

FILED
February 7, 2024
**INDIANA UTILITY
REGULATORY COMMISSION**

JOINT PETITIONERS' EXHIBIT NO. 5

**OHIO VALLEY GAS CORPORATION ("OVGC") AND
OHIO VALLEY GAS, INC. ("OVGI")**

INDIANA UTILITY REGULATORY COMMISSION

DIRECT TESTIMONY

OF

EMILY M. HARLOW

SPONSORING ATTACHMENTS EMH-1 THROUGH EMH-2

OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC

DIRECT TESTIMONY OF EMILY M. HARLOW

I. WITNESS BACKGROUND

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

2 A. My name is Emily M. Harlow, and my business address is 111 Energy Park Drive
3 Winchester, IN 47394.

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

5 A. I am employed by Ohio Valley Gas Corporation (“OVGC”) as Senior Manager of Finance
6 and Regulatory Services. I began this position on October 31, 2022. OVGC and its
7 operating utility subsidiary, Ohio Valley Gas, Inc. (“OVGI”), are collectively referred to
8 as “OVG” or “Joint Petitioners” herein.

9 **Q. Please summarize your educational background and work experience.**

10 A. I graduated from Millikin University in 2001 with a Bachelor of Science degree in
11 Accounting. I graduated from Illinois State University in 2004 with a Master of Business
12 Administration. I have over 20 years of experiences in the electric, gas and water utility
13 sector as a utility employee with Ameren Corporation, American Water Service Company,
14 and OVGC. The details of my professional experience are provided in Appendix EMH to
15 this testimony.

16 **Q. What are your current employment responsibilities?**

1 A. I am responsible for managing the budgeting process, internal reporting, and regulatory
2 filings for OVG and its affiliates. This includes preparing financial forecasts, analyzing
3 financial data, and being a witness in regulatory filings.

4 **Q. Have you testified before the Indiana Utility Regulatory Commission (“IURC”, or**
5 **“Commission”) or any other regulatory agencies with respect to regulatory matters?**

6 A. Yes. I provided testimony before the Commission in Cause Nos. 44147 GCA-42 though
7 GCA-44, 45400 TDSIC 5, and 44317 PSA-10 on behalf of OVG. I have also testified for
8 OVG affiliates Fountaintown Gas Company, Inc. and South Eastern Indiana Natural Gas
9 Company, Inc. in Causes Nos. 37913 GCA-141 through GCA-143 and 37785 GCA-127
10 through GCA-129.

II. PURPOSE OF TESTIMONY

11 **Q. What is the purpose of your testimony?**

12 A. The general purpose of my testimony is to support Joint Petitioners’ request for the
13 Commission to approve a change to their current rates, charges, and tariffs, based on a test
14 year ending on September 30, 2025. Specifically, I will explain the development of the
15 forward-looking test year.

16 **Q. Please identify the attachments which you will be sponsoring and for which you will**
17 **be providing testimony.**

18 A. I am sponsoring the following attachments:

19 **Attachment EMH-1**- Federal Reserve Inflationary Factors

20 **Attachment EMH-2**- Proof of publication of the legal notice (as required by Ind.

1 Code § 8-1-2-61) as well as a copy of the notice provided to residential customers
2 summarizing the nature and extent of the proposed changes in this Cause (as
3 required by 170 IAC 5-1-18).¹

4 I am also co-sponsoring Joint Petitioners' Exhibit No. 8 REVREQ which is the revenue
5 requirement model further described in the testimony of witness Gregory P. Roach.

6 **Q. Do you have any workpapers supporting these attachments or Joint Petitioners'**
7 **Exhibit No. 8 REVREQ?**

