STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH") 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 SOUTH'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 AND COMMON PLANT IN SERVICE, (6) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, AND (7) APPROVAL OF AN ALTERNATIVE REGULATORY PLAN PURSUANT TO WHICH VECTREN SOUTH WOULD CONTINUE ITS CUSTOMER BILL ASSISTANCE PROGRAMS.	)	FILED February 19, 2021 INDIANA UTILITY REGULATORY COMMISSION **CAUSE NO. 45447**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 2 – 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.

February 19, 2021

Respectfully submitted,

Loraine Hitz-Bradley

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Loraine Hitz-Bradley
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Deputy Consumer Counselor

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
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 Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner" or "Vectren South"), 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 0.370% and UAFG recovery with a maximum percentage of 0.90%.

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. Petitioner's Exhibit No. 19, page 33, line 8 shows the test year amount for 2021 is $588,595.

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

A: Yes. Petitioner made a pro forma adjustment of ($50,275) associated with late payment fees to this account to arrive at a pro forma amount of $538,320. On Petitioner's Exhibit No. 2, page 32, lines 9-14, 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 – 0.51% 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 reduces operating revenues by $(50,275).

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 ($50,275) associated with late payment fees. In response to OUCC Data Request ("DR") 13.10, Petitioner explained:

> The late fee percentage of 0.51 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.

See Attachment YG-1, page 1.

Petitioner used the 3-year average of historical data from 2016-2018 to determine the late payment percentage of 0.51%. The methodology does not align with Petitioner's calculation of the actual 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 two accounts.

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

A: I recommend using the 3-year average percentage of 0.52% for late payment fees from 2017-2019 to arrive at an amount of $546,139 for the Forfeited Discounts account. The percentage of 0.52% was provided by Petitioner in response to OUCC DR 17.2. See Attachment YG-1, page 2. Comparing the $546,139 amount to the test year Forfeited Discounts account of $588,595 results in a decrease to Forfeited Discounts in the amount of $42,456, as shown on Attachment YG-1, page 3.

B. <u>Other Revenue (FERC Account 495)</u>

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

A: Petitioner used the 2021 budget as its basis for the test year in this case. Petitioner's Exhibit No. 19, page 33, line 10 shows the test year amount for 2021 is $408,365. This amount consists of Rent from Gas Property (FERC Account

493) of $342,195 and Interdepartmental Sales (FERC Account 484) of $66,170. Petitioner's response to OUCC DR 11.13, Attachment YG-2, page 1.

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

A: No.

Q: Has Petitioner's pro forma amount of $408,365 increased from prior years?

A: No. As shown on Attachment YG-2, page 2, from 2017 to 2019, Petitioner received other revenue between $353,323 and $561,390 in this account. In response to OUCC DR 16.2, Petitioner stated the Rent from Gas Property and Other Gas revenues are typically held flat unless there are material variances to actuals when compared to the budget. Petitioner also stated the 2021 budget for Other Gas Revenue FERC 495 of $342,195, excluding Interdepartmental Sales, is consistent with the 3-year historical average revenue (2016-2019) of FERC 493 and FERC 495, at $388,944. Attachment YG-2, page 3. While Petitioner stated the three-year average was for 2016-2019, the actual three-year average of $342,195 is for the three years of 2017-2019.

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

A: No. While I agree with Petitioner's pro forma amount for Interdepartmental Sales (FERC Account 484) of $66,170, I do not agree with the budget of $342,195 for Rent from Gas Property (FERC Account 493) and Other Gas Revenue (FERC Account 495). The 3-year historical average from 2017 – 2019 for these two accounts of $388,944 was calculated by Petitioner in response to OUCC DR 16.2, Attachment YG-2, page 3. Petitioner stated the Rent from Gas Property and Other Gas revenues are typically held flat unless there are material variances to actuals when compared to the budget. Therefore, the budget for Rent from Gas Property (FERC Account 493) is $342,195. Petitioner only included Rent from Gas Property in the pro forma amount of $342,195 but did not include any budget amount for Other Gas Revenue when evaluating both accounts in aggregate. This results in a $46,749 departure from the 3-year historical average of $388,944 for these two accounts.

Q: What is your recommendation for the Other Revenue account?

A: I recommend the 2021 pro forma amount be increased to $455,114. This amount was taken directly from Petitioner's response to OUCC DR 16.2 as the 3-year average of actual revenue for Rent from Gas Property and Other Gas Revenue of $388,944 and adding in the $66,170 for Interdepartmental Sales. Comparing the $455,114 to the test year Other Revenue of $408,365 results in an increase in other revenue of $46,749. See Attachment YG-2, page 2.

III. OPERATING EXPENSES

A. Maintenance of Structures and Improvements (FERC Account 862)

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

A: Petitioner used the 2021 budget as its basis for the test year in this case. Petitioner's Exhibit No. 19, page 33, line 43 shows the test year amount for 2021 is $35,000.

