

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SYCAMORE GAS )  
COMPANY FOR (1) AN ADJUSTMENT TO ITS GAS )  
SERVICE RATES THROUGH A FEDERALLY )  
MANDATED COST ADJUSTMENT FACTOR, (2) )  
AUTHORITY TO DEFER 20% OF ITS FEDERALLY )  
MANDATED COMPLIANCE PLAN COSTS, AND (3) ) CAUSE NO. 45131 FMCA 5  
APPROVAL OF ITS FIFTH PROGRESS REPORT )  
RELATED TO ITS FEDERALLY MANDATED )  
COMPLIANCE PLAN, ALL PURSUANT TO IND. )  
CODE CH. 8-1-8.4 AND THIS COMMISSION'S )  
ORDER IN CAUSE NO. 45131 )

**VERIFIED PETITION**

Sycamore Gas Company (“SGC” or “Petitioner”) petitions the Indiana Utility Regulatory Commission (“Commission”) for (1) an adjustment to its gas service rates through its Federally Mandated Cost Adjustment Factor (“FMCA”) to recover 80% of the costs incurred in connection with its federally mandated Pipeline Safety Compliance Plan (“Compliance Plan”) approved in the Commission’s April 24, 2019 Order in Cause No. 45131 (the “FMCA Order”); (2) authority to defer 20% of the federally mandated costs incurred in connection with the Compliance Plan for recovery in SGC’s next general rate case pursuant to Ind. Code § 8-1-8.4-7 and the FMCA Order; and (3) approval of SGC’s Fifth Progress Report, submitted pursuant to the ongoing review process approved in the FMCA Order.

**Identity of Petitioner**

SGC is a public gas utility corporation organized and existing under the laws of the State of Indiana and has its principal office at 370 Industrial Drive, Suite 200, Lawrenceburg, Indiana 47025. It is engaged in rendering natural gas utility service in southeastern Indiana and owns, operates, manages and controls, among other things, plant and equipment within the State of Indiana used for the transportation, delivery, and furnishing of natural gas utility services to the public. SGC is subject

to the jurisdiction of the Commission as provided by the Public Service Commission Act, as amended, Ind. Code ch. 8-1-2.

SGC also qualifies as an “energy utility” as defined in Ind. Code § 8-1-2.5-2 and, as such, also qualifies as an “energy utility” as defined in Ind. Code § 8-1-8.4-3.

### **Description of Relief Sought**

#### **FMCA Tracker Factors**

In its FMCA Order, the Commission authorized SGC “to defer (until captured within the FMCA tracker) and recover 80% of its actual costs incurred in connection with the Compliance Plan through an FMCA tracker ... including capital, O&M, depreciation, taxes, financing, and AFUDC based on the current overall WACC.” FMCA Order, p. 15. The referenced FMCA tracker is to be established and adjusted through semi-annual FMCA tracker filings in May and November of each year. This Petition is SGC’s fifth such semi-annual FMCA tracker filing.

In this proceeding, SGC is requesting Commission approval of FMCA factors to effectuate the timely recovery of 80% of federally mandated costs incurred in connection with the Compliance Plan to be applicable and made effective for bills rendered by SGC for the billing months of August 2021 through January 2022. Upon becoming effective, the FMCA factors shall remain in effect for approximately six (6) months or until replaced by different factors approved in a subsequent filing.

The proposed FMCA factors are based on actual capital costs related to the Compliance Plan, incurred and recorded as of March 31, 2021, and projected federally mandated depreciation, O&M, and property tax expenses for the period April 1, 2021, through January 31, 2022. SGC’s evidence will show that, as of March 31, 2021, it has incurred costs totaling \$3,615,722 on 19 of the 34 Compliance Projects approved by the Commission in the FMCA Order, FMCA 1 Order, FMCA 2 Order, FMCA 3 Order, and FMCA 4 Order. Expenditures related to three of these projects – Projects Nos. 8, 13, and 14 – are newly initiated projects included in FMCA 5 as these projects were initiated

after September 30, 2020. Sycamore will be including additional expenditures related to six of these projects – Project Nos. 16, 17, 21, 23, 29, and 30 – which were first included in previous FMCA tracker filings and continuing through March 31, 2021. Finally, nine of these projects – Project Nos. 7, 9, 10, 11, 12, 15, 19, 22, and 34 – were fully completed prior to October 1, 2020, so only the net depreciated value will be included in FMCA 5, while Project No. 2, which is partially completed, also has net depreciated value included in FMCA 5. SGC is requesting inclusion of \$3,507,888 in FMCA Tracker filings, \$3,460,034 of which consists of capital costs. In this FMCA 5, covering the period of October 1, 2020, through March 31, 2021, SGC is seeking to recover through its revised FMCA tracker \$363,445, consisting of \$328,758 in capital costs, and an additional \$34,687 in O&M costs.

This filing also includes a reconciliation of projected expenses to actual expenses incurred related to the Compliance Plan for the period April 1, 2020, through January 31, 2021 (FMCA 3), and a reconciliation of projected revenues to actual revenues incurred related to the Compliance Plan for the period August 1, 2020, through January 31, 2021 (FMCA 3). SGC's total revenue requirement to be recovered during the billing months of August 2021 through January 2022 is set forth on Exhibit 2, Attachment A, Schedule 8.

SGC also requests approval to defer 20% of the federally mandated costs incurred in connection with the Compliance Plan, plus ongoing carrying charges on these deferred federally mandated costs, for recovery in SGC's next general rate case. SGC's deferred revenue requirement as of this fifth semi-annual FMCA tracker filing is set forth on Exhibit 2, Attachment A, Schedule 9.

Pursuant to the ongoing review process approved in the FMCA Order, SGC hereby submits and requests approval of its Fifth Progress Report on the status of the Compliance Plan, set forth in Attachment JTS-1 to Exhibit 1, the testimony of SGC witness Stenger.

Finally, SGC requests authority to increase its authorized net operating income for Gas Cost Adjustment Clause earnings test purposes to reflect Compliance Plan earnings, and SGC requests confidential treatment for certain confidential and proprietary information submitted in this Cause.

### **Procedural Matters**

SGC's books and records supporting its calculations and assertions in this semi-annual FMCA tracker filing are available for inspection and review by the Indiana Office of Utility Consumer Counselor ("OUCC") and this Commission.

A clean and redlined version of SGC's proposed FMCA Rider and Appendix E reflecting the FMCA factors requested to become effective for bills rendered by SGC during the months of August 2021 through January 2022 are attached as Attachment C to Exhibit 2, the testimony of SGC witness Ream.

Petitioner requests approval of the following agreed procedural schedule:

- (a) SGC will file its Case-in-Chief by April 30, 2021;
- (b) The OUCC and any Intervenors will file their respective Cases-in-Chief by June 18, 2021;
- (c) SGC will file its rebuttal testimony (if any) by June 25, 2021; and
- (d) Discovery should be conducted on an informal basis, with responses or objections due within ten (10) calendar days until the OUCC / Intervenor filing date, after which date responses or objections will be due within five (5) calendar days. Discovery requests received after 5:00 p.m. EDT on Monday through Thursday or after 12:00 p.m. EDT on Fridays or the day before a state holiday shall be deemed received the next business day. All discovery requests and responses shall be served on all parties of record.

It is contemplated that the approved FMCA factors will be applied to bills rendered by Petitioner for the billing months of August 2021 through January 2022. To accommodate this billing

date, SGC requests that an evidentiary hearing be held on or before July 6, 2021, and SGC requests that the Commission issue an order approving modified FMCA tracker factors for SGC no later than July 28, 2021.

### **Applicable Law**

Petitioner considers the provisions of the Public Service Commission Act, as amended, including Ind. Code §§ 8-1-1-8, 8-1-2-4, 8-1-2-19, 8-1-2-29, 8-1-2-38, 8-1-2-39, 8-1-2-42(a), Ind. Code ch. 5-14-3 and 8-1-8.4 to be applicable to the subject matter of this Petition.

### **Petitioner's Counsel**

The names and addresses of persons authorized to accept service of papers in this proceeding are:

**Counsel of Record:**

Mark R. Alson  
Ice Miller LLP  
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(317) 236-2263 Office  
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**With a copy to:**

John T. Stenger  
Sycamore Gas Company  
370 Industrial Drive, Suite 200  
Lawrenceburg, IN 47025  
Email: [jstenger@sycamoregas.com](mailto:jstenger@sycamoregas.com)

WHEREFORE, Sycamore Gas Company respectfully requests that the Commission promptly publish notice, make such other investigation and hold such hearings as are necessary or advisable, and thereafter make and enter an order on or before July 28, 2021, in this Cause:

- a) Authorizing and approving the FMCA factors set forth in Attachment C to the testimony of SGC witness Ream accompanying this Petition to become effective for bills rendered by SGC during the billing months of August 2021 through January 2022 or until replaced by different factors approved in a subsequent filing;
- b) Approving Petitioner's Appendix E of its IURC tariff for gas service, as set forth in Attachment C to the testimony of SGC witness Ream accompanying this Petition,

which contains the FMCA factors to become effective for bills rendered by SGC during the billing months of August 2021 through January 2022;

c) Authorizing Petitioner to defer 20% of the federally mandated costs for recovery in SGC's next general rate case pursuant to Ind. Code § 8-1-8.4-7 and the Commission's Order in Cause No. 45131;

d) Approving the Fifth Progress Report on the status of the Compliance Plan set forth in Attachment JTS-1 to the testimony of SGC witness Stenger accompanying this Petition;

e) Authorizing Petitioner to increase its authorized net operating income for Gas Cost Adjustment Clause earnings test purposes to reflect Compliance Plan earnings;

f) Granting confidential treatment for certain confidential and proprietary information submitted in this Cause; and


g) Making such other and further findings and orders as the Commission may deem appropriate and proper.

