

FILED
September 16, 2019
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR AUTHORITY TO CHANGE)
ITS RATES, CHARGES, TARIFFS, RULES, AND)
REGULATIONS)**


CAUSE NO. 45215

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

**PUBLIC'S EXHIBIT NO. 5-S SETTLEMENT TESTIMONY OF OUCC
WITNESS HEATHER R. POOLE**

September 16, 2019

Respectfully submitted,



T. Jason Haas
Attorney No. 34983-29
Deputy Consumer Counselor

SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE
CAUSE NO. 45215
BOONVILLE NATURAL GAS CORPORATION

I. INTRODUCTION

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

2 A: My name is Heather R. Poole, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 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”)
6 as the Assistant Director of the Natural Gas Division. I have worked as a member
7 of the OUCC’s Natural Gas Division since December of 2010.

8 **Q: Did you submit direct testimony in this Cause?**

9 A: Yes. My direct testimony was filed on June 28, 2019 as Public’s Exhibit No. 5.

10 **Q: What is the purpose of your settlement testimony?**

11 A: My settlement testimony supports the Settlement Agreement (“Settlement”)
12 between Boonville Natural Gas Corporation (“Boonville”) and the OUCC
13 (collectively, the “Settling Parties”).¹ The Settlement resolves all issues between
14 the Settling Parties in this case. My settlement testimony focuses on those
15 differences that existed between Boonville’s rebuttal testimony and the OUCC’s
16 case-in-chief and I discuss the pertinent matters agreed to in the Settlement, such
17 as the settled excess accumulated deferred income tax (“EADIT”) amount and pro
18 forma operating revenue and expense adjustments. In addition, I also discuss how

¹ On March 28, 2019, the Settling Parties filed a Partial Settlement Agreement which reflected agreement on a 10.1% return on equity for Boonville. OUCC witness Jennifer Reed filed settlement testimony supporting these terms on June 28, 2019. This settlement testimony was subsequently adopted by OUCC witness Leja Courter.

1 the Settling Parties have agreed to address the issue of customers' refunds from
2 the Sales Reconciliation Component ("SRC") and Energy Efficiency Funding
3 Component ("EEFC"), which were established in Cause No. 43995.

4 **Q: Is the Settlement a product of arms-length negotiations between the Settling**
5 **Parties?**

6 A: Yes. The Settlement represents a compromise reached in the negotiation process,
7 with give and take by both of the Settling Parties. The Settling Parties devoted
8 considerable time and effort to fairly balance Boonville's interest and those of the
9 ratepayers. As a result, the Settlement should be approved in its entirety, without
10 modification.

II. ISSUES RESOLVED IN SETTLEMENT

A. Rate Base

11 **Q: What rate base did the OUCC propose?**

12 A: The OUCC proposed an original cost rate base of \$5,836,659.

13 **Q: What rate base did Boonville propose in its rebuttal testimony?**

14 A: Boonville proposed an original cost rate base of \$5,838,016.

15 **Q: What rate base have the Settling Parties agreed upon in the Settlement?**

16 A: The Settling Parties agree Boonville's net utility plant in service based on original
17 cost is \$5,521,242. The agreed amount of materials and supplies of \$122,110, and
18 working capital of \$194,450 should be added, for a total of \$5,837,802.

B. Capital Structure

1 **Q: What amounts did the OUCC include in capital structure in its direct**
2 **testimony?**

3 A: The OUCC proposed a capital structure as of September 30, 2018, including
4 common equity of \$6,637,615, customer deposits of \$355,139, sales
5 reconciliation refunds of \$305,686, energy efficiency refunds of \$16,414, deferred
6 taxes of \$1,995,649, and a deferred tax regulatory liability of \$729,280, for a total
7 capital structure of \$10,039,783, at a weighted cost of 6.89%.

8 **Q: What amounts did Boonville include in capital structure in its rebuttal**
9 **testimony?**

10 A: Boonville proposed a capital structure as of September 30, 2018, including
11 common equity of \$6,745,715, customer deposits of \$355,139, and deferred taxes
12 of \$1,810,325, for a total capital structure of \$8,911,179, at a weighted cost of
13 7.89%.

14 **Q: What capital structure have the Settling Parties agreed to in this Cause?**

15 A: The Settling Parties agree Boonville's capital structure as of September 30, 2018
16 should be comprised of: common equity of \$6,745,715, customer deposits of
17 \$355,139, and deferred taxes of \$1,810,325 for a total of \$8,911,179. The
18 resulting weighted average cost of capital is 7.89%.

