet the self-declared income eligibility at or below 70% of the State Median Income to have access to the USP.

Q: Do you agree with Petitioner's proposal for shareholders to contribute 30% of total program cost with the other 70% contributed by Vectren North's customers?

A: No. Vectren North's shareholders' current contribution of 30% of the USF, without any administrative costs, was first ordered by the Commission in *In re Vectren North*, Cause No. 44455, Final Order p. 8 (Ind. Util. Regul. Comm'n Sep. 10, 2014). However, Vectren North has never contributed more than 30% of the USF, even during the COVID-19 pandemic. The impact of COVID-19 is a long-term problem for all customers and customers will not have fully recovered from the pandemic in the near term. Vectren North's customers have been responsible for the majority of the USP funding since the USP was established, years before COVID-19. Also, Petitioner's witness Cullum discussed in her testimony that "the impact COVID-19 has had on Hoosier households continues to unfold. The long-term need for bill discounts and crisis hardship funding is expected to grow as a result of the new health and economic crisis resulting from COVID-19." (Petitioner's Exhibit No. 15, page 12, lines 18-20.) Therefore, to reduce the long-term burden on all Vectren North's customers, not only the low-income customers, I recommend an increase in Vectren North's shareholders' contribution to the USF from 30% to 50%. The overall effect of doing so is an average annual increase from the shareholders of $317,837 over the previous 30% contributed. (Attachment YG-10, page 2.)

Q: Do you agree with Petitioner's proposal to maintain the USF caps for residential, commercial, and industrial customers the same as the current caps approved in Cause No. 45405?

A: Yes. These caps allow Vectren North's customers to contribute to the USF with a controlled bill impact. If the USF is over the caps, the excess amount will be rolled into the next filing.

V. <u>INCLUSION OF ITEMS IN THE GCA</u>

A. <u>Unaccounted for Gas</u>

Q: What UAFG percentage did Petitioner propose?

A: Petitioner's witness Tieken stated, "[t]he Company will continue to recover in its GCA the actual cost of UAFG volumes, up to the maximum UAFG percentage of 0.8% as approved in Vectren North's last gas base rate proceeding, Cause No. 43298." (Petitioner's Exhibit No. 17, page 18, lines 16-19.)

Q: Do you agree with Petitioner's proposed UAFG percentage?

A: No. The UAFG percentage of 0.8% was approved in *In re Vectren North*, Cause No. 43298, Final Order, p. 12 (Ind. Util. Regul. Comm'n Feb. 13, 2008) when Petitioner did not have a CSIA or TDSIC Plan in place. However, Cause No. 43298 was a settled case, and Petitioner agreed that none of the terms of the settlement would be considered precedential. (*Id.*, Settlement at p. 3.) Therefore, previous approval of 0.8% UAFG does not automatically make the percentage reasonable in this case. According to Ind. Code § 8-1-39-2, an eligible TDSIC program "means new or replacement electric or gas transmission, distribution, or storage utility projects that: (1) a public utility undertakes for purposes of safety, reliability, system modernization, or economic development, including the extension of gas service to rural areas." The implementation of TDSIC projects is designated to improve and modernize the transmission, distribution, and storage system, and reduce the overall chance of gas leakage, leading to a lower percentage of UAFG. Petitioner has made TDSIC filings since 2014 and the UAFG percentage has decreased compared to the years before TDSIC projects were in place. (Attachment YG-11, page 2.) The 10-Year UAFG percentage summary filed by Petitioner on January 26, 2021 in Cause No. 43298 shows a downward trend for Vectren North's annual UAFG percentage for the period of September 2010 – August 2020. (*Id.*) Contrary to the pre-TDSIC UAFG history, the implementation of on-going TDSIC projects have resulted in a lower UAFG percentage. Therefore, I propose to lower the maximum annual UAFG percentage from 0.8% to the ten (10) year average of 0.10%. (*Id.*)

B. <u>Bad Debt Recovery</u>

Q: What Bad Debt percentage does Petitioner propose to recover in its GCA filings?

A: Petitioner's witness Tieken stated:

> In Vectren North's last base rate proceeding, the Commission authorized the Company to recover in its GCA the gas cost component of bad debt expenses at a fixed bad debt ratio of 0.90%. As supported by Petitioner's Witness Bell, the Company is proposing to utilize 0.42% based on a historical 3-year actual bad debt expenses for 2017-2019.

(Petitioner's Exhibit No. 17, page 16, lines 11-15.)

Q: Do you agree with Petitioner's proposed Bad Debt percentage?

