

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA PUBLIC )  
SERVICE COMPANY FOR (1) APPROVAL OF AN )  
ADJUSTMENT TO ITS GAS SERVICE RATES THROUGH ITS )  
TRANSMISSION, DISTRIBUTION, AND STORAGE SYSTEM )  
IMPROVEMENT CHARGE (“TDSIC”) RATE SCHEDULE; (2) )  
AUTHORITY TO DEFER 20% OF THE APPROVED CAPITAL )  
EXPENDITURES AND TDSIC COSTS FOR RECOVERY IN ) CAUSE NO. 44403  
PETITIONER’S NEXT GENERAL RATE CASE; AND (3) ) TDSIC-03  
APPROVAL OF PETITIONER’S UPDATED 7-YEAR GAS )  
PLAN, INCLUDING ACTUAL AND PROPOSED ESTIMATED )  
CAPITAL EXPENDITURES AND TDSIC COSTS THAT )  
EXCEED THE APPROVED AMOUNTS, ALL PURSUANT TO )  
IND. CODE CH. 8-1-39 AND THE COMMISSION’S ORDERS IN )  
CAUSE NOS. 44403 AND 44403-TDSIC-1. )

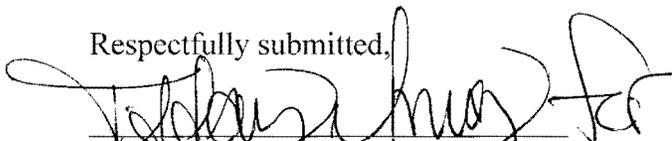
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC’S EXHIBIT NO. 3

REDACTED TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER

NOVEMBER 13, 2015

Respectfully submitted,



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**REDACTED TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER**  
**CAUSE NO. 44403 TDSIC-3**  
**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

**I. INTRODUCTION**

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility  
3 Consumer Counselor ("OUCC") as a Utility Analyst in the Resource Planning  
4 and Communications Division. My business address is 115 West Washington St.,  
5 Suite 1500 South Tower, Indianapolis, Indiana 46204. My educational  
6 background and professional experience is detailed in Appendix ETR-1 attached  
7 to this testimony.

8 **Q: What did you do to prepare your direct testimony in this Cause?**

9 A: I reviewed and analyzed the petition, pre-filed testimony, exhibits and workpapers  
10 and Northern Indiana Public Service Company ("NIPSCO") responses to data  
11 requests. I attended meetings with NIPSCO employees to discuss the policies and  
12 procedures employed in developing the cost estimates for the projects and  
13 programs included in the TDSIC 7-Year Gas Plan ("Plan").

14 **Q: What is the purpose of your direct testimony?**

15 A: I address whether the supporting project detail provided by NIPSCO meets the  
16 criteria required to be consistent with the Indiana Court of Appeals decision in  
17 Cause No. 93A02-1403-EX-158 ("Appellate Order"). The Appellate Order  
18 reversed in part, affirmed in part and remanded the Commission's Orders in  
19 Cause Nos. 44370 and 44371. I conclude that the supporting project detail is

1 sufficient for most, but not all of NIPSCO's proposed projects. I also discuss the  
2 O&M Integrity Data Integration Project regarding its ongoing TDSIC eligibility.  
3 OUCC witnesses Leja Courter and Mark Grosskopf address projects not included  
4 in NIPSCO's original 7-Year Plan. The OUCC recommends these new projects  
5 be excluded from the Plan.

## II. UPDATED TDSIC 7-YEAR PLAN

6 **Q. What steps did you take to determine if the Plan is consistent with the**  
7 **Appellate Order?**

8 A. First I determined if NIPSCO provided cost support for the projects included in  
9 the Plan in its case-in-chief. This required reviewing and analyzing the support  
10 documentation provided in the case-in-chief for each project. That support should  
11 include Material and Labor Estimates for the 2014 and 2015 projects that have  
12 commenced or are scheduled to commence in the remainder of 2015. It should  
13 also include any Project Change Requests for 2014 and 2015 projects. For each  
14 project to be undertaken in 2016 there should be a detailed cost estimate. The  
15 projects to be undertaken in 2017 – 2020 should be supported by detailed cost  
16 estimates for at least labor, materials and storage, freight and handling and the  
17 number of units to be included for each year.

18 There are four (4) projects included for 2017 and two (2) projects for 2018  
19 for which there are no estimates provided in the TDSIC-3 case-in-chief. The  
20 following projects should be excluded from the Plan:

- 21 • 2017 GSIT – Fort Wayne ISC R/W 140psig System Improvement -  
22 \$ [REDACTED]

- 1           • 2017 GSIT – Wheatfield Inlet System improvement - \$ [REDACTED]
- 2           • 2017 GSID Lake of the Four Seasons Inlet System Improvement -
- 3           \$ [REDACTED]
- 4           • 2017 GSID Masons Village, Auburn System Improvement - \$ [REDACTED]
- 5           • 2018 GSIT LaPorte – Fish Lake System Improvement - \$ [REDACTED]
- 6           • 2018 GSIT ANR Orland to Crooked Lake System Improvement -
- 7           \$ [REDACTED]

8 **Q. Are there other projects that require particular attention from the**  
9 **Commission?**

10 A. Yes. The O&M Integrity Data Integration Project discussed on page 74 of Mr.  
11 Sangster’s testimony is intended to integrate the service line information into the  
12 mapping system. The project was approved as part of the original 7-Year Plan.  
13 The OUCC did not object to the project in either the original 7-Year Plan or in  
14 TDSIC-1.

