

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

VERIFIED PETITION OF NORTHERN INDIANA )  
PUBLIC SERVICE COMPANY LLC FOR (1) )  
APPROVAL OF AN ADJUSTMENT TO ITS GAS )  
SERVICE RATES THROUGH ITS TRANSMISSION, )  
DISTRIBUTION, AND STORAGE SYSTEM )  
IMPROVEMENT CHARGE (“TDSIC”) RATE )  
SCHEDULE; (2) AUTHORITY TO DEFER 20% OF )  
THE APPROVED CAPITAL EXPENDITURES AND )  
TDSIC COSTS FOR RECOVERY IN PETITIONER’S )  
NEXT GENERAL RATE CASE; AND (3) APPROVAL )  
OF PETITIONER’S UPDATED 7-YEAR GAS PLAN, )  
INCLUDING ACTUAL AND PROPOSED )  
ESTIMATED CAPITAL EXPENDITURES AND TDSIC )  
COSTS THAT EXCEED THE APPROVED AMOUNTS )  
IN CAUSE NO. 44403-TDSIC-10, ALL PURSUANT TO )  
IND. CODE § 8-1-39-9. )

**CAUSE NO. 44403 TDSIC-11**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR’S  
PUBLIC’S EXHIBIT NO. 1 – TESTIMONY OF OUCC WITNESS  
MARK H. GROSSKOPF**

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

**April 30, 2020**

Respectfully submitted,



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Jeffrey M. Reed  
Attorney No. 11651-49  
Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF**  
**CAUSE NO. 44403 TDSIC-11**  
**NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC**

**I. INTRODUCTION**

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

2 **A:** My name is Mark H. Grosskopf, and my business address is 115 W. Washington  
3 Street, Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the  
4 Indiana Office of Utility Consumer Counselor (“OUCC”) as a Senior Utility  
5 Analyst. For a summary of my educational and professional experience and my  
6 preparation for this case, please see Appendix MHG-1 attached to my testimony.

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

8 **A:** I discuss Northern Indiana Public Service Company LLC’s (“NIPSCO” or  
9 “Petitioner”) request for (1) approval of an adjustment to its gas service rates  
10 through its Transmission, Distribution, and Storage System Improvement Charge  
11 (“TDSIC”) rate schedule for recovery of 80% of approved capital expenditures and  
12 TDSIC costs incurred, and (2) authority to defer 20% of the approved capital  
13 expenditures and TDSIC costs for recovery in Petitioner’s next general rate case. I  
14 also discuss Petitioner’s schedules, calculations, and customer class revenue  
15 allocations. I discuss the 2% Retail Revenue Cap allowing for deferral of excess  
16 revenue requirements above the 2% cap. I further discuss the reconciliation of  
17 revenue for under-recovery of previously approved revenue requirements.  
18 Moreover, I analyze Petitioner’s mechanism to provide a credit for margin revenue  
19 received from new customers connected under NIPSCO’s rural extension program.

1 In addition to my testimony, OUCC witness Brien Krieger discusses NIPSCO's  
2 request for approval of its updated 7-year gas plan, including actual and proposed  
3 estimated capital expenditures.

4 **Q: Please provide a brief summary of your recommendations.**

5 **A:** I recommend approval of rate factor calculations in this Cause as shown in  
6 Petitioner's Attachment 1, Schedule 8. The schedules and calculations included in  
7 attachments to the Verified Petition in this Cause are consistent with the findings  
8 set forth in prior Commission Orders for Petitioner's previous TDSIC filings in this  
9 Cause.

10 **Q: Do the recommendations of OUCC witness Krieger affect the rate factor**  
11 **calculations in Petitioner's attachments and schedules?**

12 **A:** No. Mr. Krieger has not recommended any changes that affect Petitioner's  
13 calculations, schedules, or cost recovery in this TDSIC.