A: Yes, I agree with Petitioner's proposed Bad Debt percentage of 0.420% which aligns with the average actual Bad Debt percentage over the historical period from 2017 to 2019 as shown on Petitioner's Exhibit No. 18, WPA_2.2. In response to OUCC DR 4.2, Petitioner proposed to maintain the fixed percentage of 0.420% as the bad debt write-off percentage for both Phase 1 and Phase 2 updates. (OUCC DR 4.2, Attachment YG-12, page 1.)

VI. OUCC RECOMMENDATIONS

Q: Please summarize your recommendations related to the items addressed in this Cause.

A: I recommend the following changes to Vectren North's test year amounts for revenue and expenses:

1. An increase to Forfeited Discounts of $135,729;
2. A decrease to Transported Gas Revenue of $7,281,812;
3. A decrease to Operation Supervision and Engineering of $404,439;
4. A decrease to Purification Expenses of $158,018;
5. A decrease to Maintenance of Lines of $99,499;
6. A decrease to Maintenance of Compressor Station Equipment of $289,532;
7. An increase to Uncollectible Accounts of $452,748;
8. An increase to Regulatory Commission Expenses of $117,857; and
9. An increase to Miscellaneous General Expenses of $751,424.

I recommend the following relating to the amortization of the COVID-19 deferred expense, rate case expense, and IT related investments expenses:

1. An amortization period of seven (7) years;
2. If Petitioner files a general rate case before the expiration of the amortization period of seven (7) years, any unamortized portion of these expenses can be rolled into Petitioner's next rate case; and
3. If Petitioner does not file a general rate case before the expiration of the amortization period of seven (7) years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates.

I recommend the following regarding the USP:

1. Approval for Petitioner to extend the USP;
2. Vectren North shareholders contribute 50% of the program cost;
3. The OUCC having the right to request a modification, review, or termination of the USP;
4. Petitioner retain the same bill discount tiers of 15%, 26% and 32% with the ability to adjust in future heating seasons depending on changes made to LIHEAP customer eligibility requirements; and
5. Modification of the self-declared household income eligibility requirement for the crisis hardship fund from the current at or below 200% Federal Poverty Level to at or below 70% of the State Median Income.

I recommend the following regarding items included in the GCA:

1. Approval of the bad debt recovery of 0.420%; and
2. Approval of UAFG recovery with a maximum percentage of 0.10%.

Q: Does this conclude your testimony?

A: Yes, it does.

APPENDIX TO THE TESTIMONY OF
OUCC WITNESS YI GAO

Q: Please describe your educational background and experience.

A: I graduated from the Kelley School of Business at Indiana University, Indianapolis, Indiana with a Master of Science Degree in Accounting in December 2019. While in school, I worked as a part-time tutor in Cost Accounting and Introduction to Managerial Accounting to help undergraduate students answer their course related questions and review course materials. Meanwhile, I participated in a few internships in the fields of accounting and taxation to gain practical experience.

In February 2020, I began my employment with the OUCC as a Utility Analyst. My current responsibilities include reviewing and analyzing Gas Cost Adjustment ("GCA") petitions, Energy Efficiency rider filings, Federally Mandated Cost Adjustment ("FMCA") tracker filings, Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") tracker filings and rate cases filed by Indiana natural gas utilities with the Commission. While employed at the OUCC, I completed NARUC's Utility Rate School hosted by the Institute of Public Utilities at Michigan State University.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: Yes, I have testified in GCA, FMCA, TDSIC and rate cases.

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

A: I reviewed Petitioner's pre-filed testimony, exhibits and supporting documentation and analyzed Petitioner's responses to OUCC discovery requests. I also participated in a pre-meeting with Petitioner to discuss this case.

Q 3.5: Referencing page 33, lines 21-24 of her testimony, Ms. Bell states, "[t]his percentage – 0.59% within the 2021 budget – is applied to the adjusted operating revenues as a result of Schedules C-3.1 through C-3.8 to determine the pro forma level of the late fees for the test year."

a. Please explain how the percentage of 0.59% was determined and provide supporting documentation.
b. If the calculation of the percentage does not use 2019 data, please provide all applicable information for 2019 as well.