Respectfully submitted,

SYCAMORE GAS COMPANY

Dated this 30<sup>th</sup> day of April 2021

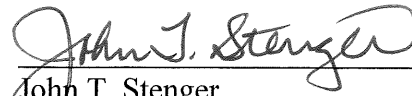
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\_\_\_\_\_  
Mark R. Alson, Atty. No. 27724-64  
*Attorney for Petitioner*

**VERIFICATION**

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated: April 30, 2021

  
\_\_\_\_\_  
John T. Stenger

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the foregoing was served on April 30, 2021, by email transmission to the following counsel at the Indiana Office of Utility Consumer Counselor:

T. Jason Haas, Deputy Consumer Counselor  
Indiana Office of Utility Consumer Counselor  
PNC Center  
115 W. Washington Street, Suite 1500S  
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**DIRECT TESTIMONY OF JOHN T. STENGER**  
**ON BEHALF OF SYCAMORE GAS COMPANY**  
**IURC CAUSE NO. 45131 FMCA 5**

**EXHIBIT 1**

**Q1. Please state your name, address, and occupation.**

A1. My name is John T. Stenger. My business address is 370 Industrial Drive, Suite 200, Lawrenceburg, Indiana, 47025. I am President and General Manager of Sycamore Gas Company, the petitioner in this proceeding (“Petitioner” or “Sycamore”).

**Q2. Please state your educational background.**

A2. I received Bachelor of Science Degrees in Civil Engineering and Land Surveying from Purdue University in 1984. In 2000, I received a Master of Business Administration degree from Xavier University. I have attended numerous industry programs and courses, including Natural Gas Distribution Engineering, Corrosion and Rectifier courses, and Regulator and Station Design courses. I am a Professional Engineer registered in both Indiana and Ohio.

**Q3. Please summarize your work experience and responsibilities.**

A3. From 1984 to 1986, I worked for the Indiana & Michigan Electric Company as a Right-of-Way Agent, Transmission Engineer, and Supervising Engineer. From 1986 to 1988, I was employed by the National Engineering & Contracting Company in the heavy highway industry. I have worked in the natural gas utility industry since 1988. From 1988 to 2001, I was employed by Cinergy and the Cincinnati Gas & Electric Company, holding engineering and managerial positions

1 in its Gas Operations department. I left Cinergy in September 2001 to become part-  
2 owner and President of the Oxford Natural Gas Company in Oxford, Ohio, where  
3 my responsibilities included overall system management, gas procurement, and  
4 calculation of the Gas Cost Recovery mechanisms for Oxford Natural Gas and  
5 Verona Natural Gas. I served as the Vice President, Operations for Sycamore,  
6 beginning when it was purchased by INOH Gas from Cinergy on August 30, 2004,  
7 until September 30, 2007. I was President of Premier Energy Services, LLC  
8 (“Premier”) and Superior Utility Operations, LLC (“Superior”), both natural gas  
9 construction and maintenance contractors from October 2002 until December 1,  
10 2019. Effective October 1, 2007, Superior entered into a contract with Sycamore  
11 for my services to act as a consultant on a variety of utility-related engineering and  
12 operational matters, including Gas Cost Adjustment and Base Rate Case  
13 proceedings and continuing with the development of this Federally Mandated  
14 Compliance Plan. Effective December 2, 2019, I became President and General  
15 Manager of Sycamore Gas Company and am responsible for all business and  
16 operational aspects of the Petitioner. I continue to represent Sycamore as a member  
17 of the Board of Directors of the Indiana Energy Association (“IEA”), where I serve  
18 as the Chairman of the IEA Gas Executive Committee and also serve on that  
19 association’s Gas Pipeline Safety and Gas Rates and Regulatory Committees.

20 **Q4. Have you previously testified before the Indiana Utility Regulatory**  
21 **Commission?**

1 A4. Yes, on several occasions. I have provided testimony in many Gas Cost Adjustment  
2 proceedings, both previous Sycamore base rate cases, and in each of Sycamore's  
3 FMCA proceedings.

4 **Q5. What is the purpose of your testimony in this proceeding?**

5 A5. The purpose of my testimony is to support the Pipeline Safety Compliance Plan  
6 ("Compliance Plan") approved by the Indiana Utility Regulatory Commission  
7 ("IURC" or "Commission") in Cause No. 45131 on April 24, 2019 (the "FMCA  
8 Order"). Sycamore received approval in that Cause for 33 projects under its  
9 Compliance Plan for an estimated total cost of \$10,270,284. On September 4, 2019,  
10 in Cause No. 45131 FMCA 1, the Commission approved Project No. 34 and granted  
11 it Certificate of Public Convenience and Necessity ("CPCN") status. As a result,  
12 Sycamore's Compliance Plan now consists of 34 projects. On February 19, 2020,  
13 in Cause No. 45131 FMCA 2, the Commission authorized Sycamore to implement  
14 new rates to recover approved federally mandated costs associated with nine  
15 projects that had work completed through September 30, 2019. On July 29, 2020,  
16 in Cause No. 45131 FMCA 3, the Commission then authorized Sycamore to  
17 implement new rates to recover approved federally mandated costs associated with  
18 thirteen projects that had work completed through March 31, 2020. On January 27,  
19 2021, in Cause No. 45131 FMCA 4, the Commission then authorized Sycamore to  
20 implement new rates to recover approved federally mandated costs associated with  
21 sixteen projects that had work completed through September 30, 2020. In this  
22 Cause 45131 FMCA 5 Sycamore will be including Compliance Plan expenditures

for Projects Nos. 8, 13, 14, 16, 17, 21, 23, 29 and 30. Expenditures related to Projects Nos. 8, 13 and 14 are newly initiated projects included in FMCA 5 as these projects were initiated after September 30, 2020, which was the end of the period used to establish FMCA 4. Also, Sycamore will be including additional expenditures related to Project Nos. 16, 17, 21, 23, 29 and 30, first included in previous FMCA tracker filings and continuing through March 31, 2021, the end of the FMCA 5 period. Each of these projects will be described in further detail later in this testimony. Finally, Project Nos. 7, 9, 10, 11, 12, 15, 19, 22 and 34 were fully completed prior to October 1, 2020, so only the net depreciated value will be included in FMCA 5, while Project No. 2, which is partially completed, also has only net depreciated value included in FMCA 5. As of March 31, 2021, Sycamore has incurred \$3,567,867 in Capital Costs for eighteen of the 34 projects, as well as \$47,855 in expense costs for Project 30. Sycamore's current and previous FMCA tracker filing requests have totaled \$3,507,888, of which \$363,445 is being requested for inclusion in FMCA 5. Please refer to Exhibit 1, Attachment JTS-1 for a tabular depiction of the projects and costs. This exhibit will continue to be updated and included in subsequent FMCA tracker filings to reflect an ongoing summary of amounts spent for each Compliance Plan project.

Projects included in FMCA 5 are:

Project Number	Project Name	Cost at March 31, 2021
8	Cook Avenue & Ludlow Avenue Main Replacement	\$ 747
13	Tiger Boulevard Main Replacement and St. Clair Station Replacement	\$ 632

14	Tower Road and Overlook Drive Main Replacement	\$ 7,303
16	F/L IG01 Repl. 2,380' of 1950 Steel and Scenic Drive Station	\$ 274,156
17	F/L IG04 Oberting to Billups Residence - 13,000' of 8" Steel – Greendale	\$ 15,448
21	Replacement of Inaccessible Steel Service Line & Inside Meter Move Out Program	\$ 3,215
23	Rising Sun Tap Station Odorizer Replacement	\$ 25,765
29	Prone to Failure Riser Replacement Program (Steel, Normac, etc.)	\$ 1,494
30	Completion of missing data for main and service line information	\$ 34,687

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Sycamore witness Chad Ream has utilized those amounts in Exhibit 2, Attachment A included with his direct testimony in this Cause. I have also reviewed the expenditures reflected on these invoices and the in-service dates and have provided them to Sycamore witness Ream for use in this Cause. He has also used the amounts shown above along with the in-service dates for Sycamore assets to establish depreciation expense and accumulated depreciation also included in Exhibit 2, Attachment A. Also, Exhibit 1, Attachment JTS-1 includes a column showing the amount of actual Compliance Plan cost incurred at the time of filing. Finally, I will describe the status of the nine Compliance Plan projects listed in the table above.

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**Q6. Please provide an explanation of Sycamore's Project No. 8 and provide an update on the project's completion status.**

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A6. Project No. 8, Cook Avenue and Ludlow Main Replacement, consists of the replacement of 1.25" and 3" bare steel main, replacement of 25 service lines from

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1 the main to the meter, and the movement of eight meters from inside the house to  
2 the outside. Work completed so far consists of the development of drawings for  
3 permit and construction. It is expected that construction will begin this spring or  
4 summer.

5 **Q7. Please provide an explanation of Sycamore's Project No. 13 and provide an**  
6 **update on the project's completion status.**

7 A7. Project No. 13, Tiger Boulevard Main Replacement and St. Clair Station  
8 Replacement, is the replacement of the 5" bare steel main feeding the  
9 Lawrenceburg High School meter station, and the replacement of the St. Clair  
10 Station. In addition, it is not clear yet whether Sycamore will need to replace the  
11 12" steel casing across US 50, which is dependent on whether the Indiana  
12 Department of Transportation (INDOT) will permit Sycamore to install the 6"  
13 plastic gas main without a casing. Work completed so far consists of the  
14 development of drawings for permit and construction. It is expected that  
15 construction will be completed this summer while school is out for summer break.

16 **Q8. Please provide an explanation of Sycamore's Project No. 14 and provide an**  
17 **update on the project's completion status.**

18 A8. Project No. 14, Tower Road and Overlook Drive Main Replacement is the  
19 replacement of 2" bare steel main and the replacement of six service lines from the  
20 main to the meter. Permit and construction drawings have been completed, and  
21 preliminary work was completed in late 2020. Construction began again in March  
22 of this year and should be completed before summer 2021.