8 A. Yes. I am sponsoring the following workpapers:

9 Workpaper EMH-WP1 - 2024-2025 Budget Model

10 Workpaper EMH-WP2 – 2024-2025 Revenue Model

11 Workpaper EMH-WP3 – 2024-2025 Usage per Customer

12 Workpaper EMH-WP4 – 2024-2025 Customer Counts

13 Workpaper EMH-WP5 (Confidential) - 2024-2025 Revenue Model - Transport

14 Workpaper EMH-WP6 (Confidential) - Transport Billings Detail Oct 2022 – Sept 2023

15 Workpaper EMH-WP7 (Confidential) – 2024 Labor Model

16 Workpaper EMH-WP8 (Confidential) – 2025 Labor Model

17 Workpaper EMH-WP9 (Confidential) – 2024-2025 Rate Case Labor GL Account
18 Allocation

19 Workpaper EMH-WP10 – Current & Accrued Assets

20 Workpaper EMH-WP11 – Current & Accrued Liabilities

21 Workpaper EMH-WP12 – Deferred Regulatory Liability 253.1

22 Workpaper EMH-WP13 - Deferred Tax Workpaper

23 Workpaper EMH-WP14 – Equity Workpaper

24 Workpaper EMH-WP15 – Long-Term Debt

25 Workpaper EMH-WP16 – Refundable Gas Cost Workpaper

¹ The proof of publication and customer notice will be late filed with the Commission.

1 Workpaper EMH-WP17 – Captial Additions and Retirements

2 **Q. Were each of these attachments and workpapers prepared or assembled by you or**
3 **under your direction and supervision?**

4 A. Yes.

5 **IV. BASE YEAR**

6 **Q. Please identify the Base Year.**

7 A. The Base Year for this cause is a fully historic year from October 1, 2022, through
8 September 30, 2023.

9 **Q. Please describe any adjustments to the Base Year.**

10 A. Several adjustments were made to the Base Year to remove one-time items or to normalize
11 the Base Year on Joint Petitioners' Exhibit No. 8, Schedule REVREQ8.1. The first
12 adjustment was to remove revenue that was refunded to the customer after the base year
13 due to an incorrect rate being applied. The second adjustment was to remove meters and
14 regulators that were being expensed in the Base Year. All meters and regulators will be
15 capitalized in the forecasted Test Year. The final adjustment was to remove the regulatory
16 credits associated with 20% deferred expenditures for the Transmission, Distribution, and
17 Storage System Improvement Charge ("TDSIC") in Cause No. 45400. These deferred
18 amounts were booked during the base year as a contra-expense and so this entry needs to
19 be reversed in the forecast.

20 **III. FORWARD-LOOKING TEST YEAR**

21 **Q. What test year is OVG using for this rate case?**

1 A. OVG is using a forward-looking test year comprising the twelve months ending September
2 30, 2025. In other words, this is a twelve-month period that begins October 1, 2024, which
3 is not more than twenty-four (24) months after the filing of the petition in this case.

4 **Q. How did OVG develop its forecasted test year?**

5 A. OVG’s forward-looking test year in this case is based on a forecasting process using
6 projections based on:

- 7 • a full historical base year (12 months ended September 30, 2023) (“Base Year”);
- 8 • a verifiable link year (beginning October 1, 2023, and ending September 30, 2024)
9 (“Link Year”); and then,
- 10 • a forecast for the period covering the test year (the 12-month period beginning
11 October 1, 2024, and ending September 30, 2025) (“Test Year”).

12 The genesis of the forecast is a base year that reflects actual revenues, expenses and rate
13 base for the twelve months ended September 30, 2023. In order to advance to the forward-
14 looking test year, those cost elements were adjusted through a verifiable link year (October
15 1, 2023, to September 30, 2024). The month of October in the link year contains October
16 2023 actuals. Then OVG projected those cost elements through the test year (October 1,
17 2024, to September 30, 2025).

18 **Q. Please describe the methods used to forecast the Test Year.**

1 A. Several methods were used to forecast the Test Year. They include statistical studies,
2 three-year averaging, normalizing current expenditures, inflationary factors, and
3 recalculations due to updates in the factors in calculations.

4 **VI. FORECASTED TEST YEAR REVENUE**

5 **Q. Please describe how sales of gas operating revenue was forecasted in the Test Year.**

6 A. The Test Year sales of gas operating revenue was forecasted using statistical studies and
7 three-year averages. Statistical studies were completed for each class of sales of gas
8 customers as described in Mr. Roach's testimony to calculate average usage per customer.
9 Test Year customer counts were forecasted by adding the 3-year average increase to the
10 Base Year customer counts to calculate customers for both the Link Year and then the Test
11 Year. Total forecasted gas usage was calculated by taking the average usage per customer
12 by the forecasted customer counts by class. As the statistical studies were done by class, a
13 three-year normalized calculation was used to allocate total usage by class to each rate
14 category within the class. Usage calculated by rate category was applied by the
15 corresponding Distribution Charge by therm tariff rate to calculate the volumetric base
16 revenue. The forecasted customer counts were also applied to the corresponding Facility
17 Charge to calculate the fixed base revenue. To calculate the Pipeline Safety Adjustment
18 ("PSA") from Clause No. 44317 PSA 10, the forecasted usage was applied to the PSA 10
19 rates. The TDSIC from Cause No. 45400 TDSIC 5 Schedule 11 TDSIC 6 forecasted
20 revenue was annualized. OVG anticipates that TDSIC 6 is the last TDSIC that will be
21 filed under the current Commission-approved TDSIC Plan before an order is issued in this
22 rate case. Gas Cost Adjustment ("GCA") is calculated by using the forecasted usage and
23 applying the tariffs from the last 12 months GCA filings from Cause No. 44147. January

