

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF THE BOARD OF)
DIRECTORS FOR UTILITIES OF THE)
DEPARTMENT OF PUBLIC UTILITIES OF THE CITY)
OF INDIANAPOLIS, ACTING IN ITS CAPACITY AS)
TRUSTEE OF A PUBLIC CHARITABLE TRUST FOR)
THE PROVISION OF ENERGY SERVICES, D/B/A)
CITIZENS THERMAL, FOR (1) AUTHORITY TO)
ADJUST ITS RATES AND CHARGES FOR STEAM)
UTILITY SERVICE, (2) APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES)
APPLICABLE THERETO, (3) APPROVALS RELATED)
TO THE DISCONTINUANCE OF THE OPERA)
MECHANISM, (4) APPROVAL OF TARIFF CHANGES)
AUTHORIZING A NORMAL TEMPERATURE)
ADJUSTMENT, PURSUANT TO INDIANA CODE § 8-)
1-2-42(a) OR 8-1-2.5-6, AND (5) APPROVAL OF)
CHANGES TO ITS GENERAL TERMS AND)
CONDITIONS FOR STEAM SERVICE)
)

CAUSE NO. 44781

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SETTLEMENT TESTIMONY OF

MICHAEL D. ECKERT – PUBLIC’S EXHIBIT NO. 1-S

SEPTEMBER 2, 2016

Respectfully submitted,

Randall C. Helmen, Attorney No. 8275-49
Chief Deputy Consumer Counselor

Tiffany Murray, Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 44781
CITIZENS THERMAL ENERGY

INTRODUCTION

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

2 A: My name is Michael D. Eckert and I am a Senior Utility Analyst in the Electric
3 Division of the Indiana Office of Utility Consumer Counselor ("OUCC"). My
4 qualifications are set forth in Appendix A of this document.

5 **Q: Have you previously testified before the Indiana Utility Regulatory**
6 **Commission ("Commission")?**

7 A: Yes.

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

9 A: The purpose of my testimony is to support the Settlement Agreement ("Agreement")
10 and recommend the Commission approve the Agreement in its entirety.

OUCC REVIEW AND ANALYSIS

11 **Q: Please describe the review and analysis you conducted in order to prepare**
12 **your testimony.**

13 A: I read Citizens Thermal Energy's ("Petitioner" or "CTE") prefiled testimony and
14 application in this proceeding, as well as relevant Commission Orders. I reviewed
15 CTE's workpapers and participated in meetings with CTE personnel. I also
16 reviewed CTE's responses to OUCC data requests and pertinent sections of Title
17 8 of Indiana Code and Title 170 of the Indiana Administrative Code. I participated
18 in meetings with other OUCC staff members, Citizens Customer Group
19 representatives, and CTE personnel in developing issues identified in this Cause.

1 **Q: Please briefly provide an overview of the OUCC's process to evaluate CTE's**
2 **revenue requirements.**

3 A: Petitioner's rates, charges, and terms and conditions for steam service are subject
4 to the approval of the Commission under Indiana Code § 8-1-11.1-3(c)(9).
5 Additionally, its rates and charges are set pursuant to Indiana Code § 8-1.5-3-8(c).
6 The OUCC reviewed CTE's actual operating revenues, operating expenses, debt
7 service requirements, extensions and replacements, depreciation expense, rate
8 base figures, capital structure, net operating income, rate design, and cost of
9 service study. Based on its review, the OUCC determined certain adjustments
10 and issues should be made and addressed. The OUCC discussed these issues with
11 CTE and the Citizens Customer Group ("CCG"), and the resolution of these
12 issues based on compromise and arms-length negotiations became the basis of the
13 Agreement.

14 In developing its own positions, the OUCC reviewed Petitioner's case-in-
15 chief, along with related exhibits, accounting schedules, attachments, and
16 workpapers. OUCC staff issued data requests and gathered financial and
17 engineering information through discovery.

OVERVIEW OF PETITIONER'S CASE AND REVENUE REQUIREMENTS

18 **Q: What rate relief did Petitioner seek in this Cause?**

19 A: In its case-in-chief, Petitioner seeks an overall decrease in revenue of \$2,154,397
20 in order to provide it with an opportunity to recover a total base rate revenue
21 requirement of \$69,784,769.¹

¹ See Petitioner's Exhibit No. 3, page 5 of 47.

