STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. FOR APPROVAL OF A TARIFF RATE FOR THE PROCUREMENT OF EXCESS DISTRIBUTED GENERATION PURSUANT TO IND. CODE § 8-1-40 ET SEQ.	)	**CAUSE NO. 45378**

SUPPLEMENTAL DIRECT TESTIMONY OF EDWARD T. RUTTER

ON BEHALF OF

INDIANA DISTRIBUTED ENERGY ALLIANCE

AUGUST 31, 2020

SUPPLEMENTAL DIRECT TESTIMONY OF EDWARD RUTTER

Q1. Are you the same Edward T. Rutter that filed direct testimony in this proceeding?

A1. Yes.

Q2. What has caused the need to supplement your testimony?

A2. As I stated in Answer 35 of my August 20, 2020 Direct Testimony, page 21, our analysis was at that time continuing and additional information requested from Vectren could give rise to the need to supplement my testimony. The Presiding officers on August 13 granted a motion to compel and ordered Vectren to produce its most recent cost of service study ("COSS"). During the evening of Friday August 14 counsel for Vectren emailed the live COSS to Indiana DG's and other Parties' lawyers. I became aware of it the following week I was very busy completing my Direct Testimony, which had to be filed by 3:30 p.m. Thursday August 20. I was unable to completely review, analyze and consider the COSS in time to address it in my August 20 Direct Testimony. I have completed my review and analysis of the COSS and its significance in fashioning an alternative just and reasonable EDG rate. I offer this Supplemental Testimony.

Q3. What Section of your pre-filed direct testimony are you supplementing?

A3. I am supplementing the Section of my pre-filed direct testimony titled **"Middle Ground Yardstick Options to Developing a Just and Reasonable EDG Rate."** In my pre-filed Direct Testimony, pages 15 – 16, I discuss that the overall EDG compensation rate could consider the average cost per kWh of $0.15675, as presented in my direct testimony and developed from the IURC's 2020 Residential Bill Survey.

My pre-filed direct testimony suggested a possible "middle ground" option of a DG customer/Vectren 50/50 cost split for residential DG customers and a 60/40 split for commercial, DG customers as a starting point. The suggested cost splitting, at the time of filing my Direct Testimony balanced the interest of consumer and investor absent access to a fully allocated cost of service study to develop a cost based compensation rate for use of the grid by the DG customers for providing excess generation to the grid, which benefits Vectren and all Vectren customers.

Q4. Is it appropriate that your EDG rate Middle Ground suggestions be supplemented by use of the COSS?

A4. Yes. The COSS allows another perspective on being able to judge the overall unreasonableness of Vectren's proposed EDG and its harsh customer impact. My earlier "**Middle Ground Yardstick Options**" was limited because I did not have the "yard stick" measurement tool of Vectren's most recent COSS. For my analysis it was important to be able to review each schedule with the formulas intact and how each schedule flowed into the resulting final cost of service. Consideration of a middle ground perspective based on a COSS yardstick measurement option is warranted by the facts of this case and public convenience and necessity. The economic importance in terms of job creation, avoided environmental and health costs, and the broad social benefits cry out for an equitable treatment of all stakeholders, customer owned solar DG, the businesses and employees that depend on DG installation and the electric utilities that accept excess DG customer generation and use it for their benefit and for all customers. This does not have to be and should not be a winner takes all situation or outcome. As we move forward, with DG solar energy we need to ensure that EDG rates are just and reasonable for customers and utility

owners. The COSS measured middle ground perspective I offer here provides a comparative perspective that is cost based and fair to all stakeholders. It offers a new perspective useful in measuring the overall reasonableness of Vectren's proposed EDG results.

Q5. Based on your review of the recently provided COSS what have you developed?

A5. My review of the COSS enabled me to develop an additional "middle ground" consideration in measuring an overall just and reasonable rate result, based on the theory of allocating cost to DG customers for their excess energy use of the distribution system.

Q6. Based on the recently produced COSS were you able to estimate a distribution cost offset or contribution for DG customer's excess generation's use of the grid?

A6. Yes. Attachment ETR 1 to this Supplemental Testimony develops the residential RS, distribution total cost of service of $24,898,731 at June 30, 2009 and divide that by the total RS class kWh sold of 1,011,983,437 to arrive at a distribution cost of service attributable to DG use of the distribution grid in the amount of $0.024604 per kWh sold at June 30, 2009. I used the residential RS rate as my base case since the Vectren Petition is seeking one EDG rate for all DG customers. The resulting number, $0.02604 could in this middle ground example be the reimbursement of cost to Vectren and all users of the distribution grid based on the most recent June 30, 2009 COSS.

Q7. Have you taken steps to have the 2009 data better reflective of today's costs?