1 through March used GCA-44 anticipated rates. April through June used GCA-41 Flex filed
2 rates. July through September used GCA-42 Flex filed rates. October through December
3 used GCA-43 Flex filed rates. Normal Temperature Adjustment (“NTA”) revenue used the
4 Base Year revenue without adjustments. Total Gas Sales revenue is the summation of the
5 volumetric base revenue, the fixed base revenue, PSA revenue, TDSIC revenue, GCA
6 revenue and NTA revenue.

7 **Q. Please describe the methods used to forecast OVG’s Other Operating Revenues.**

8 A. Other Operating Revenues used the Base Year revenues for the months of November
9 through September without adjustments and Link Year revenues for the month of October
10 except the TDSIC in Transportation Revenue. TDSIC was calculated with the sales of gas
11 discussed above. Other Operating Revenue includes revenue in the accounts of Forfeit
12 Discounts, Miscellaneous Operating Revenues and Transportation Revenues.

13 **VI. FORECASTED TEST YEAR EXPENSES**

14 **Q. Please describe the methods used to forecast gas costs in the Test Year.**

15 A. Gas cost was calculated as part of the GCA revenue plus the forecasted roll forward of the
16 amortization and variances of OVG’s previous GCA filings.

17 **Q. Please describe the methods used to forecast Labor in the Test Year.**

18 A. Human Resources compiled a listing of current employees and current salaries. The list
19 was reviewed for expected changes in personnel during both the Link Year and Test Year.
20 Current salaries were escalated based upon expected annual raises and promotions in both
21 the Link Year and Test Year. Personnel forecasted to be employed at the end of the Test

1 Year were normalized to calculate total labor cost. Total labor cost was allocated based on
2 the Base Year actual payroll for expenses and non-expense accounts.

3 **Q. Please describe the methods used to forecast non-labor expenses in the Test Year.**

4 A. Non-labor expenses not discussed elsewhere in my testimony were escalated by using an
5 inflationary factor estimated by the Federal Reserve Board in September 2023 in
6 Attachment EMH-1. The two months of the Link Year November 2023 and December
7 2023 were escalated 3.3% (actuals were used for October 2023). The remaining nine
8 months of the Link Year January 2024 through September 2024 and first two months of
9 the Test Year October 2024 through December 2024 escalated by 2.5%. The remainder of
10 the Test Year January 2025 through September 2025 were escalated by 2.2%.

11 **Q. Please list the accounts that did not use the inflationary factors.**

12 A. The following accounts did not use inflationary factors: uncollectable accounts, healthcare
13 expenses, regulatory expenses, insurance expense, depreciation expense, general taxes,
14 income taxes, deferred income taxes, allowance for funds used during construction and
15 interest on long-term debt.

16 **Q. Describe the method used to forecast uncollectable accounts for the Test Year.**

17 A. Uncollectable accounts were calculated using a three-year average uncollectable rate
18 applied to the forecasted Test Year sales of gas (Joint Petitioners' Exhibit No. 8, Schedule
19 REVREQ8.8).

20 **Q. Describe the method used to forecast healthcare expenses for the Test Year.**

1 A. Healthcare expenses (medical/dental/vision) were forecasted based on known changes as
2 described in Mr. Ingram's testimony.

3 **Q. Describe the method used to forecast amortization expense for the Test Year.**

4 A. Amortization expense consists of two categories: rate case expense and TDSIC regulatory
5 asset. Rate case expense is forecasted by estimating the cost to file this cause (Joint
6 Petitioners' Exhibit No. 8, Schedule REVREQ8.10). The TDSIC regulatory asset consists
7 of the 20% deferred revenue from the TDSIC plan approved in TDSIC Cause No. 45400
8 TDISC 1 through TDSIC 5 and the TDSIC 6 estimate from Schedule 11 of TDSIC 5
9 (Schedule REVREQ8.11). Both rate case expense and the TDSIC regulatory asset are
10 proposed to be amortized over the estimated life of these rates, or three years.