Response:

a. The late fee percentage of 0.59 is the annual average ratio of late fees to operating revenues. It is calculated by dividing the sum of the 12 months of total adjusted revenues by the sum of the 12 months of late fees. The late fees for each month are calculated by applying the three-year average (2016-2018) ratio (of late fees to revenue) to the monthly budgeted revenues. Please see the attached file titled "45468_OUCC DR 03.05 Vectren North Late Fee Calculation", specifically the Q3.5 - Part A, Part B_(1) tab.

b. Please see the attachment to part (a), specifically the "Q3.5 - Part A, Part B_(2)" tab, Lines 19 to Line 24.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
MONTHLY LATE FEE PERCENTAGE CALCULATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	January	February	March	April	May	June	July	August	September	October	November	December	Total
1	Late Fee Percentage, 3-Year Average of 2017-2019	*Per Vectren North	0.52%	0.68%	0.65%	0.97%	1.08%	0.73%	0.68%	0.59%	0.54%	0.44%	0.28%	0.47%	
2	Total Revenue Budget 2021	*Per Vectren North	$ 102,782,008	$ 85,146,719	$ 68,506,468	$ 44,252,337	$ 28,839,772	$ 22,520,742	$ 22,021,387	$ 22,072,038	$ 24,431,051	$ 35,831,337	$ 60,596,104	$ 91,751,415	$ 608,751,379
3	Subtotal Forfeited Discounts	Line 1 x Line 2	$ 534,466	$ 578,998	$ 445,292	$ 429,248	$ 311,470	$ 164,401	$ 149,745	$ 130,225	$ 131,928	$ 157,658	$ 169,669	$ 431,232	$ 3,634,332
4	OUCC Late Fee Percentage	Line 3 / Line 2													0.60%

Note: *retrieved from supporting documentation "45468_OUCC DR 03.05 Vectren North Late Fee Calculation" in response to OUCC DR 3.5.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
ANNUALIZED REVENUE-MISCELLANEOUS REVENUE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	Amount	
	PURPOSE and DESCRIPTION: To reflect the change in operating revenues for various adjustments to Miscellaneous Revenue to synchronize to the projected test year revenue.			
1	Adjusted Test Year Revenue	Per Vectren North	$608,751,379	
2	Transported Gas Revenue Adjustment	Per OUCC	115,925	From Attachment YG-2, page 2
3	OUCC Adjusted Test Year Revenue		608,867,304	
4	Late Fee Percentage	Per OUCC	0.60%	From Attachment YG-1, page 2
5	Adjusted Test Year Forfeited Discounts	Line 3 x Line 4	3,635,024	
6	Unadjusted Test Year Forfeited Discounts	Per Vectren North	(3,499,295)	
7	OUCC Adjustment Amount	Line 5 + Line 6	$135,729	

Note: Attachment YG-2, Page 1 is Confidential.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
TRANSPORTED GAS REVENUE (FERC ACCOUNT 489.2)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	Amount	
1	Pro Forma Transported Gas Revenue at Present Rates	Per Vectren North	$49,622,443	
2	OUCC Adjustment Amount	Per OUCC	115,925	From Attachment YG-2, page 1
3	OUCC Pro Forma at Present Rates		$49,738,368	
4	Petitioner's Unadjusted Test Year		$57,020,180	From Petitioner's Exhibit No. 19, page 30, line 29
5	OUCC Pro Forma Adjustment		(7,281,812)	
6	OUCC Pro Forma at Present Rates		$49,738,368	From Above

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
OPERATION SUPERVISION AND ENGINEERING (FERC ACCOUNT 814)

Line		Actual Operation Supervision and Engineering Expense	
1	2016	$199,235	
2	2017	228,999	
3	2018	601,914	
4	2019	1,248,418	
5	Total excluding 2016 & 2017	1,850,331	
6	2-year average	$925,166	
7	3% increase for 2020	$952,921	
8	3% increase for 2021	$981,508	
9	Petitioner's Unadjusted Test Year	$1,385,947	From Petitioner's Exhibit No. 19, page 30, line 29
10	OUCC Pro Forma Adjustment	(404,439)	
11	OUCC Pro Forma at Present Rates	$981,508	From Above

Note: Actual operation supervision and engineering expense for 2016 - 2019 taken from historical trial balance provided in response to OUCC DR 1.1.

Q 7.3: Reference Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 29, FERC Account 814, Operation Supervision and Engineering.

a. Please explain why the actual expense amount for this account in 2018 is more than double the amount in 2017.
b. Please explain why the actual expense amount for this account in 2019 is more than double the amount in 2018.
c. Please explain how Petitioner calculated the budgeted amount of $1,385,947 for this account as of December 31, 2021, and why the budgeted amount has increased as compared to the actual expenses from 2016 to 2019.