## II. SCHEDULES AND CALCULATIONS

14 **Q: Please describe your review of Petitioner's specific requests in this Cause.**

15 **A:** I analyzed Petitioner's TDSIC cost recovery and revenue calculations set forth in  
16 Petitioner's Schedules attached to the Verified Petition. Petitioner's Attachment 1,  
17 Schedules 1 through 10, and Attachment 2, Schedules 1 through 6 contain the  
18 necessary elements for calculating the TDSIC rates. I will address these  
19 Attachments and Schedules as they relate to Petitioner's specific requests for  
20 authority and approval in this Cause.

1 **TDSIC Rate Schedules**

2 **Q: Describe your analysis of Petitioner's TDSIC rate schedules.**

3 **A:** I performed a comprehensive analysis of the calculations and data flow contained  
4 in Petitioner's TDSIC rate schedules. I tied specific data to source documentation  
5 provided by Petitioner, verified calculations, and compared the schedules to those  
6 schedules approved in NIPSCO's prior TDSIC filings. I also verified customer  
7 counts and total therms billed with summary documentation, reviewed work order  
8 documentation to verify completed capital projects, and inquired into the  
9 calculation and procedures for indirect costs and allowance for funds used during  
10 construction ("AFUDC"). I verified the calculation for the cost of long term debt  
11 and reconciled cost of capital balances shown on Petitioner's Attachment 2,  
12 Schedule 1 with NIPSCO's balance sheet. I also verified the public utility fee and  
13 tax rates indicated on Petitioner's Attachment 2, Schedule 2. I will discuss other  
14 specific schedules in more detail later in my testimony.

15 **Customer Class Revenue Allocations**

16 **Q: Is Petitioner's allocation of revenue requirements consistent with the**  
17 **allocation methodology approved by the Commission?**

18 **A:** Yes. The customer class revenue allocation percentages are set forth in Joint Exhibit  
19 E of the Stipulation and Settlement Agreement in Cause No. 44988, Petitioner's  
20 last rate case, approved by the Commission on April 20, 2018. The approved  
21 allocation percentages are reflected in Petitioner's Attachment 2, Schedule 4. I  
22 reviewed and verified the resulting revenue requirement allocations on Petitioner's  
23 Attachment 1, Schedule 7.

1 **2% Test Calculation**

2 **Q: Is NIPSCO's 2% Cap Test reflected in Petitioner's Attachment 1, Schedule 9**  
3 **calculated correctly?**

4 **A:** Yes. I traced pertinent numbers to accompanying schedules and verified the  
5 calculations provided by Petitioner. This schedule complies with the Commission's  
6 interpretation of Ind. Code § 8-1-39-14(a), whereby, "The commission may not  
7 approve a TDSIC that would result in an average aggregate increase in a public  
8 utility's total retail revenues of more than two percent (2%) in a twelve (12) month  
9 period." NIPSCO's annualized revenue requirement proposed in this Cause does  
10 not exceed the 2% Retail Revenue Cap for the twelve months ended December 31,  
11 2019.

12 **TDSIC Rate Factors**

13 **Q: Have you reviewed NIPSCO's TDSIC rate factor calculations in this Cause?**

14 **A:** Yes. Petitioner's Attachment 1, Schedule 8 presents the calculation and allocation  
15 of TDSIC rate adjustment factors. I have reviewed the calculations and flow of  
16 inputs from other schedules in this attachment. Petitioner's Attachment 1, Schedule  
17 8 accurately reflects the TDSIC rate factors for this Cause.

