

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

FILED
June 12, 2018
INDIANA UTILITY
REGULATORY COMMISSION

PETITION OF SOUTH EASTERN)
INDIANA NATURAL GAS COMPANY,)
INC. FOR AUTHORITY TO CHANGE) CAUSE NO.: 45027
ITS RATES, CHARGES, TARIFFS,)
RULES, AND REGULATIONS)

PETITIONER'S RESPONSE TO COMMISSION'S DOCKET ENTRY

Comes now, South Eastern Indiana Natural Gas Company, Inc. ("Petitioner") by counsel and responds to the Commission's questions issued by Docket Entry of June 6, 2018, as follows:

1. Q. Please provide updated ratemaking schedules that reflect South Eastern's current request based upon its rebuttal evidence.
 - A. Attached please find updated schedules based on Petitioner's Rebuttal Testimony as requested by the Commission. Petitioner's Witness Mann prepared the attached material.
2. Q. Please provide updated ratemaking schedules that reflect what South Eastern's request would be if it corrected for the long-term debt issue discussed in the rebuttal testimony of South Eastern witness Bonnie J. Mann.
 - A. Attached please find updated rebuttal schedules without long term debt as requested by the Commission. Petitioner's Witness Mann prepared the attached material.

Respectfully submitted,



L. Parvin Price
Attorney No. 5827-49
BARNES & THORNBURG LLP
11 S. Meridian Street
Indianapolis, IN 46204
Telephone: (317)231-7721
Facsimile: (317)231-7433
parvin.price@btlaw.com
Counsel for
South Eastern Indiana Natural Gas Company, Inc.

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record by electronic mail this 12th day of June, 2018:

Randy Helmen
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
rhelmen@oucc.in.gov
infomgt@oucc.in.gov



L. Parvin Price

Cause No. 45027

South Eastern Indiana Natural Gas Company, Inc.'s Response to
the Commission's Docket Entry, Question 1

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

Pro-Forma Operating Income Statement
At Pro-Forma Present and Proposed Rates
For the Twelve Months Ended March 31, 2017

Increase Required: 21.78%

	March	Adjustments	Ref	Pro-Forma Present Rates	Adjustments	Ref	Pro-Forma Proposed Rates
<u>Operating Revenues</u>							
Gas sales	\$ 1,532,540	\$ (542,741)	(1)	\$ 989,799	\$353,384	(A)	\$ 1,343,183
Other gas revenues	41,816			41,816			41,816
Total operating revenues	<u>1,574,356</u>	<u>(542,741)</u>		<u>1,031,615</u>	<u>353,384</u>		<u>1,384,999</u>
<u>Operating Expenses</u>							
Natural gas purchased	522,928	(522,928)	(2)	-			-
Other operation & maintenance	873,540	96,555	(3)	970,095	1,849	(B & C)	971,944
Depreciation	108,466	11,631	(4)	120,097			120,097
Taxes other than income taxes	91,199	(1,853)	(5)	89,346	4,928	(D)	94,274
Income taxes	80,524	(123,873)	(6)	(43,349)	89,450	(E)	46,101
Total operating expenses	<u>1,676,657</u>	<u>(540,468)</u>		<u>1,136,189</u>	<u>96,227</u>		<u>1,232,416</u>
Net operating income	<u>\$ (102,301)</u>	<u>\$ (2,273)</u>		<u>\$ (104,574)</u>	<u>\$ 257,157</u>		<u>\$ 152,583</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(1) REVENUE ADJUSTMENTS

(a)

To adjust operating revenues to eliminate GCA revenue included in the test year.

\$ (505,763)

(b)

To adjust operating revenues to move to new NOAA averages for NTA.

\$ (9,915)

OUCC Unaccounted for gas adjustment

\$ (27,063)

Total adjustment to operating revenues - increase / (decrease)

\$ (542,741)

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(2) NATURAL GAS PURCHASED ADJUSTMENT

To adjust natural gas purchased to eliminate the cost of natural gas purchased from base rates.