1   **Q9.   Please provide an explanation of Sycamore’s Project No. 16 and provide an**  
2   **update on the project’s completion status.**

3   A9.   Project 16 is the replacement of 2,380’ of 8” ineffectively coated steel pipe installed  
4       in 1950, and replacement of an underground regulator station and distribution  
5       pressure bare steel main on Scenic Drive. This segment of Sycamore’s main feed  
6       into its system is similar to the main that was replaced in Project 15. Replacement  
7       of the existing 8” main was completed in March 2021, service line replacements  
8       were completed, and the existing main has been abandoned. Costs associated with  
9       this recently completed work continue to come in on that portion of the project.  
10      Restoration work will occur this spring, and replacement of the regulator station  
11      and the bare steel on Scenic Drive will occur later in 2021.

12   **Q10. Please provide an explanation of Sycamore’s Project No. 17 and provide an**  
13   **update on the project’s completion status.**

14   A10. Project No. 17, F/L IG04 Oberting to Billups Residence, is replacement of a steel  
15      line with both ineffective coating and joint issues. The first section chosen for  
16      replacement was completed in the time period covered by FMCA 3. The next phase  
17      amounted to approximately 3,100’ of 8” steel main which was installed from one  
18      end of the first phase to the Burlage property line and placed into service prior to  
19      September 30, 2020, with most of the costs included in FMCA 4. Final accounting  
20      for that phase of the project was completed in December 2020 and is included for  
21      recovery in FMCA 5. This multi-phase project continues in 2021 as Sycamore will  
22      first replace an additional segment of main identified and approved for replacement  
23      in FMCA 4. This is a segment of main that was installed in 1964. Drawings for

1 permit and construction have been developed, and materials have been ordered. It  
2 is anticipated construction will begin in April or early May. Once that segment is  
3 replaced, Sycamore will continue the project in 2021 by replacing the pipe from the  
4 other end of the first phase to the Billups property. It is expected that other phases  
5 will occur in 2022 and beyond.

6 **Q11. Please provide an explanation of Project No. 21 and provide an update on the**  
7 **project's completion status.**

8 A11. Sycamore had approximately 800 inside meters in its service territory. The service  
9 line for an inside meter enters the building underground without first terminating  
10 above ground outside. Many, if not all, of these service lines are isolated metallic  
11 segments and are inaccessible or extremely difficult to access. Several of these  
12 service lines have system pressure gas entering the building with the regulator  
13 cutting the pressure to inches of water column delivery pressure occurring inside  
14 the building. These regulators are vented to the outside, however; they pose the  
15 risk of a high-pressure gas leak occurring within the building. Material inventory  
16 and restoration costs were charged to this project in December 2020. This project  
17 will continue in 2021.

18 **Q12. Please provide an explanation of Sycamore Project No. 23 and provide an**  
19 **update on the project's completion status.**

20 A12. Project No. 23, Rising Sun Tap Station Odorizer Replacement, consists of replacing  
21 an older design bypass odorizer that was nearing the end of its useful life with a  
22 new injection odorizer pump system. The new equipment will permit Sycamore to



1 better match the odorization volume to the flow of gas into our system. The  
2 building and odorizer have been installed and are functional. Work on this project  
3 is anticipated to be fully completed this spring or in early summer.

4 **Q13. Please provide an explanation of Sycamore Project No. 29 and provide an**  
5 **update on the project's completion status.**

6 A13. Project 29 consists of replacing service risers containing mechanical couplings, as  
7 well as bare steel and copper risers in its system. Sycamore has experienced issues  
8 with leaks and failures in these types of joints, and this has been identified as a  
9 significant risk in Sycamore's Distribution Integrity Management Plan (DIMP).  
10 Sycamore replaced three of these service risers in the period ending March 31,  
11 2021. Approximately 360 risers are scheduled for replacement in late spring and  
12 summer 2021.

13 **Q14. Please provide an explanation of Sycamore Project No. 30 and provide an**  
14 **update on the project's completion status.**

15 A14. Project No. 30, completion of missing data for main and service line information,  
16 is a project designed to eliminate gaps in Sycamore's main and service line records.  
17 Through March 31, 2021, the Sycamore resource who performs work on the  
18 Company's geographic information system has been reviewing records and  
19 gathering data to improve Sycamore's records. Additionally, Sycamore hired two  
20 part-time college engineering students to assist with data review and entry. Finally,  
21 a riser survey was completed in the Bright area to identify prone to failure risers to

1 be replaced in Project 29. Sycamore will continue to work to improve its main and  
2 service line information in 2021.

3 **Q15. Is there another item you wish to address in your direct testimony?**

4 A15. Yes. As Sycamore witnesses have previously explained, Sycamore has not been  
5 recovering overhead capital costs in these FMCA tracker proceedings, while also  
6 reserving Sycamore's right to include such costs in subsequent FMCA tracker  
7 filings. This testimony was consistent with the FMCA Order, which discussed that  
8 "Sycamore will develop a policy defining its method for capitalization of overhead  
9 costs and track these costs in a cumulative and identifiable manner." Sycamore has  
10 now developed this policy.

11 **Q16. Has Sycamore collaborated with the OUCC in developing the overhead**  
12 **capitalization policy?**

13 A16. Yes. Consistent with the Settlement Agreement approved in the FMCA Order,  
14 Sycamore has provided the OUCC a draft of the policy for comment. The OUCC  
15 is also collaborating with Sycamore to ensure that the overhead costs to be  
16 capitalized are not already subject to existing rate recovery through base rates.

17 **Q17. What is the effective date of the overhead capitalization policy?**

18 A17. The policy's effective date is April 1, 2021. As such, the policy does not impact  
19 any sought recovery in this FMCA 5 proceeding, and Sycamore is therefore not  
20 seeking to recover any overhead capitalized costs in this tracker. Sycamore will  
21 first seek recovery of these costs in FMCA 6.

1    **Q18. Does this conclude your direct testimony?**

2    A18. Yes.

**VERIFICATION**

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

APRIL 30, 2021  
Date

John T. Stenger  
John T. Stenger

Cause No. 45131 - FMCA-5  
Exhibit 1  
Attachment JTS-1 [PUBLIC]

Sycamore Gas Company  
Federally-Mandated Compliance Plan  
Project List  
[Public Version]

#	Project Name	Location	Approved Estimate from Original Plan	FMCA-1		FMCA-2		FMCA-3		FMCA-4		FMCA-5		FMCA Total
				Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Actual Costs Incurred to Date
1	Breezy & Highland Main Replacement	Rising Sun			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
2	Catalpa Avenue Main Replacement	Greendale			\$ -		\$ 40,820		\$ -		\$ 2,820		\$ -	\$ 43,640
3	Ester Road & Sheldon Road Main Replacement	West Harrison			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
4	N. Front Street Main Replacement	Rising Sun			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
5	Ritzmann Drive Main Replacement	Greendale			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
6	Sixth Street Main Replacement	Rising Sun			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
7	Bode Drive Main Replacement	Lawrenceburg			\$ -		\$ -		\$ 10,561		\$ 883		\$ -	\$ 11,444
8	Cook Avenue & Ludlow Main Replacement	Greendale			\$ -		\$ -		\$ -		\$ -		\$ 747	\$ 747
9	Parkside Avenue Main Replacement	Greendale			\$ -		\$ 22,416		\$ -		\$ -		\$ -	\$ 22,416
10	Ridge Avenue between Catalpa & Parkside Main Replacement	Greendale			\$ -		\$ 43,806		\$ -		\$ -		\$ -	\$ 43,806
11	Ridge Drive off SR 48 Main Replacement	Lawrenceburg			\$ -		\$ -		\$ 29,801		\$ 394		\$ -	\$ 30,194
12	Sheldon St. & Broadway Main Replacement	Greendale			\$ 82,207		\$ -		\$ -		\$ -		\$ -	\$ 82,207
13	Tiger Boulevard Main Replacement and St. Clair Station Replacement	Lawrenceburg			\$ -		\$ -		\$ -		\$ -		\$ 632	\$ 632
14	Tower Road and Overlook Drive Main Replacement	Lawrenceburg			\$ -		\$ -		\$ -		\$ -		\$ 7,303	\$ 7,303
15	F/L IG01 Repl. 3,620' of 1950 Steel and Hillcrest Station (Job 18-1011)	Lawrenceburg			\$ 680,194		\$ 252,923		\$ -		\$ -		\$ -	\$ 933,117
16	F/L IG01 Repl. 2,380' of 1950 Steel and Scenic Drive Station	Lawrenceburg			\$ -		\$ -		\$ -		\$ 63,550		\$ 274,156	\$ 337,706
17	F/L IG04 Oberting to Billups Residence - 13,000' of 8" Steel	Greendale			\$ -		\$ 26,049		\$ 309,323		\$ 384,728		\$ 15,448	\$ 735,549
18	F/L IG07 - Industrial Dr. to Park Station	Greendale			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
19	Randy Avenue Main Replacement	Lawrenceburg			\$ -		\$ -		\$ 4,929		\$ 115,725		\$ -	\$ 120,653
20	Replace F/L Service to MGPI	Lawrenceburg			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
21	Replacement of Inaccessible Steel Service Line & Inside Meter Move Out Program	Various Areas			\$ 184,691		\$ 327,443		\$ -		\$ 32,193		\$ 3,215	\$ 547,541
22	Guilford Station Odorizer Replacement	Guilford			\$ -		\$ 10,097		\$ 154,142		\$ -		\$ -	\$ 164,239
23	Rising Sun Tap Station Odorizer Replacement	West Aurora			\$ -		\$ -		\$ -		\$ 145,659		\$ 25,765	\$ 171,424
24	Brookville Station Odorizer Replacement	New Trenton			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
25	Denridge Station Replacement	Aurora			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
26	Rising Sun Steel Tubing Service Line Replacement Program	Rising Sun			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
27	Rising Sun Town Border Station Replacement & Catalytic Heater addition	Rising Sun			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
28	West Harrison Station 287 Replacement	West Harrison			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -
29	Prone to Failure Riser Replacement Program (Steel, Normac, etc.)	Various Areas			\$ -		\$ -		\$ -		\$ 8,234		\$ 1,494	\$ 9,727
30	Completion of missing data for main and service line information (O&M)	Various Areas			\$ -		\$ -		\$ 1,984		\$ 11,184		\$ 34,687	\$ 47,855
31	Front & 1st Street Regulator # 8	Lawrenceburg			\$ -		\$ -		\$ -		\$ -		\$ -	\$ -