11 **Q. Describe the method used to forecast insurance expenses for the Test Year.**

12 A. Insurance expenses were forecasted by taking current premium costs per policy and
13 increasing by their respective three-year average increase (Joint Petitioners' Exhibit No. 8,
14 Schedule REVREQ8.12).

15 **Q. Describe the method used to forecast depreciation expenses for the Test Year.**

16 A. Depreciation expense was forecasted based on utility plant in service as of the end of the
17 Test Year, September 30, 2025, by the applicable depreciation rates (Joint Petitioners'
18 Exhibit No. 8, Schedule REVREQ8.14). The joint petitioners are not requesting a
19 depreciation rate change in this petition.

20 **Q. Describe the method used to forecast general tax expenses for the Test Year.**

1 A. General tax expense was forecasted using several methods. The public utility fee was
2 calculated using the current factor applied to the forecasted gas sales for the Test Year.
3 Real estate and personal property tax was calculated using the current factor against utility
4 plant in service at the end of the Test Year September 30, 2025. Ohio taxes and
5 miscellaneous taxes were calculated at the same rates in the Base Year.²

6 **Q. Describe the method used to forecast income tax expenses for the Test Year.**

7 A. State income tax expense was forecasted by multiplying net operating income before
8 income tax from the test year less synchronized interest by the Indiana state tax rate.
9 Federal income tax expense was forecasted by multiplying the net operating income before
10 income taxes less state income taxes expense and synchronized interest times the federal
11 income tax rate (Joint Petitioners' Exhibit No. 8, Schedule REVREQ8.16).

12 **Q. What are you proposing with respect to excess accumulated deferred income taxes**
13 **(EADIT") resulting from the Tax Cuts and Jobs Act?**

14 A. The Commission approved a settlement agreement in Cause No. 45032 S12 whereby OVG
15 files an annual true-up to adjust volumetric rates to reflect the pass-back of EADIT over
16 34.25 years using the schedule that is attached to the settlement. We propose to continue
17 using that mechanism to pass back EADIT and so are proposing to reflect EADIT outside
18 of base rates by separating it out of volumetric rate and have a standalone rate as presented
19 by Mr. Verdouw's Attachment GMV-6.

² OVG has approximately 623 residential customers in Ohio as well as distribution assets. Because the overwhelming majority of customers are Indiana customers, for efficiency OVG does not separate the jurisdictions. Nevertheless, OVG must pay certain taxes and utility fees as an Ohio public utility.

1 **Q. Describe the method used to forecast deferred income tax expenses for the Test Year.**

2 A. Deferred income tax expense - depreciation was forecasted by calculating the difference of
3 tax depreciation and book depreciation of utility plant in service at the end of the Test Year
4 September 30, 2025. Deferred income tax - prepaid was forecasted by taking the Base
5 Year and escalating it by the inflationary factors I identified and discussed above. Deferred
6 income tax – uncollectable was calculated by taking gas sales by the three-year average
7 uncollectable factor. Deferred income tax – accrued vacation was calculated by the change
8 in headcount from the Base Year.

9 **Q. You mentioned previously OVG’s customers in Ohio. How is service to those**
10 **customers affected by this filing?**

11 A. We have not separated the very small portion of the customer base (623 customers) from
12 the costs and revenues of the remaining customer base for purposes of forecasting pro
13 forma results of operations at present or proposed rates. We understand that following the
14 issuance of a rate order in this Cause, OVG must take steps before the Public Utilities
15 Commission of Ohio to reflect the rates approved herein to services provided to those
16 customers. At this point, we are not entirely certain what that process will entail. It is our
17 objective to apply the rates approved by this Commission to our Ohio customers, provided
18 it can be done at limited cost.

19 **Q. Does this conclude your prepared direct testimony?**

20 A. Yes.

Appendix EMH

Professional Experience of Emily M. Harlow

I have over 20 years of experience working in electric, gas and water utility sectors as a utility employee, beginning with Ameren Corporation in September 2000 where my responsibilities were focused on income tax accounting, utility plant accounting, general accounting, and budgeting and forecasting operational expenses.