Sales - Dth	167,463	
Unaccounted for gas percentage	<u>0.00%</u>	
Pro-Forma purchased gas		-
Estimated cost of purchased gas (Schedule C-3)	<u>\$ 3.78</u>	
Pro-Forma cost of gas		-
Less: test year purchased gas		<u>522,928</u>
Increase / (decrease) in natural gas purchased		<u><u>\$ (522,928)</u></u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS

(a)

To adjust other operation and maintenance expense for the annualization of payroll and wage increases, net of amount capitalized.

Pro-Forma payroll	\$ 659,331
Less: Capitalized payroll	<u>(42,657)</u>
Pro-Forma payroll expense	616,674
Test year payroll expense	<u>511,645</u>
Payroll adjustment - increase / (decrease)	<u>\$ 105,029</u>

(b)

To adjust other operations and maintenance expense for pension contribution made on behalf of employees.

Payroll adjustment from 3(a)	\$ 105,029
Test year pension contribution rate	<u>10.00%</u>
Pension expense adjustment - increase / (decrease)	<u>\$ 10,503</u>

(c)

To adjust other operations and maintenance expense for employer's 401(k) contribution.

Pro-Forma employer 401(k) contribution	\$ 17,350
Test year 401(k) contribution	<u>15,943</u>
Employer 401(k) expense adjustment - increase / (decrease)	<u>\$ 1,407</u>

(d)

To adjust other operation and maintenance expense for the amortization of rate case expense.

Estimated cost of rate case filing	\$ 230,000
Estimated cost of mailing notice to customers	<u>2,500</u>
Total estimated cost	232,500
Amortization period - years	<u>5</u>
Annual amortization	46,500
Test year amortization	<u>37,208</u>
Adjustment - increase / (decrease)	<u>\$ 9,292</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS (continued)

(e)

To adjust other operation and maintenance expense to reflect current IURC fee.

Applicable revenues at present rates including GCA revenue	\$ 1,664,056
Current IURC rate	<u>0.001338381</u>
Pro-Forma IURC fee at present rates	2,227
Less: Test year IURC fee	<u>2,668</u>
Adjustment - increase	<u>\$ (441)</u>

(f)

To adjust other operations and maintenance expense for property, worker's compensation, casualty and general liability insurance.

Pro-Forma insurance expense	\$ 19,244
Less: Test year insurance expense	<u>26,864</u>
Adjustment - increase / (decrease)	<u>\$ (7,620)</u>

(g)

To adjust other operations and maintenance expense for the increase of health, life and dental insurance.

Pro-Forma insurance expense	\$ 61,022
Less: Test year insurance expense	<u>68,733</u>
Adjustment - increase / (decrease)	<u>\$ (7,711)</u>

(h)

To adjust other operations and maintenance expense to increase recurring accounting expenses.

Pro-Forma recurring accounting expense	\$ 30,000
Less: Cost of Valuation report	\$ (3,500)
Less: Test year accounting expense	<u>(22,850)</u>
Adjustment - increase / (decrease)	<u>\$ 3,650</u>

(i)

To adjust other operations and maintenance expense for energy efficiency from NTA order. \$ (3,100)

(j)

To adjust other operations and maintenance expense to increase in postage expense. \$ 283

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**MILAN, IN****DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS****(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS (continued)**

(k)

To adjust other operations and maintenance expense for charitable contributions.

Charitable contributions	\$	675
Ripley County Community Foundation		1,000
Indiana Energy Association		<u>131</u>

Adjustment - increase / (decrease) \$ (1,806)

(l)

To adjust other operations and maintenance expense for bad debts.

Actual bad debt write-offs as of March 31

2017	\$	5,126
2016		6,068
2015		8,418
2014		6,500
2013		<u>3,728</u>

5 year average	\$	5,968
Test year		<u>5,126</u>

Adjustment - increase / (decrease) \$ 842

(m)

To adjust other operations and maintenance expense for increase in recurring legal fees.