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

A: No.

Q: Has Petitioner's pro forma amount of $35,000 increased from prior years?

A: Yes. As shown on Attachment YG-3, page 1, Petitioner has historically incurred expenses of between $1,138 and $12,750 in this account from 2016 to 2019. In response to OUCC DR 11.1, Petitioner stated the test year amount is for contracted Regulator Station site maintenance and non-routine maintenance events. Petitioner also stated the increase was because no significant incidents occurred in the prior years to result in the full budget being spent. Attachment YG-3, page 2.

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

A: No. In response to OUCC DR 11.1, Petitioner stated this budget includes expenses for non-routine maintenance events such as incidents which did not occur during the prior years. This does not align with the methodology used for budgeting other expense accounts, where Petitioner did not include any unpredictable or unmeasurable expenses. The proposed amount of $35,000 for Maintenance of Structures and Improvements is inconsistent with prior years' actual costs. The average actual amount over the historical period of 2016 to 2019 is $5,235, which makes the budgeted amount a $29,765 departure from average.

Q: What is your recommendation for the Maintenance of Structures and Improvements account?

A: I recommend the 2021 pro forma amount be lowered to $5,554. This amount was calculated by taking the 4-year average from 2016 to 2019 of $5,235 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. This calculation is shown on Attachment YG-3, page 1. Comparing the $5,554 amount to the test year

Maintenance of Structures and Improvement account of $35,000 results in a decrease to Maintenance of Structures and Improvements expense in the amount of $29,446.

B. <u>Operation Supervision and Engineering (FERC Account 870)</u>

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. Petitioner's Exhibit No. 19, page 34, line 50 shows the test year amount for 2021 is $2,545,456.

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

A: Yes. Petitioner made a pro forma adjustment of ($64,353) to this account to arrive at a pro forma amount of $2,481,103.

Q: Has Petitioner's pro forma amount of $2,481,103 increased from prior years?

A: Yes. As shown on Attachment YG-4, page 1, from 2016 to 2019, Petitioner has incurred expenses between $866,958 and $1,949,811 in this account. In response to OUCC DR 15.12, Petitioner stated that the increase is primarily due to expenses incurred in the general supervision and direction of distribution system operations that is recovered through Compliance and System Improvement Adjustment ("CSIA") filings. See Attachment YG-4, page 2.

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

A: No. In response to OUCC DR 15.12, Petitioner stated, "FERC Account 870 has budgeted costs and increases from prior years that relate primarily to compliance spend for expenses incurred in the general supervision and direction of distribution system operations that is recovered through the CSIA mechanism." See Attachment-YG-4, page 2. Petitioner verified the prior years' actual amounts include both CSIA passthrough amounts and expenses included in base rates. Petitioner provided no justification for the increase of budgeted costs from prior years. The proposed pro forma amount is inconsistent with prior years' actual costs. Less the outlier amount of $866,958 in 2016, the average actual amount over the historical period of 2017 to 2019 is $1,817,869, which makes the pro forma amount of $2,481,103 a departure from average.

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

A: I recommend the 2021 pro forma amount be reduced to $1,928,577. This amount is calculated by taking the 3-year average from 2017 to 2019 of $1,817,869 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts. This calculation is shown on Attachment YG-4, page 1. Comparing the $1,928,577 amount to the test year Operation Supervision and Engineering expense account of $2,545,456 results in a decrease to Operation Supervision and Engineering expense in the amount of $616,879.

C. Mains and Services Expenses (FERC Account 874)

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

A: Petitioner used the 2021 budget as its basis for the test year in this case. Petitioner's Exhibit No. 19, page 34, line 51 shows the test year amount for 2021 is $2,502,948.

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

A: Yes. Petitioner made a pro forma adjustment of ($39,921) to this account to arrive at a pro forma amount of $2,463,027.

Q: Has Petitioner's pro forma amount of $2,463,027 increased from prior years?

A: Yes. As shown on Attachment YG-5, page 1, from 2016 to 2019 Petitioner has incurred expenses between $968,616 and $1,580,380 in this account. In response to OUCC DR 15.13, Petitioner stated the increase is mainly caused by (1) compliance spend for expenses incurred in operating distribution system mains and services that are recovered through the CSIA mechanism, and (2) increased locating costs due to increases in pricing from location vendors. Petitioner stated locating ticket volume has increased ~30% from 2016-2019 levels. See Attachment YG-5, page 2.

Q: Do you agree with Petitioner's pro forma amount for Mains and Services Expenses account?