A7. Yes. I took the fully reimbursable cost of $0.024604 and inflated it by the annual Consumer Price Index reported inflation for each year 2009 – 2020 to date, to estimate what that cost would be using the 2009 COSS to provide a reasonable estimate of the cost reimbursement,

today. That result is detailed on Attachment 1 and is $0.02772 per kWh of excess generation delivered to the grid.

Q8. Is the rate you developed above a reasonable consideration for purposes of considering overall reasonable EDG rate impact?

A8. Yes it is when applied to Vectren's average retail cost per kWh of $0.15675. The balance of $0.12903 per kWh would serve to compensate DG customers for their excess energy and the direct and indirect benefits of DG solar.

To me Vectren's overall EDG rate impact proposal is unjust and unreasonably harsh. I find it somewhat morally suspect. For example: DG customers incur substantial solar installation costs. The DG customers are billed at an average rate of $0.15675 per kWh consumed. But Vectren proposes to take all excess generation from the DG customers at an unreasonably low rate credit of $0.0315 per kWh and then sell that same excess generation to all residential customers at the full average cost per kWh of $0.15675. That creates a profit on that transaction of $0.12525 per kWh sold to residential customers by Vectren for the excess DG customer generation delivered to the grid.

Q9. From your analysis of the COSS what additional middle ground can you recommend be considered in considering an overall just and reasonable EDG rate outcome?

A9. There are many facets to the Vectren's proposed EDG rate, DG metering and customer impacts. These alternative perspectives may be useful to the Commission as it considers the many facets of EDG in reaching an overall just and reasonable balance in its final EGD rate decision. The EDG overall comparative rate result utilizing the COSS I suggest here

would be the average retail rate of $0.15675 less the estimated allocation of $0.02772 for use of the distribution grid, an EDG Rate of $0.12903 per kWh.

A rate developed in this manner for all classes of DG customers does not have inherent in it the prospect of stifling the growth of DERs, and more particularly DG. It also gives recognition to excess DG use of the grid and the value of the direct and indirect benefits DG creates for all stakeholders. This additional middle ground option is an appropriate just and reasonable comparative consideration. My prior 50/50 split is another Middle Ground consideration example, but I believe the COSS rate allocation result I have described here is more accurate.

Q10. Does this conclude your supplemental testimony?

A10. Yes it does as of this time, but discovery is ongoing.

DEVELOPMENT OF DISTRIBUTION COST OF SERVICE
CAUSE N0.45378

DESCRIPTION	RESIDENTIAL (RS)
Rate	
PRIMARY DISTRIBUTION DEMAND	$14,558,824
PRIMARY DISTRIBUTION CUSTOMER	0
SECONDARY DISTRIBUTION DEMAND	2,741,796
SECONDARY DISTRIBUTION CUSTOMER	1,620,130
SERVICES	2,953,999
METERS	3,023,982
TOTAL DISTRIBUTION COST OF SERVICE AT PROPOSED RATES	$24,898,731
Taken from Cost of Service Study "Functionalized NOI prorated Taxes"	
TOTAL SALES AT METER kWh (Taken from COSS "kWh Sales by Voltage Level"	1,011,983,437
RS CUSTOMER TOTAL COST OF SERVICE AT PROPOSED RATES PER kWh AT JUNE 30, 2009	$0.024604
RS CUSTOMER TOTAL COST OF SERVICE AT PROPOSED RATES PER kWh INFLATED THROUGH JUNE 30, 2020	$0.027721

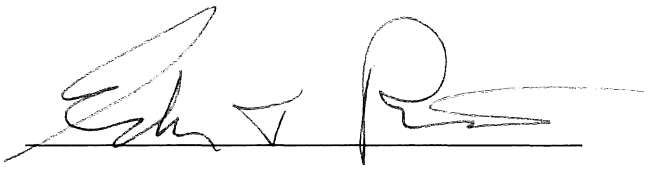
DEVELOPMENT OF DISTRIBUTION COST OF SERVICE
CAUSE NO. 45378

YEAR	EDG RATE $	Factor Factor %	EDG RATE INFLATED $
2009	0.024603892	-0.06	0.023127658
2010	0.023127658	0.016	0.023497701
2011	0.023497701	0.032	0.024249627
2012	0.024249627	0.021	0.024758869
2013	0.024758869	0.015	0.025130252
2014	0.025130252	0.016	0.025532337
2015	0.025532337	0.001	0.025557869
2016	0.025557869	0.013	0.025890121
2017	0.025890121	0.021	0.026433814
2018	0.026433814	0.024	0.027068225
2019	0.027068225	0.018	0.027555453
2020	0.027555453	0.012	0.027720786

https://www.usinflationcalculator.com/inflation/historical-inflation-rates/

VERIFICATION

I affirm under the Penalties of perjury that the forgoing supplemental testimony is to the best of my knowledge true and accurate.



8/31/20

Name **Date**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by electronic mail this 31st day of August, 2020, to the following:

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