Cause No. 45131 - FMCA-5  
Exhibit 1  
Attachment JTS-1 [PUBLIC]

**Sycamore Gas Company**  
**Federally-Mandated Compliance Plan**  
**Project List**  
**[Public Version]**

#	Project Name	Location	Approved Estimate from Original Plan	FMCA-1		FMCA-2		FMCA-3		FMCA-4		FMCA-5		FMCA Total
				Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Updated Estimate	Actual Costs Incurred in Period	Actual Costs Incurred to Date
32	Ridge & Cook Regulator # 14	Greendale			\$ -		\$ -		\$ -		\$ -			\$ -
33	Bellaire Station 318	Lawrenceburg			\$ -		\$ -		\$ -		\$ -			\$ -
34	F/L IG04 Repl. 1,172' of 8" SPCW 1965 and RR Casing at Guilford Station and Pribble Road	Lawrenceburg	Not included in original case		\$ -		\$ 266,780		\$ 38,743		\$ -			\$ 305,523
	<b>Total</b>		\$ 10,270,284	\$ 10,494,743	\$ 947,092	\$ 10,494,743	\$ 990,333	\$ 10,713,307	\$ 549,482	\$ 10,813,490	\$ 765,370	\$ 10,813,490	\$ 363,445	\$ 3,615,722
	<b>Total Capital</b>				\$ 947,092		\$ 990,333		\$ 547,498		\$ 754,186		\$ 328,758	\$ 3,567,867
	<b>Projects Exceeding 125% of Estimate</b>													
15	F/L IG01 Repl. 3,620' of 1950 Steel and Hillcrest Station (Job 18-1011) - Amount > 125%						\$ 82,884							\$ 82,884
34	F/L IG04 Repl. 1,172' of 8" SPCW 1965 and RR Casing at Guilford Station and Pribble Road								\$ 24,949					\$ 24,949
	<b>Total Included in FMCA Request</b>		\$ 10,270,284	\$ 10,494,743	947,092	\$ 10,494,743	\$ 907,449	\$ 10,713,307	\$ 524,533		\$ 765,370		\$ 363,445	3,507,888
	<b>Total Included in FMCA Request - Capital Expenditures</b>				947,092		\$ 907,449		\$ 522,549		\$ 754,186		\$ 328,758	3,460,034

**DIRECT TESTIMONY OF CHAD REAM**  
**ON BEHALF OF SYCAMORE GAS COMPANY**  
**IURC CAUSE NO. 45131 FMCA 5**

**EXHIBIT 2**

1   **Q1.   Please state your name, business address and occupation.**

2   A1.   My name is David Chad Ream. In July 2019, I joined petitioner Sycamore Gas Company  
3       (“Sycamore” or “Company”) as its Controller. My business address is 370 Industrial  
4       Drive, Suite 200, Lawrenceburg, Indiana, 47025.

5   **Q2.   Please summarize your business experience.**

6   A2.   I have worked in the utility sector for the majority of my career. I worked for Cinergy and  
7       then Duke Energy for more than fifteen years. During this time, I was responsible for a  
8       wide variety of activities, including regulated required filings, preparation of company  
9       financial statements, and the development of station-specific metrics. I also worked at  
10      General Electric for five years in a lead position focusing on process improvement  
11      throughout the accounting organization.

12   **Q3.   Please state your educational background and professional qualifications and**  
13      **memberships.**

14   A3.   I received my Bachelor of Science degree in Business Administration with a specialization  
15      in accounting and IT management from Bowling Green State University in 1992. I  
16      received my Certified Public Accountant designation from the State of Ohio in 2000.

17   **Q4.   Have you previously testified before the Indiana Utility Regulatory Commission?**

1 A4. Yes, I provide testimony for Sycamore on a regular basis, including Cause No. 37368,  
2 beginning with GCA-144, and Cause No. 45131, beginning with FMCA 2.

3 **Q5. What is the purpose of your direct testimony in this proceeding?**

4 A5. The purpose of my testimony is to (1) affirm the Commission's order of April 24, 2019, in  
5 Cause No. 45131 ("FMCA Order") approving Sycamore's Pipeline Safety Compliance  
6 Plan ("Compliance Plan") and the Commission's orders of September 4, 2019, February  
7 19, 2020, July 29, 2020, and January 27, 2021 approving Sycamore's federal mandate cost  
8 adjustment trackers in, respectively, FMCA 1 through FMCA 4 as the basis of Sycamore's  
9 FMCA 5 tracker mechanism proposed in this Cause; (2) describe Sycamore's semiannual  
10 FMCA filing process, the implementation, timely recovery, and future reconciliation of  
11 Compliance Plan costs proposed by Sycamore in this and future FMCA tracker filings; (3)  
12 describe the type of expenditures that Sycamore included for recovery in FMCA 5; (4)  
13 describe Sycamore's intent to recover through the FMCA 5 tracker 80% of its actual  
14 Compliance Plan capital expenditures up to 125% of its estimated costs incurred between  
15 October 1, 2020, and March 31, 2021; (5) describe Sycamore's plan to record 20% of these  
16 same Compliance Plan costs including all costs in excess of 125% in a Regulatory Asset  
17 account to be recoverable in Sycamore's next general rate case including accrued carrying  
18 cost; (6) explain Sycamore's obligation to recover, through its FMCA 5 tracker, only  
19 Compliance Plan costs that are no more than 125% of its Plan estimates that are included  
20 in the Direct Testimony of Sycamore Witness John Stenger, as any amounts greater than  
21 125% will be reviewed for Commission approval and recorded in the Regulatory Asset  
22 account for recovery in Sycamore's next general rate case; (7) describe Post-in-Service



1 Carrying Charges (“PISCC”) and how they are calculated and the amount to be recovered  
2 in the FMCA 5 tracker; (8) describe in detail the reconciliation of compliance plan costs  
3 (capital and expense) determined in FMCA 3 in the FMCA 5 tracker filing; (9) describe  
4 Attachments A, B, and C, which are included with my Direct Testimony; and (10) explain  
5 that Sycamore’s quarterly earnings report filed in conjunction with the Gas Cost  
6 Adjustment (“GCA”) mechanism will be adjusted following approval of FMCA 5 to  
7 increase authorized earning to appropriately reflect additional earnings generated through  
8 the FMCA 5 tracker. This schedule will be included for information purposes in  
9 Attachment B.

10 **Q6. Please explain the relevant terms of the Commission’s FMCA Order approving**  
11 **Sycamore’s Compliance Plan, its September 4, 2019, February 19, 2020, July 29, 2020,**  
12 **and January 27, 2021 orders in the FMCA 1, FMCA 2, FMCA 3 and FMCA 4**  
13 **trackers.**

14 A6. In its FMCA Order, the Commission approved in its entirety all the terms of a settlement  
15 entered into between the Indiana Office of Utility Consumer Counselor (“OUCC”) and  
16 Sycamore regarding the Compliance Plan projects and cost recovery. The Commission  
17 granted a Certificate of Public Convenience and Necessity (“CPCN”) for the 33  
18 Compliance Projects described in the attachment to Sycamore witness Stenger’s Direct  
19 Testimony in Cause No. 45131 that allows Sycamore to comply with Pipeline and  
20 Hazardous Materials Safety Administration (“PHMSA”) rules. Sycamore is committed to  
21 informing the Commission, OUCC, and other stakeholders of the status of the Compliance  
22 Plan and any need for changes. Accordingly, the Commission’s FMCA Order instructed

1 Sycamore to update its Compliance Plan when necessary in its semi-annual FMCA tracker  
2 filings. The Commission also permitted requests for approval of additional Compliance  
3 Projects in Sycamore's semi-annual FMCA tracker filings. In its September 4, 2019 Order  
4 in FMCA 1, the Commission granted Sycamore's request to add Project 34 to its  
5 Compliance Plan and issued a CPCN for that project. The Commission further concluded  
6 that as Sycamore incurs costs to implement Project No. 34, those costs will be eligible for  
7 recovery through the same FMCA Tracker mechanism and subject to the same limitations  
8 as the other 33 Compliance Plan projects, as set forth in the FMCA Order. As a result,  
9 Sycamore's FMCA 5 includes costs related to Project 34 in addition to the 33 projects  
10 approved in the FMCA Order. In its January 27, 2021 Order in FMCA 4, the Commission  
11 determined that Sycamore complied with previous FMCA Orders and correctly calculated  
12 the rate for the FMCA 4 Tracker.

13 **Q7. What did the Commission find in its previous FMCA Orders concerning future filings**  
14 **by Sycamore to implement its FMCA tracker?**

15 A7. The Commission recommended that FMCA tracker filings be made by November 1 and  
16 May 1 of each year, using the Cause No. 45131 format in ascending FMCA numbers, such  
17 as FMCA 2, FMCA 3, and FMCA 4 and so on. The Commission also instructed in part E  
18 of the FMCA Order that Sycamore, as part of each semi-annual FMCA tracker filing after  
19 its initial filing, include a report on the progress of its Compliance Plan, including any  
20 scheduling changes, proposed project additions or subtractions, and proposed changes in  
21 cost estimates, as well as a reconciliation of revenues received from previous FMCA

1 trackers. Sycamore Witness Stenger will explain updates to the Company's Compliance  
2 Plan in his Direct Testimony.