C. SRC and EEFC Refund

19 **Q: What amount of SRC and EEFC refunds did the OUCC propose in its direct**
20 **testimony?**

21 A: The OUCC proposed Boonville refund a total of \$305,686 related to the Sales
22 Reconciliation component, and \$16,414 for the Energy Efficiency component.

1 **Q: What amount did Boonville propose to refund?**

2 A: Boonville's case-in-chief testimony did not address the SRC and EEFC. In
3 response to the OUCC's testimony, Boonville's rebuttal filing asserted there was
4 no need for a customer refund of the SRC and EEFC.

5 **Q: What did the Settling Parties agree to regarding the SRC and EEFC**
6 **Refund?**

7 A: The Settling Parties agreed to move the SRC and EEFC refund issue out of the
8 current rate case and attempt to resolve the issues with all the small gas utilities.
9 The Settling Parties agree all discussions should be completed by November 27,
10 2019 and if no resolution has been reached, either party may seek creation of a
11 sub-docket in Cause No. 43995. The Settling Parties agree this will provide an
12 opportunity for reaching a global settlement, including administrative costs
13 associated with the Energy Efficiency Program, for all of the small gas utilities,
14 including Boonville. The sub-docket would include its own procedural schedule,
15 including a technical conference. The Settling Parties agree neither the SRC nor
16 the EEFC should be included in the capital structure in this case, but all other
17 issues regarding the SRC or EEFC will be handled in the negotiations or in the
18 Cause No. 43995 sub-docket.

19 **Q: What agreement was reached regarding Boonville's Appendix F?**

20 A: The Settling Parties have agreed Appendix F should remain in place in
21 Boonville's filed tariffs until the SRC, EEFC and administrative costs associated
22 with the Energy Efficiency Program have been resolved.

D. Accounting Adjustments

1 **Q: What accounting adjustment differences existed between the OUCC's case-**
2 **in-chief and Boonville's rebuttal position?**

3 A: The following accounting adjustment differences existed between the OUCC's
4 case-in-chief and Boonville's rebuttal position: the impact of the EADIT refund
5 on revenue; the impact of the EADIT refund on expenses; rate case expense, the
6 IURC fee; amortization of costs from Cause No. 45032; property tax expense;
7 utility receipts tax; state income tax; and federal income tax. I discuss each of
8 these items below.

9 **Impact of EADIT Refund on Revenues**

10 **Q: Did the OUCC propose a revenue adjustment for the impact of the EADIT**
11 **refund?**

12 A: No. The OUCC did not believe a revenue adjustment was appropriate for the
13 impact of the EADIT refund.

14 **Q: What revenue adjustment did Boonville make in rebuttal testimony for the**
15 **impact of the EADIT refund?**

16 A: Boonville included a decrease to revenue of \$35,429 for the impact of the EADIT
17 refund.

18 **Q: What have the Settling Parties agreed to in the Settlement?**

19 A: The Settling Parties have agreed there is no need for a revenue adjustment related
20 to the EADIT refund.

21 **Impact of EADIT Refund on Expenses**

22 **Q: Did the OUCC propose an expense adjustment for the impact of the EADIT**
23 **refund?**

24 A: Yes. The OUCC proposed a reduction to expenses to refund the EADIT balance
25 as of December 31, 2017 of \$729,280 over 14.59 years, or a reduction to expenses
26 of \$49,985 per year.

1 **Q: What expense adjustment did Boonville make in rebuttal testimony for the**
2 **impact of the EADIT refund?**

3 A: Boonville included an increase to expenses of \$35,429 for the impact of the
4 EADIT refund.

5 **Q: What have the Settling Parties agreed to in the Settlement?**

6 A: The Settling Parties have agreed that, with the initiation of new base rates in this
7 Cause, Boonville will refund its EADIT balance as of December 31, 2017 of
8 \$729,280 over 14.59 years. This annual refund will be accounted for in the same
9 manner as presented in the OUCC's case-in-chief as a reduction to expenses. The
10 Settling Parties have agreed the Settlement resolves all EADIT and EADIT
11 related issues.

12 **Rate Case Expense**

13 **Q: What adjustment did the OUCC make in its case-in-chief for rate case**
14 **expense?**

15 A: The OUCC proposed a rate case expense adjustment of \$38,596. This included a
16 total rate case expense of \$231,575 amortized over 6 years.