Pro-Forma recurring legal expense	\$	14,400
Test year		<u>13,964</u>

Adjustment - increase / (decrease) \$ -

(n)

To adjust other operations and maintenance expense for costs related to the Energy Efficiency Program

Removal of amortization for costs associated with Cause No. 43995 ARP proceeding \$ (2,760)

Recovery of past and on-going regulatory cost of the energy efficiency program as approved in Cause 44218 3,250

Adjustment - increase / (decrease) \$ 490

OUC Non-recurring Tax payment \$ (1,425)

OUC Miscellaneous expense \$ (12,839)

Total adjustment to other operations and maintenance expense - increase / (decrease) \$ 96,555

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(4) DEPRECIATION EXPENSE ADJUSTMENT

To adjust depreciation expense to reflect current plant in service.

Total Utility Plant in Service @ 3/31/17		\$ 4,278,553	
Less:			
Land	59,359		
Transportation equipment	87,320		
Office furniture & fixtures	10,194		
Tools & shop equipment	19,062		
Power operated equipment	58,119		
Communication equipment	15,815		
Miscellaneous equipment	3,433		
Structures equipment	178,843		
Computer equipment	17,196		
		(449,341)	
Less: Non-Distribution rate plant		(644,167)	
Less: Fully depreciated			
		3,185,045	
Distribution rate plant		3%	
Depreciation rate			
Pro-Forma depreciation expense @ 3%			\$ 95,551
Transportation equipment	87,320		
Computer equipment	17,196		
Total 20% equipment		104,516	
Less: Fully depreciated		(104,070)	
		446	
Depreciable transportation and computer equipment		20%	
Depreciation rate			
Pro-Forma depreciation expense @ 20%			89
Office furniture & fixtures	10,194		
Tools & shop equipment	19,062		
Power operated equipment	58,119		
Communication equipment	15,815		
Miscellaneous equipment	3,433		
Structures equipment	178,843		
Total 10% equipment		285,466	
Less: Fully depreciated		(40,900)	
		244,566	
Depreciable 10% equipment		10%	
Depreciation rate			
Pro-Forma depreciation expense @ 10%			24,457
Total pro-forma depreciation expense			120,097
Less: Test year depreciation expense			108,466
Adjustment - increase / (decrease) in depreciation expense			<u>\$ 11,631</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(5) TAXES OTHER THAN INCOME TAX ADJUSTMENTS

(a)

To adjust taxes other than income taxes for increase in FICA and SUTA taxes due to payroll increase

Payroll wage increase subject to FICA limits	\$ 105,029	
FICA tax rate	<u>7.65%</u>	
Adjustment - increase / (decrease) in FICA taxes		<u>\$ 8,035</u>

(b)

To adjust taxes other than income taxes for increased cost of property taxes based on current utility plant in service

Total taxes paid 2017 - 2016	\$ 22,982	
Utility plant in service for property taxes (December 31, 2016)	<u>1,990,970</u>	
Effective property tax rate	1.15%	
Current utility plant in service	<u>1,982,545</u>	
Pro Forma property tax payment	22,885	
Test year property tax expense	<u>25,150</u>	
Adjustment - increase / (decrease) in property tax expense		<u>\$ (2,266)</u>

(c)

To adjust taxes other than income taxes to reflect changes in applicable revenues for utility receipts tax

Utility Receipts	\$ 1,031,615	
Less: Exemptions	1,000	
Bad Debts	<u>5,968</u>	
Utility receipts subject to utility receipts tax	1,024,647	
Applicable utility receipts tax rate	<u>1.40%</u>	
Pro-Forma at present rates	14,345	
Less: test year expense	<u>21,967</u>	
Adjustment - increase / (decrease) in state utility receipt tax expense		<u>\$ (7,622)</u>
Adjustment - increase / (decrease) in taxes other than income taxes		<u>\$ (1,853)</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(6) INCOME TAX ADJUSTMENTS

