

FILED
May 28, 2010
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE PETITION OF)
CRAWFORDSVILLE ELECTRIC LIGHT &)
POWER FOR APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES FOR)
ELECTRIC SERVICE)**

CAUSE NO. 43773

SETTLEMENT TESTIMONY OF

DUANE P. JASHEWAY – PUBLIC’S EXHIBIT NO. 1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 2010

Respectfully submitted,



Terry W. Tolliver, Atty. No. 22556-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Settlement Testimony Duane P. Jasheway* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 28, 2010.

Hackman Hulett & Cracraft, LLP
Michael B Cracraft
Steven W Krohne
111 Monument Circle
Suite 3500
Indianapolis, IN 46204 – 2030
mcracraft@hhclaw.com
skrohne@hhclaw.com



Terry W. Tolliver, Atty. No. 22556-49
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Telephone
317/232-5923 – Facsimile

Settlement Testimony of Duane Jasheway
Cause No. 43773 Crawfordsville Electric Light & Power

I. Introduction and Qualifications

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

2 **A:** My name is Duane P. Jasheway and my business address is 115 West Washington St.,
3 Suite 1500 South, Indianapolis, Indiana, 46204.

4 **Q: Are you the same Duane P. Jasheway who testified previously in this Cause?**

5 **A:** Yes, I am.

II. Purpose

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

7 **A:** The Parties have negotiated a proposed resolution of all outstanding issues in this Cause,
8 as set forth in a Settlement Agreement (Settlement) attached to Petitioner's witness Mr.
9 Phillip R. Goode's supplemental testimony. I will discuss the effect the Settlement has
10 on various accounting adjustments and the total revenue requirement and why the OUCC
11 supports approval of the Settlement.

12 **Q: Are you submitting schedules related to the Settlement?**

13 **A:** No. Petitioner is sponsoring the Settlement Schedules, which are included with its
14 supplemental testimony in this Cause. I have reviewed Exhibit PGG-1, which
15 summarizes the agreed-upon revenue requirement.

1 **Q: Please briefly describe the process you used in order to reach a settlement in this**
2 **Cause.**

3 A: The OUCC became quite familiar with the operations of CELP and its requested relief
4 during the pendency of this docket. Specifically, the OUCC made numerous site visits to
5 CELP, reviewed the books and records of both CELP and Accelplus, as well as other
6 evidence, and had multiple discussions with CELP's senior management and accounting
7 team. The OUCC spent considerable time understanding CELP's need for rate relief,
8 while also recognizing the issues that stem from the comingling of records and operations
9 of CELP and Accelplus.

10 **Q: Please briefly describe the Settlement.**

11 A: The Settlement resolves all revenue requirement issues in this Cause. The Settlement
12 provides for new base rates designed to produce additional utility operating revenue of
13 \$1,699,669, resulting in an overall 5.81% increase. This amount is substantially lower
14 than the \$2.9 million (revised) amount from Petitioner's Revised Exhibit WSS-1 as filed
15 in DPJ Attachment 1.

16 In addition, the Settlement includes the following provisions and safeguards:

17 1. CELP agrees with the majority of adjustments proposed by the OUCC. The
18 only adjustment that was modified was labor expense. The labor expense
19 adjustment was initially made in order to estimate Accelplus' labor expenses
20 that were not allocated. A compromise to reduce the estimate amount from
21 \$195,142 to \$103,225 was reached regarding this particular issue as one
22 component of an overall settlement of all issues.

