

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF CRAWFORDSVILLE,)
INDIANA, BY AND THROUGH ITS MUNICIPAL)
ELECTRIC UTILITY, CRAWFORDSVILLE ELECTRIC)
LIGHT AND POWER, FOR APPROVAL OF A NEW) CAUSE NO. 45420
SCHEDULE OF RATES AND CHARGES FOR)
ELECTRIC SERVICE AND FOR APPROVAL TO)
MODIFY ITS ENERGY COST ADJUSTMENT)
PROCEDURES)

PRE-FILED VERIFIED SETTLEMENT TESTIMONY OF
JENNIFER Z. WILSON, CPA
ON BEHALF OF PETITIONER
CRAWFORDSVILLE ELECTRIC LIGHT AND POWER

PETITIONER'S EXHIBIT NO. 9

JANUARY 27, 2021

Respectfully Submitted,



Kristina Kern Wheeler, #20957-49A
Nikki Gray Shoultz, #16509-41
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000
(317) 684-5173 Fax
kwheeler@boselaw.com
Counsel for Petitioner, CEL&P

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1 **I. INTRODUCTION**

2 **Q1. PLEASE STATE YOUR NAME AND ON WHOSE BEHALF YOU ARE**
3 **TESTIFYING.**

4 A. My name is Jennifer Z. Wilson, and I am testifying on behalf of the Petitioner, Crawfordsville
5 Electric Light and Power (“CEL&P” or “Utility”), which is the electric utility owned and
6 operated by the City of Crawfordsville, Indiana (“City” or “Crawfordsville”).

7 **Q2. ARE YOU THE SAME JENNIFER Z. WILSON WHO SUBMITTED DIRECT**
8 **TESTIMONY IN THIS CAUSE?**

9 A. Yes.

10 **Q3. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

11 A. My purpose is to present testimony to the Indiana Utility Regulatory Commission (the
12 “Commission”) in support of the Joint Stipulation and Settlement Agreement (the
13 “Settlement”) reached by the parties in this Cause (the “Settling Parties”). It is my opinion
14 that the Settlement represents an equitable compromise between the parties in this
15 proceeding. I will discuss the key Settlement terms pertaining to the total system revenue
16 requirements.

17 **Q4. PLEASE DESCRIBE THE MATERIALS YOU REVIEWED TO PREPARE YOUR**
18 **SELLEMENT TESTIMONY.**

19 A. In addition to the data and information referred to in my previous testimony, I reviewed and
20 participated in responding to data requests sent to CEL&P by the Indiana Office of the Utility
21 Consumer Counselor (“OUCC”). I reviewed and analyzed the Settlement between the
22 parties in this Cause including the settlement testimony and schedules of the OUCC.

23 **Q5. PLEASE DESCRIBE THE SETTLEMENT REVENUE REQUIREMENT.**

1 A. In CEL&P's direct testimony, the Utility requested revenue requirements totaling
2 \$40,947,150, resulting in an 18.06% overall rate increase. Through negotiations with the
3 OUCC, the parties agreed to a reduction of \$1,491,076 in the Utility's request. The parties
4 agreed to a revenue requirement of \$39,456,074 or 13.72% overall rate increase.

5 **Q6. PLEASE DESCRIBE THE ADJUSTMENTS MADE TO THE REVENUE**
6 **REQUIREMENT AS A RESULT OF THE SETTLEMENT.**

7 A. The adjustments to the Utility's revenue requirements as agreed by the Settling Parties are
8 summarized in Table JZW-1 below:

TABLE JZW-1

Revenue Requirement	Petitioner Testimony	Adjustments	Settlement
Purchased Power Expenses	\$ 27,492,095		\$ 27,492,095
Other Operation and Maintenance Expenses	6,295,538	\$ (160,991)	6,134,547
Taxes Other Than Income Taxes	949,767	(537)	949,230
Extensions and Replacements	4,432,804	(402,982)	4,029,822
Working Capital	1,690,038	(893,862)	796,176
Less: Interest Income	—	(11,829)	(11,829)
Total Revenue Requirements	<u>40,860,242</u>	<u>(1,470,201)</u>	<u>39,390,041</u>
Less: Adjusted Operating Revenue	<u>(34,739,398)</u>		<u>(34,739,398)</u>
Deficit	6,120,844		4,650,643
Divide by: Revenue Conversion Factor	<u>0.986</u>		<u>0.986</u>
Revenue Increase Required	6,207,752		4,716,676
Divide by: Adjustable Operating Revenues	<u>34,373,943</u>		<u>34,373,943</u>
Percentage Rate Increase Required	<u>18.06%</u>		<u>13.72%</u>
Utility Receipts Tax Change	<u>86,909</u>	<u>(20,876)</u>	<u>66,033</u>
Total Revenue Requirements with Additional Utility Receipts Tax	<u>\$ 40,947,150</u>	<u>\$ (1,491,076)</u>	<u>\$ 39,456,074</u>

10 —
11 As shown in the above table, adjustments were made to operation and maintenance
12 expenses, taxes other than income taxes, extensions and replacements, the annual working

1 capital revenue requirement and the inclusion of interest income as an offset to the revenue
2 requirements.