To adjust income taxes to reflect changes in revenues and expenses
(a)

State Income Tax:

Net operating income and state tax	\$ (147,923)	
Plus: utility receipts tax	14,345	
Less: synchronized interest	<u>(23,132)</u>	
	(156,710)	
Applicable state income tax rate	<u>6.00%</u>	
Pro-Forma at present rates		(9,403)
Less: test year expense		<u>(10,798)</u>
Adjustment - increase / (decrease) in state income tax expense		<u>\$ (20,200)</u>

(b)

Federal Income Tax:

Net operating income before federal and state income tax	\$ (147,923)	
Less:		
Synchronized interest	23,132	
Adjusted state income tax	<u>(9,403)</u>	
Federal taxable income	(161,652)	
Federal taxable rate	<u>21%</u>	
Adjusted federal income tax expense		(33,947)
Less: test year federal income tax		<u>(69,726)</u>
Adjustment - increase / (decrease) in federal income tax expense		<u>\$ (103,673)</u>
Adjustment - increase / (decrease) income taxes		<u>\$ (123,873)</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(A)

To adjust operating revenues to reflect proposed revenue increase.

Proforma sales of gas at present rates - schedule C-3	\$ 1,622,240	
Requested rate increase	<u>21.780%</u>	
Adjustment - increase / (decrease)		<u>\$ 353,384</u>

(B)

To adjust other operation and maintenance expense to reflect increase in IURC fee.

Proposed revenue increase	\$ 353,384	
Current effective IURC fee rate	<u>0.13383810%</u>	
Adjustment - increase / (decrease)		<u>473</u>

(C)

To adjust other operations and maintenance expense to reflect the increase in bad debts.

Proposed revenue increase	\$ 353,384	
Current effective rate	<u>0.003894</u>	
Adjustment - increase / (decrease)		<u>1,376</u>
Total adjustment - increase / (decrease)		<u>\$ 1,849</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(D)

To adjust taxes other than income taxes to reflect pro-forma changes in revenues and expenses.

Utility Receipts Tax

Proposed revenue increase	\$	353,384	
Less: Increase in bad debts		1,376	
		352,008	
Applicable utility receipts tax rate		1.40%	
Adjustment - increase / (decrease)			\$ 4,928

(E)

To adjust income taxes to reflect pro-forma changes in revenue and expenses.

State Income Tax:

Proposed revenue increase	\$	353,384	
Less: Increase in IURC fee		(473)	
Increase in bad debts		(1,376)	
Taxable increase		351,535	
Applicable income tax rate		6.00%	
Adjustment - increase			\$ 21,092

Federal Income Tax:

Proposed revenue increase	\$	353,384	
Less: Increase in IURC fee		(473)	
Increase in utility receipts tax		(4,928)	
Increase in bad debts		(1,376)	
Increase in state income tax		(21,092)	
Federal taxable income increase		325,515	
Applicable tax rate		21%	
Adjustment - increase			\$ 68,358
Total increase / (decrease) to income taxes			\$ 89,450

SCHEDULE C-3**SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**
MILAN, IN**TOTAL BILLED REVENUE CALCULATION**

Estimated volume of gas purchased - DTH	167,463
Estimated base cost of gas for GCA	<u>\$ 3.7766</u>
Estimated cost of gas to be included in revenues	\$ 632,441
Pro-Forma present rate gas sales revenue	<u>989,799</u>
Total revenue including gas costs	1,622,240
Requested percentage increase	<u>21.78%</u>
Revenue adjustment requested	<u><u>\$353,384</u></u>

EXHIBIT D

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

ORIGINAL COST RATE BASE

Utility plant in service as of March 31, 2017		\$ 4,278,553
Less: Accumulated depreciation		<u>(2,296,008)</u>
Net utility plant in service		1,982,545
Plus:		
Working capital	\$ 970,095 /8	121,262
Materials and supplies		<u>18,352</u>
Total original cost rate base		<u><u>\$ 2,122,159</u></u>
Net operating income authorized		<u><u>\$ 152,583</u></u>