3 **Q8. Please describe Sycamore's proposed FMCA 5 tracker, the implementation, timely**  
4 **recovery, and reconciliation of Compliance Plan costs.**

5 A8. Sycamore personnel reviewed and discussed with members of the OUCC Sycamore's  
6 FMCA 5 filing and supporting work papers before filing its evidence in this sub-docket.  
7 Sycamore believes through a transparent and open discovery process with the OUCC, it  
8 will be possible to receive an Order approving FMCA 5 no later than late-July 2021  
9 permitting the FMCA 5 tracker to be in effect for customer bills issued at the end of August  
10 2021 through the end of January 2022.

11 In FMCA 5, Sycamore is proposing to recover a return and taxes on Compliance Plan  
12 capital costs net of accumulated depreciation through March 31, 2021. This is the most  
13 current available date for actual expenditures. In addition, Sycamore will include  
14 depreciation expense on all qualifying capital expenditures from the date each project went  
15 into service through January 2022, the end of the FMCA 5 tracker application/billing  
16 period. Depreciation expenses are actual through March 31, 2021, and forecasted for the  
17 months April 2021 through January 2022. Sycamore has not incurred property tax or  
18 Operation and Maintenance expenses, except for Project 30, related to Compliance Plan  
19 costs in FMCA 5, but applicable schedules have been included in this filing in the event  
20 these costs are incurred in the future. In addition, Sycamore has included PISCC calculated  
21 on Compliance Projects net of depreciation not currently being recovered through the  
22 FMCA tracker mechanism from the time such projects were placed in service through

1 August 1, 2021. Sycamore has included the calculation of PISCC on the net depreciated  
2 value of projects placed into service subsequent to March 31, 2021, that are not being  
3 recovered through the FMCA 4 tracker. Sycamore is not recovering overhead/indirect  
4 capital cost in FMCA 5, but reserves the right to include such costs in subsequent FMCA  
5 tracker filings. In regard to overhead/indirect cost, as further explained by Sycamore  
6 Witness Stenger, Sycamore has developed an overhead policy effective April 1, 2021, and  
7 has submitted the policy to the OUCC for review and intends to include costs in the next  
8 FMCA tracker.

9 Also, Sycamore is including for recovery in FMCA 5 the amount of \$18,285 for  
10 professional fees related to the FMCA process as agreed to in the Settlement with the  
11 OUCC approved in the FMCA Order incurred through March 31, 2021. These costs are  
12 supported by itemized invoices including information as to the dates and hours of the  
13 service performed, the fee per hour of the service, the name of the person(s) performing  
14 the service, and a description of the service(s).

15 Sycamore anticipates reconciling in FMCA 7 any variances between estimated costs  
16 recovered in FMCA 5 and the actual FMCA costs incurred.

17 **Q9. Please describe Sycamore's plans to recover 80% of its Compliance Plan costs**  
18 **through the FMCA 5 tracker pursuant to the FMCA Order.**

19 A9. As shown on Exhibit 2, Attachment A and explained further later in this testimony,  
20 Sycamore is limiting its recovery of all Compliance Plan costs to 80% of its actual and  
21 forecasted expenditures. This is in accordance with Indiana Code Chapter 8-1-8.4 and the

1 FMCA Order. The remainder will be deferred in a Regulatory Asset account on  
2 Sycamore's balance sheet to be recovered in Sycamore's next general rate case along with  
3 accrued carrying costs.

4 **Q10. Please describe Sycamore's plan to record 20% of its Compliance Plan cost in a**  
5 **Regulatory Asset account to be recoverable in Sycamore's next general rate case.**

6 A10. As shown on Exhibit 2, Attachment A and explained further later in this testimony,  
7 Sycamore has removed 20% of its Compliance Plan costs from the FMCA 5 tracker  
8 calculation. This is in accordance with Indiana Code section 8-1-8.4-7 and the FMCA  
9 Order. The 20% of such costs calculated in Attachment A will be deferred into a Regulatory  
10 Asset account on Sycamore's balance sheet and recovered in Sycamore's next general rate  
11 case. In addition, Sycamore will calculate and accrue monthly on its non-GAAP books the  
12 accumulated carrying costs of amounts in the Regulatory Asset account pending recovery  
13 in Sycamore's subsequent general rate case. In arriving at the carrying costs amount,  
14 shown on Schedule 9 of Attachment A, Sycamore aggregated 20% of each compliance  
15 plan expenditure, including: return on compliance plan capital expenditures net of  
16 depreciation, PISCC, return on compliance plan expenditures net of depreciation that were  
17 in excess of 125% of any Compliance Plan project estimate approved in the FMCA Order,  
18 and depreciation expense. Sycamore used its Weighted Average Cost of Capital  
19 ("WACC") at March 31, 2021, to determine the carrying charges through July 31, 2021.

20 **Q11. Describe the professional fees that Sycamore will recover up to \$30,000 in the FMCA**  
21 **5 tracker calculation.**

1 A11. Sycamore has used regulatory, legal, and accounting professional services in gaining  
2 approval from the Commission to establish an FMCA tracking mechanism and preparing  
3 and supporting its FMCA 5 tracker filing. The cost of those services was \$18,285, which  
4 is under the \$30,000 cap agreed to in the settlement agreement accepted by the Commission  
5 in the FMCA Order, and that total is supported by detailed invoices included in support of  
6 the calculation of the FMCA 5 tracker.

7 **Q12. Does the settlement with the OUCC contain further limits to Compliance Plan costs**  
8 **recoverable in the FMCA 5 tracker?**

9 A12. Yes. Sycamore will limit its recovery in the FMCA 5 calculation and subsequent recovery  
10 to 125% of Compliance Plan cost estimates approved by the Commission in the FMCA  
11 Order and in its September 4, 2019 Order in FMCA 1. Any amounts incurred greater than  
12 125% are subject to separate review and approval by this Commission, then deferred in a  
13 Regulatory Asset account and included for recovery with carrying costs in Sycamore's next  
14 general rate case. None of Sycamore's projects in FMCA 5 met this limitation. All projects  
15 are below the 125% threshold.

16 **Q13. Please explain the reconciliation of compliance cost expenditures determined in**  
17 **FMCA 3 in FMCA 5.**

18 A13. The calendar months of expenses incurred and revenues billed in FMCA 3 are the same  
19 calendar months as utilized in the calculation of FMCA 5, and therefore, Sycamore will be  
20 reconciling such variances over approximately the same level of customer consumption  
21 that gave rise to the variance amounts. This is the most equitable result to Sycamore's  
22 customers.

1 Sycamore reconciles the variance of actual Operation and Maintenance (“O&M”),  
2 Depreciation, and Property Tax expenses to those projected within FMCA 3, from April 1,  
3 2020, to January 31, 2021, on Attachment A, Schedule 3 in FMCA 5. As noted earlier in  
4 this testimony, Sycamore is recovering forecasted depreciation expenses related to  
5 Compliance Plan projects at the present time, and therefore, only depreciation expenses  
6 require reconciliation in FMCA 5. The variance from this reconciliation is carried forward  
7 to Attachment A, Schedule 6, page 2. Sycamore has determined a variance of zero  
8 depreciation expense in this filing. This occurs because the compliance plan projects that  
9 have been placed in service and used by Sycamore to compute its forecasted Depreciation  
10 expense in FMCA 3 are the same as the projects used to calculate Sycamore actual  
11 compliance plan depreciation expenses.

12 Sycamore reconciles the variance of actual revenue billed/collected to the revenues  
13 projected within FMCA 3 on Schedule 6 in FMCA 5. The revenue recovery reconciliation  
14 on Schedule 6 has been further detailed by revenue recovery for capital and expenses.

15 The amount of the revenue recovery variance calculated on Schedule 6, page 1 is carried  
16 forward to Schedule 6, page 2 and added to the variance of the expense reconciliation from  
17 Schedule 3. Finally, the Capital revenue recovery variance determined on Schedule 6, page  
18 1 and the summation of the expense variance calculation on Schedule 6, page 2 are carried  
19 forward to Schedule 7 in FMCA 5.

20 As shown on Schedule 7, Sycamore has under-collected its capital costs and expenses from  
21 FMCA 3 because the Company’s FMCA 3 projected volumes were higher than actual  
22 volumes for the period August 1, 2020, through January 31, 2021.

1   **Q14. Please describe Attachments A, B, and C to your Direct Testimony.**

2   A14. Attachment A, comprised of Schedules 1 through 9, includes the determination of the  
3       revenue requirement calculated using Sycamore's Compliance Plan capital costs,  
4       Depreciation expenses, O&M expenses, Property Tax expense, PISCC, and professional  
5       fees. Schedule 1 is the summary and detail by project of all Compliance Plan Capital costs  
6       net of Accumulated Depreciation; Schedule 2 shows the calculation of the return on net  
7       capital expenditures using the WACC and revenue tax conversion from Attachment B and  
8       further reduced by 20%; Schedule 3 shows the reconciliation of actual and forecasted  
9       Compliance Plan operating expenses from FMCA 3 as aforementioned and used in  
10      subsequent FMCA tracker filings; Schedule 4 shows the computation of actual and  
11      forecasted Compliance Plan operating expenses (depreciation, operation and maintenance,  
12      property tax and professional fees); Schedule 5 is a summary of amounts determined on  
13      Schedule 1 and Schedule 4; Schedule 6 is a reconciliation of actual and forecasted  
14      Compliance Plan Capital and Operating Expenses detailed by Sycamore customer Rate  
15      Schedules; Schedule 7 is a computation of current period Compliance Plan Capital and  
16      Operating costs adjusted by prior period over/under recovered compliance plan costs, and  
17      the totals are also allocated to individual rate schedules; Schedule 8 shows the computation  
18      of the FMCA 5 tracker amounts by rate schedule based on the capital and operating expense  
19      revenue requirement amounts; and Schedule 9 summarizes the amounts to be deferred to  
20      the Regulatory Asset account and not recovered in the FMCA 5 tracker.