3 **Q7. WHAT ASPECTS OF THE SETTLED REVENUE REQUIREMENT DO YOU**
4 **ADDRESS?**

5 A. I address the Settlement's approach to CEL&P's operations and maintenance expenses, taxes
6 other than income taxes, CEL&P's annual working capital revenue requirement and interest
7 income. Mr. Ghidossi provides detailed testimony explaining the Settlement's approach to
8 extensions and replacements, including vegetation management.

9 **II. OPERATIONS & MAINTENANCE EXPENSES, TAXES AND INCOME**

10 **Q8. PLEASE EXPLAIN WHY THE SETTLEMENT REDUCES THE AMOUNT OF**
11 **CEL&P'S OPERATIONS AND MAINTENANCE EXPENSES FROM THE**
12 **AMOUNT REQUESTED IN CEL&P'S PETITION.**

13 A. CEL&P is accepting a total of \$160,991 in adjustments as reasonable for settlement purposes.
14 Of that amount, \$101,490 is an agreed reduction in the annual vegetation management
15 contract expense, which is described in greater detail in the Settlement Testimony of Mr.
16 Thomas A. Ghidossi. CEL&P agreed to the remaining additional operations and
17 maintenance expense adjustments as reasonable for purposes of settlement:

- 18 i. Removing certain advertising expenses totaling \$26,393 from the test year;
- 19 ii. Removing expenses totaling \$30,458 from the test year related to small projects the
20 Utility performed for the City;
- 21 iii. Removing charitable contributions totaling \$2,650 from the test year;
- 22 iv. Accepting the calculation of \$229,463 payment in lieu of taxes ("PILOT") amount
23 resulting in a decrease of \$537 from the amount calculated by CEL&P; and

- 1 v. Including interest income of \$11,289 as an offset to the overall revenue
2 requirement.

3 **Q9. WHAT TEST YEAR ADJUSTMENTS TO OPERATIONS AND MAINTENANCE**
4 **EXPENSES AND TAXES OTHER THAN INCOME TAXES DID THE PARTIES**
5 **AGREE UPON?**

6 A. The Settling Parties agreed upon the following adjustments to the test year:

- 7 i. To adjust metered sales for the reclassification of select customers from General
8 Power sales to Primary Power Sales;
- 9 ii. To adjust purchased power expenses for the Indiana Municipal Power Agency's
10 ("IMPA's") 2020 published rates;
- 11 iii. To adjust for Pro Forma Salaries and Wages and related increases in PERF and
12 FICA;
- 13 iv. To remove nonrecurring expenditures for relay testing and exploratory cost of
14 service study; and
- 15 v. To include an estimated increase in budgeted uncollectible accounts expense.

16 **III. ANNUAL WORKING CAPITAL REVENUE REQUIREMENT**

17 **Q10. HOW DOES THE SETTLEMENT ADDRESS THE LEVEL OF CEL&P'S**
18 **OPERATING FUND?**

19 A. For settlement purposes, CEL&P agreed to an annual working capital revenue requirement
20 amount of \$796,176, which is \$893,862 less than CEL&P proposed in its direct testimony.
21 The Settlement's level of annual working capital funding will allow the Utility to build its
22 Operating Fund balance and to fund day-to-day operating expenses without borrowing from
23 CEL&P's Depreciation Fund.

1 **Q11. WHAT IS THE PRIMARY DRIVER OF THE SETTLEMENT'S RESOLUTION OF**
2 **CEL&P'S WORKING CAPITAL REVENUE REQUIREMENT?**

3 A. The key component of the Settlement's treatment of the working capital revenue requirement
4 is that it establishes a level of liquidity that does not presently exist. This increase in liquidity
5 will ensure that CEL&P does not continue to borrow funds from its Depreciation Fund in
6 order to meet day to day expenses in times when its total expenses are greater than its
7 Operating Fund balance.

8 **Q12. WHY IS IT IMPORTANT THAT THE SETTLEMENT ALLOWS CEL&P TO**
9 **BUILD ITS OPERATING FUND BALANCE FROM THE END OF TEST YEAR**
10 **LEVEL OF \$1,924,200?**

11 A. An inadequate Operating Fund balance forces CEL&P to either borrow funds from its
12 depreciation fund or defer critical operating expenditures to manage its cash balance. The
13 test year ending level of \$1.9 million is not adequate for CEL&P to be able to manage
14 fluctuations in monthly operating expenses and other unexpected events or circumstances
15 such as a storm or customer non-payment from a major customer. The Settlement Agreement
16 remedies this deficit by allowing an annual funding amount within the revenue requirement.