A: No. Petitioner provided no justification for the increase of compliance expense incurred in operating distribution system mains and services recovered through the CSIA mechanism. Petitioner verified the prior years' actual amounts include both CSIA passthrough amounts and expenses included in base rates. Petitioner stated the increase of locating costs is from the price increase from locating vendors but did not explain how the price increase will impact the overall pro forma amount for the Mains and Services Expenses account. Petitioner mentioned the locating ticket volume has increased approximately 30% from 2016-2019 levels. Again, Petitioner did not explain how the increase of locating ticket volume will impact the overall pro forma amount for the Mains and Services

Expenses account. The proposed pro forma amount is inconsistent with prior years' actual costs. Less the outlier amount of $968,616 in 2016, the average actual amount over the historical period of 2017 to 2019 is $1,483,692, which makes the pro forma amount of $2,463,027 a departure from average.

Q: What is your recommendation for the Mains and Services Expenses account?

A: I recommend the 2021 pro forma amount be reduced to $1,574,049. This amount is calculated by taking the 3-year average from 2017 to 2019 of $1,483,692 and allowing a 3% increase for both 2020 and 2021, which is consistent with the 3% increase requested for other expense accounts. This calculation is shown on Attachment YG-5, page 1. Comparing the $1,574,049 amount to the test year Mains and Services Expenses amount of $2,502,948 results in a decrease to Mains and Services Expenses in the amount of $928,899.

D. 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. Petitioner's Exhibit No. 19, page 35, line 102 shows the test year amount for 2021 is $508,487.

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

A: Yes. Petitioner made a pro forma adjustment of $254,966 associated with Information Technology ("IT") – related Investments to this account to arrive at a pro forma amount of $763,454. Ms. Bell's testimony stated, "Schedule C-3.10 represents the increase in operating expenses of $254,966 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, p. 32, lines 21-24.

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 of $254,966 to this account. On Petitioner's Exhibit No. 16, page 45, lines 2-4, Mr. Feingold stated the class revenue allocation factors are provided "based on the Company's proposed non-gas rates to be used in future CSIA or Transmission, Distribution and Storage Improvement Charge ("TDSIC") proceedings." Petitioner's last CSIA plan was 7 years and the future CSIA or TDSIC will be between 5 to 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 Petitioner's approved plan per Ind. Code § 8-1-39-9(d). Also, based on the last three rate cases filed by Petitioner, the average time between these cases was 8.39 years, as shown on Attachment YG-6, page 1. Petitioner's proposed 5-year amortization period is a 3.39-year departure from its average rate case filing time, and 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 7 years with a pro forma adjustment of $182,119 to the Miscellaneous General Expenses account to arrive at a pro forma amount of $690,606. This $182,119 amount was calculated by dividing the IT-related investments expenses of $1,274,832 by 7 years, as shown on Attachment YG-6, page 2. Adding the OUCC's pro forma adjustment of $182,119 to Petitioner's test year amount of $508,487 results in the pro forma Miscellaneous General Expenses amount of $690,606. See Attachment YG-6, page 2.

The amortization period of 7 years falls in between the possible time of Petitioner's rate case filing within 5 years per the TDSIC statute, and the average rate case filing of 8.39 years. If Petitioner files a general rate case before the expiration of the amortization period of 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 7 years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren South's customers will not be required to pay more than the total amount of $1,274,832 for the IT-related investment expenses.

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. Petitioner's Exhibit No. 19, page 34, line 73 shows the test year amount for 2021 is $526,720.

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 ($267,138), which is discussed by OUCC witness Griffith. Petitioner also made a pro forma adjustment to this account of $94,664 associated with COVID-19 deferred expenses. On page 33, lines 2-20 of her testimony, Ms. Bell stated:

> Schedule C-3.11 represents the increase in operating expenses of $94,664 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. 19, page 61, line 1 shows the Expected COVID-19 Deferred Expenses amount for the test year is $473,320.

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 $94,664 to this account. As discussed above in the Miscellaneous General Expense section, Petitioner's last CSIA plan was 7 years and the future CSIA or TDSIC will be between 5 to 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 Petitioner's approved plan per Ind. Code § 8-1-39-9(d). Also, based on the last three rate cases filed by Petitioner, the average time between these cases was 8.39 years, as shown on Attachment YG-6, page 1. Petitioner's proposed 5-year amortization period is a 3.39-year departure from average rate case filing time and 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 7 years with an annual pro forma adjustment of $67,617 to the Uncollectible Accounts expense account. The amortization amount of $67,617 for the expected COVID-19 deferred expenses was calculated by dividing the expected COVID-19 deferred expenses of $473,320 by 7 years, as shown on Attachment YG-7, page 1.

The amortization period of 7 years falls between the possible time of Petitioner's rate case filing within 5 years per the TDSIC statute, and the average rate case filing of 8.39 years. If Petitioner files a general rate case before the expiration of the amortization period of 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 7 years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren South's customers will not be required to pay more than the total amount of $473,320 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. Petitioner's Exhibit No. 19, page 35, line 100 shows the test year amount for 2021 is $135,000.

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 $565, as discussed by OUCC witness Grosskopf. Petitioner also made a pro forma adjustment of $330,000 associated with rate case expense to this account. On Petitioner's Exhibit No. 2, page 33, line 23 through page 34, line 2, Ms. Bell states:

> 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.

