

**FILED**  
January 27, 2021  
**INDIANA UTILITY  
REGULATORY COMMISSION**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF THE CITY OF CRAWFORDSVILLE, )  
INDIANA, BY AND THROUGH ITS MUNICIPAL )  
ELECTRIC UTILITY, CRAWFORDSVILLE )  
ELECTRIC LIGHT AND POWER, FOR APPROVAL )  
OF A NEW SCHEDULE OF RATES AND CHARGES )  
FOR ELECTRIC SERVICE AND FOR APPROVAL )  
TO MODIFY ITS ENERGY COST ADJUSTMENT )  
PROCEDURES )**

**CAUSE NO. 45420**

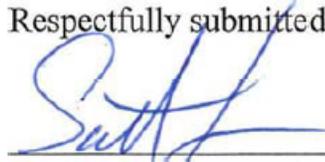
**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**PUBLIC'S EXHIBIT NO. 7**

**SETTLEMENT TESTIMONY OF OUCC WITNESS  
CALEB R. LOVEMAN**

**January 27, 2021**

Respectfully submitted,



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Scott Franson, Atty. No. 27839-49  
Deputy Consumer Counselor

**SETTLEMENT TESTIMONY OF OUCC WITNESS CALEB R. LOVEMAN**  
**CAUSE NO. 45420**  
**CRAWFORDSVILLE ELECTRIC LIGHT AND POWER**

**I. INTRODUCTION**

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

2 A: My name is Caleb R. Loveman, and my business address is 115 W. Washington St., Suite  
3 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's  
6 ("OUCC") Electric Division.

7 **Q: Are you the same Caleb R. Loveman who filed direct testimony in this Cause?**

8 A: Yes.

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

10 A: I provide the OUCC's support for the Stipulation and Settlement Agreement ("Settlement  
11 Agreement" or "Settlement"), entered into and filed on January 27, 2021, between  
12 Crawfordsville Electric Light & Power ("CEL&P" or "Petitioner") and the OUCC  
13 (collectively the "Settling Parties"). I address the following:

- 14 (1) Annual working capital revenue requirement;
- 15 (2) Annual Extensions and Replacements ("E&R") revenue requirement;
- 16 (3) Various Operations and Maintenance ("O&M") expense adjustments;
- 17 (4) Interest Income;
- 18 (5) Electric Vehicle ("EV") rate design and reporting requirements;
- 19 (6) Cost allocations and rate design among rate classes; and
- 20 (7) Additional benefits to ratepayers.

1 The Settlement will provide CEL&P certainty regarding revenue requirements and the  
2 allocation of CEL&P's revenue requirement among its rate classes while protecting  
3 ratepayers' interests.

4 **Q: Does the Settlement Agreement balance the interests of CEL&P and ratepayers?**

5 A: Yes. This Settlement is the product of multiple extensive negotiations between the Settling  
6 Parties. It represents the "give and take" nature of settlement, allowing for compromise on  
7 challenging issues. The Settlement represents a balance of all interests, and the OUCC, as  
8 the statutory representative of all ratepayers, believes the Settlement is a fair resolution,  
9 and recommends its approval.

## II. RATEPAYER BENEFITS OF THE SETTLEMENT AGREEMENT

10 **Q: As a result of the Settlement, will CEL&P's base rates be designed to reflect a lower**  
11 **revenue requirement than proposed by CEL&P in its case-in-chief filing?**

12 A: Yes. The Settling Parties agreed to an annual revenue requirement increase of  
13 approximately \$4.717 million, an approximate \$1.491 million reduction from CEL&P's  
14 as-filed requested revenue requirement increase of approximately \$6.208 million (or  
15 18.06%). The Settlement results in a 13.72% revenue increase, inclusive of the temporary  
16 rate rider approved in Cause No. 45429. This temporary rate rider will end when a Final  
17 Order is issued in this Cause and the new rates are implemented.