Response:

FERC Account 814 has budgeted costs and increases from prior years that relate primarily to compliance spend for operations supervision and engineering that is recovered through the CSIA mechanism. Please also see Petitioner's Exhibit No. 18, Workpaper WPC-1.1a for the breakdown of FERC 814 between CSIA related spend and all other expenses.

Data Requests- Set 13

Q 13.1: Referencing Vectren North's responses to OUCC DR 7.3 related to FERC Account 814, Operation Supervision and Engineering, Vectren North stated, "FERC Account 814 has budgeted costs and increases from prior years that relate primarily to compliance spend for operations supervision and engineering that is recovered through the CSIA mechanism."

a. Please confirm all prior year actual costs for 2016-2019 provided in response to OUCC DR 1.1 include both the CSIA component and the base rate component.
b. Please provide the amount of CSIA costs and base rate costs included in each calendar year for the years 2016-2020.
c. Please provide the actual amount of operation supervision and engineering expenses for this account for the calendar year 2020.

Response:

a. All prior year actual costs for 2016-2019 provided in response to OUCC DR 1.1 included both the CSIA component and the base rate component for FERC Account 814.

b. Below please find the breakdown of costs included in FERC Account 814.

	2016	2017	2018	2019	2020
CSIA	$ -	$ -	$ 371,579	$ 1,022,878	$ 325,179
Base Rate	$ 199,235	$ 228,999	$ 230,334	$ 225,540	$ 207,906
Total	**$ 199,235**	**$ 228,999**	**$ 601,914**	**$ 1,248,418**	**$ 533,085**

c. Please see response to part (b) for the 2020 actual amount.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
PURIFICATION EXPENSES (FERC ACCOUNT 821)

Line		Actual Purification Expenses	
1	2016	$433,941	
2	2017	244,946	
3	2018	307,543	
4	2019	242,456	
5	Total	$1,228,886	
6	4-year average	$307,221	
7	3% increase for 2020	$316,438	
8	3% increase for 2021	$325,931	
9	Petitioner's Unadjusted Test Year	$483,949	From Petitioner's Exhibit No. 19, page 30, line 36
10	OUCC Pro Forma Adjustment	(158,018)	
11	OUCC Pro Forma at Present Rates	$325,931	From Above

Note: Actual purification expenses for 2016 - 2019 taken from historical trial balance provided in response to OUCC DR 1.1.

Q 7.5: Referencing Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 36, FERC Account 821, Purification Expenses. Please explain how Petitioner calculated the budgeted amount of $483,949 for this account as of December 31, 2021, and why the budgeted amount has increased as compared to the actual expenses from 2016 to 2019.

Response:

Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. Purification expenses in the test year increased over actual years to ensure purification cleanouts, material change outs and repairs are done in order to maximize the life of the assets, which have previously been delayed in the past due to prioritization of O&M projects.

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company's best estimated allocation by FERC account, favorability in one particular FERC account does not necessarily result in an overall reduction in O&M, as the underspend could offset overages in other FERC accounts.

Q 13.3: Referencing Vectren North's responses to OUCC DR 7.5 related to FERC Account 821, Purification Expenses, Vectren North stated, "Purification expenses in the test year increased over actual years to ensure purification cleanouts, material change outs and repairs are done in order to maximize the life of the assets, which have previously been delayed in the past due to prioritization of O&M projects."

a. Please provide the actual amount of purification expenses for this account for the calendar year 2020.
b. Please explain why the purification cleanouts, material change outs and repairs have been delayed in the past due to prioritization of O&M projects.

Response:

a. The actual amount of purification expenses for FERC Account 821 for the calendar year 2020 was $258,421.
b. Purification cleanouts, material change outs and repairs occur on a variable time frame depending on the use of the material. The timing can vary from every other year to up to 10 years for a complete change out. The project to make the replacement was delayed in one year to allow for summer withdrawal to meet the need of a Transmission Integrity Management requirement and in another year to stay within budgeted money. The delay was not long considering the length the product is in service. In addition, the Company takes samples of gas treatment material which can also prolong the change out time depending on the results.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
MAINTENANCE OF LINES (FERC ACCOUNT 833)

Line		Actual Maintenance of Lines Expense	
1	2016	$63,487	
2	2017	70,799	
3	2018	99,069	
4	2019	147,108	
5	Total	$380,462	
6	4-year average	$95,116	
7	3% increase for 2020	$97,969	
8	3% increase for 2021	$100,908	
9	Petitioner's Unadjusted Test Year	$200,407	From Petitioner's Exhibit No. 19, page 30, line 42
10	OUCC Pro Forma Adjustment	(99,499)	
11	OUCC Pro Forma at Present Rates	$100,908	From Above

Note: Actual maintenance of lines expense for 2016 - 2019 taken from historical trial balance provided in response to OUCC DR 1.1.