1 **Q: What is the test year in this Cause and what level of steam operating revenue**
2 **did CTE achieve in the test year?**

3 A: The test year in this Cause is the twelve months ending December 31, 2015 and
4 CTE's test year steam operating revenues were \$78,170,255.²

5 **Q: What is the main driver of CTE's recommendation for a rate decrease in this**
6 **Cause?**

7 A: The main driver of CTE's recommendation for a rate decrease is the conversion
8 of the fuel supply for its steam plant from coal to natural gas. CTE is proposing
9 to decrease its authorized revenue requirement to reflect the operation and
10 maintenance cost savings achieved as a result of its Natural Gas Conversion
11 Plan.³

12 **Q: Did the OUCC's initial review support CTE's recommendation for a rate**
13 **decrease?**

14 A: Yes. The OUCC's initial review supported a larger decrease than CTE's
15 recommended decrease. The OUCC discussed its position with the CCG and
16 CTE and the discussions resulted in an additional reduction of \$286,750, for an
17 overall reduction \$2,441,057.

AGREEMENT'S BASIC TERMS

18 **Q. What are the basic terms of the Agreement?**

19 A. The main feature is the decrease in revenue requirement of approximately
20 \$2,441,057. This results in an approximate decrease of 3.39% from existing
21 revenues. The settlement testimony of Petitioner's witness LaTona Prentice will
22 more completely describe the components of the revenue requirement comprising
23 the \$2.44 million decrease. The other substantive terms of the Agreement include:

² See Petitioner's Exhibit No. 3, Attachment LSP-1, page 1 of 16.

³ See Petitioner's Direct Testimony of Jeffrey A. Harrison, page 14 of 17, lines 17 - 18.

- 1 1) Cost of service study and rate design;
- 2 2) Customer Charges and Normal Temperature Adjustment
- 3 ("NTA") Mechanism;
- 4 3) OPERA Mechanism;
- 5 4) Steam line loss report; and
- 6 5) Incentive Payments to Customers on the Low-Pressure System.

OPERATING EXPENSE ADJUSTMENTS

- 7 **Q. Is the decrease in CTE's overall revenue requirement supported by the**
8 **evidence?**
- 9 A. Yes. The \$2.44 million decrease is supported by the evidence filed in this Cause as
10 further demonstrated in my review of discovery responses and in discussions with
11 Petitioner and the CCG. The revenue requirement is comprised of specific revenue
12 and expense pro forma adjustments to the test year data as specified in the Pre-
13 Hearing Conference Order issued in this Cause. The reduction requested by
14 Petitioner is supported by their evidence of record. The additional reduction of
15 \$286,750, agreed to in the Agreement, is comprised of the following adjustments: 1)
16 labor expense decrease of \$135,052; 2) Chemical expense decrease of \$10,029; 3)
17 rate case expense decrease of \$64,231; and 4) wastewater decrease of \$73,423.
18 The basis for these adjustments is CTE's rate filing, including testimony,
19 schedules, MSFRs, and supporting workpapers.

COST OF SERVICE AND RATE DESIGN

1 **Q: Did the OUCC review Petitioner's proposed rate design and cost of service**
2 **study?**

3 A: Yes. The OUCC and the other Parties agreed that, solely for the purposes of
4 settlement, and with the Settling Parties reserving the right to challenge the
5 allocations and propose alternative cost of service positions in future proceedings,
6 CTE's cost-of-service study filed on July 15, 2016 should be used to allocate the
7 agreed upon revenue requirement among the customer classes, and to develop
8 rates and charges implementing the approved change in operating revenues.

CUSTOMER CHARGES AND NORMAL TEMPERATURE ADJUSTMENT
("NTA")

9 **Q: Please explain the customer charges and the NTA.**

10 A: Rate design and the NTA were a significant topic of the settlement discussions.
11 The Settling Parties agreed to implement a customer charge for Rate Class 2 and
12 to not increase the customer charge for Rate Class 1. This agreement is part and
13 parcel with the Settling Parties' agreement to implement a NTA for Rate Class 1
14 and not for Rate Class 2 or contract customers. The Agreement provides a
15 detailed explanation of the customer charges and the NTA. Because Citizens'
16 rates are regulated under the municipal utility statute, the OUCC was more
17 comfortable with the NTA for Rate Class 1 than it would be in other
18 circumstances.