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. As discussed above in the Miscellaneous General Expense section, Petitioner's last CSIA plan was 7 years and the future CSIA or TDSIC will be between 5 to 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 Petitioner's approved plan per Ind. Code § 8-1-39-9(d). Also, based on the last three rate cases filed by Petitioner, the average time between these cases was 8.39 years, as shown on Attachment YG-6, page 1. Petitioner's proposed 5-year amortization period is a 3.39-year departure from average rate case filing time, and 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 7 years with an annual pro forma adjustment of $117,857 to the Regulatory Commission Expense account. The 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 7 years, as shown on 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 7 years falls between the possible time of Petitioner's rate case filing within 5 years per the TDSIC statute to the average rate case filing of 8.39 years. If Petitioner files a general rate case before the expiration of the amortization period of 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 7 years, Petitioner should file a revised tariff to remove the annual amortization portion from base rates. In this way, Vectren South's customers will not be required to pay more than the total amount of $825,000 for the rate case expense.

IV. UNIVERSAL SERVICE PROGRAM

Q: What is Vectren South's current USP?

A: Vectren South'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 South's crisis hardship is available for customers at or below 200% of the Federal Poverty Level. Vectren South contributes 30% of the total USP fund.

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

A: Vectren South's USP will be valid until the USP is reviewed in Vectren South's next rate case as ordered in *In re Vectren South*, 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. According to Ind. Code § 8-1-2.5-6(a):

> Notwithstanding any other law or rule adopted by the commission, except those cited, or rules adopted that pertain to those cited, in section 11 of this chapter, in approving retail energy services or establishing just and reasonable rates and charges, or both for an energy utility electing to become subject to this section, the commission may do the following:
> (1) Adopt alternative regulatory practices, procedures, and mechanisms, and establish rates and charges that:

> (A) are in the public interest as determined by consideration of the factors described in section 5 of this chapter; and
> (B) enhance or maintain the value of the energy utility's retail energy services or property; including practices, procedures, and mechanisms focusing on the price, quality, reliability, and efficiency of the service provided by the energy utility.

Vectren South meets these requirements for the purpose of continuing the USP.

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

A: On Petitioner's Exhibit No. 15, page 14, lines 15-16, Ms. Cullum stated: "Vectren South is proposing continuation of the USP program until a request is made by the Company to terminate."

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 that the request of termination should be made by Petitioner alone. This program is in the public interest and will benefit Vectren South'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 program is funded by Vectren South'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 proposes that "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 15, lines 2-4.

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 the household income eligibility changes. According to Petitioner's response to OUCC DR 8.23, Petitioner would request changes in the USP terms in the future through the Commission's 30-day administrative filing process. See Attachment YG-9, page 1.

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

A: Petitioner's witness Cullum proposes to "modify 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." Petitioner's Exhibit No. 15, page 15, lines 13-15.

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

A: Yes. This modification will allow more Vectren South 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 to contribute 30% of total program cost with the other 70% contributed by Vectren South's customers?

A: No. Vectren South's current contribution of 30% of the USF, without any administrative costs, was first ordered by the Commission in *In re Vectren South*, Cause No. 44455, Final Order p. 8 (Ind. Util. Regul. Comm'n Sep. 10, 2014).

However, Vectren South 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 South's customers have been responsible for the majority of the USF 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 22-24. Therefore, to reduce the long-term burden on Vectren South's customers, not only the low-income customers, I recommend an increase in Vectren South'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 $79,139 over the previous 30% contributed, as shown on Attachment YG-9 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 South'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. INCLUSION OF ITEMS IN THE GCA

A. Unaccounted for Gas

Q: What UAFG percentage did Petitioner propose?

A: Petitioner's witness Tieken stated: "The Company will continue to recover in its GCA the actual cost of UAFG volumes, up to the maximum UAFG percentage of 1.2% as approved in Vectren South's last gas base rate proceeding, Cause No. 43112." Petitioner's Exhibit No. 17, page 18, lines 12-15.

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

A: No. The UAFG percentage of 1.2% was approved in *In re Vectren South*, Cause No. 43112, Cause No. 43112, Final Order, p. 30 (Ind. Util. Regul. Comm'n Aug. 1, 2007) when Petitioner did not have a CSIA or TDSIC Plan in place. 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, but the UAFG percentage has not decreased compared to the years before TDSIC projects were in place. See Attachment YG-10, page 2. The 10-Year UAFG percentage summary filed by Petitioner on January 26, 2021 in Cause No. 43112, as shown on Attachment YG-10, page 2, shows an upward trend for Vectren South's annual UAFG percentage for the period of September

2010 – August 2020. Contrary to recent UAFG history, the implementation of on-going TDSIC projects should result in a lower UAFG percentage. Therefore, I propose to lower the maximum annual UAFG percentage from 1.2% to the ten (10) year average of 0.90% as shown in Attachment YG-10.