21      Attachment B is comprised of Schedule 1 through 4. Schedule 1 shows the calculation of  
22      the WACC, including WACC component balances as of March 31, 2021. The cost



1 components were approved by the Commission in Cause No. 45072, Sycamore's most  
2 recent general rate case. The return determined is applied to the net Compliance Plan  
3 capital costs in Attachment A, Schedule 2, which shows the calculation of the revenue  
4 conversion factor. The amounts on this schedule either come from Sycamore's previous  
5 general rate case, Cause No. 45072, or they represent the current tax rates. The overall  
6 conversion factor is used in determining the revenue requirement shown on Attachment A  
7 Schedule 2. Schedule 3 shows the derivation of the allocation percentages to be used  
8 allocating Compliance Plan costs to Sycamore Rate Schedules using the revenue  
9 requirements derived in Cause No. 45072. Schedule 4 is a mocked up GCA earnings  
10 schedule showing the revenue requirement calculation in this filing as an adjustment to  
11 authorized earning from the previous general rate case.

12 Attachment C is comprised of Schedule 1 and 2. Schedule 1 shows a new tariff Rider  
13 called Federal Mandate Cost Adjustment (FMCA) Rider. This tariff will explain how the  
14 FMCA Rider is developed and to whom it will apply. Schedule 2 contains the FMCA rates  
15 detailed by the Sycamore Rate Schedule.

16 **Q15. In addition to the above testimony, are you providing testimony in this proceeding on**  
17 **any other topics?**

18 A15. Yes. I support the books and records of Sycamore and establish accounting entries to track  
19 capital expenditures, depreciation expense, accumulated depreciation, operation and  
20 maintenance expenses, if any, PISCC, property tax expenses, if any directly associated with  
21 Sycamore's Compliance Plan) approved in the FMCA Order, 45131 FMCA 1 on  
22 September 4, 2019; 45131 FMCA 2 on February 19, 2020; 45131 FMCA 3 on July 29,

1 2020; and 45131 FMCA 4 on January 27, 2021. In addition, I support the establishment  
2 of a Regulatory Asset account to track the 20% of compliance plan expenditures, including  
3 carrying costs, that will be deferred pending recovery in Sycamore's next general rate case.  
4 I also testify in support of Sycamore's commitment to establish accounting procedures to  
5 ensure that costs recovered in Sycamore's current base rates established in Cause No.  
6 45072 will not also be recovered in this FMCA 5 tracker. Finally, my testimony also will  
7 address the following matters:

- 8 1. Affirm that in accordance with the FMCA Order Sycamore is including for recovery  
9 Construction Work in Progress ("CWIP") expenditures associated with Sycamore's  
10 Pipeline Safety Compliance Projects.
- 11 2. Support Sycamore's regulatory asset account on its books and records for 20% of all  
12 Compliance Plan expenditures and carrying costs which will be recoverable in its next  
13 general rate case.
- 14 3. Support accounting to record as a regulatory asset all Compliance Plan expenditures, if  
15 any, that are greater than 125% of those estimated and included for recovery in  
16 Sycamore's FMCA 5 tracker for recovery in Sycamore's next general rate case.
- 17 4. Support financial information for the twelve months ended March 31, 2021 to make  
18 certain calculations shown on Exhibit 2, Attachment B, Schedules 1 and 2.
- 19 5. Describe the application of Allowance for Funds Used During Construction  
20 ("AFUDC"), if applicable, and PISCC on Compliance Project capital expenditures.
- 21 6. Explain the depreciation rates utilized by Sycamore on Compliance Project  
22 expenditures.

1           7. Explain the determination of monthly carrying costs incurred by Sycamore on amounts  
2           recorded in the Regulatory Asset account until such costs are recoverable through  
3           Sycamore's next general rate case.

4   **Q16. Please explain the treatment of projects that have had costs incurred but have yet to**  
5   **have been placed into service.**

6   A16. Sycamore is including in FMCA 5 recovery of return on direct capital expenditures on  
7       seven projects (8, 13, 14, 16, 17, 23 and 29) that have not been placed into service and are  
8       included in CWIP as of March 31, 2021. As a result, no depreciation expense or carrying  
9       charges on amounts deferred to the regulatory asset account, related to the above projects,  
10      have been included in this filing. The amount of direct capital expenditures for projects 8,  
11      13, 14, 16, 17, 23, and 29 included in this filing is \$316,308 and is shown on Attachment  
12      A, Schedule 1, page 2. In FMCA 4, Sycamore included \$209,210 of direct capital  
13      expenditures related to Projects 16 and 23 that remained in CWIP as of September 30,  
14      2020. As a result, this amount, has not been included as a capital expenditure in this filing.

15   **Q17. Does Sycamore maintain its accounting records in accordance with Generally**  
16   **Accepted Accounting Principles ("GAAP") and the Federal Energy Regulatory**  
17   **Commission ("FERC") Uniform System of Accounts?**

18   A17. Yes.

19   **Q18. Please explain how Sycamore will not recover expenditures in FMCA 5 that it is**  
20   **expected to recover through its base rates as determined in Cause No. 45072.**

1 A18. None of the capital expenditures treated as Compliance Projects were part of the test period  
2 or Rate Base used to establish rates in Cause No. 45072. Sycamore did not commence any  
3 Compliance Project approved in this Cause until August 2018. Sycamore's rate case did  
4 not include Capital expenditures beyond March 31, 2018. In addition, Sycamore has not  
5 included any overhead expense or indirect capital costs as a component of its Compliance  
6 Plan expenditures included in FMCA 5.

7 **Q19. Please explain the establishment of regulatory asset accounts described earlier in this**  
8 **testimony.**

9 A19. Pursuant to Indiana Code Chapter 8-1-8.4, utilities are required to defer 20% of all  
10 Compliance Project expenditures included for recovery in the FMCA tracker. In addition,  
11 utilities are also allowed to recover up to 25% of their compliance project costs that are  
12 greater than those estimated costs included in its Compliance Plan. Those costs in excess  
13 of 125% are subject to specific Commission approval and must be deferred for recovery in  
14 Sycamore's next general rate case. Finally, Sycamore will reconcile the variance between  
15 those costs included for recovery in the FMCA 3 tracker filing and the actual amounts  
16 recovered in that FMCA tracker within the FMCA 5 tracker. These variances must be  
17 tracked to be recovered in future FMCA tracker filings. As a result, Sycamore is requesting  
18 approval of a regulatory asset account to record the amounts afore mentioned to be  
19 recoverable in either a future FMCA tracker filing or its next general rate case.

20 **Q20. What additional financial information do you support in your Direct Testimony?**

21 A20. The WACC on Attachment 2, Schedule 1 includes balances of Stockholder Equity,  
22 Customer Deposits, and Deferred Income Taxes as of March 31, 2021, and used in the

1 calculation of Sycamore's WACC were provided by me and come directly from  
2 Sycamore's financial records.

3 **Q21. Please explain the application of AFUDC and PISCC regarding Compliance Plan**  
4 **expenditures in this filing.**

5 A21. AFUDC, when applicable, is calculated and applied in accordance with GAAP and the  
6 FERC Uniform System of Accounts. PISCC is determined using the monthly WACC in  
7 effect starting in the month that Compliance Plan capital projects were placed into service.  
8 Sycamore has not accrued AFUDC on any of its Compliance planned expenditures and  
9 therefore will not be including AFUDC for recovery in the FMCA 5 tracker filing. PISCC  
10 is accrued on Compliance Plan capital projects that have been placed in service but have  
11 not yet been recovered through the tracker.

12 **Q22. What depreciation rates are utilized on Compliance Plan capital costs?**

13 A22. Sycamore has used the rates approved by the Commission in its last rate case, Cause No.  
14 45072.

15 **Q23. Please explain the determination of carrying costs incurred on amounts pending**  
16 **recovery in Sycamore's next general rate case.**

17 A23. Sycamore incurs carrying costs on all Compliance Plan costs that have been deferred in the  
18 Company's regulatory asset account pending recovery in its next general rate case. These  
19 costs will be determined monthly and accrued to Sycamore's non-GAAP Regulatory Asset  
20 account. The calculation will be based on the monthly WACC using the cost of capital  
21 components approved in Sycamore most recent rate case updated for the current cost  
22 reflected on the Company's books and records.

23 **Q24. Has Sycamore prepared workpapers to support this filing?**

1   A24.   Yes.  We are providing those workpapers to the OUCC and would be willing to provide  
2           them to the Commission should it so request.