EXHIBIT E**SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**
MILAN, IN**CAPITAL STRUCTURE**
As of March 31, 2017

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common equity	\$ 1,309,253	59.50%	10.25%	6.10%
Long-term debt	250,000	11.36%	6.50%	0.74%
Customer deposits	129,725	5.90%	6.00%	0.35%
Deferred tax	<u>511,359</u>	<u>23.24%</u>	0.00%	<u>0.00%</u>
Total	<u>\$2,200,337</u>	<u>100.00%</u>		<u>7.19%</u>

Cause No. 45027

South Eastern Indiana Natural Gas Company, Inc.'s Response to
the Commission's Docket Entry, Question 2

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

**Pro-Forma Operating Income Statement
At Pro-Forma Present and Proposed Rates
For the Twelve Months Ended March 31, 2017**

Increase Required: 22.26%

	<u>March</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>
	<u>2017</u>			<u>Present</u>			<u>Proposed</u>
				<u>Rates</u>			<u>Rates</u>
<u>Operating Revenues</u>							
Gas sales	\$ 1,532,540	\$ (542,741)	(1)	\$ 989,799	\$361,188	(A)	\$ 1,350,987
Other gas revenues	41,816			41,816			41,816
Total operating revenues	<u>1,574,356</u>	<u>(542,741)</u>		<u>1,031,615</u>	<u>361,188</u>		<u>1,392,803</u>
<u>Operating Expenses</u>							
Natural gas purchased	522,928	(522,928)	(2)	-			-
Other operation & maintenance	873,540	96,555	(3)	970,095	1,890	(B & C)	971,985
Depreciation	108,466	11,631	(4)	120,097			120,097
Taxes other than income taxes	91,199	(1,853)	(5)	89,346	5,037	(D)	94,383
Income taxes	80,524	(120,104)	(6)	(39,580)	91,426	(E)	51,846
Total operating expenses	<u>1,676,657</u>	<u>(536,699)</u>		<u>1,139,958</u>	<u>98,353</u>		<u>1,238,311</u>
Net operating income	<u>\$ (102,301)</u>	<u>\$ (6,042)</u>		<u>\$ (108,343)</u>	<u>\$ 262,836</u>		<u>\$ 154,492</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(1) REVENUE ADJUSTMENTS

(a)

To adjust operating revenues to eliminate GCA revenue included in the test year.

\$ (505,763)

(b)

To adjust operating revenues to move to new NOAA averages for NTA.

\$ (9,915)

OUCC Unaccounted for gas adjustment

\$ (27,063)

Total adjustment to operating revenues - increase / (decrease)

\$ (542,741)

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(2) NATURAL GAS PURCHASED ADJUSTMENT

To adjust natural gas purchased to eliminate the cost of natural gas purchased from base rates.

Sales - Dth	167,463	
Unaccounted for gas percentage	<u>0.00%</u>	
Pro-Forma purchased gas	-	
Estimated cost of purchased gas (Schedule C-3)	<u>\$ 3.78</u>	
Pro-Forma cost of gas		-
Less: test year purchased gas		<u>522,928</u>
Increase / (decrease) in natural gas purchased		<u>\$ (522,928)</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS

(a)

To adjust other operation and maintenance expense for the annualization of payroll and wage increases, net of amount capitalized.

Pro-Forma payroll	\$ 659,331
Less: Capitalized payroll	<u>(42,657)</u>
Pro-Forma payroll expense	616,674
Test year payroll expense	<u>511,645</u>
Payroll adjustment - increase / (decrease)	<u>\$ 105,029</u>

(b)

To adjust other operations and maintenance expense for pension contribution made on behalf of employees.

Payroll adjustment from 3(a)	\$ 105,029
Test year pension contribution rate	<u>10.00%</u>
Pension expense adjustment - increase / (decrease)	<u>\$ 10,503</u>

(c)

To adjust other operations and maintenance expense for employer's 401(k) contribution.