18 **Q: Is recovery of the approved revenue requirements reconciled with actual**  
19 **revenue collected?**

20 **A:** Yes. Petitioner's Attachment 1, Schedule 6, pages 1-3, show the reconciliation of  
21 the approved TDSIC-9 revenue requirement with actual revenue collected during  
22 the billing period of January 2019 through October 2019. The reconciliation results  
23 in an over-recovery in the amount of \$3,741,533 as reflected on Petitioner's  
24 Attachment 1, Schedule 8, whereby this amount is deducted from the revenue  
25 requirement to be collected from customers through the TDSIC rate calculation in

1 this Cause. Additionally, Petitioner's Attachment 1, Schedule 6, page 4, shows the  
2 reconciliation of refunds included in TDSIC-9 for disallowed multiple-unit  
3 projects, bare steel replacement projects, cost overruns from previous TDSIC  
4 filings, and base rate refunds resulting from the Tax Cuts and Jobs Act ("TCJA").  
5 The reconciliation of these refunds results in an over-recovery in the amount of  
6 \$533,009, which is also deducted from the revenue requirement to be collected  
7 from customers in this Cause, reflected on Petitioner's Attachment 1, Schedule 8.  
8 The refunds for disallowed multiple-unit projects, bare steel replacement projects,  
9 cost overruns, and the TCJA were included in TDSIC-9 to reconcile past  
10 occurrences, and the reconciliation on Petitioner's Attachment 1, Schedule 6, page  
11 4 in this Cause completes the inclusion of these refunds in the TDSIC mechanism.

12 **Q: Have you reviewed NIPSCO's applicable tariff revisions to Appendix F, shown**  
13 **on Petitioner's Attachment 3?**

14 **A:** Yes. Petitioner's Attachment 3 includes the new proposed TDSIC Rate Schedules  
15 on Appendix F. Appendix F accurately reflects the TDSIC calculations presented  
16 by Petitioner in Attachment 1.

17 **20% Deferral**

18 **Q: Please discuss NIPSCO's proposed treatment of a 20% deferral of TDSIC**  
19 **capital expenditures and costs.**

20 **A:** Ind. Code § 8-1-39-9(b) provides that twenty percent (20%) of the approved capital  
21 expenditures and TDSIC costs, including depreciation, AFUDC, and post in service  
22 carrying costs, shall be deferred and recovered as part of the next general rate case  
23 that the utility files with the Commission. Petitioner's Attachment 1, Schedules 2  
24 through 4 calculate the deferred revenue requirement for the capital portion,

1 carrying charges, and the expense portion. Petitioner's Attachment 1, Schedule 10  
2 reflects cumulative total deferred revenue requirements, showing the 20% deferred  
3 amounts for the past and current TDSIC filings, broken out by return on capital,  
4 return of expense, and carrying charges. Petitioner's Attachment 1, Schedule 10 is  
5 also broken out into the transmission, distribution, and storage cost elements for  
6 each TDSIC filing. Prior to the TDSIC-10 filing, much of the deferred revenue  
7 requirements from past TDSIC's was rolled into base rates in Step 1 and Step 2  
8 compliance filings in Cause No. 44988, Petitioner's last rate case. As shown on  
9 Petitioner's Attachment 1, Schedule 10, the remaining deferred revenue  
10 requirements from TDSIC-9 that were not rolled into base rates, the TDSIC-10  
11 deferred revenue requirements, and the new TDSIC-11 deferred revenue  
12 requirements reflect the new, and remaining, post-rate case balance of revenue  
13 requirement to be deferred for recovery in Petitioner's next rate case. I traced all  
14 data inputs in Petitioner's Attachment 1, Schedule 10 to the source schedules in  
15 TDSIC-11, and compliance filings in Cause No. 44988, and verified the  
16 calculations. This schedule is accurately tracking deferred capital expenditures and  
17 expenses, pending recovery in Petitioner's next base rate case.

18 **Rural Extension Margin Credit**

19 **Q: Did NIPSCO receive approval in TDSIC-1 to credit margin revenue received**  
20 **from new rural customers against the TDSIC revenue received as a result of**  
21 **rural extensions?**

22 **A:** Yes. NIPSCO is authorized to provide a credit in the TDSIC tracker for actual  
23 margins received from new customers added under the rural extensions projects,  
24 thereby reducing the cost impact to existing customers. NIPSCO will credit 80% of

1 actual margins associated with new customers connected through the rural  
2 extension program. In Cause No. 44403 TDSIC-1, Petitioner stated its rationale for  
3 the 80% margin credit as follows: "NIPSCO proposes to credit 80% of margin for  
4 new rural customers through the gas TDSIC tracker because 80% of the underlying  
5 project costs are recovered through the tracker under Ind. Code § 8-1-39-11."