OPERA MECHANISM

1 **Q: Did the OUCC review Petitioner's proposal to eliminate and close out the**
2 **OPERA mechanism?**

3 A: Yes. The OUCC reviewed Petitioner's proposal and generally agrees with
4 Petitioner's proposal. The Agreement provides a comprehensive explanation of
5 the elimination and close out of the OPERA mechanism.

STEAM LINE LOSS REPORTS

6 **Q: Is Petitioner proactively working to eliminate line loss and lower its line loss**
7 **percentage?**

8 A: Yes. Petitioner is working proactively to reduce its line loss percentage and is
9 incurring additional expenses to reduce their line loss. The OUCC agrees with
10 CTE's decision to decrease line loss and leaks as the OUCC believes this will
11 lower Petitioner's overall operating costs.

12 **Q: Why did the Settling Parties recommend CTE file annual Steam Line Loss**
13 **reports?**

14 A: It was agreed that as long as CTE is incurring extra costs to reduce its line loss,
15 CTE should be required to update the OUCC on its progress towards line loss
16 reduction. The Agreement provides more detail on the Steam Line Loss
17 Reporting requirements.

INCENTIVE PAYMENTS TO CUSTOMERS ON THE LOW-PRESSURE
SYSTEM

18 **Q: What are the low-pressure system incentive payments for?**

19 A: The incentive payments are payments CTE makes to customers served by
20 portions of the low-pressure system that are not cost-effective to maintain to assist
21 those customers with moving to a new energy source. The *pro forma* O&M
22 expenses include amounts related to incentive payments made to certain

1 customers during the test year as a part of the low pressure steam optimization
2 initiative. Petitioner has indicated these incentive payments will occur for up to
3 another four years. The Settling Parties agreed to include an amount for incentive
4 payments in Petitioner's revenue requirement for up to four years. If Petitioner
5 does not file a rate case within the next four years, CTE will adjust its rates to
6 reflect the removal of the amount of the incentive payments reflected in Citizens'
7 *pro forma* O&M expenses from its revenue requirement.

OUCC RECOMMENDATIONS

8 **Q: Do you believe the Agreement should be approved by the Commission?**

9 A: Yes. In my opinion the Agreement is reasonable, just, and in the public interest and
10 therefore should be approved by the Commission.

11 **Q: Please summarize your recommendations to the Commission in this cause.**

A: The OUCC recommends the Commission approve the Agreement in its
entirety.

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

13 A: Yes, it does.

APPENDIX A – QUALIFICATIONS OF MICHAEL D. ECKERT

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

2 A: My name is Michael D. Eckert and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

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

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

7 **Q: Please describe your educational background and experience.**

8 A: I graduated from Purdue University in West Lafayette, Indiana in December
9 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed
10 in the State of Indiana as a Certified Public Accountant. Upon graduation, I
11 worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg,
12 Illinois until October 1987. In December 1987, I accepted a position as a Staff
13 Accountant with the OUCC. In May 1995, I was promoted to Principal
14 Accountant and in December 1997, I was promoted to Assistant Chief
15 Accountant. As part of the OUCC’s reorganization, I accepted the position of
16 Assistant Director of its Telecommunications Division in July 1999. From
17 January 2000 through May 2000, I was the Acting Director of the
18 Telecommunications Division. As part of an OUCC reorganization, I accepted a
19 position as a Senior Utility Analyst. As part of my continuing education, I have
20 attended the National Association of Regulatory Utility Commissioner's
21 (“NARUC”) two-week seminar in Lansing, Michigan. I attended NARUC’s
22 Spring 1993 and 1996 seminar on system of accounts. In addition, I attended

1 several CPA sponsored courses and the Institute of Public Utilities Annual
2 Conference in December 1994 and December 2000.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Michael D. Eckert
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

September 2, 2016

Date

Cause No. 44781
Citizens Thermal

CERTIFICATE OF SERVICE

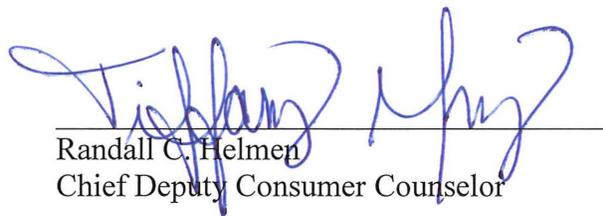
This is to certify that a copy of the **INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR SETTLEMENT TESTIMONY OF MICHAEL D. ECKERT** has been served upon the following parties of record in the captioned proceeding by electronic service on September 2, 2016.

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