3   **Q25.  Does this conclude your Direct Testimony?**

4   A25.  Yes.

**VERIFICATION**

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

4/30/2021  
Date

David Chad Ream  
David Chad Ream

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Summary of Capital Expenditures as of March 31, 2021  
For the Six (6) Month Billing Period of:  
August 1, 2021 through January 31, 2022

A	B	C	D	E	F
Pipeline Safety Compliance Projects Total					
Detailed by FMCA Project Group	Capital Expenditures Prior Balance \$	Capital Expenditures Current Activity (Col. D - Col. B) \$	Capital Expenditures Current Balance \$	Accumulated Depreciation \$	Capital Expenditures Net Balance (Col. D - Col. E) \$
<b>Gas Distribution System Projects</b>					
Capital Expenditures	3,131,276	328,758	3,460,034	138,022	3,322,012
Indirect Capital Costs	-	-	-	-	-
AFUDC	-	-	-	-	-
<b>Total Gas Distribution System Projects</b>	3,131,276	328,758	3,460,034	138,022	3,322,012



**August 1, 2021 through January 31, 2022**

Total FMCA 4, FMCA 3, FMCA2 and FMCA1 Accumulated Depreciation	138,022
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**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Calculation of Revenue Requirement - Return on Capital**  
**For the Six (6) Month Billing Period of:**  
**August 1, 2021 through January 31, 2022**

A	B
Revenue Requirement on FMCA Capital	Total
	\$
Capital Expenditures Net Balance 3/31/2021	3,322,012
Weight Average Cost of Capital - Attach B, Sch. 1	<a href="#">8.99%</a>
Annual Capital Revenue Requirement	298,798
Semi-Annual Capital Revenue Requirement at 50% <u>1/</u>	149,399
Post In-Service Carrying Charges (See attached workpaper)	<a href="#">3,105</a>
Subtotal Capital Revenue Requirements	152,504
Less: Deferred Capital Revenue Requirements at 20%	30,501
Adjusted Semi-Annual Capital Revenue Requirement	122,003
Revenue Conversion Factor Attachment B, Schedule 2	<a href="#">1.35388417</a>
Semi-Annual Capital Revenue Requirement Adjusted for Taxes	165,178

1/ Does not include \$3,791.94 ( $\$82,884 \times 9.15\% \times 50\%$ ) and \$1,128.60 ( $\$24,969 \times 9.04\% \times 50\%$ ) of capital revenue requirement on amounts in excess of 125% of approved compliance plan (See Attachment A, Schedule 9)

**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Reconciliation of Prior Period Costs**  
**Forecasted Expenses from Prior Periods**  
**For Monthly Period of April 1, 2020 through January 31, 2021**  
**Forecasted Expense at 80%**

A	B	C	D
<u>Operating Expense Category</u>	<u>Actual Expense</u>	<u>Forecasted Expense</u>	<u>Total Prior Period Variance (Col. B - Col. C)</u>
	\$	\$	\$
O&M Expenses			
Depreciation Expenses	39,922	39,922	-
Property Tax Expense			
Total Operating Expense			
Total Deferred Expenses at 20%	7,984	7,984	-
Total Adjusted Expenses	31,938	31,938	-

**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Actual Expenses from October, 2020 through March 31, 2021**  
**Forecasted Expense April 1, 2021 through January 31, 2022**  
**For the Six (6) Month Billing Period of**  
**August 1, 2021 through January 31, 2022**

A	B	C	D
Operating Expense Category	Actual Expense	Forecasted Expense	Total Expense (Col. B + Col. C)
	\$	\$	\$
O&M Expenses	34,687	-	34,687
Depreciation Expenses	508	43,236	43,745
Property Tax Expense	-	-	-
<b>Total Operating Expense</b>	<b>35,195</b>	<b>43,236</b>	<b>78,431</b>
<b>Total Deferred Expenses at 20%</b>	<b>7,039</b>	<b>8,647</b>	<b>15,686</b>
<b>Total Adjusted Compliance Plan Expenses</b>	<b>28,156</b>	<b>34,589</b>	<b>62,745</b>
Professional Fee	18,285	-	18,285
<b>Total Adjusted Expenses</b>	<b>46,441</b>	<b>34,589</b>	<b>81,030</b>

**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Actual Expenses from October 1, 2020 through March 31, 2021**  
**Forecasted Expense April 1, 2021 through January 31, 2022**  
**For the Six (6) Month Billing Period of**  
**August 1, 2021 through January 31, 2022**

A	B	C	D	E
Depreciation Expense by Project				
Project Number	Detailed by FMCA Project Group	Actual Expense \$	Forecasted Expense \$	Total Expense (Col. C + Col. D) \$
<b>Gas Distribution System Projects</b>				
<b>2</b>	Catalpa Avenue Main Replacement - Harry Ave Portion	-	636	636
<b>7</b>	Bode Drive Main Replacement	-	167	167
<b>9</b>	Parkside Avenue Main Replacement	-	326	326
<b>10</b>	Ridge Avenue between Catalpa & Parkside Main Replacement	-	638	638
<b>11</b>	Ridge Drive off SR 48 Main Replacement	-	440	440
<b>12</b>	Sheldon St. & Broadway Main Replacement	-	1,197	1,197
<b>15</b>	F/L IG01 Repl. 3,620' of 1950 Steel and Hillcrest Sta.- Services and Restoration <u>1/</u>	-	12,382	12,382
<b>17</b>	F/L IG04 Oberting to Billups Residence (Partial) - Repl. 2,000' of 8" F/L at Church	90	10,711	10,801
<b>19</b>	Randy Avenue Main Replacement	-	1,757	1,757
<b>21</b>	Replacement of Inaccessible Steel Services & Inside Meter Move-Out (Partial)	339	8,305	8,644
<b>22</b>	Guilford Station Odorizer Replacement	-	2,392	2,392
<b>29</b>	Prone To Failure	80	200	280
<b>34</b>	F/L IG04 Repl. 1,172' of 8" SPCW and RR Casing at Guilford Station & Pribble Rd	-	4,086	4,086
Total		508	43,236	43,745

1/ Not included in Project 15 for recovery in FMCA-3 is \$603.51 of actual and \$2,011.76 forecasted depreciation incurred on \$82,884 and of gas plant in excess of 125% of the approved compliance plan amount. Not included in Project 34 for recovery in FMCA-3 is \$242.41 of actual and \$606.43 of forecasted depreciation incurred on \$24,969 and of gas plant in excess of 125% of the approved compliance plan amount.

**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Actual Expenses from October 1, 2020 through March 31, 2021**  
**Forecasted Expense April 1, 2021 through January 31, 2022**  
**For the Six (6) Month Billing Period of**  
**August 1, 2021 through January 31, 2022**

A	B	C	D	E
O&M Expense by Project				
Project Number	Detailed by FMCA Project Group	Actual Expense \$	Forecasted Expense \$	Total Expense (Col. C + Col. D) \$
Gas Distribution System Projects				
30	Completion of missing data for main and service line information	<u>34,687</u>	<u>0</u>	<u>34,687</u>
	Total	34,687	0	34,687

**Sycamore Gas Company**  
**FMCA-5 - Pipeline Safety Compliance Project**  
**Actual Expenses from October 1, 2020 through March 31, 2021**  
**Forecasted Expense April 1, 2021 through January 31, 2022**  
**For the Six (6) Month Billing Period of**  
**August 1, 2021 through January 31, 2022**

A	B	C	D	E
<b>Property Tax Expense by Project</b>				
<b>Project Number</b>	<b>Detailed by FMCA Project Group</b>	<b>Actual Expense \$</b>	<b>Forecasted Expense \$</b>	<b>Total Expense (Col. C + Col. D) \$</b>
<b>Gas Distribution System Projects</b>				
<b>2</b>	Catalpa Avenue Main Replacement - Harry Ave Portion			
<b>7</b>	Bode Drive Main Replacement			
<b>9</b>	Parkside Avenue Main Replacement			
<b>10</b>	Ridge Avenue between Catalpa & Parkside Main Replacement			
<b>11</b>	Ridge Drive off SR 48 Main Replacement			
<b>12</b>	Sheldon St. & Broadway Main Replacement			
<b>15</b>	F/L IG01 Repl. 3,620' of 1950 Steel and Hillcrest Sta.-Services and Restoration <u>1/</u>			
<b>17</b>	F/L IG04 Oberting to Billups Residence (Partial) - Repl. 2,000' of 8" F/L at Church			
<b>19</b>	Randy Avenue Main Replacement			
<b>21</b>	Replacement of Inaccessible Steel Services & Inside Meter Move-Out (Partial)			
<b>22</b>	Guilford Station Odorizer Replacement			
<b>29</b>	Prone To Failure			
<b>34</b>	F/L IG04 Repl. 1,172' of 8" SPCW and RR Casing at Guilford Station & Pribble Rd			
Total				

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Schedule of Total Semi-Annual Revenue Requirement (80%)  
For the Six (6) Month Billing Period of:  
August 1, 2021 through January 31, 2022

A	B
Type	Total
	\$
Return on Capital ( 2020 Att.A, Sch.2, Col.B)	165,178
Return of Expense Revenue Requirement (Att.A, Sch.4, Pg.1, Col.D)	81,030
Subtotal: Semi-Annual Revenue Requirement	246,208



Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Reconciliation of Revenue Recovery  
For Previous Billing Period of:  
August 1, 2020 through January 31, 2021

A	B	C	D	E	F	G
	Capital			Expense		
			Under / (Over)			
Rate Schedule	Total Revenue Req. Capital	Actual Revenue Collected	Recovery in FMCA1 (Col.B - Col. C)	Total Revenue Req. Expense	Actual Revenue Collected	Under / (Over) Recovery in FMCA1 (Col.E - Col. F)
	\$	\$	\$	\$	\$	\$
Rate GS	128,828	125,509	3,319	58,627	57,116	1,511
Rate WS	7,782	7,298	484	3,455	3,240	215
Rate ITS	1,466	1,290	176	681	599	82
Rate ES	7,515	4,611	2,904	3,423	2,100	1,323
Rate STS	1,033	887	146	481	413	68
Rate FT	12,475	10,117	2,358	5,795	4,700	1,095
Total	159,099	149,711	9,388	72,462	68,168	4,294

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Prior Period Expense Variance Rate Allocation  
For the Six (6) Month Billing Period of:  
August 1, 2021 - January 31, 2022

A	B	C	D	E
Rate Schedule	Total Allocation (Attach B, Sch. 3, Col. C) %	Prior Period Variance (Attach A, Sch. 3) \$	Expense Under/(Over) Recovery (Attach A, Sch. 6, Page 1) \$	Total Expense Variance (Col. C + Col. D) \$
Rate GS	81.41%	0	1,511	1,511
Rate WS	5.70%	0	215	215
Rate ITS	0.80%	0	82	82
Rate ES	4.72%	0	1,323	1,323
Rate STS	0.56%	0	68	68
Rate FT	6.82%	0	1,095	1,095
Total	100.00%	0	4,294	4,294

