

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.)

CAUSE NO. 45447

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR’S PUBLIC’S EXHIBIT

NO. 9 – SETTLEMENT 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.

May 7, 2021

Respectfully submitted,



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

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 45447
SETTLEMENT TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF**

I. INTRODUCTION

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

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”)
6 as a Senior Utility Analyst.

7 **Q: Are you the same Mark H. Grosskopf who previously filed testimony in this**
8 **Cause?**

9 A: Yes, I am.

10 **Q: What is the purpose of your settlement testimony?**

11 A: My settlement testimony supports a Settlement Agreement (“Agreement”)
12 between the Parties in this Cause: Southern Indiana Gas and Electric Company
13 d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” or “Petitioner”),
14 the Indiana Office of Utility Consumer Counselor (“OUCC”), the Vectren South
15 Industrial Group (“Industrial Group”), and Direct Energy Business Marketing,
16 LLC (“Direct Energy”), (collectively, the “Settling Parties”). The Agreement
17 resolves all issues between the Settling Parties in this Cause. My settlement
18 testimony focuses on those items in which differences existed between Vectren
19 South’s and the OUCC’s cases-in-chief. I discuss the pertinent matters agreed to
20 in the Agreement, such as the original cost rate base, capital structure and return

1 on original cost rate base, depreciation and amortization expense, pro forma
2 operating revenues, and pro forma operation & maintenance (“O&M”) expense
3 adjustments. I discuss terms of the Agreement related to Vectren South’s future
4 Compliance and System Improvement Adjustment (“CSIA”) filings, Universal
5 Service Program (“USP”), Tax Savings Credit Rider (“TSCR”), Energy
6 Efficiency Rider (“EER”), Gas Cost Adjustment (“GCA”) mechanism, customer
7 billing, customer deposits, tariff changes, cost allocations, and rate design. My
8 testimony also addresses terms of the Agreement related to the timing and content
9 of phased-in rates resulting from Phase 1 and Phase 2 revenue requirement
10 updates applicable to a future test year in this Cause. The Settling Parties also
11 filed a set of revenue requirement schedules reflecting the terms of the
12 Agreement, designated as Appendix A.

13 **Q: Is the Agreement a product of arms-length negotiations between the Settling**
14 **Parties?**

15 A: Yes. The Agreement represents a compromise reached in the settlement
16 negotiation process, with give and take by all of the Settling Parties. The Settling
17 Parties devoted considerable time and effort to fairly balance Vectren South’s
18 interests and those of Vectren South’s customers.

II. ISSUES RESOLVED IN SETTLEMENT

A. Rate Base

19 **Q: What value did the Settling Parties assign to rate base in this Cause?**

20 A: The Settling Parties agree to an original cost rate base of \$469,327,931. This
21 reflects a reduction of \$60,878 to Vectren South’s forecasted rate base to remove

1 a portion of the Picarro leak detection equipment. The rate base agreed to by the
2 Settling Parties reflects Vectren South's rebuttal position, which is a reasonable
3 forecast of utility plant-in-service at the end of 2021. (Agreement at 6.) In
4 Vectren's South's Phase 2 rate update filing, rate base will be the lesser of (i)
5 \$469,327,931 or (ii) actual rate base as of December 31, 2021. (*Id.* at 5.)

B. Cost of Equity and Capital Structure

6 **Q: What cost of equity did Vectren South and the OUCC propose in this Cause?**

7 A: Vectren South proposed a 10.15% cost of equity, while the OUCC proposed a
8 9.20% cost of equity.

9 **Q: What cost of equity have the Settling Parties agreed to in this Cause?**

10 A: The Settling Parties agree to a 9.70% cost of equity. (*Id.* at 6.) The OUCC
11 considers this a fair and reasonable result when combined with other
12 considerations and compromises made in this Agreement.

