

FILED  
June 26, 2018  
INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES )  
CORPORATION FOR AUTHORITY TO CHANGE )  
ITS RATES, CHARGES, TARIFFS, RULES, AND )  
REGULATIONS )

CAUSE NO. 45116

IURC  
PETITIONER'S  
EXHIBIT NO. 5  
12-11-18 CR  
DATE REPORTER

DIRECT TESTIMONY

OF

KERRY A. HEID

ON BEHALF OF

INDIANA UTILITIES CORPORATION

**DIRECT TESTIMONY OF KERRY A. HEID**  
**INDIANA UTILITIES CORPORATION**

**I. Introduction and Overview**

**Q1 PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Kerry A. Heid. My business address is 3212 Brookfield Drive,  
Newburgh, IN 47630.

**Q2 ARE YOU AFFILIATED WITH THE PETITIONER?**

A. No. I am an independent utility rate consultant. I have been engaged by the  
Petitioner, Indiana Utilities Corporation ("Indiana Utilities" or "Company"), to  
prepare a cost of service study, recommend a rate design, and offer other tariff changes  
in this proceeding.

**Q3 WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. In 1973, I graduated from Purdue University with a Bachelor of Science degree in  
Civil Engineering. In 1985, I graduated from Indiana University with a Master of  
Business Administration degree, majoring in Finance.

**Q4 PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.**

A. My business experience and qualifications are set forth in Petitioner's Exhibit KAH-1.

**Q5 DO YOU HOLD ANY PROFESSIONAL ACCREDITATIONS?**

A. Yes. I have been a licensed Professional Engineer in the State of Indiana since 1977.

**Q6 HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**



1 A. Yes. I have testified on numerous occasions before this Commission on cost of  
2 service, rate design and other regulatory and ratemaking matters. I also testified in  
3 Indiana Utilities' previous base rate proceeding, Cause No. 44062.

4 **Q7 WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A. The purpose of my testimony is to present evidence on:

- 6 (1) Petitioner's cost of service study;  
7 (2) Petitioner's subsidy reduction and revenue distribution among its rate schedules;  
8 (3) The rate design and levels of rates and charges applicable to each rate schedule;

9 **Q8 HOW IS YOUR TESTIMONY ORGANIZED?**

10 A. My testimony is organized into the following sections:

- 11 I. Introduction and Overview  
12 II. Overview of Rate Schedules  
13 III. Cost of Service Study  
14 IV. Revenue Distribution Among Rate Classes  
15 V. Rates and Charges  
16 VI. Tariff

17 **Q9 WHAT EXHIBITS ARE YOU SPONSORING IN THIS PROCEEDING?**

18 A. I am sponsoring the following exhibits:

- 19 KAH-1 Business Experience and Qualifications of Kerry A. Heid  
20 KAH-2 Cost of Service Study  
21 KAH-3 Operating Income at Present and Proposed Rates  
22 KAH-4 Rate Class Subsidy Levels at Present and Proposed Rates  
23 KAH-5 Revenues from Gas Sales at Present and Proposed Rates  
24 KAH-6 Comparison of Present and Proposed Revenues and Rate Components  
25 KAH-7 Revenue Proof  
26 KAH-8 Bill Impact Tables

1 **II. OVERVIEW OF RATE SCHEDULES**

2  
3 **Q10 PLEASE PROVIDE AN OVERVIEW OF THE CURRENT INDIANA UTILITIES**  
4 **RATE SCHEDULES THAT FORM THE BASIS FOR YOUR COST OF SERVICE**  
5 **STUDY.**

6 A. The current schedules are those approved on September 12, 2012 as part of Cause No.  
7 44062, except as amended by GCA proceedings and the recent Tax Investigation  
8 Cause No. 45032.

9 **III. COST OF SERVICE STUDY**

10 **Q11 PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY AS IT RELATES**  
11 **TO YOUR COST OF SERVICE STUDY?**

12 A. The purpose of my testimony is to sponsor a fully allocated cost of service study based  
13 on Petitioner's embedded cost of providing gas service for the test year, the twelve  
14 months ended September 30, 2017. Working with Petitioner's management and with  
15 their accounting consultant, LWG CPAs & Advisors ("LWG"), I prepared an  
16 embedded cost of service study based on Petitioner's accounting costs per books,  
17 adjusted for fixed, known and measurable changes to test year operating results. The  
18 cost of service study corresponds to the proforma financial exhibits included in the  
19 exhibits of LWG. My objective in performing the cost of service study was to  
20 determine the rate of return on rate base that Petitioner is earning from each customer  
21 class, which provides an indication as to whether its rates reflect the cost of providing  
22 service to each customer class.