Q 7.6: Reference Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 42, FERC Account 833, Maint. of Lines. Please explain how Petitioner calculated the budgeted amount of $$200,407 for this account as of December 31, 2021, and why the budgeted amount has increased as compared to the actual expenses from 2016 to 2019.

Response:

Annual plans are created each year based on historical trends and are assessed and adjusted for expected changes in various factors such as organizational changes and/or market conditions. Maintenance of Lines expenses in the test year increased over actual years to conduct station painting and other maintenance to station control valves and regulators, which have previously been delayed in the past due to prioritization of O&M projects.

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company's best estimated allocation by FERC account, favorability in one particular FERC account does not necessarily result in an overall reduction in O&M, as the underspend could offset overages in other FERC accounts.

Q 13.4: Referencing Vectren North's responses to OUCC DR 7.6 related to FERC Account 833, Maintenance of Lines, Vectren North stated, "Maintenance of Lines expenses in the test year increased over actual years to conduct station painting and other maintenance to station control valves and regulators, which have previously been delayed in the past due to prioritization of O&M projects."

a. Please provide the actual amount of maintenance of lines expenses for this account for the calendar year 2020.
b. Please explain why the station painting and other maintenance to station control valves and regulators have been delayed in the past due to prioritization of O&M projects.

Response:

a. The actual amount of maintenance of lines expenses for FERC Account 833 for the calendar year 2020 was $86,003.
b. While painting projects are an important part of facility maintenance, some were delayed in order to focus on other higher priority items. Plant painting happens every 10–15 years, sometimes less depending on site conditions and is a significant cost above other O&M cost when it occurs. In prior years, the Gas Storage and LP Operations cost center has focused on valve control work related to conduit and some small sensing line change outs related to station controls. The Company proactively made these repairs as a preventative measure while funding was available. These activities were completed in conjunction with the painting of pipelines since the plant was offline and all of the valves and controllers were wrapped up and sealed so the Company had the opportunity to conduct the work.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
MAINTENANCE OF COMPRESSOR STATION EQUIPMENT (FERC ACCOUNT 834)

Line	Actual Maintenance of Compressor Station Equipment Expense		
1	2016	$233,967	
2	2017	268,518	
3	2018	313,145	
4	2019	533,822	
5	Total excluding 2019	$815,630	
6	3-year average	$271,877	
7	3% increase for 2020	$280,033	
8	3% increase for 2021	$288,434	
9	Petitioner's Unadjusted Test Year	$577,966	From Petitioner's Exhibit No. 19, page 30, line 43
10	OUCC Pro Forma Adjustment	(289,532)	
11	OUCC Pro Forma at Present Rates	$288,434	From Above

Note: Actual maintenance of compressor station equipment expense for 2016 - 2019 taken from historical trial balance provided in response to OUCC DR 1.1.

Q 7.7: Reference Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 43, FERC Account 834, Maint. of Compressor Station Equipment. Please explain the increase of the actual expenses for this account in 2019 as compared to the actual expenses in 2018. ($553,822 in 2019 vs. $313,145 in 2018).

Response:

FERC Account 834 has increases in 2019 compared to 2018 that relate to compliance spend for maintenance of compressor station equipment that is recovered through the CSIA mechanism. Please also see Petitioner's Exhibit No. 18, Workpaper WPC-1.1a for the breakdown of FERC 834 between CSIA related spend and all other expenses.

In addition, in 2019 the company encountered issues with the Dolan Station compression equipment, which led to bringing a contractor on site to help do repair work and provide materials. These repairs also required field crews to work overtime in order to get the compression units back online to resume flow of gas out of the field. This is an example of expense fluctuations based on repairs and maintenance needs in a specific year.

Operating expense budgets are managed at the business unit, or operating unit level, as opposed to the individual FERC account level. Although the test year represents the Company's best estimated allocation by FERC account, favorability in one particular FERC account does not necessarily result in an overall reduction in O&M, as the underspend could offset overages in other FERC accounts.

