

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF SWITZERLAND COUNTY NATURAL)
GAS COMPANY, INC. FOR AUTHORITY TO) CAUSE NO. 45117
CHANGE ITS RATES, CHARGES, TARIFFS, RULES,)
AND REGULATIONS)**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR


PUBLIC'S EXHIBIT NO. 4

TESTIMONY OF OUCC WITNESS

LEON A. GOLDEN

NOVEMBER 2, 2018

Respectfully submitted,


Lorraine Hitz-Bradley
Atty. No. 18006-29
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS LEON A. GOLDEN
CAUSE NO. 45117
SWITZERLAND COUNTY NATURAL GAS COMPANY, INC.

I. INTRODUCTION

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

2 A: My name is Leon A. Golden, and my business address is 115 West Washington
3 Street, 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
6 a Utility Analyst II for the Natural Gas Division. My educational background and
7 experience are detailed in Appendix LAG-1 attached to this testimony.

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

9 A: I provide my analysis of Switzerland County Natural Gas Company's ("Petitioner"
10 or "Switzerland") proposed rate base calculations and its adjustments to
11 depreciation expense. Subject to my proposed adjustments, I recommend
12 Petitioner's proposed rate base and depreciation expense be approved.

II. DEPRECIATION EXPENSE

13 **Q: Did you review Petitioner's proposed depreciation rates?**

14 A: Yes. Petitioner has not proposed changes in its depreciation rates from those
15 previously accepted by the Commission.¹ Petitioner has proposed the continued use
16 of composite depreciation rates of 2.5% for Total Utility Plant in Service, a 10.0%

¹ See Cause Nos. 43897-U (Order: January 5, 2011) and 44293 (Order: May 15, 2013).

1 rate for General Plant, and a 20.0% rate for Transportation and Computer
2 Equipment. I was able to tie Petitioner's test year depreciation expense of \$97,912
3 in Schedule C-1, page 6, to its income statement shown in Petitioner's Exhibit B.

4 **Q: Did Petitioner propose an adjustment for depreciation expense?**

5 A: Yes. Petitioner's pro-forma present rate adjustment results in a decrease in
6 depreciation expense of \$5,518. The basis for this decrease is a reduction in utility
7 plant in service reflecting the amount of fully depreciated assets between the time
8 of Petitioner's last rate case and the rate base cut-off date of September 30, 2017.

9 **Q: Do you agree with Petitioner's proposed adjustment to depreciation expense?**

10 A: No. OUCC witness Isabelle Gordon found a \$25,000 truck loan taken out on
11 September 22, 2017, which was not recorded on the financial statements. Ms.
12 Gordon is proposing to include the truck loan in the capital structure. Petitioner will
13 start depreciating this asset within 12 months following the end of the test year, so
14 I have added \$25,000 to transportation equipment, and recalculated depreciation
15 expense accordingly. My calculation, shown on Attachment LAG-1, results in an
16 adjustment decrease amount of \$518.

III. ORIGINAL COST RATE BASE

17 **Q: What amount did Petitioner propose for total utility plant in service as of**
18 **September 30, 2017?**

19 A: Petitioner proposed total utility plant in service of \$3,394,460 as of September 30,
20 2017. I confirmed Petitioner's financial statements (Exhibit A) show a gas plant in
21 service amount of \$2,908,801 and a general plant amount of \$485,659 at September
22 31(sic), 2017, and that these numbers tie with the proposed total utility plant in

1 service of \$3,394,460. Petitioner's net utility plant in service includes a subtraction
2 for the Belterra Main of \$1,700,592, for a total utility plant in service of \$1,693,868.

3 **Q: Do you agree with Petitioner's proposed total utility plant in service as of**
4 **September 30, 2017?**

5 A: No. Petitioner removed the contribution from the Belterra main from its total utility
6 plant in service. Switzerland took out a note payable with Belterra to pay for the
7 main extension to the casino. As discussed in the testimony of OUCC witness
8 Gordon, Petitioner did not include the Belterra Note Payable in its proposed capital
9 structure. As a result, the value of Petitioner's rate base was greater than the amount
10 of capital used to fund that rate base. Ms. Gordon recommends including the
11 Belterra note payable in the capital structure. The contribution amount is not
12 reflected as a contribution in aid of construction on Petitioner's financial statements
13 filed in this Cause within Petitioner's Exhibit A. Additionally, this amount is not
14 reflected as a contribution in aid of construction in Petitioner's trial balance
15 provided in the workpapers. Therefore, I have removed the credit for the Belterra
16 Main extension from the total utility plant in service.