17 **Q: What adjustment did Boonville make in rebuttal for rate case expense?**

18 A: Boonville proposed a rate case expense adjustment of \$46,615. This included a
19 total rate case expense of \$233,075 amortized over 5 years.

20 **Q: What have the Settling Parties agreed to in the Settlement?**

21 A: The Settling Parties have agreed to a rate case expense adjustment of \$46,315.
22 This includes a total rate case expense of \$231,575 amortized over 5 years. The
23 Settling Parties also agree Boonville will file a compliance tariff in this Cause to
24 remove the amortization of rate case expense if Boonville has not filed for new
25 rates before the end of the 5-year amortization period.

1 **IURC Fee**

2 **Q: What adjustment did the OUCC make in its case-in-chief for the IURC fee?**

3 A: The OUCC proposed an IURC fee adjustment of \$339. The OUCC's adjustment
4 updated the volume of gas purchased, used the OUCC's total revenue amount,
5 removed bad debt expense from the IURC fee calculation, and updated the IURC
6 rate to the new rate effective July 1, 2019.

7 **Q: What adjustment did Boonville make in rebuttal for the IURC fee?**

8 A: Boonville proposed an IURC fee adjustment of \$291. Boonville updated the
9 volume of gas purchased, removed bad debt expense from the IURC fee
10 calculation, and updated the IURC rate to the new rate effective July 1, 2019.

11 **Q: What have the Settling Parties agreed to in the Settlement?**

12 A: The Settling Parties have agreed to an IURC fee adjustment of \$337. The
13 difference between the OUCC's case-in-chief and Boonville's rebuttal position
14 related to the amount of total revenue to include in the calculation. As shown
15 above, the total amount of revenues have now been settled.

16 **Amortization of Costs from Cause No. 45032**

17 **Q: What adjustment did the OUCC make in its case-in-chief for the**
18 **amortization of costs from Cause No. 45032?**

19 A: The OUCC proposed an adjustment for the amortization of costs from Cause No.
20 45032 of (\$42,773). This included total costs of \$42,569 amortized over 6 years,
21 minus the test year expense of \$49,868.

22 **Q: What adjustment did Boonville make in rebuttal for the amortization of costs**
23 **from Cause No. 45032?**

24 A: Boonville proposed an adjustment of (\$39,894) for the amortization of costs from
25 Cause No. 45032. This included total costs of \$49,868 amortized over 5 years,
26 minus the test year expense of \$49,868.

1 **Q: What have the Settling Parties agreed to in the Settlement?**

2 A: The Settling Parties have agreed to an adjustment for the amortization of costs
3 from Cause No. 45032 of (\$41,354). This includes total costs from Cause No.
4 45032 of \$42,569 amortized over 5 years minus the test year expense of \$49,868.
5 The Settling Parties also agree Boonville will file a compliance tariff in this Cause
6 to remove the amortization of costs from Cause No. 45032 if Boonville has not
7 filed for new rates before the end of the 5-year amortization period.

8 **Property Tax Expense**

9 **Q: What adjustment did the OUCC make in its case-in-chief for property tax**
10 **expense?**

11 A: The OUCC proposed a property tax expense adjustment of (\$1,480).

12 **Q: What adjustment did Boonville make in rebuttal for property tax expense?**

13 A: Boonville proposed a property tax expense adjustment of (\$1,347).

14 **Q: What have the Settling Parties agreed to in the Settlement?**

15 A: The Settling Parties have agreed to a property tax expense adjustment of (\$1,347).

16 **Other Flow-Through Adjustments**

17 **Q: What other flow-through adjustments are affected by the Settlement?**

18 A: The calculation of the utility receipts tax, state income tax, and federal income tax
19 are all affected by the Settlement.

20 **Q: Do the Settling Parties agree on these amounts?**

21 A: Yes. The Settling Parties agreed on the methodology used to calculate these
22 various flow-through adjustments, but the differences that existed between the
23 OUCC's case-in-chief and Boonville's rebuttal were related to differences in
24 revenue and expense adjustments. The Settlement resolves all differences in
25 revenue and expense adjustments. Therefore, the Settling Parties are now in
26 agreement with the final amounts of these adjustments.