Q 13.5: Referencing Vectren North's responses to OUCC DR 7.7 related to FERC Account 834, Maintenance of Compressor Station Equipment, Vectren North stated,

> FERC Account 834 has increases in 2019 compared to 2018 that relate to compliance spend for maintenance of compressor station equipment that is recovered through the CSIA mechanism…in 2019 the company encountered issues with the Dolan Station compression equipment, which led to bringing a contractor on site to help do repair work and provide materials. These repairs also required field crews to work overtime in order to get the compression units back online to resume flow of gas out of the field.

a. Please confirm all prior year actual costs for 2016-2019 provided in response to OUCC DR 1.1, including both the CSIA component and the base rate component.
b. Please provide the amount of CSIA costs and base rate costs included in each calendar year for each year from 2016-2019.
c. Please provide the actual amount of maintenance of compressor station equipment expenses for this account for the calendar year 2020.
d. Please confirm the Dolan Station compression equipment repair work has been completed.
e. If the answer to subpart (d) is yes, please provide the completion date of the repair work.
f. If the answer to subpart (d) is yes, please explain if the contractor is still on site for this repair work.
g. If the answer to subpart (d) is yes, please explain if the field crews still work overtime for this repair work.
h. If the answer to subpart (d) is no, please provide the estimated completion date of the repair work.
i. If the answer to subpart (d) is yes, please explain why an increased level of O&M expense for a contractor and overtime work is needed every year going forward.

Response:

a. All prior year actual costs for 2016-2019 provided in response to OUCC DR 1.1 included both the CSIA component and the base rate component for FERC Account 834.

b. Below please find the breakdown of costs.

	2016	2017	2018	2019
CSIA	$ -	$ -	$ 122,110	$ 240,272
Base Rate	$ 233,967	$ 268,518	$ 191,035	$ 313,550
Total	**$ 233,967**	**$ 268,518**	**$ 313,145**	**$ 553,822**

c. The actual amount of maintenance of compressor station equipment expenses for FERC Account 834 for the calendar year 2020 was $731,534.
d. Yes, the maintenance was completed.
e. The work was completed November 6, 2019.
f. The contractor left the site when the work was completed.
g. No. This maintenance project was completed, and no more overtime was associated with the maintenance project. However, overtime is routinely associated with other maintenance projects on the engines therefore additional overtime may be incurred.
h. Not applicable.
i. The engine was installed in 1994 and after sixteen years, many long-term maintenance needs are coming up to keep the unit functioning for another fifteen to thirty years. Short term maintenance projects can balance out over the years. These long-term maintenance projects are a significant cost change from the annual maintenance costs, and the Company works to spread them out over a few years as needed to maintain the unit in proper operations. The project that was completed was for resealing the engine cylinder water jacket seals. Other maintenance projects are also continuing without the assistance of the contractor such as bearing replacement and ignition system repairs.

Q 5.6: Regarding utility plant assets and expenses accounted for within Vectren North's current CSIA mechanism, please answer the following questions;

a. Will Vectren North continue accumulation of investments in the CSIA during 2021, until a base rate Order is issued?
b. When does Vectren North envision ceasing the accumulation of investments in the CSIA?
c. When does Vectren North envision transferring the accumulation of investments in the CSIA to rate base?
d. Does Vectren North envision filing a CSIA tracker case in 2021 seeking recovery of investments, in addition to prior period variances?
e. When, and for what period, does Vectren North anticipate filing the last CSIA filing before base rates are approved?
f. Does Vectren North anticipate filing a new TDSIC plan and CSIA recovery mechanism for Vectren North after the expiration of the current TDSIC and CSIA, and after new base rates are in effect?

Objection:

Vectren North objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren North can determine what information is sought in that the phrase "accumulation of investments" is not defined. Vectren North has interpreted the phrase as used in Request as referring to new projects.

Subject to and without waiver of the foregoing objections, Vectren North responds as follows:

Response:

a. The Company's forward-looking test year of 2021 will capture investments within rate base following the end of the Company's authorized 7-year TDSIC plan which ends December 31, 2020. The accumulation of project costs associated with the 7-year TDSIC plan will cease upon implementation of the base rate Order.

b. The Company will make its last semi-annual TDSIC filing under Cause No. 44430-TDSIC-14 on April 1, 2021 to recover actual expenditures through the reconciliation period of December 31, 2020.

c. Upon approval of this pending rate case, the Phase I update of Rate Base as of June 2021 will capture the accumulation of CSIA investments.

d. The Company will file its 14th semi-annual tracker case (44430-TDSIC 14) on April 1, 2021 to capture actual investments through December 31, 2020. This will also include reconciliation of actual recoveries against approved recoveries through December 31, 2020 (from TDSIC-12 period) in addition to the revenue requirement of actual expenditures through December 31, 2020. The Company will propose rates to become effective July 1, 2021 or soon after Commission approval in the pending TDSIC-14 proceeding. The TDSIC-14 rates and charges will remain in effect until the Commission issues an order in this pending rate case. At that time, the Company's compliance tariff filing will reflect only the variance component of the CSIA mechanism.