- 1 2. The parties agree to a Return on Plant of 4.63%. This Return on Plant is
2 based on the May 7, 2010, 30-Year Treasury Bond.¹ The Treasury Bond rate
3 reflects the “opportunity cost” approach, which was referenced in a May 16,
4 1990 memorandum from the Commission’s then-Chief Economist, Mr.
5 Edward K. Phelan. This approach measures the “opportunity cost” of
6 municipal equity and the OUCC Staff continues to support and utilize this
7 approach.
- 8 3. The commingling of accounting records between CELP and Accelplus,
9 CELP’s affiliated cable business, was a major concern for the OUCC in this
10 proceeding. Subsequent to the OUCC’s testimony being filed, the Utility
11 Service Board for the City of Crawfordsville adopted a Resolution requiring
12 the maintenance of separate revenue and expense accounts between CELP and
13 Accelplus. That Resolution also prohibits CELP from loaning monies to
14 Accelplus, providing services to Accelplus below costs and paying for any
15 losses attributable to Accelplus. The parties agree that the specific
16 recommendations in the Resolution will be made a part of the Settlement in
17 this Cause.
- 18 4. CELP agrees to the following reporting requirements, which will enable the
19 OUCC and the Commission to closely monitor CELP and Accelplus and
20 ensure compliance with the Commission’s Final Order in this Cause:
- 21 a. On a monthly basis, Petitioner will provide to the OUCC a copy of the
22 invoice it submits to Accelplus for operating expenses attributable to
23 Accelplus’ operations. Such operating expenses include payroll costs,

¹ Valueline, Selections & Opinion, 5/7/2010.

1 employee benefits, phone usage and rent. A copy of the April 6, 2010
2 invoice for Accelplus expenses incurred by CELP during February of
3 2010 is attached hereto as Joint Settlement Exhibit 2. Petitioner also
4 will provide the OUCC on a monthly basis with a copy of the check
5 issued by Accelplus for the previous month's invoiced operating
6 expenses. This reporting requirement shall continue for a period of
7 two (2) years, or until such time as Petitioner receives an unqualified
8 audit or examination report from the Indiana State Board of Accounts,
9 whichever period is longer.

10 b. Petitioner will provide the OUCC with copies of all future audit
11 reports issued by the Indiana State Board of Accounts. This
12 requirement shall continue for a period of two (2) years, or until such
13 time as Petitioner receives an unqualified audit or examination report
14 from the State Board of Accounts, whichever period is longer.

15 c. Petitioner will notify the OUCC and the IURC in the event the Utility
16 Service Board of the City of Crawfordsville makes a determination to
17 sell, decommission or otherwise dispose of CELP's 24 MW electric
18 generating facility.

19 5. CELP agrees to not withdraw from Commission jurisdiction for a period of
20 two (2) years, or until such time as it receives an unqualified audit or
21 examination report from the Indiana State Board of Accounts, whichever
22 period is longer, which again ensures continued oversight by the Commission.

23 6. CELP also agrees to use its best efforts to obtain repayment of its outstanding
24 loan to Accelplus. Any funds collected for the repayment of this outstanding
25 loan will inure to the direct benefit of CELP's customers.

26 With the reporting requirements identified above, the OUCC believes that the
27 commingling of accounting records will cease and that the rate relief provided by the
28 Settlement Agreement is reasonable.

III. Recommendations

1 **Q: Do you recommend Commission approval of the Settlement?**

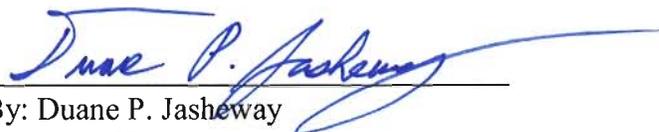
2 A: Yes. I recommend the Commission approve the Settlement between CELP and the
3 OUCC as the Settlement represents a reasonable compromise between the Parties on
4 many disputed issues, including revenue requirements and the issues the OUCC had with
5 commingling of accounting records between CELP and Accelplus. This Settlement was
6 reached through a collaborative process between the Parties and adequately addresses the
7 OUCC's concerns.

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

9 A: Yes, it does.

AFFIRMATION

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



By: Duane P. Jasheway
Indiana Office of
Utility Consumer Counselor

May 28, 2010

Date

Cause No. 43773