15           Subsequent to the NIPSCO Gas TDSIC-1 order, the IURC issued orders  
16 in Cause Nos. 44526 (Duke 7-Year Plan and TDSIC) and 44542 (I&M 7-Year  
17 Plan). In each of those cases, the Commission found vegetation management  
18 projects were O&M that were not "eligible transmission, distribution, and storage  
19 system improvements" under Ind. Code § 8-1-39-2. 44526 Order at 14, 44542  
20 Order at 10-11. The I&M Order found that vegetation management “did not  
21 replace existing transmission or distribution system infrastructure and is not a new  
22 transmission or distribution project.” Both projects were excluded from the 7-Year  
23 Plans. While the O&M Integrity Data Integration Project, like vegetation  
24 management, is a valuable project that has obvious safety benefits, the

1 Commission has previously determined those two criteria are insufficient to  
2 supercede the definitions to TDSIC-eligible projects.

3 **Q. What is the next step you employed to determine if the Plan is consistent with**  
4 **the Appellate Order?**

5 A. The second and final step was to verify that the cost estimates provided were  
6 based on historical experience and/or third party quotations and were developed  
7 reasonably for the years 2017 – 2020. For each estimate, I reviewed and analyzed  
8 the historical baseline for the components, the various inflation or escalation  
9 factors, and verified the unit costs and associated unit counts. I also reviewed the  
10 individual components for each estimate to determine if they were reasonable,  
11 based on historical precedent and market factors.

12 **Q. What are your conclusions regarding whether NIPSCO's updated Plan is**  
13 **consistent with the Appellate Court decision as it relates to supporting**  
14 **project detail?**

15 A. With the exception of the six (6) projects detailed above, NIPSCO's Updated  
16 TDSIC 7-Year Gas Plan contains supporting project detail sufficient to be  
17 consistent with the findings in the Appellate Court decision. My conclusion is  
18 based on the following detail provided by NIPSCO in support of its Plan:

- 19
- 20 • Detailed work order type estimates for the 2014 and 2015 projects that  
are still open and in progress.
    - 21 ○ This detail included detailed Project Change Requests for  
22 those 2014 and 2015 projects where a change was required  
23 due to a change in the price of components, a change in the  
24 components and more recent engineering.
  - 25 • Detailed cost estimates for the 2016 projects including labor,  
26 materials, storage, freight, and handling and other direct and indirect

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costs.

- Detailed unit costs including labor and materials, which include storage, freight, and handling for the projects included in the 2017 to 2020 long term estimates for transmission, distribution and storage facilities.
  - NIPSCO provided the annual inflation factor utilized in projecting the cost estimates for the years 2017 – 2020.
- The detailed cost estimates for the six projects listed above were not provided, nor could I locate them in the original 7-Year plan.
- Detailed cost estimates and margin estimates were provided based on adjusted margin rates and potential connections to support the Rural Extension estimates.

**III. RECOMMENDATIONS**

**Q. What is the OUCC recommending in this proceeding?**

A. Based on my testimony, the OUCC recommends the Commission:

- Exclude the following projects from the Plan for insufficient cost detail information:
  - 2017 GSIT – Fort Wayne ISC R/W 140psig System Improvement - \$ [REDACTED]
  - 2017 GSIT – Wheatfield Inlet System improvement - \$ [REDACTED]
  - 2017 GSID Lake of the Four Seasons Inlet System Improvement - \$ [REDACTED]
  - 2017 GSID Masons Village, Auburn System Improvement - \$ [REDACTED]
  - 2018 GSIT LaPorte – Fish Lake System Improvement - \$ [REDACTED]
  - 2018 GSIT ANR Orland to Crooked Lake System Improvement - \$ [REDACTED]

- 1           • Determine the TDSIC eligibility of the O&M Integrity Data Integration  
2           Project.
- 3           • Find that NIPSCO's Updated TDSIC 7-Year Gas Plan is consistent with  
4           the Appellate Court decision as it relates to what constitutes a "plan" and  
5           the level of supporting project detail required under the TDSIC Statute.

#### **IV. CONCLUSION**

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

7   A: Yes.

**CERTIFICATE OF SERVICE**

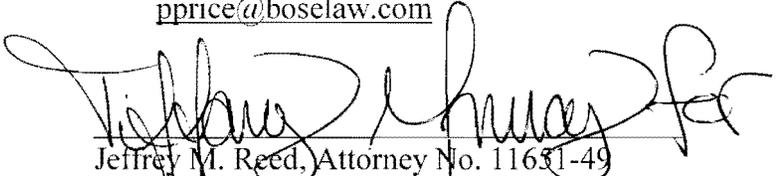
This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Redacted Testimony of OUCC Witness Edward T. Rutter* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 13, 2015.

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