B. Bad Debt Recovery

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

A: In Petitioner's Exhibit No. 17, page 17, lines 1-5, Petitioner's witness Tieken states:

> In Vectren South'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 0.65%. As supported by Petitioner's Witness Bell, the Company is proposing to utilize 0.37% based on a historical 3-year actual bad debt expenses for 2017-2019.

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

A: Yes, I agree with Petitioner's proposed Bad Debt percentage of 0.370% 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 7.3, Petitioner proposed to maintain the fixed percentage of 0.370% as the bad debt write-off percentage for both Phase 1 and Phase 2 updates. See Attachment YG-11, 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 South's test year amounts:

1. A decrease to Forfeited Discounts of $42,456;
2. An increase to Other Revenue of $46,749;
3. A decrease to Maintenance of Structures and Improvements of $29,446;
4. A decrease to Operation Supervision and Engineering of $616,879;
5. A decrease to Mains and Services Expenses of $928,899;
6. An increase to Miscellaneous General Expenses of $182,119;
7. An increase to Uncollectible Accounts of $67,617; and
8. An increase to Regulatory Commission Expenses of $117,857.

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

1. An amortization period of 7 years;
2. If Petitioner files a general rate case before the expiration of the amortization period of 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 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 South shareholders contribute 50% of the program cost;
3. The OUCC having the right to modify, review or terminate the USP;
4. Petitioner retaining 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. Approval of changing 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 in regard to items included in the GCA:

1. Approval of the bad debt recovery of 0.370%; and
2. Approval of UAFG recovery with a maximum percentage of 0.90%.

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, and Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") 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, and TDSIC cases.

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

A: I reviewed Petitioner's pre-filed testimony, corrected testimony, exhibits, revised 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 13.10: Referencing page 32, lines 11-14 of her testimony, Ms. Bell states, "[t]his percentage – 0.51% 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." Please explain how the percentage of 0.51 was determined and provide supporting documentation.

Response:

The late fee percentage of 0.51 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 "45447_OUCC 13.10 Vectren South Late Fee Calculation".

VECTREN SOUTH
Pro Forma Monthly Late Fee Percentage Calculated on a Three-Year Average of 2017, 2018, and 2019
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

Line No.			January 2021 Budget [1]	February 2021 Budget [2]	March 2021 Budget [3]	April 2021 Budget [4]	May 2021 Budget [5]	June 2021 Budget [6]	July 2021 Budget [7]	August 2021 Budget [8]	September 2021 Budget [9]	October 2021 Budget [10]	November 2021 Budget [11]	December 2021 Budget [12]	12 Mos Ended Dec 31, 2021 Budget [13]	
	Total Revenue Adjustments:															
	Total Revenue															
1	Rate 110	*[A]*	10,644,383.91	9,068,251.27	7,212,451.20	4,900,262.07	3,709,854.26	3,264,459.34	3,258,084.77	3,242,674.83	3,520,433.28	4,134,607.61	6,274,107.63	9,296,101.21	68,525,671.37	SCH C1.1, Line 3, Column R
2	Rate 120	*[B]*	4,969,481.22	4,031,592.32	2,922,851.63	1,567,208.19	938,482.80	669,560.24	669,925.33	662,693.23	851,148.61	1,059,279.54	2,280,400.99	4,114,387.51	24,737,011.61	SCH C1.1, Line 4, Column R
3	Rate 125	*[C]*	34,648.44	30,005.87	23,470.85	15,987.79	12,197.50	10,813.88	10,781.98	10,772.67	11,678.55	13,813.54	20,977.48	30,670.68	225,819.23	SCH C1.1, Line 5, Column R
4	Rate 145	*[D]*	423,564.59	276,263.57	326,476.53	281,548.28	219,314.57	218,614.66	213,722.42	224,493.39	210,875.64	278,758.11	334,000.65	359,735.04	3,367,367.43	SCH C1.1, Line 5, Column R
5	Rate 160	*[E]*	531,185.87	440,846.89	434,690.32	426,470.56	396,697.09	378,914.76	414,733.86	447,654.08	448,900.70	432,370.48	512,895.18	479,002.78	5,344,362.56	SCH C1.1, Line 5, Column R
6	Rate 170	*[F]*	313,933.76	270,775.02	277,189.29	273,549.39	241,423.47	248,297.97	253,100.12	263,654.08	256,355.28	264,346.28	293,010.48	251,966.75	3,207,601.89	SCH_C1.1, Line 5, Column R
7	Total		$ 16,917,197.80	$ 14,117,734.94	$ 11,197,129.81	$ 7,465,026.27	$ 5,517,969.69	$ 4,790,660.86	$ 4,820,348.47	$ 4,851,942.28	$ 5,299,392.05	$ 6,183,175.56	$ 9,715,392.41	$ 14,531,863.95	$ 105,407,834.10	SCH_C3.9, Line 1
8	Late Fee Percentage	*[G]*	0.46%	0.67%	0.62%	0.87%	0.82%	0.54%	0.45%	0.37%	0.33%	0.37%	0.28%	0.42%	0.52%	
9	Subtotal Forfeited Discounts (Line 7 x Line 8)		$ 77,819.11	$ 94,588.82	$ 69,422.20	$ 64,945.73	$ 45,247.35	$ 25,869.57	$ 21,691.57	$ 17,952.19	$ 17,487.99	$ 22,877.75	$ 27,203.10	$ 61,033.83	$ 546,139.21	