The Company will need to continue to reconcile actual recoveries with approved recoveries through the time when all CSIA-related variances have been fully recovered.

e. See response to OUCC DR 05-6(d).

f. Yes. The Company anticipates filing a proposal for a new TDSIC and CSIA plan to be in effect subsequent to the test year in this proceeding.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
COVID-19 DEFERRED EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	Amount
	PURPOSE and DESCRIPTION: To reflect the estimated costs related to COVID-19 deferred expenses.		
1	Expected COVID-19 Deferred Expenses	Per Vectren North	$3,169,233
2	Amortization Period (Years)	Per OUCC	7
3	Pro Forma Increase in COVID-19 Expense	Line 1 / Line 2	$452,748

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
RATE CASE EXPENSE
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	Amount
	PURPOSE and DESCRIPTION: To reflect the increase in operating expense associated with the amortization of estimated costs related to this proceeding.		
1	Expected Rate Case Expense for Current Case	Per OUCC	$825,000
2	Amortization Period (Years)	Per OUCC	7
3	Increase/(Decrease) in Amortization Expense	Line 1 / Line 2	$117,857

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
INFORMATION TECHNOLOGY-RELATED INVESTMENTS EXPENSES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line	Description	Reference	Amount
	PURPOSE and DESCRIPTION: To reflect the increase in operating expenses associated with information technology investments.		
1	Expected IT-Related Investments Expenses	Per Vectren North	$5,259,966
2	Amortization Period (Years)	Per OUCC	7
3	Pro Forma Increase in IT-Related Investments Expense	Line 1 / Line 2	$751,424
4	Petitioner's Unadjusted Test Year	Per Vectren North	$1,814,444
5	OUCC Adjustment	From Above	751,424
6	OUCC Pro Forma at Present Rates		$2,565,868

Q 3.15: Referencing page 14, lines 19-21 of her testimony, Ms. Cullum states, "Vectren North also proposes the bill discount tiers of 15%, 26% and 32% remain the same with the ability to adjust in future heating seasons depending on changes made to LIHEAP customer eligibility requirements." Please explain how Vectren North will propose to make such change in the future. (For example, would this request be made as part of a 30-day filing, or would Vectren request this change as part of its annual compliance filing?)

Response:

The company would use the IURC 30-day administrative filing process to request changes to program terms.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45468
UNIVERSAL SERVICE FUND
FOR THE PERIOD OF 2014 - 2020

Season	USP Discounts		Crisis/Hardship		Total Actual USF	30% Contribution of USF	50% Contribution of USF	Increased Contribution
2014/2015	$1,553,375	*	$494,337	*	$2,047,712	$614,314	$1,023,856	$409,542
2015/2016	1,024,947	*	370,694	*	1,395,641	418,692	697,821	279,128
2016/2017	1,004,594	*	293,115	*	1,297,709	389,313	648,855	259,542
2017/2018	925,256	*	390,302	*	1,315,558	394,667	657,779	263,112
2018/2019	1,507,417	*	298,029	*	1,805,446	541,634	902,723	361,089
2019/2020	$1,384,487	*	$288,554	*	$1,673,041	$501,912	$836,521	$334,608
							6-Year Average	$317,837

Note: *retrieved from Petitioner's Exhibit No. 15, Attachment TJC-2, page 1.

VECTREN
A CenterPoint Energy Company

FILED
January 26, 2021
INDIANA UTILITY
REGULATORY COMMISSION

January 26, 2021

Jane Steinhauer
Director of Energy Division
Indiana Utility Regulatory Commission
PNC Center
101 W. Washington Street
Suite 1500 East
Indianapolis, IN 46204

In RE: Vectren North Gas Tariff Appendix F, Unaccounted For Gas Percentage Compliance Filing, Cause No. 43298

Dear Ms. Steinhauer:

Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company ("Vectren North") hereby provides you with notification of our annual review of the Unaccounted For Gas Percentage reflected in Appendix F of the Vectren North Gas Tariff.