13 **Q: Have the Settling Parties agreed to changes in the capital structure?**

14 A: Yes. The Settling Parties also agree to an increase to cost-free capital of \$1.979
15 million to reflect non-interest-bearing customer deposits, as accepted by Vectren
16 South on rebuttal. (*Id.*) In Vectren South's Phase 2 filing, the capital structure will
17 be updated to reflect actual capitalization as of December 31, 2021. (*Id.* at 5.),

18 **Q: What fair return resulted from the settled capital structure and weighted
19 cost of capital when applied to the settled rate base?**

20 A: The Settling Parties stipulate and agree the weighted cost of capital resulting from
21 the settled capital structure times the stipulated net original cost rate base yields a
22 fair return of no more than \$27,127,154, yielding an overall return for earnings
23 test purposes of 5.78%. (*Id.* at 7.)

C. Depreciation Expense

1 **Q: Do the Settling Parties agree on new depreciation rates?**

2 A: Yes. Vectren South presented a depreciation study with its proposal for new
3 depreciation rates. OUCC Witness David J. Garrett proposed alternative
4 depreciation rates based on use of the Average Life Group ("ALG") methodology
5 and revisions to service lives as presented in Public's Exhibit No. 6, Attachment
6 DJG-3. The Settling Parties agree and stipulate the depreciation accrual rates
7 recommended by Mr. Garrett should be approved and used in the determination of
8 net plant in service values for calculation of Phase 1 and Phase 2 rates.
9 (Agreement at 7.) The depreciation accrual rates agreed to by the Settling Parties
10 will result in an increase to the amortization period for the CSIA Program
11 Expense Amortization to 49 years and an increase to the amortization period for
12 the Bare Steel Cast Iron Program Expense Amortization to 37 years. (*Id.*)

D. Amortization Expense

13 **Q: Do the Settling Parties agree on an amortization expense adjustment?**

14 A: Yes. The Settling Parties agree to amortize the regulatory assets for COVID-
15 related expenses, investment related IT expenses, and rate case expense over six
16 years rather than five years as originally proposed by Vectren South. (*Id.*) In
17 addition, Vectren South agrees to reduce total rate case expense from \$1,650,000
18 to \$1,300,000, reflecting a reduction to annual amortized expense of \$113,333
19 from that proposed in Vectren South's case-in-chief. If Vectren South files a
20 general rate case before expiration of the six-year amortization period, any

1 unamortized portion will be rolled into Vectren South's next rate case. If not
2 already addressed by a base rate case order before expiration of the six-year
3 amortization period, Vectren South agrees to file a revised tariff to remove the
4 annual amortization amount from base rates unless a new general rate case
5 petition is pending at that time. (*Id.* at 8.)

6 **E. Pro Forma Revenues**

7 **Q: What revenue adjustments do the Settling Parties agree to in this Cause?**

8 A: The Settling Parties agree Vectren South's pro forma revenues should be adjusted
9 to include an increase of \$7,819 to FERC Account 487 (Forfeited Discounts) and
10 an increase of \$46,749 to FERC Account 495 (Other Revenue) as proposed by the
11 OUCG in its case-in-chief. The Agreement results in total pro forma revenues as
12 of the end of the test year of \$126,981,568. (Agreement at 8.)

13 **F. O&M Expenses**

14 **Q: Please explain the results of the settlement negotiations regarding O&M**
15 **expense adjustments.**

16 A: The Settling Parties negotiated compromises to various O&M expense
17 adjustments resulting in a reduction to Vectren South's total forecasted level of
18 O&M expense presented in its case-in-chief of (\$1,509,296). (*Id.*) The Settling
19 Parties further agree to use Vectren South's methodology to calculate other flow-
20 through adjustments to bad debt expense, property tax, IURC fee, utility receipts
21 tax, and income tax resulting from the changes made in the revenue requirement.
22 (*Id.*)

G. Future CSIA Filings

1 **Q: Have the Settling Parties reached agreement on the treatment of incremental**
2 **O&M expenses in future CSIA filings?**