17 **Q13. PLEASE PROVIDE AN EXAMPLE OF THE CONSTRAINTS ON CEL&P**
18 **RESULTING FROM ITS CURRENT INADEQUATE OPERATING FUND.**

19 A. Since March 2020, CEL&P has made loans from its Depreciation Fund cash to its Operating
20 Fund cash in order to have sufficient funds available to pay its monthly operating expenses.
21 Such loans and payments total \$1,055,000 for the period ending October 2020.
22 For example, in March 2020, the Operating Fund balance which began the month at \$1.9
23 million was reduced to approximately \$332,000 two weeks later after the payment of the

1 IMPA purchased power bill. Shortly thereafter, in the month of May, CEL&P experienced
2 the impacts of non-payment by a large customer. Had the utility not taken a \$300,000 loan
3 from the Depreciation Fund, this would have caused the Operating Fund to go negative to a
4 balance of (\$240,000). This is one of several examples where CEL&P's Operating Fund was
5 insufficient to meet day to day expenses, and the Utility was forced to borrow from its
6 Depreciation Fund. Additionally, I would note that according to Mr. Goode, none of these
7 loans have been repaid from the Operating Fund to the Depreciation Fund.

8 **Q14. PLEASE EXPLAIN THE FLUCTUATIONS IN CEL&P'S DAY-TO-DAY**
9 **OPERATING FUND.**

10 A. CEL&P's operating expenses fluctuate on a monthly basis. At times multiples bills or
11 expenses are due within in a similar time frame. When multiple bills must be paid at the
12 same time, this creates liquidity constraints for CEL&P. The amount of cash available after
13 these payments is all the balance CEL&P has to manage fluctuations in other monthly
14 operating expenses, such as months when CEL&P has three payroll cycles, and other
15 unexpected events or circumstances such a storm or customer non-payment. This can make
16 management of other expenses extremely challenging as CEL&P is forced to balance other
17 operating expenses with the requirement of building up funds for the next month's operating
18 expenses.

19 **Q15. IF CEL&P'S REVENUE AND ENERGY COST ADJUSTMENT TRACKER**
20 **RECOVER AUTHORIZED REVENUE REQUIREMENTS, WHY DOES CEL&P**
21 **NEED ADDITIONAL WORKING CAPITAL?**

22 A. CEL&P's ability to recover energy costs from its customers is sufficient in the context of a
23 full operating year in view of ECA adjustments. However, the liquidity challenges faced by

1 CEL&P are not yearly problems in so much as they are monthly, weekly, and daily problems.
2 The lowest point of cash declined by nearly \$800K between April 2019 and October 2019
3 (to approximately \$54,000).

4 **Q16. DOES THE WORKING CAPITAL REVENUE REQUIREMENT PROVIDED IN**
5 **THE SETTLEMENT AGREEMENT PRODUCE AN ADEQUATE LEVEL OF**
6 **FUNDING?**

7 A. Yes. In the interest of compromise, CEL&P is willing to settle at the annual working capital
8 amount of \$796,176 because it believes this amount is sufficient to address in the long term,
9 the daily Operating Fund challenges it has experienced over the last two years. Over time,
10 the Operating Fund balance created by the Settlement will provide CEL&P sufficient
11 amounts to meet day-to-day expenses if overlaid against the challenging liquidity months.
12 Thus, CEL&P concludes that the settled working capital revenue requirement amount allows
13 for long-term sustainability of its operations that will obviate the need for CEL&P to borrow
14 from its Depreciation Fund.

15 **Q17. ARE THERE OTHER BENEFITS OF THE SETTLEMENT'S WORKING**
16 **CAPITAL REVENUE REQUIREMENT?**

17 A. Yes. It is important that the Operating Fund balance is also sufficient to protect the Utility
18 from unexpected events and circumstances. The months following the test year have
19 provided ample examples of unexpected expenses that CEL&P can incur from operations,
20 including two instances of customer non-payment totaling approximately \$600K and action
21 by the Governor preventing assessment of over \$100K of late penalties,
22 disconnection/reconnection fees and related fees. As in any other time, during the
23 moratorium, CEL&P still had to pay its expenses, even when its retail customers had not

1 paid their bills. Based on the preceding considerations, I believe that the settled revenue
2 requirement will allow sufficient revenues needed for CEL&P to provide reasonably
3 adequate service.

4 **IV. SUMMARY AND CONCLUSION**

5 **Q18. IS THE RESULTING SYSTEM REVENUE REQUIREMENT REASONABLE?**

6 A. Yes. Based on my review of filed testimony and understanding of the issues, I conclude that
7 the settlement revenue requirement addresses many of the concerns of the OUCC, yet
8 provides CEL&P sufficient revenues to reliably operate the utility and generate sufficient
9 cash to fund the system and provide for necessary reserves.

10 **Q19. WHAT ARE YOUR RECOMMENDATIONS REGARDING THE REVENUE**
11 **REQUIREMENTS?**

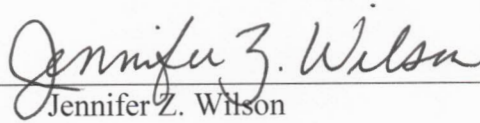
12 A. Because the Settlement provides appropriate adjustments to CEL&P's revenue requirements
13 for operations and maintenance, working capital, and interest income that will provide
14 sufficient revenue for adequate and reasonable service, I recommend that the Commission
15 approve the Settlement Agreement.

16 **Q20. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

VERIFICATION

I affirm under the penalties of perjury that the foregoing Prefiled Verified Settlement Testimony is true to the best of my knowledge, information and belief as of the date here filed.



Jennifer Z. Wilson

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