Pro-Forma employer 401(k) contribution	\$ 17,350
Test year 401(k) contribution	<u>15,943</u>
Employer 401(k) expense adjustment - increase / (decrease)	<u>\$ 1,407</u>

(d)

To adjust other operation and maintenance expense for the amortization of rate case expense.

Estimated cost of rate case filing	\$ 230,000
Estimated cost of mailing notice to customers	<u>2,500</u>
Total estimated cost	232,500
Amortization period - years	<u>5</u>
Annual amortization	46,500
Test year amortization	<u>37,208</u>
Adjustment - increase / (decrease)	<u>\$ 9,292</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS (continued)

(e)

To adjust other operation and maintenance expense to reflect current IURC fee.

Applicable revenues at present rates including GCA revenue	\$ 1,664,056
Current IURC rate	<u>0.001338381</u>
Pro-Forma IURC fee at present rates	2,227
Less: Test year IURC fee	<u>2,668</u>
Adjustment - increase	<u>\$ (441)</u>

(f)

To adjust other operations and maintenance expense for property, worker's compensation, casualty and general liability insurance.

Pro-Forma insurance expense	\$ 19,244
Less: Test year insurance expense	<u>26,864</u>
Adjustment - increase / (decrease)	<u>\$ (7,620)</u>

(g)

To adjust other operations and maintenance expense for the increase of health, life and dental insurance.

Pro-Forma insurance expense	\$ 61,022
Less: Test year insurance expense	<u>68,733</u>
Adjustment - increase / (decrease)	<u>\$ (7,711)</u>

(h)

To adjust other operations and maintenance expense to increase recurring accounting expenses.

Pro-Forma recurring accounting expense	\$ 30,000
Less: Cost of Valuation report	\$ (3,500)
Less: Test year accounting expense	<u>(22,850)</u>
Adjustment - increase / (decrease)	<u>\$ 3,650</u>

(i)

To adjust other operations and maintenance expense for energy efficiency from NTA order.

\$ (3,100)

(j)

To adjust other operations and maintenance expense to increase in postage expense.

\$ 283

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS (continued)

(k)	
To adjust other operations and maintenance expense for charitable contributions.	
Charitable contributions	\$ 675
Ripley County Community Foundation	1,000
Indiana Energy Association	<u>131</u>
Adjustment - increase / (decrease)	<u>\$ (1,806)</u>

(l)	
To adjust other operations and maintenance expense for bad debts.	
Actual bad debt write-offs as of March 31	
2017	\$ 5,126
2016	6,068
2015	8,418
2014	6,500
2013	<u>3,728</u>
5 year average	\$ 5,968
Test year	<u>5,126</u>
Adjustment - increase / (decrease)	<u>\$ 842</u>

(m)	
To adjust other operations and maintenance expense for increase in recurring legal fees.	
Pro-Forma recurring legal expense	\$ 14,400
Test year	<u>13,964</u>
Adjustment - increase / (decrease)	<u>\$ -</u>

(n)	
To adjust other operations and maintenance expense for costs related to the Energy Efficiency Program	
Removal of amortization for costs associated with Cause No. 43995 ARP proceeding	\$ (2,760)
Recovery of past and on-going regulatory cost of the energy efficiency program as approved in Cause 44218	<u>3,250</u>
Adjustment - increase / (decrease)	<u>\$ 490</u>
OUCC Non-recurring Tax payment	<u>\$ (1,425)</u>
OUCC Miscellaneous expense	<u>\$ (12,839)</u>
Total adjustment to other operations and maintenance expense - increase / (decrease)	<u>\$ 96,555</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(4) DEPRECIATION EXPENSE ADJUSTMENT

To adjust depreciation expense to reflect current plant in service.