Refer to the WPC_2.1b within Petitioner's Exhibit No 18 for an expanded view of the operating revenues and related adjustments.

[A] WPC_2.1b - Line 13 + Line 30
[B] WPC_2.1b - Line 58 + Line 75
[C] WPC_2.1b - Line 103 + Line 120
[D] WPC_2.1b - Line 148 + Line 165
[E] WPC_2.1b - Line 193 + Line 210
[F] WPC_2.1b - Line 238 + Line 255
[G] In response to OUCC DR 17.2, Vectren South is presenting monthly late fee percentages for the 2021 Test Year based on a three-year average of 2017, 2018, and 2019.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
FORFEITED DISCOUNTS
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 South	$105,407,834
2	Late Fee Percentage	Per OUCC	0.52%
3	Adjusted Test Year Forfeited Discounts	Line 1 x Line 2	$546,139
4	Unadjusted Test Year Forfeited Discounts	Per Vectren South	(588,595)
5	Total Adjustment Amount	Line 3 + Line 4	($42,456)

Note: Average annual late fee percentage based on historical data from 2017 - 2019 is provided in response to OUCC DR 17.2.

Q 11.13: Referencing Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 10, FERC Account 495, Other Revenue. Please explain how Petitioner calculated the budgeted amount of $408,365 for this account as of December 31, 2021, and why the budgeted amount increased significantly as compared to the historical data from 2016 to 2019.

Response:

Within the budget, Other Revenue includes Rent from Gas Property of $342,195 and Interdepartmental Sales of $66,170 and is presented as such within C-1.1. For actuals – Rent from Gas Property is classified separately in FERC 493 Rent from Gas Property and Interdepartmental Sales as FERC 484 Interdepartmental Sales as opposed to FERC 495 Other Revenues. Please also see responses to OUCC DRs 11.14 and 11.15.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
OTHER REVENUE (FERC ACCOUNT 495)

Line		Actual Other Revenue			
		Rent from Gas Property	Other Gas Revenue	Interdepartmental Sales	Total Actual Other Revenue
1	2017	$303,138	$196,307	$61,945	$561,390
2	2018	255,254	124,377	71,293	450,925
3	2019	238,904	48,852	65,567	353,323
4	Total	$797,296	$369,536	$198,806	$1,365,637
5	3-yr average	$265,765	$123,179	$66,269	

6	Petitioner's Unadjusted Test Year - Rent from Gas Property and Other Gas Revenue	$342,195
7	Petitioner's Unadjusted Test Year - Interdepartmental Sales	66,170
8	Total Unadjusted Test Year	$408,365
9	OUCC Pro Forma Adjustment	46,749
10	OUCC Pro Forma at Present Rates	$455,114

Note: Actual other revenue for 2017 - 2019 taken from historical trial balance provided in response to OUCC DR 1.1.

Q 16.2: Referencing Vectren South's response to the OUCC's DR 11.13, Vectren South indicates FERC Account 495, Other Revenue on Schedule C-1.1 in Exhibit No. 19 includes the budgets of FERC Account 484, Interdepartmental Sales and FERC Account 493, Rent from Gas Property.

a. Please provide the 2021 budget amount for FERC Account 495 - Other Gas Revenue (Vectren Account 4151000).
b. Please explain why FERC Account 495, Other Revenue does not include the budget of FERC Account 495-Other Gas Revenue which has historical data from 2016-2019 shown in the supporting file provided in response to OUCC DR 1.1 titled 45447_OUCC 1.1_Vectren South Gas Income Statement Accounts 2019-2016.

Response:

a. As stated in the response to OUCC DR 11.13, the FERC account 495 budget of \$408,365 is comprised of the following:
   - \$342,195 – Rent from Gas Property
   - \$66,170 – Interdepartmental Sales

   The components listed above are included in the forecast and test year as Other Revenue. The test year does not include additional Other Revenue components within FERC 495. Please also see response to b.

b. Other Gas revenues FERC 495 and Rent from Gas Property revenues FERC 493 are evaluated in aggregate for the budget. The forecast for these revenues is typically held flat unless there are material variances to actuals when compared to the budget. The 2021 budget for Other Gas Revenue FERC 495 of \$342k, excluding Interdepartmental Sales, is in line with the 3 year historical average revenue (2016 – 2019) of FERC 493 and FERC 495, at \$389k.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
MAINTENANCE OF STRUCTURES AND IMPROVEMENTS (FERC ACCOUNT 862)