17 As mentioned above, OUCC witness Isabelle Gordon found a \$25,000 truck
18 loan taken out on September 22, 2017, which was not recorded on the financial
19 statements. Ms. Gordon is proposing to include the truck loan in the capital
20 structure. I have added \$25,000 to utility plant in service as of September 30, 2017.
21 My calculation of Petitioner's total utility plant of \$3,419,460 is shown on
22 Attachment LAG-2.

1 **Q: Please describe Petitioner's proposal for accumulated depreciation.**

2 A: Petitioner proposed in its Schedule D an accumulated depreciation amount of
3 \$1,659,298. I confirmed this amount agreed with the accumulated depreciation as
4 shown on the financial statements marked as Petitioner's Exhibit A. In addition,
5 Petitioner's Exhibit D included an adjustment of \$822,659 to account for the
6 accumulated depreciation associated with the Belterra Main, which was subtracted
7 from utility plant in service.

8 **Q: Do you agree with Petitioner's total accumulated depreciation?**

9 A: No. For the same reasons as stated above, I removed the Accumulated Depreciation
10 relating to the Belterra Main from Petitioner's calculation. The new truck purchased
11 in September 2017 will have no impact on accumulated depreciation, as Petitioner
12 did not start depreciating the truck until October 2017, which is after the rate base
13 cut-off date of September 30, 2017. My calculation of Petitioner's accumulation
14 depreciation equals the accumulated depreciation as of September 30, 2017 of
15 (\$1,659,298), as shown on Petitioner's Exhibit D. This amount matches the total
16 accumulated depreciation on Petitioner's Exhibit A.

17 **Q: What amount did Petitioner propose for working capital?**

18 A: Petitioner proposed a working capital amount of \$50,868 on Petitioner's Exhibit D.
19 Petitioner's Exhibit C indicates an amount of \$406,947 on the line item "Other
20 Operation & Maintenance" under the "Pro-Forma Present Rates" column.
21 Petitioner calculated working capital by dividing \$406,947 by eight. This is
22 equivalent to dividing 360 days by forty-five, and is an acceptable method for
23 calculating working capital absent a lead-lag study.

1 **Q: Do you agree with Petitioner's calculation?**

2 A: No. While I agree with the methodology used to calculate working capital, OUCC
3 witnesses Isabelle Gordon, Amy Larsen and Edward Rutter made adjustments to
4 Petitioner's proposed amount for operation and maintenance ("O&M") expense.
5 Based on Ms. Gordon's total O&M expense on Public's Exhibit No. 1, Attachment
6 ILG-1, Schedule 5, Petitioner's proposed working capital must also be adjusted.

7 **Q: What is your adjustment to working capital?**

8 A: My adjustment to Petitioner's working capital, using the total O&M expense of
9 \$362,654 from Public's Exhibit No. 1, Attachment ILG-1, Schedule 5, is \$45,332.
10 I calculated this amount using the same methodology used by Petitioner and applied
11 it to the annual operating expense calculated by Ms. Gordon. My calculation is
12 shown on Attachment LAG-2.

13 **Q: Did Petitioner propose an adjustment for materials and supplies?**

14 A: No. Petitioner does not keep an inventory of materials and supplies. I visited
15 Switzerland's office and facilities and confirmed that it does not have inventory.

16 **Q: What is your total original cost rate base amount?**

17 A: Taking into account the adjustments noted above, I calculated a total original cost
18 rate base of \$1,805,494. This calculation is shown in my Attachment LAG-2.

IV. CONCLUSIONS AND RECOMMENDATIONS

19 **Q: Please summarize your conclusions and recommendations.**

20 A: Based upon my adjustments described above, I recommend the Commission
21 approve a total original cost rate base of \$1,805,494, and a total depreciation
22 expense adjustment decrease of \$518.

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

2 **A:** Yes.

AFFIRMATION

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



Leon A. Golden
Utility Analyst II
Indiana Office of Utility Consumer Counsel
Cause No. 45117
Switzerland County Natural Gas Company,
Inc.

11/2/2018

Date

APPENDIX LAG-1 TO TESTIMONY OF
OUCC WITNESS LEON A. GOLDEN

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

2 A: I graduated from Purdue University School of Engineering and Technology -
3 Indianapolis in 2011, with a Bachelor of Science degree in Mechanical
4 Engineering. In October of 2011, I passed the Fundamentals of Engineering exam
5 administered by the Indiana Professional Licensing Agency.