18 **Q: What ratepayer benefits are included in the Settlement Agreement?**

19 A: Ratepayer benefits include: 1) an annual \$796,176 working capital revenue requirement  
20 contribution to the operating fund compared to CEL&P's proposed approximate \$1.69  
21 million annual operating fund contribution, an \$893,862 reduction; 2) an approximate  
22 annual \$4.029 million E&R revenue requirement compared to CEL&P's proposed  
23 approximate \$4.432 million, a \$402,982 reduction; 3) various O&M expense adjustments;

1 4) inclusion of interest income as an offset to the overall revenue requirement; 5) various  
 2 cost allocation and rate design modifications; and 6) additional ratepayer benefits  
 3 negotiated by the Settling Parties. Detailed explanations of the consumer benefits are  
 4 provided below.

### III. WORKING CAPITAL

5 **Q: Please explain the working capital component of the Settlement.**

6 A: Initially, CEL&P proposed an approximate \$1.69 million annual operating fund  
 7 contribution using a 90-day factor of its O&M expenses, including purchased power, and  
 8 taxes other than income taxes. The OUCC disagreed with Petitioner's proposed amount  
 9 and proposed no additional funding based on its use of the traditional 45-day working  
 10 capital calculation. The 45-day working calculation uses O&M expenses and does not  
 11 include purchased power or taxes. During extensive Settlement discussions, CEL&P  
 12 demonstrated its daily cash flow restraints, and the Settling Parties reached a settlement on  
 13 the annual working capital revenue requirement contribution of \$796,176 to Petitioner's  
 14 operating fund. This amount uses the 45-day calculation and includes O&M expenses and  
 15 does not include purchased power expense or payroll taxes and is shown in detail in  
 16 Settlement Table CRL-1 below.

17 **Settlement Table CRL-1: Annual Working Capital Revenue Requirement**

Categories	Amounts
O&M Expenses Other Than Purchased Power	\$ 6,134,546
Payroll Taxes	234,862
Subtotal	6,369,408
45-Day Factor (360/45)	8
<b>Annual Working Capital Revenue Requirement</b>	<b>\$ 796,176</b>

1 **Q: Does the OUCC find the negotiated working capital revenue requirement reasonable**  
2 **and in the ratepayers' interest?**

3 A: Yes. The lower annual amount benefits ratepayers by reducing the revenue requirement  
4 reflected in rates collected from ratepayers while providing CEL&P financial stability.

#### IV. EXTENSIONS & REPLACEMENTS

5 **Q: What ratepayer benefits in the Settlement Agreement are associated with E&R?**

6 A: The Settling Parties agreed to an annual E&R revenue requirement of \$4,029,822, a  
7 \$402,982 reduction from the amount proposed by CEL&P in its case-in-chief. This amount  
8 is determined by using CEL&P's 2021 to 2026 Capital Improvement Plan ("CIP") total  
9 amount, \$23,306,631, less the first-year funding from the depreciation fund, \$1,142,609, to  
10 arrive at \$22,164,022 (\$23,306,631 - \$1,142,609). This amount is then averaged over 5.5  
11 years to arrive at the settlement annual E&R revenue requirement of \$4,029,822  
12 (\$22,164,022/5.5). The use of 5.5 years to average the CIP more closely aligns with the  
13 length of time associated with the CIP.

14 **Q: Does the OUCC find the negotiated E&R revenue requirement reasonable and in the**  
15 **interest of ratepayers?**

16 A: Yes. The lower annual amount benefits ratepayers by reducing the revenue requirement  
17 reflected in rates collected from ratepayers while providing CEL&P sufficient revenue  
18 recovery to complete its CIP.

#### V. O&M EXPENSE ADJUSTMENTS

19 **Q: Are there ratepayer benefits in the Settlement Agreement associated with O&M**  
20 **expense adjustments?**

21 A: Yes. The Settling Parties agreed to adjust the following O&M expenses, resulting in  
22 savings to ratepayers: 1) advertising expense; 2) expenses related to projects completed for

1 the City of Crawfordsville ("City"); 3) Payment in Lieu of Taxes ("PILT") to the City; 4)  
2 charitable and civic contributions; and 5) annual vegetation management contract expense.