6 **Q: Does Petitioner recognize a rural extension margin credit in this TDSIC-11**  
7 **filing?**

8 A: Yes. The Rural Extension Margin Credit is reflected on line 6 of Petitioner's  
9 Attachment 1, Schedule 5. Per my analysis of Petitioner's records and calculations  
10 in this Cause, I agree with the Rural Extension Margin Credit shown on Petitioner's  
11 Attachment 1, Schedule 5.

12 **Q: Should the application of a margin credit towards rural extension investment**  
13 **cost recovery be an integral part of TDSIC filings?**

14 A: Yes. The margin credit balances the interests of the utility and the ratepayers. The  
15 OUCC continues to support NIPSCO's approved 80% margin credit for rural  
16 extensions for each TDSIC filing.

### **III. CONCLUSION**

17 **Q: What are your recommendations regarding NIPSCO's requested approvals in**  
18 **the current TDSIC?**

19 A: Petitioner's TDSIC calculation schedules, Attachment 1, Schedules 1-10, and  
20 Attachment 2, Schedules 1-6, accurately calculate and track TDSIC costs and rate  
21 factors based on NIPSCO's proposal. I recommend approval of the rate factor  
22 calculations performed in this Cause. NIPSCO's TDSIC rate factors are accurately  
23 reflected on Petitioner's Attachment 3, Appendix F.



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

2 **A:** Yes.

**APPENDIX MHG-1 TO TESTIMONY OF  
OUCC WITNESS MARK H. GROSSKOPF**

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of  
3 Science degree in business with a major in accounting. I worked in auditing and  
4 accounting positions at various companies from 1980 to 1995. I joined the OUCC  
5 in April of 1995 and have worked as a member of the OUCC's Natural Gas  
6 Division since June of 1999. I became a Certified Public Accountant in November  
7 of 1998. I also completed both weeks of the National Association of Regulatory  
8 Utility Commissioners Annual Regulatory Studies program at Michigan State  
9 University. I completed an additional week of the Advanced Regulatory Studies  
10 Program hosted by the Institute of Public Utilities Regulatory Research and  
11 Education at Michigan State University.

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

13 A: Yes, I have testified as an accounting witness in various causes involving water,  
14 wastewater, electric, and gas utilities, including but not limited to, base rate cases,  
15 7-Year Plans, Transmission, Distribution, and Storage System Improvement  
16 Charge ("TDSIC") tracker cases, Federally Mandated Cost Adjustment  
17 Mechanism ("FMCA") tracker cases, Gas Cost Adjustment ("GCA") cases, and  
18 energy efficiency and revenue decoupling cases.

19 **Q: Please describe the review and analysis you conducted to prepare your  
20 testimony.**

21 A: I reviewed Petitioner's testimony, exhibits and supporting documentation for  
22 NIPSCO's case-in-chief, and analyzed Petitioner's responses to OUCC discovery  
23 requests. I reviewed Commission Orders for NIPSCO's previous TDSIC filings,

1           and reviewed the Step 1, Step 2, and Step 3 compliance filings for Cause No.  
2           44988, Petitioner's rate case, where completed TDSIC project costs were  
3           transferred to Petitioner's base rates. I also participated in numerous meetings  
4           with other OUCC staff members and Petitioner's representatives to identify and  
5           address the issues in this Cause.

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing ***OUCC'S TESTIMONY OF MARK H. GROSSKOPF*** has been served upon the following parties of record in the captioned proceeding by electronic service on April 30, 2020.

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