Total Utility Plant in Service @ 3/31/17		\$ 4,278,553	
Less:			
Land	59,359		
Transportation equipment	87,320		
Office furniture & fixtures	10,194		
Tools & shop equipment	19,062		
Power operated equipment	58,119		
Communication equipment	15,815		
Miscellaneous equipment	3,433		
Structures equipment	178,843		
Computer equipment	17,196		
		(449,341)	
Less: Non-Distribution rate plant		(644,167)	
Less: Fully depreciated			
		3,185,045	
Distribution rate plant		3%	
Depreciation rate			
Pro-Forma depreciation expense @ 3%			\$ 95,551
Transportation equipment	87,320		
Computer equipment	17,196		
Total 20% equipment		104,516	
Less: Fully depreciated		(104,070)	
		446	
Depreciable transportation and computer equipment		20%	
Depreciation rate			
Pro-Forma depreciation expense @ 20%			89
Office furniture & fixtures	10,194		
Tools & shop equipment	19,062		
Power operated equipment	58,119		
Communication equipment	15,815		
Miscellaneous equipment	3,433		
Structures equipment	178,843		
Total 10% equipment		285,466	
Less: Fully depreciated		(40,900)	
		244,566	
Depreciable 10% equipment		10%	
Depreciation rate			
Pro-Forma depreciation expense @ 10%			24,457
Total pro-forma depreciation expense			120,097
Less: Test year depreciation expense			108,466
Adjustment - increase / (decrease) in depreciation expense			<u>\$ 11,631</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(5) TAXES OTHER THAN INCOME TAX ADJUSTMENTS

(a)

To adjust taxes other than income taxes for increase in FICA and SUTA taxes due to payroll increase

Payroll wage increase subject to FICA limits	\$ 105,029
FICA tax rate	<u>7.65%</u>
Adjustment - increase / (decrease) in FICA taxes	<u>\$ 8,035</u>

(b)

To adjust taxes other than income taxes for increased cost of property taxes based on current utility plant in service

Total taxes paid 2017 - 2016	\$ 22,982
Utility plant in service for property taxes (December 31, 2016)	<u>1,990,970</u>
Effective property tax rate	1.15%
Current utility plant in service	<u>1,982,545</u>
Pro Forma property tax payment	22,885
Test year property tax expense	<u>25,150</u>
Adjustment - increase / (decrease) in property tax expense	<u>\$ (2,266)</u>

(c)

To adjust taxes other than income taxes to reflect changes in applicable revenues for utility receipts tax

Utility Receipts	\$ 1,031,615
Less: Exemptions	1,000
Bad Debts	<u>5,968</u>
Utility receipts subject to utility receipts tax	1,024,647
Applicable utility receipts tax rate	<u>1.40%</u>
Pro-Forma at present rates	14,345
Less: test year expense	<u>21,967</u>
Adjustment - increase / (decrease) in state utility receipt tax expense	<u>\$ (7,622)</u>
Adjustment - increase / (decrease) in taxes other than income taxes	<u>\$ (1,853)</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(6) INCOME TAX ADJUSTMENTS

To adjust income taxes to reflect changes in revenues and expenses
 (a)

State Income Tax:

Net operating income and state tax	\$ (147,923)	
Plus: utility receipts tax	14,345	
Less: synchronized interest	<u>(8,489)</u>	
	(142,067)	
Applicable state income tax rate	<u>6.00%</u>	
Pro-Forma at present rates		(8,524)
Less: test year expense		<u>(10,798)</u>
Adjustment - increase / (decrease) in state income tax expense		<u>\$ (19,322)</u>

(b)

Federal Income Tax:

Net operating income before federal and state income tax	\$ (147,923)	
Less:		
Synchronized interest	8,489	
Adjusted state income tax	<u>(8,524)</u>	
Federal taxable income	(147,888)	
Federal taxable rate	<u>21%</u>	
Adjusted federal income tax expense		(31,056)
Less: test year federal income tax		<u>(69,726)</u>
Adjustment - increase / (decrease) in federal income tax expense		<u>\$ (100,782)</u>
Adjustment - increase / (decrease) income taxes		<u>\$ (120,104)</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(A)

To adjust operating revenues to reflect proposed revenue increase.