3 Advertising Expense

4 The Settlement Agreement reflects removal of \$26,393 in advertising expense from the  
5 revenue requirement, as proposed by the OUCC.

6 Expenses related to projects completed for the City

7 The Settlement Agreement reflects removal of \$30,458 in expenses related to projects  
8 completed for the City from the revenue requirement, as proposed by the OUCC.

9 PILT

10 The Settlement Agreement reflects a \$229,463 PILT amount, a \$537 reduction from that  
11 initially proposed by CEL&P, as proposed by the OUCC.

12 Charitable and Civic Contributions

13 The Settlement Agreement reflects removal of \$2,650 in charitable and civic contributions,  
14 as proposed by the OUCC.

15 Annual Vegetation Management Expense

16 The Settlement Agreement reflects an annual vegetation management expense of \$558,510  
17 which is a reduction of \$101,490 from the amount proposed by CEL&P.

**VI. INTEREST INCOME**

18 **Q: What ratepayer benefits in the Settlement Agreement are associated with interest**  
19 **income?**

20 **A:** The Settling Parties agreed to include CEL&P's test year interest income, \$11,829, as an  
21 offset to CEL&P's annual revenue requirement, as proposed by the OUCC.

**VII. EV RATE DESIGN AND REPORTING REQUIREMENTS**

1 **Q: Did the Settling Parties reach an agreement on EV rate design and reporting**  
2 **requirements?**

3 A: Yes. The Settling Parties agreed to the EV rate design as detailed in Paragraph 16 of the  
4 Settlement Agreement and CEL&P settlement witness Laurie A. Tomczyk. The rate design  
5 reflects the cost of delivery and is not subsidized by any other ratepayer. CEL&P also  
6 agreed to annual reporting requirements, as outlined in Paragraph 16 of the Settlement  
7 Agreement.

**VIII. COST ALLOCATION AND RATE DESIGN**

8 **Q: Did the Settling Parties reach an agreement on cost allocation and rate design?**

9 A: Yes. Through extensive discussions, the Settling Parties reached settlement on cost  
10 allocation and rate design. This agreement is detailed in Paragraph's 9 through 14 of the  
11 Settlement Agreement and discussed in more detail by CEL&P settlement witness Joseph  
12 A. Mancinelli.

13 **Q: Are there ratepayer benefits in the Settlement Agreement associated with cost**  
14 **allocation and rate design?**

15 A: Yes. The agreed upon cost allocation and rate design represents a fair balance between the  
16 interests of both CEL&P and its ratepayers. Some of the ratepayer benefits in the  
17 Settlement Agreement associated with cost allocation and rate design include a reduction  
18 in the size of CEL&P's proposed demand charges to ease the transition for customers  
19 paying those charges and no ratchets imposed on the General Power ("GP") or the newly  
20 created GP-Large rate classes. Additionally, the distribution of the revenue requirement  
21 across the rate classes in the settled rate design achieves a reasonable balance of cost

1 responsibility, avoids rate shock for any rate class, and allows all of CEL&P's rate classes  
2 to share in the reduction in revenue requirement achieved through the settlement.

**IX. OTHER RATEPAYER BENEFITS**

3 **Q: What other ratepayer benefits are included in the Settlement Agreement?**

4 A: CEL&P agreed to notify the Indiana Utility Regulatory Commission ("Commission") and  
5 the OUCC within 14 days if mediation or litigation between CEL&P and Spectrum  
6 Engineering Corporation results in damages awarded to CEL&P. Within 30 days of receipt  
7 of funds and a final, unappealable court order or mediation settlement, CEL&P will pass  
8 through a one-time credit to its customers net of reasonable litigation costs and attorney's  
9 fees.

**X. RECOMMENDATION**

10 **Q: What does the OUCC recommend?**

11 A: The OUCC recommends the Commission find the Settlement Agreement to be in the public  
12 interest and approve it in its entirety.

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

14 A: Yes.

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 7 Settlement Testimony of OUCC Witness* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 27, 2021.

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