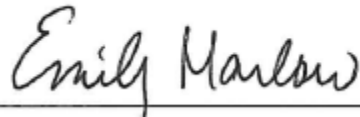
In February 2008, I began working for Robert Half International, Inc. as a consultant financial analyst at American Water Service Company (“AW”) in preparation of AW initial public offering. My responsibilities were focused on Sarbanes-Oxley controls with AW’s Central Division. In May 2008, I took a permanent position with AW continuing my work with Sarbanes-Oxley controls within multiple divisions of AW. In April 2013, I took a financial analyst position in the Financial Planning and Analysis group working on the 3rd largest subsidiary of AW. My responsibilities included budgeting, forecasting and monthly analysis of operations expenses and revenue. In June 2015, I took a senior financial analyst position in the Revenue Analytics group continuing budgeting, forecasting and monthly analysis of revenue eventually working on 10 of 15 AW regulated subsidiaries. My role also included preparing regulatory schedules used in testimony of other filed in multiple states. In June 2021, I was promoted to Supervisor Financial Analyst with the Revenue Analytics group.

In October 2022, I joined Ohio Valley Gas Corporation as Senior Manager of Finance and Regulatory Services.

VERIFICATION

I, Emily M. Harlow, Senior Manager of Finance and Regulatory Services of Ohio Valley Gas Corporation affirm under penalties for perjury that the foregoing is true to the best of my knowledge, information, and belief.

Dated this 7th day of February 2024.

A handwritten signature in cursive script that reads "Emily Harlow". The signature is written in black ink and is positioned above a horizontal line.

Emily M. Harlow
Sr. Manager Finance and Reg
Services
Ohio Valley Gas Corporation

For release at 2:00 p.m., EDT, September 20, 2023

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2023

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run
Change in real GDP	2.1	1.5	1.8	1.8	1.8	1.9-2.2	1.2-1.8	1.6-2.0	1.7-2.0	1.7-2.0	1.8-2.6	0.4-2.5	1.4-2.5	1.6-2.5	1.6-2.5
June projection	1.0	1.1	1.8		1.8	0.7-1.2	0.9-1.5	1.6-2.0		1.7-2.0	0.5-2.0	0.5-2.2	1.5-2.2		1.6-2.5
Unemployment rate	3.8	4.1	4.1	4.0	4.0	3.7-3.9	3.9-4.4	3.9-4.3	3.8-4.3	3.8-4.3	3.7-4.0	3.7-4.5	3.7-4.7	3.7-4.5	3.5-4.3
June projection	4.1	4.5	4.5		4.0	4.0-4.3	4.3-4.6	4.3-4.6		3.8-4.3	3.9-4.5	4.0-5.0	3.8-4.9		3.5-4.4
PCE inflation	3.3	2.5	2.2	2.0	2.0	3.2-3.4	2.3-2.7	2.0-2.3	2.0-2.2	2.0	3.1-3.8	2.1-3.5	2.0-2.9	2.0-2.7	2.0
June projection	3.2	2.5	2.1		2.0	3.0-3.5	2.3-2.8	2.0-2.4		2.0	2.9-4.1	2.1-3.5	2.0-3.0		2.0
Core PCE inflation ⁴	3.7	2.6	2.3	2.0		3.6-3.9	2.5-2.8	2.0-2.4	2.0-2.3		3.5-4.2	2.3-3.6	2.0-3.0	2.0-2.9	
June projection	3.9	2.6	2.2			3.7-4.2	2.5-3.1	2.0-2.4			3.6-4.5	2.2-3.6	2.0-3.0		
Memo: Projected appropriate policy path															
Federal funds rate	5.6	5.1	3.9	2.9	2.5	5.4-5.6	4.6-5.4	3.4-4.9	2.5-4.1	2.5-3.3	5.4-5.6	4.4-6.1	2.6-5.6	2.4-4.9	2.4-3.8
June projection	5.6	4.6	3.4		2.5	5.4-5.6	4.4-5.1	2.9-4.1		2.5-2.8	5.1-6.1	3.6-5.9	2.4-5.6		2.4-3.6

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 13-14, 2023. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the June 13-14, 2023, meeting, and one participant did not submit such projections in conjunction with the September 19-20, 2023, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

4. Longer-run projections for core PCE inflation are not collected.

Joint Petitioners' Exhibit No. 5
Attachment EMH-2
(To Be Late-Filed)