Line	Actual Maintenance of Structures and Improvements Expense		
1	2016	$1,138	
2	2017	4,552	
3	2018	12,750	
4	2019	2,501	
5	Total	$20,941	
6	4-yr average	$5,235	
7	3% increase for 2020	$5,392	
8	3% increase for 2021	$5,554	
9	Petitioner's Unadjusted Test Year	$35,000	From Petitioner's Exhibit No. 19, page 33, line 43
10	OUCC Pro Forma Adjustment	(29,446)	
11	OUCC Pro Forma at Present Rates	$5,554	From Above

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

Data Requests- Set 11

Q 11.1: Referencing Petitioner's Exhibit No. 19, Schedule C-1.1, page 1, column [A] Test Year Unadjusted: Line 43, FERC Account 862 – Maint. Of Structure and Improvements. Please explain how Petitioner calculated the budgeted amount of $35,000 for this account as of December 31, 2021, and why the budgeted amount increased significantly compared to years 2016, 2017, 2018 and 2019.

Objection:

Vectren South objects to the Request on the grounds and to the extent it is vague and ambiguous and provides no basis from which Vectren South can determine what information is sought insofar as the term "increased significantly" is not defined or explained and Vectren South does not agree with the characterization. See Vectren South's response to OUCC Data Request 2.2(a) for an explanation of how Vectren South interprets the term "significant."

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

Response:

The $35,000 in the budgeted test year is for contracted Regulator Station site maintenance. Examples include, but are not limited to, maintenance for regulator buildings, remote transmitting unit (RTU) buildings, odorizer carports, station fencing, tree removal, and weed control. The budget also covers non-routine maintenance events such as incidents at Regulator Station sites that require significant repairs. No significant incidents occurred in the prior years to result in the full budget being spent. 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.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
MAINTENANCE OF STRUCTURES AND IMPROVEMENTS (FERC ACCOUNT 870)

Line	Actual Maintenance of Structures and Improvements Expense		
1	2016	$866,958	
2	2017	1,731,043	
3	2018	1,772,752	
4	2019	1,949,811	
5	Total excluding 2016	$5,453,606	
6	3-yr average	$1,817,869	
7	3% increase for 2020	$1,872,405	
8	3% increase for 2021	$1,928,577	
9	Petitioner's Unadjusted Test Year	$2,545,456	From Petitioner's Exhibit No. 19, page 34, line 50
10	OUCC Pro Forma Adjustment	(616,879)	
11	OUCC Pro Forma at Present Rates	$1,928,577	From Above

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

Q 15.12: Referencing Petitioner's Exhibit No. 19, Schedule C1.1, page 2, column [A] Test Year Unadjusted: line 50, FERC Account 870: Operation Supervision and Engineering. Please explain how Petitioner calculated the budgeted amount of $2,545,456 for this account as of December 31, 2021, and why the budgeted amount increased compared to years 2016 – 2019.

Response:

FERC Account 870 has budgeted costs and increases from prior years that relate primarily to compliance spend for expenses incurred in the general supervision and direction of distribution system operations that is recovered through the CSIA mechanism. Please also see Petitioner's Exhibit No. 18, Workpaper WPC-1.1a for the breakdown of FERC 870 between CSIA related spend and all other expenses.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
MAINS AND SERVICES EXPENSES (FERC ACCOUNT 874)

Line		Actual Mains and Services Expenses	
1	2016	$968,616	
2	2017	1,414,376	
3	2018	1,580,380	
4	2019	1,456,321	
5	Total excluding 2016	$4,451,077	
6	3-yr average	$1,483,692	
7	3% increase for 2020	$1,528,203	
8	3% increase for 2021	$1,574,049	
9	Petitioner's Unadjusted Test Year	$2,502,948	From Petitioner's Exhibit No. 19, page 34, line 51
10	OUCC Pro Forma Adjustment	(928,899)	
11	OUCC Pro Forma at Present Rates	$1,574,049	From Above

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

Q 15.13: Referencing Petitioner's Exhibit No. 19, Schedule C1.1, page 2, column [A] Test Year Unadjusted: line 51, FERC Account 874: Mains and Services Expense. Please explain how Petitioner calculated the budgeted amount of $2,502,948 for this account as of December 31, 2021, and why the budgeted amount increased compared to years 2016 – 2019.