Proforma sales of gas at present rates - schedule C-3	\$ 1,622,240	
Requested rate increase	<u>22.260%</u>	
Adjustment - increase / (decrease)		<u>\$ 361,188</u>

(B)

To adjust other operation and maintenance expense to reflect increase in IURC fee.

Proposed revenue increase	\$ 361,188	
Current effective IURC fee rate	<u>0.13383810%</u>	
Adjustment - increase / (decrease)		<u>483</u>

(C)

To adjust other operations and maintenance expense to reflect the increase in bad debts.

Proposed revenue increase	\$ 361,188	
Current effective rate	<u>0.003894</u>	
Adjustment - increase / (decrease)		<u>1,407</u>
Total adjustment - increase / (decrease)		<u>\$ 1,890</u>

SOUTH EASTERN INDIANA NATURAL GAS CO., INC.
MILAN, IN

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(D)

To adjust taxes other than income taxes to reflect pro-forma changes in revenues and expenses.

Utility Receipts Tax

Proposed revenue increase	\$ 361,188	
Less: Increase in bad debts	1,407	
	<u>359,781</u>	
Applicable utility receipts tax rate	1.40%	
Adjustment - increase / (decrease)		<u>\$ 5,037</u>

(E)

To adjust income taxes to reflect pro-forma changes in revenue and expenses.

State Income Tax:

Proposed revenue increase	\$ 361,188	
Less: Increase in IURC fee	(483)	
Increase in bad debts	<u>(1,407)</u>	
Taxable increase	359,298	
Applicable income tax rate	<u>6.00%</u>	
Adjustment - increase		<u>\$ 21,558</u>

Federal Income Tax:

Proposed revenue increase	\$ 361,188	
Less: Increase in IURC fee	(483)	
Increase in utility receipts tax	(5,037)	
Increase in bad debts	(1,407)	
Increase in state income tax	<u>(21,558)</u>	
Federal taxable income increase	332,703	
Applicable tax rate	<u>21%</u>	
Adjustment - increase		<u>\$ 69,868</u>
Total increase / (decrease) to income taxes		<u>\$ 91,426</u>

SCHEDULE C-3**SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**
MILAN, IN**TOTAL BILLED REVENUE CALCULATION**

Estimated volume of gas purchased - DTH	167,463
Estimated base cost of gas for GCA	<u>\$ 3.7766</u>
Estimated cost of gas to be included in revenues	\$ 632,441
Pro-Forma present rate gas sales revenue	<u>989,799</u>
Total revenue including gas costs	1,622,240
Requested percentage increase	<u>22.26%</u>
Revenue adjustment requested	<u><u>\$361,188</u></u>

EXHIBIT D**SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**
MILAN, IN**ORIGINAL COST RATE BASE**

Utility plant in service as of March 31, 2017		\$ 4,278,553
Less: Accumulated depreciation		<u>(2,296,008)</u>
Net utility plant in service		1,982,545
Plus:		
Working capital	\$ 970,095 /8	121,262
Materials and supplies		<u>18,352</u>
Total original cost rate base		<u>\$ 2,122,159</u>
Net operating income authorized		<u>\$ 154,493</u>

EXHIBIT E**SOUTH EASTERN INDIANA NATURAL GAS CO., INC.**
MILAN, IN**CAPITAL STRUCTURE**
As of March 31, 2017

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common equity	\$1,309,253	67.13%	10.25%	6.88%
Long-term debt	-	0.00%	6.50%	0.00%
Customer deposits	129,725	6.65%	6.00%	0.40%
Deferred tax	<u>511,359</u>	<u>26.22%</u>	0.00%	<u>0.00%</u>
Total	<u>\$1,950,337</u>	<u>100.00%</u>		<u>7.28%</u>