6 I worked as a civil engineering technician from 2005-2008, performing
7 materials testing in field and laboratory settings, conducting analysis of mechanical
8 properties of soils, and working in accordance with a variety of testing standards.
9 From 2009-2014, I worked as an engineer co-op and project engineer in the electric
10 utility industry in a number of different areas, including Customer Projects,
11 Substation Relaying and Protection, and Standards and Code Compliance. I have
12 also worked as a project engineer on nearly fifty distributed generation solar
13 projects, ranging from 20 kW/ac to 10 MW/ac.

14 I have participated in several Institute of Electrical and Electronics
15 Engineers technical workshops, including Smart Grid Cyber-Security, Smart
16 Distribution Systems, and Wind Farm Collector System Design workshops. I have
17 attended New Mexico State University – Center for Public Utilities’ Basic
18 Regulatory Training for the Electric and Natural Gas Industries in New Mexico,
19 and the Institute of Public Utilities’ Intermediate Regulatory Studies Program at
20 Michigan State University. In addition, I have attended MISO training courses on
21 several topics, including Locational Marginal Price Mechanics, Financial
22 Transmission Rights Mechanics, MISO Market Settlement Calculations, and

1 Resource Adequacy Mechanics. I have also completed the Depreciation
2 Fundamentals course taught by the Society of Depreciation Professionals. In
3 addition, I have earned a certificate in Fundamentals of Gas Distribution from the
4 Gas Technology Institute.

5 **Q: Have you previously testified before this Commission?**

6 A: Yes. I have testified in a number of Causes before this Commission.

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

9 A: I reviewed and analyzed Petitioner's direct testimony, exhibits, and workpapers. I
10 also reviewed responses to data requests issued by the OUCC. I participated in an
11 onsite meeting at Switzerland County Natural Gas Company's offices and visited
12 utility facilities. I also reviewed Petitioner's two most recent rate cases (Cause Nos.
13 43897-U and 44293) to get a better background on the requests made in Switzerland
14 County Natural Gas Company's Petition and testimony.

Switzerland Co. Natural Gas Co., Inc.
Cause No. 45117
Depreciation Expense

Total Utility Plant in Service @ 9/30/17		\$ 3,394,460	
Less:			
Land	73,088		
Transportation equipment	79,609		
Office furniture & fixtures	40,701		
Miscellaneous equipment	98,569		
Structures equipment	193,692		
Less: Non-Distribution rate plant		(485,659)	
Distribution rate plant		2,908,801	
Depreciation rate		2.5%	
Pro-Forma depreciation expense @ 2.5%			\$ 72,720
Transportation equipment	79,609		
New Vehicle	25,000		
Less: Fully depreciated		(12,124)	
Depreciable transportation and computer equipment		92,485	
Depreciation rate		20%	
Pro-Forma depreciation expense @ 20%			18,497
Office furniture & fixtures	40,701		
Miscellaneous equipment	98,569		
Structures equipment	193,692		
Total 10% equipment		332,962	
Less: Fully depreciated		(271,194)	
Depreciable 10% equipment		61,768	
Depreciation rate		10%	
Pro-Forma depreciation expense @ 10%			6,177
Total pro-forma depreciation expense			97,394
Less: Test year depreciation expense			97,912
Adjustment - increase / (decrease) in depreciation expense			\$ (518)


SWITZERLAND COUNTY NATURAL GAS CO., INC.
ORIGINAL COST RATE BASE

Utility Plant In Service As of September 30, 2017	\$	3,394,460	
Add: New Vehicle		25,000	
Less: Belterra Main		-	
Total Utility Plant in Service As of September 30, 2017		<u>3,419,460</u>	
Less: Accumulated Depreciation		(1,659,298)	
Belterra Main - Accumulated Depreciation		<u>-</u>	
Net Utility Plant in Service		1,760,162	
Plus:			
Working Capital	\$	362,654 /8	<u>45,332</u>
Total Original Cost Rate Base	\$	<u>1,805,494</u>	

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 4 Testimony of OUCC Witness Leon A. Golden* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 2, 2018.

L. Parvin Price
BARNES & THORNBURG LLP
parvin.price@btlaw.com


Lorraine Hitz-Bradley
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 – Phone
317/232-5923 – Facsimile