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Calculation of Total Rate Allocation - Capital & Expense  
For the Six (6) Month Billing Period of:  
August 1, 2021 - January 31, 2022

A	B	C	D	E	F	G	H	I
	Capital				Expense			
Rate Schedule	Total Allocation (Cause 45072) (Attach A, Sch 6, page 2) %	Capital Revenue Req. (Attach A, Sch 5) \$	Capital Under/(Over) Recovery (Attach A, Sch 6, page 1) \$	Total Capital Revenue Req. (Col. C + Col. D) \$	Expense Revenue Req. (Attach. A, Sch. 5, \$	Expense Under/(Over) Recovery (Attach A, Sch. 6, Page 2) \$	Total Expense Revenue Req. (Col. F + Col. G) \$	Total Expense Revenue Req. URTRS (Col H / 0.9853 *) \$
Rate GS	81.41%	134,467	3,319	137,787	65,964	1,511	67,475	68,482
Rate WS	5.70%	9,407	484	9,892	4,615	215	4,830	4,902
Rate ITS	0.80%	1,326	176	1,501	650	82	732	743
Rate ES	4.72%	7,796	2,904	10,700	3,824	1,323	5,147	5,224
Rate STS	0.56%	919	146	1,066	451	68	519	527
Rate FT	6.82%	11,263	2,358	13,621	5,525	1,095	6,620	6,719
Total	100.00%	165,178	9,388	174,566	81,030	4,294	85,323	86,596

\*Adjustment for Utility Receipts Tax on Retail Sales (URTRS) of 1.4% adjusted for state income tax

Sycamore Gas Company  
FMCA-5- Pipeline Safety Compliance Project  
Calculation of Total Rate Adjustment Factors  
For the Six (6) Month Billing Period of:  
August 1, 2021 - January 31, 2022

A	B	C	D	E	F
Rate Schedule	Total Capital Revenue Req. (Attach A, Sch 7)	Total Expense Revenue Req. (Attach A, Sch 7)	Total Revenue Req. (Col. B + Col. C)	Est. Therm Sales 6 Months August 2021 - January 2022	Total FMCA-5 Factor (Col. D/Col. E)
	\$	\$	\$	Therm	\$/Therm
Rate GS	137,787	68,482	206,269	4,228,372	0.0488
Rate WS	9,892	4,902	14,794	1,489,051	0.0099
Rate ITS	1,501	743	2,244	265,955	0.0084
Rate ES	10,700	5,224	15,924	2,882,623	0.0055
Rate STS	1,066	527	1,592	63,045	0.0253
Rate FT	13,621	6,719	20,340	531,853	0.0382
Total	174,566	86,596	261,163	9,460,897	

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Deferred Revenue Requirement (20%) as of March 31, 2021  
Before Tax Gross-Up

A	B	C	D	E	F	
Deferred Revenue Requirement by FMCA filing	Return on Capital Attach A, Sch. 2)	Return of Expense (Attach A, Sch. 4)	Total Expense Variance (Attach A, Sch. 3)	Total Prior to Carrying Costs	Carrying Charges	Total Deferred Revenue (Col. D + Col. E)
	\$	\$	\$		\$	\$
FMCA-1	20,157	6,495	-	26,652	-	26,652
FMCA-2	25,238	7,576	-	32,814	788	33,602
Amount in excess of 125% of compliance plan	3,792	2,615	-	6,407	183	6,590
FMCA-2 Total	29,030	10,191		39,221	971	40,192
FMCA-3	28,394	9,732	-	38,126	4,798 *	42,924
Amount in excess of 125% of compliance plan	1,129	849	-	1,978	174	2,152
FMCA-3 Total	29,523	10,581		40,104	4,972	45,076
FMCA-4 Total	31,391	11,928	-	43,320	4,960 **	48,280
Total per FMCA-4 Order	110,102	39,195	-	149,297	10,903	160,200
FMCA-5	30,501	15,686	-	46,187	6,364 ***	52,551
Total Deferred Revenue Requirement	140,602	54,881	-	195,484	17,267	212,750

\* FMCA-3 included carrying cost recovery associated with FMCA-1 of \$2,691, FMCA-2 of \$1,200 and FMCA-3 of \$1,081

\*\* FMCA-4 includes carrying cost recovery associated with FMCA-1 of \$1,009, FMCA-2 of \$1,383, FMCA-3 of \$1,623 and FMCA-4 of \$945

\*\*\* FMCA-5 includes carrying cost recovery associated with FMCA-1 of \$991, FMCA-2 of \$1,359, FMCA-3 of \$1,615 , FMCA-4 of \$1,411, and FMCA-5 of \$988

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Calculation of Weighted Cost of Capital  
as of March 31, 2021

A	B	C	D	E
Component	Amount	Percent of Total	Cost	Weighted Cost
	\$	%	%	%
Common Equity	30,244,244	88.99%	10.05%	8.94%
Customer Deposits	289,159	0.85%	6.00%	0.05%
Long Term Debt	-	0.00%	0.00%	0.00%
Deferred Income Taxes	3,452,901	10.16%	0.00%	0.00%
Total	33,986,304			8.99%

**Note:** the above components will be used for accruing monthly post in service carrying costs (PISCC) on any pipeline safety compliance project that has been placed in service but has not yet been recovered in the FMCA tracker mechanism.

Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
Calculation of Revenue Conversion Factor

A	B	C
Description	Rate	Total
	%	%
Revenue		100.000000%
Less: Uncollectible expense	0.0831280%	0.083128%
Net Collected Revenue		99.916872%
Less: Public Utility Fee	0.1330868%	0.1329762%
Net Revenues before Income Tax		99.783896%
Utility Receipts Tax	1.4000000%	1.398836%
Indiana Income Tax	4.9000000%	4.889411%
Income before Federal Income Tax		93.495649%
Federal Income Tax	21.0000000%	19.634086%
Income after Income Tax		73.861562%
Gross Revenue Conversion Factor		1.3538841670

Cause 45131 - FMCA-5  
Exhibit 2  
Attachment B  
Schedule 3

**Sycamore Gas Company**  
**FMCA-5- Pipeline Safety Compliance Project**  
**Revenue Requirement Allocators per Cause No. 45072**

A	B	C
	Settlement Revenue	
Rate Schedule	Requirement	Allocation
	\$	%
Rate GS	4,243,543	81.41%
Rate WS	296,881	5.70%
Rate ITS	41,836	0.80%
Rate ES	246,020	4.72%
Rate STS	29,008	0.56%
Rate FT	<u>355,425</u>	<u>6.82%</u>
Total	5,212,713	100.00%



Sycamore Gas Company  
FMCA-5 - Pipeline Safety Compliance Project  
NOI Adjustment for GCA Earnings Test

A	B	C
Description	Total Amount	Reference
Total Compliance Plan Investment Net of Accumulated Depreciation - 3/31/2021	\$ 3,322,012	Attach. A, Sch. 2
After Tax Rate of Return	8.99%	Attach. A, Sch. 2
Annual Capital Revenue Requirement	\$ 298,798	Attach. A, Sch. 2
Post-in-Service Carrying Charges	\$ 3,105	Attach. A, Sch.2
NOI Adjustment for GCA Earnings Test through FMCA-5	\$ 301,903	
Adjustment in NOI granted in FMCA-4	\$ 293,951	
Adjustment in NOI from FMCA-5 Period Expenditures	\$ 7,952	
Authorized Net Income total after FMCA-4	\$ 1,714,107	
Authorized Net Income total after FMCA-5	\$ 1,722,059	

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## **RIDER**

### **FEDERALLY MANDATED COST ADJUSTMENT (FMCA) RIDER**

#### **TO WHOM AVAILABLE**

This Rider shall be applicable to the Rate Schedules as identified in Appendix E, Federal Mandated Cost Adjustment Factors.

#### **ADJUSTMENT OF CHARGES FOR FEDERALLY MANDATED COSTS**

Energy Charges in the Rate Schedules included in this Tariff are subject to charges to reflect the recovery of federally mandated costs incurred in connection with approved federally mandated compliance projects, and such charges shall be increased or decreased to the nearest (\$.0001) per therm in accordance with the following:

$$\text{FMCA Factor} = (R \times A) / S$$

Where:

“FMCA” is the rate adjustment for each Rate Schedule.

“R” equals the 6-month revenue requirement based upon the federally mandated compliance project costs approved by the Indiana Utility Regulatory Commission in a FMCA adjustment proceeding.

“A” represents the applicable allocation percentage(s) for each Rate Schedule.

“S” is the six (6) month therm sales forecast for each Rate Schedule.

The FMCA as computed above shall be further modified to allow the recovery of gross receipts taxes and other similar revenue-based tax charges occasioned by the FMCA revenues and later reconciled with actual sales and revenues.

Effective Date:

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## APPENDIX E

### FEDERAL MANDATE COST ADJUSTMENT (FMCA) FACTORS

The Federal Mandate Cost Adjustment (FMCA) Factors set forth herein are computed in accordance with the provisions of Indiana Utility Regulatory Commission Order issued April 24, 2019 at Cause No. 45131. These FMCA factors are applicable to the following tariff schedules beginning with effective date of this schedule and continuing until superseded by subsequent Commission order.

The FMCA Factors in Rates GS, WS, ITS, ES, STS and FT shall be computed as set forth in Rider FMCA.

The FMCA Factors set forth below are effective for bills rendered for the billing month of August, 2021 and will remain in place until new FMCA Factors are approved by the Commission in a subsequent proceeding:

Rate Schedule FMCA Factor per Therm

**Rate GS**

A charge of \$0.0488 per therm

**Rate WS**

A charge of \$0.0099 per therm

**Rate ITS**

A charge of \$0.0084 per therm

**Rate ES**

A charge of \$0.0055 per therm

**Rate STS**

A charge of \$0.0253 per therm

**Rate FT**

A charge of \$0.0382 per therm

Effective Date:

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