E. COST OF SERVICE

1 **Q: Did Boonville prepare a cost of service study in its case-in-chief?**

2 A: Yes. Boonville witness Mr. Kerry Heid prepared a cost of service study and
3 presented it in his direct testimony.

4 **Q: What customer service charges did Boonville propose?**

5 A: Boonville proposed to increase the customer service charge from \$12.00 to
6 \$14.00 for residential customers, from \$18.00 to \$20.00 for commercial sales
7 customers, and from \$18.00 to \$20.00 for school transportation customers.
8 Boonville also proposed to eliminate the interruptible transportation service.

9 **Q: Did the OUCC raise any concerns with Boonville's cost of service study?**

10 A: In direct testimony, the OUCC did not take issue with Boonville's cost of service
11 study, but did take issue with the proposed residential customer charge proposed
12 by Boonville. The OUCC recommended the residential customer charge be set at
13 the lower of \$14.00 or the percent by which the Commission increases
14 Boonville's margin.

15 **Q: Do the Settling Parties agree on the customer service charges?**

16 A: Yes. The Settling Parties have agreed to Boonville's proposed customer service
17 charges for all customer classes.

III. OVERALL REVENUE REQUIRMENT

18 **Q: What overall rate increase was proposed by Boonville in its case-in-chief?**

19 A: Boonville proposed a revenue increase of \$356,915, or 14.27% on total revenue,
20 excluding the cost of gas.

1 **Q: What overall rate increase was proposed by the OUCC in its case-in-chief?**

2 A: The OUCC proposed a revenue increase of \$63,259, or 2.46% on total revenue,
3 excluding the cost of gas.

4 **Q: What overall rate increase was proposed by Boonville in its rebuttal**
5 **testimony?**

6 A: Boonville proposed a revenue increase of \$288,900, or 11.37% on total revenue,
7 excluding the cost of gas.

8 **Q: Have the Settling Parties prepared joint settlement revenue requirement**
9 **schedules?**

10 A: Yes. Joint settlement revenue requirement schedules were prepared by Boonville,
11 and attached to the settlement testimony of Boonville's witness Ms. Mann.

12 **Q: What is the overall revenue and rate increase agreed to in Settlement?**

13 A: The Settlement revenue requirement schedules show a revenue increase of
14 \$134,712, or 5.23% on total revenue, excluding the cost of gas.

IV. CONCLUSION

15 **Q: Why does the Settlement's revenue requirement serve the public interest?**

16 A: The revenue requirement agreed to by the Settling Parties resolves several issues
17 that would have otherwise been litigated. Not only does litigation increase rate
18 case expense to the utility, and ultimately, to its ratepayers, it is also time-
19 consuming and adds to administrative burden. The Settlement provides certainty
20 to the Settling Parties while promoting judicial economy. The agreed resolution
21 of these issues provides Boonville with a reasonable increase to base rates so that
22 it can continue to provide safe, reliable service with an opportunity to earn the
23 return agreed to in the Settlement. At the same time, the revenue requirement in

1 the Settlement is less than what Boonville had initially requested, resulting from
2 material reductions to certain expenses, establishment of expected revenues, and
3 compromise on the return on equity. The Settlement balances the interests of the
4 ratepayers and the utility, providing for a fair, appropriate result that serves the
5 public interest.

6 **Q: Does the OUCC recommend Commission approval of the Settlement?**

7 A: Yes. The Settling Parties each made material concessions when they entered into
8 the proposed Settlement. The terms of the Settlement demonstrate the give and
9 take of settlement negotiations in resolving multiple contested issues in a manner
10 acceptable to the Settling Parties. The negotiated results in the Settlement are
11 reasonable and a fair balance of the utility's interest and the ratepayer's interest.
12 The Settling Parties' testimony and exhibits provide substantial evidence to
13 support the Settlement. For these reasons, the OUCC recommends approval of
14 the Settlement as it is in the public interest.

15 **Q: Does this conclude your settlement testimony?**

16 A: Yes.

AFFIRMATION

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

Heather R. Poole

Heather R. Poole
Assistant Director-Natural Gas Division
Indiana Office of
Utility Consumer Counselor
45215
Boonville Natural Gas Corporation

9-16-19

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *OUCC'S SETTLEMENT TESTIMONY OF HEATHER R. POOLE* has been served upon the following counsel of record in the captioned proceeding by electronic service on September 16, 2019.

L. Parvin Price
Jeffrey M. Peabody
Barnes & Thornburg LLP
Email: parvin.price@btlaw.com
Email: jpeabody@btlaw.com

A handwritten signature in black ink, appearing to read "T. Jason Haas", is written over a horizontal line.

T. Jason Haas
Attorney No. 34983-29
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