3 A: Yes. Since O&M expenses for compliance activities recovered in prior CSIA
4 filings were factored into base rates in the current Cause, the Settling Parties
5 agree that in future semi-annual CSIA filings related to the Compliance
6 Component of the CSIA mechanism, Vectren South will identify incremental
7 O&M expenses incurred that are not included in base rates. (Agreement at 9.) For
8 purposes of the Agreement, “incremental O&M expenses” to be included in such
9 filings means incremental O&M expenses that are the result of a new requirement
10 resulting from a regulation or enhancement of a regulation requiring compliance
11 beginning January 1, 2022 or later, or other incremental O&M expenses that
12 Vectren South demonstrates were not included in the test year forecast in this
13 Cause. Vectren South agrees it will bear the burden of proof in future CSIA
14 proceedings where recovery of incremental O&M expenses is sought. Vectren
15 South will segregate, or track separately, costs included in incremental O&M
16 expense through its work order management system. Vectren South further agrees
17 to supply detailed testimony in future CSIA filings regarding any new compliance
18 requirement for which incremental O&M expense recovery is sought, and to
19 demonstrate how such incremental O&M expense is not included in base rates.
20 (*Id.*)

1 **Q: Have the Settling Parties reached agreement on the allocation of cost**
 2 **recovery in future CSIA filings?**

3 A: Yes. The Settling Parties agree the allocation of cost recovery for the TDSIC
 4 Component of Vectren South's CSIA mechanism will be based on total revenues
 5 and cost recovery allocation for the Compliance Component will be based on non-
 6 gas revenues. (*Id.* at 10.) The Settling Parties further agree the allocation
 7 percentages will be by rate class and will not be broken down further by storage,
 8 transmission, and distribution. The stipulated allocation percentages for each
 9 CSIA component will be used for all TDSIC or Compliance Projects included in
 10 Vectren South's next CSIA as well as TDSIC or Compliance Projects added after
 11 the CSIA has been approved. (*Id.*) The allocation percentages are based upon the
 12 stipulated total revenues and total margins as shown on the following tables:

TDSIC Allocation Factors (Based on Total Revenue)				
Class	Revenues at Current Rates	Revenue Increase	Total Revenues	Percent of Total
110	\$69,347,577.83	\$13,666,400.37	\$83,013,978.20	65.3748%
120/125	25,150,622.02	4,957,063.12	30,107,685.14	23.7103%
145	3,385,211.92	437,857.48	3,823,069.40	3.0107%
160	5,373,495.85	588,148.85	5,961,644.70	4.6949%
170	3,235,119.38	840,071.18	4,075,190.56	3.2093%
Total	\$106,492,027.00	\$20,489,541.00	\$126,981,568.00	100.0000%

Compliance Allocation Factors (Based on Total Margin)				
Class	Total Revenues	Less: Gas Costs	Total Margin Revenues	Percent of Total
110	\$83,013,978.20	(\$23,460,439.11)	\$59,553,539.09	65.5802%
120/125	30,107,685.14	(12,710,943.57)	17,396,741.57	19.1573%
145	3,823,069.40	0	3,823,069.40	4.2100%
160	5,961,644.70	0	5,961,644.70	6.5649%
170	4,075,190.56	0	4,075,190.56	4.4876%
Total	\$126,981,568.00	(\$36,171,382.67)	\$90,810,185.32	100.0000%

H. Universal Service Program (“USP”)

1 **Q: Have the Settling Parties agreed to an extension of Vectren South’s USP?**

2 A: Yes, the Settling Parties agree to extend the USP under the following conditions.

3 Each of the Settling Parties shall have the right to initiate a petition to modify,

4 review, or terminate the USP. If the USP is terminated, Vectren South agrees to

5 file a revised tariff to reflect the impact on the USF Rider. Also, the Settling

6 Parties agree Vectren South’s shareholder contribution to the USP shall remain at

7 30% of program costs and any administrative costs will not be counted towards

8 that amount. (Agreement at 10.)