Also included is the supporting documentation detailing how the percentage was calculated. The unaccounted for gas percentage is calculated by taking the prior ten annual periods of actual unaccounted for gas, excluding the low and high years, to determine the appropriate percentage. Previously Vectren North used the prior four annual periods as the basis. The longer historical period of data and the exclusion of the low and high outlying periods results in a percentage that better represents Vectren North's operating performance.

Upon our annual review, the calculated Unaccounted For Gas percentage for the period September 2010 through August 2020 remains at 0.1%. At this time, Vectren North does not request a modification to the currently effective Appendix F tariff sheet. The currently effective Appendix F will remain in effect until such time as the calculated Unaccounted For Gas percentage changes. Supporting documentation is included detailing the calculation of the Unaccounted For Gas Percentage of 0.1%. Although the Unaccounted For Gas Percentage is unchanged, and no tariff revision is necessary, the attached data is being filed under Cause No. 43298 in order to establish a consistent record.

Please contact me with any questions or concerns.

Sincerely,
Vickie McClatchy

Vickie McClatchy
Analyst, Regulatory and Rates
Vickie.McClatchy@centerpointenergy.com

Enclosure

cc: Leja Courter
Indiana Office of Utility Consumer Counselor
PNC Center
115 W. Washington St., Suite 1500 S
Indianapolis, IN 46204

Vectren North
Unaccounted For Gas Percentage
Summary for the Period September 2010 - August 2020

	Available (Dth)	Delivered (Dth)	Unaccounted For (Dth)	Unaccounted For (%)	
Sep 10 - Aug 11	113,725,724	113,586,256	139,468	0.1%	
Sep 11 - Aug 12	104,126,292	103,940,708	185,584	0.2%	
Sep 12 - Aug 13	120,373,182	120,070,747	302,435	0.3%	
Sep 13 - Aug 14	134,390,511	133,957,740	432,771	0.3%	
Sep 14 - Aug 15	136,376,244	135,619,518	756,726	0.6%	**10 Yr High %**
Sep 15 - Aug 16	120,533,113	120,501,294	31,819	0.0%	
Sep 16 - Aug 17	120,303,314	120,582,517	(279,203)	-0.2%	**10 Yr Low %**
Sep 17 - Aug 18	151,365,203	151,459,726	(94,523)	-0.1%	
Sep 18 - Aug 19	171,980,766	171,821,217	159,549	0.1%	
Sep 19 - Aug 20	167,130,744	166,784,897	345,847	0.2%	
10 Year (2010-2020) excluding low and high UAFG % years	**1,083,625,535**	**1,082,122,585**	**1,502,950**	**0.1%**	

Current Rate is 0.1% (Effective 3-1-2019)

Q 4.2: Referencing page 36, line 10 of her testimony, Ms. Bell states the bad write-off percentage of 0.420 percent was used to determine the Adjusted Test Year Uncollectible Accounts Expense on Petitioner's Exhibit No. 19, Schedule C-3.15. How will this percentage be adjusted in Phases 1 and 2 of rate implementation in this Cause to include actual bad debt write-offs for 2020 or 2021?

Response:

Vectren North proposes for the bad debt write-off percentage to remain fixed for both the Phase 1 and Phase 2 updates.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S PUBLIC REDACTED TESTIMONY OF YI GAO*** has been served upon the following counsel of record in the captioned proceeding by electronic service on March 31, 2021.

Justin Hage
Heather A. Watts
Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
E-mail:
Justin.Hage@centerpointenergy.com
Heather.Watts@centerpointenergy.com

With Copy to:
Michelle D. Quinn
Angie M. Bell
Katie J. Tieken
Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
E-mail:
Michelle.Quinn@centerpointenergy.com
Angie.Bell@centerpointenergy.com
Katie.Tieken@centerpointenergy.com

Jonathan B. Turpin, Atty No. 32179-53
Locke Lord LLP
Email: Jonathan.Turpin@lockelord.com

Nicholas K. Kile
Hillary J. Close
Lauren M. Box
Barnes & Thornburg LLP
Email: nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Todd A. Richardson
Tabitha L. Balzer
LEWIS & KAPPES, P.C.
Industrial Group
Email: TRichardson@Lewis-Kappes.com
TBalzer@Lewis-Kappes.com

Jennifer A. Washburn
Reagan Kurtz
Citizens Action Coalition
Email:jwashburn@citact.org
rkurtz@citact.org

Robert K. Johnson, Esq.
Steel Dynamics, Inc.
Email: rjohnson@utilitylaw.us

Loraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317-232-2494 – Telephone
317-232-5923 – Facsimile