Response:

The increases in FERC Account 874 are related to two primary drivers:

i. The first driver is the budgeted costs and increases that relate to compliance spend for expenses incurred in operating distribution system mains and services that is recovered through the CSIA mechanism. Please also see Petitioner's Exhibit No. 18, Workpaper WPC-1.1a for the breakdown of FERC 874 between CSIA related spend and all other expenses.

ii. The second driver is related to the increased locating costs due to increases in pricing from locating vendors. Furthermore, locating ticket volume has increased ~30% from 2016-2019 levels.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
TIMING OF RATE CASES

Line	Cause Number	Date of Filing Petition	Difference in Years
1	45447	10/30/2020	14.17
2	43112	9/1/2006	2.47
3	42596	3/12/2004	8.52
4	40283	9/7/1995	
		Total Difference in Years	25.16
		Divided by # of Rate Cases	3.00
		Average Years Between Rate Cases	8.39 Years

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
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 South	$1,274,832
2	Amortization Period (Years)	Per OUCC	7
3	Pro Forma Increase in IT-Related Investments Expense	Line 1 / Line 2	$182,119
4	Petitioner's Unadjusted Test Year	Per Vectren South	$508,487
5	OUCC Adjustment	From Above	182,119
6	OUCC Pro Forma at Present Rates		$690,606

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
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 South	$473,320
2	Amortization Period (Years)	Per OUCC	7
3	Pro Forma Increase in COVID-19 Expense	Line 1 / Line 2	$67,617

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
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

Q 8.23: Referencing page 15, lines 2-4 of her testimony, Ms. Cullum states, "Vectren South 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 South 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.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
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	$337,384 *	$179,161 *	$516,545	$154,964	$258,273	$103,309
2015/2016	200,119 *	96,626 *	$296,745	89,024	148,373	59,349
2016/2017	216,409 *	103,011 *	$319,420	95,826	159,710	63,884
2017/2018	281,539 *	144,437 *	$425,976	127,793	212,988	85,195
2018/2019	333,002 *	97,600 *	$430,602	129,181	215,301	86,120
2019/2020	288,089 *	96,797 *	$384,886	115,466	192,443	76,977
					6-Year Average	$79,139

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

In RE: Vectren South Gas Tariff Appendix F, Unaccounted For Gas Percentage Compliance Filing, Cause No. 43112

Dear Ms. Steinhauer:

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company ("Vectren South") hereby submits for filing an electronic copy of the following tariff sheet, to become effective upon Commission approval, to update its Unaccounted For Gas Percentage.

Sheet No. 35 Eleventh Revised Page 1 of 1

Also included is the supporting documentation detailing how the revised 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 South 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 South's operating performance.

This tariff sheet is being filed in accordance with Vectren South's Tariff for Gas Service ("Tariff") first approved by the Commission on August 1, 2007 in Cause No. 43112. Per the Tariff, Appendix F is adjusted periodically to reflect changes in the system unaccounted for gas percentage.

Vectren South transportation customers must be notified in advance of the first day of a month of any change in the unaccounted for gas percentage in order to adjust their nomination for that month. Commission approval is therefore requested on or before the 20th calendar day of the month. If Commission approval is granted on or before February 20th, Vectren South will implement the new unaccounted for gas percentage on March 1st. If Commission approval is granted between February 21st and March 20th, the new percentage will be implemented on April 1st.

Please return a copy of the approved tariff sheet to me via electronic mail. Thank you.

Sincerely,

Vickie McClatchy

Vickie McClatchy
Analyst, Regulatory and Rates
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Enclosure

cc: Leja Courter
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VECTREN SOUTH
Unaccounted For Gas Percentage
Summary for the Period September 2010 - August 2020

Period	Available (dth)	Delivered (dth)	Unaccounted For (dth)	Unaccounted For %	
Sep 10 - Aug 11	33,479,504	33,357,260	122,244	0.4%	10 yr low %
Sep 11 - Aug 12	35,350,447	35,103,213	247,234	0.7%	
Sep 12 - Aug 13	41,088,434	40,904,569	183,865	0.4%	
Sep 13 - Aug 14	41,130,847	40,734,787	396,060	1.0%	
Sep 14 - Aug 15	45,517,951	45,179,412	338,539	0.7%	
Sep 15 - Aug 16	43,106,391	42,702,238	404,153	0.9%	
Sep 16 - Aug 17	38,798,622	38,457,173	341,449	0.9%	
Sep 17 - Aug 18	44,531,026	44,055,782	475,244	1.1%	
Sep 18 - Aug 19	40,265,372	39,846,780	418,592	1.0%	
Sep 19 - Aug 20	39,257,488	38,824,725	432,763	1.1%	10 yr high %
10 Year (2010-2020) excluding low and high UAFG % years	**329,789,091**	**326,983,954**	**2,805,137**	**0.9%**	

Current Rate is 0.8% (Effective 3-1-2020)

Q 7.3: Referencing page 34, line 25 of her testimony, Ms. Bell states the bad debt write-off percentage of 0.370 percent was used to determine the Adjusted Test Year Uncollectible Accounts Expense on Exhibit No. 19, Schedule C-3.15. 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: No. Vectren South 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 TESTIMONY OF YI GAO*** has been served upon the following counsel of record in the captioned proceeding by electronic service on February 19, 2021.

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