9 **I. Tax Savings Credit Rider**

10 **Q: Have the Settling Parties reached agreement on Vectren South’s proposed**
11 **TSCR?**

12 A: Yes. The Settling Parties agree to the proposed TSCR mechanism as presented in

13 Vectren South’s case-in-chief. Vectren South agrees to provide the Excel

14 spreadsheets used to create the schedules in each TSCR filing. (*Id.*)

15 **J. Energy Efficiency Rider**

16 **Q: Have the Settling Parties agreed to an extension of Vectren South’s EER?**

17 A: Yes. The Settling Parties agree to the extension of Vectren South’s energy

18 efficiency programs, and the Energy Efficiency Funding Component (“EEFC”)

19 and Sales Reconciliation Component (“SRC”) of the EER through 2021, and

20 continuation of the EEFC through 2025 and SRC through issuance of a Final

21 Order in the next general rate case. (Agreement at 11.) This is consistent with

22 Vectren South’s position in its case-in-chief.

1 **K. Gas Cost Adjustment Mechanism**

2 **Q: Have the Settling Parties reached agreement on percentages of bad debt and**
3 **unaccounted-for-gas ("UAFG") to be used in Vectren South's GCA**
4 **mechanism?**

5 A: Yes. The Settling Parties agree to use 0.37% as the bad debt percentage to be
6 collected through the GCA. The Settling Parties also agree to lower the maximum
7 annual UAFG percentage from 1.2% to 1.12%. (*Id.*)

8 **L. Customer Deposits and Billing**

9 **Q: Does the Agreement address the OUCC's recommendations on customer**
10 **deposits and billing?**

11 A: Yes. As proposed by the OUCC in its case-in-chief, Vectren South agrees to
12 review customer deposits on an annual basis to make sure customers who meet
13 the criteria set forth in 170 Ind. Admin. Code 5-1-15(g) receive deposit refunds in
14 a timely manner. (Agreement at 8.) Vectren South also agrees to revise Section
15 18.H of Tariff Sheet No. 57 to remove the statement that "[c]redit balances less
16 than \$10.00 will not be refunded to Customer unless so requested." Vectren South
17 agrees inactive accounts with customer deposits unclaimed after one year shall be
18 presumed abandoned and treated in accordance with Ind. Code ch. 32-34-1. (*Id.* at
19 8-9.)

20 To further customer bill transparency, Vectren South agrees to include a
21 notation on each customer bill that customers may call its customer service
22 representatives if they want an itemized breakdown of the charges included on
23 their bill. This notation will be on every bill going forward. (Agreement at 11.)

1 **M. Tariff Changes**

2 **Q: What are the tariff changes the Settling Parties have agreed upon?**

3 A: The Settling Parties agree to the proposed tariff changes in Vectren South's case-
4 in-chief. Vectren South agrees to lower the volumetric threshold to qualify for
5 Rate 145 to 2,500 dekatherms annually, provided that a monthly telemetry charge
6 will be added for customers who use between 2,500 and 5,000 dekatherms
7 annually and choose to transport. (*Id.*) The telemetry charge will be a pass-
8 through charge of Vectren South's costs for wireless/cellular service associated
9 with reading meters for such customers. Vectren South will file a revised tariff
10 reflecting this change in its compliance filing. (*Id.*)

11 **N. Cost of Service/Cost Allocations**

12 **Q: Have the Settling Parties reached agreement on the overall allocation of the**
13 **revenue increase to the customer rate classes?**

14 A: Yes. The Settling Parties agree to use Vectren South's cost of service study,
15 modified to reflect the following agreed-upon revenue allocations. Rate 110 and
16 Rates 120/125 will each receive an equal allocation of the revenue increase, set at
17 19.72%. (*Id.* at 12.) The revenue increase for Rate 145 and Rate 160 will be set at
18 12.94% and 10.95%, respectively, and the revenue increase for Rate 170 will be
19 set at 25.99%. (*Id.*) The allocation of the stipulated revenue increase is shown in
20 more detail under Cost of Service/Cost Allocation, Section 15, of the Agreement.

1 **O. Rate Design**

2 **Q: Have the Settling Parties reached agreement on monthly customer service**
3 **charges?**

4 A: Yes. The Settling Parties agree to the customer service charges proposed by the
5 OUCC in its case-in-chief. Rate 110 will have a monthly customer service charge
6 of \$16.50, with the CSIA charge reset after a Final Order of the Commission in
7 this Cause. (Agreement at 12.) Rates 120/125 will have a monthly service charge
8 of \$32.00 for Group 1, \$63.00 for Group 2, and \$125.00 for Group 3. The
9 monthly service charge for Rate 145 will be \$125. The service charge for Rate
10 160 will be \$800.00 and Rate 170 will be \$1,600.00, as initially proposed by
11 Vectren South and accepted by the OUCC. (*Id.*)

12 **P. Phase-in Rate Updates**

13 **Q: When are new rates expected to be effective in this Cause?**

14 A: Because of the future test year utilized in this Cause, there will be two phases to
15 Vectren South's rate increase, referred to as Phase 1 and Phase 2. The Settling
16 Parties agree to the following procedures for implementing Vectren South's rate
17 increases.

18 Following issuance of a Final Order in this Cause approving this
19 Settlement, Phase 1 rates will go into effect on an interim subject to refund basis
20 pending a 60-day review process as described in Vectren South's case-in-chief.
21 Phase 1 will be based on the agreed revenue requirement as adjusted to reflect the
22 original cost of Vectren South's net utility plant in service, actual capital
23 structure, and associated depreciation expense as of June 30, 2021. (*Id.* at 4-5.)

1 The process for the Phase 2 rate adjustment is described in Vectren
2 South's case-in-chief, except the Phase 2 update will be limited to rate base,
3 capital structure, depreciation expense, and taxes. (Agreement at 5.) Revenues and
4 O&M expenses will not be updated in Phase 2 as originally contemplated by
5 Vectren South. The Phase 2 update will be based on the agreed revenue
6 requirement as of December 31, 2021, as adjusted, if necessary, to reflect the
7 lesser of (i) Vectren South's forecasted test-year-end rate base as updated in
8 rebuttal evidence (\$469,327,931), or (ii) Vectren South's rate base reflecting
9 certified test-year-end net plant in service as of December 31, 2021. (*Id.*) Phase 2
10 rates will go into effect on an interim subject to refund basis pending a 60-day
11 review process as described in Vectren South's case-in-chief. Appendix A
12 attached to the Settlement Agreement includes schedules supporting the
13 calculation of Vectren South's revenue requirement as of December 31, 2021.
14 (*Id.*)

III. PUBLIC INTEREST

15 **Q: Is the Agreement in the public interest?**

16 **A:** Yes. The Settling Parties each made material concessions when they entered into
17 the proposed Agreement. The resulting Agreement includes a residential customer
18 rate that lessens the rate increase impact and prevents rate shock to captive
19 ratepayers. The terms of the Agreement demonstrate the give and take of
20 settlement negotiations in resolving multiple contested issues in a manner
21 acceptable to all Settling Parties. The Agreement also reduces the risk and

1 expense of litigation of multiple issues. Therefore, the OUCC considers the
2 Agreement to be in the public interest.

IV. CONCLUSION

3 **Q: Does the OUCC recommend approval of the Agreement?**

4 A: Yes. The Settling Parties' testimony and exhibits provide evidence to support the
5 Agreement, and the OUCC recommends the Commission approve the Agreement.

6 **Q: Does this conclude your settlement testimony?**

7 A: Yes.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S SETTLEMENT TESTIMONY OF MARK H. GROSSKOPF*** has been served upon the following counsel of record in the captioned proceeding by electronic service on May 7, 2021.

Justin Hage (Atty. No. 33785-32)
Heather A. Watts (Atty. No. 35482-82)
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. Ticken
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.Ticken@centerpointenergy.com

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

Nicholas K. Kile (Atty. No. 15203-53)
Hillary J. Close (Atty. No. 25104-49)
Lauren M. Box, (Atty. No. 32521-49)
Barnes & Thornburg LLP
Email: nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Todd A. Richardson, Atty No. 16620-49
Tabitha L. Balzer, Atty No. 29350-53
LEWIS & KAPPES, P.C.
Industrial Group
Email: TRichardson@Lewis-Kappes.com
TBalzer@Lewis-Kappes.com

Jennifer A. Washburn, Atty. No. 30462-49
Citizens Action Coalition
jwashburn@citact.org

Reagan Kurtz
rkurtz@citact.org



Lorraine 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