23 **Q12 EXPLAIN THE COMPOSITION OF THE COST OF SERVICE STUDY.**

1 A. The study consists of two parts. First, the investment required to serve each rate  
2 schedule was determined. This was done by allocating total original cost utility rate  
3 base as of the specified cut-off date, as adjusted, among the customer rate classes  
4 based on various assignment and allocation methods. The allocation of investment, or  
5 rate base, was used to allocate capital costs. Second, the operating costs incurred  
6 during the test year in providing service to each customer rate class were determined.  
7 This was done by allocating the proforma operating costs of providing gas service, as  
8 determined on a going level basis at present and proposed rates, among the customer  
9 rate classes based on various assignment and allocation methods.

10 **Q13 WHERE DID YOU OBTAIN THE DATA USED TO PERFORM THE COST OF**  
11 **SERVICE STUDY?**

12 A. Investment cost data was taken from detailed accounting information which formed  
13 the basis of the utility rate base shown in Exhibit D sponsored by Petitioner's Witness  
14 Mann. The cost of service data was obtained from accounting information which  
15 formed the basis of the Proforma Statements of Operating Income shown in Exhibit C  
16 sponsored by Petitioner's accounting witnesses. Data used to derive allocation factors  
17 in the allocation of rate base and cost of service came from various sources, including  
18 Petitioner's books and records, management's estimates and my professional  
19 experience. I applied my professional judgment in applying such information and  
20 deriving such allocation factors.

21 **Q14 PLEASE DESCRIBE IN GENERAL THE ASSIGNMENT AND ALLOCATION**  
22 **PROCESSES USED IN THE COST OF SERVICE STUDY.**

1 A. The investment or cost was allocated to the customer rate classes using the most  
2 appropriate method considering the type of investment or cost involved. For example,  
3 investment and cost items were identified as being commodity, demand, or customer  
4 related. Commodity costs are those that vary with the volume of gas delivered to  
5 customers and are allocated based on annual volumes. Demand costs are those  
6 incurred to deliver gas to customers at certain levels and are, therefore, dependent on  
7 customer demands. These costs are allocated based on peak day demands. Customer  
8 costs are those that vary with the number of customers served and are allocated based  
9 on number of customers. Other costs are directly related to specific plant investments,  
10 and these costs were allocated in the same manner as the plant to which they relate.

11 **Q15 PLEASE DESCRIBE PETITIONER'S EXHIBIT KAH-2.**

12 A. Petitioner's Exhibit KAH-2, Schedules 1 through 7, present the cost of service study I  
13 prepared in this proceeding. Schedule 1 presents a table of the rate schedule allocation  
14 factors used in the cost allocation process. These cost allocation factors are cross-  
15 referenced in the cost allocation schedules that will be subsequently discussed in this  
16 section. Schedule 2 presents the results of the allocation of Petitioner's original cost  
17 rate base among its various customer rate classes. Schedule 3 presents the results of  
18 the allocation of depreciation and amortization expenses among the various customer  
19 rate classes. Schedule 4 presents the results of the allocation of operation and  
20 maintenance expenses ("O&M") among the various customer rate classes at proforma  
21 A and Proforma B revenue levels, respectively. The designation "Proforma A"  
22 represents results at present revenue levels. The designation "Proforma B" represents  
23 results at proposed revenue levels. Schedule 5 presents the results of the allocation of

1 miscellaneous revenues among the various customer rate classes. Schedule 6 reflects  
2 the class-by-class calculation of federal and state income and gross receipts taxes.  
3 Schedule 7 reflects the summarized results of the preceding cost of service allocations.  
4

5 **IV. REVENUE DISTRIBUTION AMONG RATE CLASSES**

6 **Q16 HAVE YOU USED THE RESULTS OF THE COST OF SERVICE STUDY IN**  
7 **DEVELOPING YOUR PROPOSED REVENUE ALLOCATIONS BY RATE**  
8 **SCHEDULE?**

9 A. Yes. My cost of service study served as the foundation for determining the revenue  
10 allocations I am proposing. My cost of service study was structured to provide  
11 revenue and operating income amounts and associated taxes to compute the rate of  
12 return on rate base for each rate schedule at both present and proposed rates.

13 **Q17 PLEASE IDENTIFY THE RATES OF RETURN BY RATE BASE UNDER**  
14 **PETITIONER'S PRESENT RATES.**

15 A. Petitioner's Exhibit KAH-3, Schedule 1, contains the Statement of Operating Income  
16 at present rates by rate schedule. Line 12 of that schedule reflects the current rate of  
17 return for each rate schedule. Line 13 reflects the Earnings Indices comparing the  
18 current class rates of return to the current overall Company rate of return.

19 **Q18 DOES YOUR COST OF SERVICE STUDY SHOW THE TOTAL OPERATING**  
20 **REVENUES BY RATE SCHEDULE THAT WOULD RESULT FROM EQUAL**  
21 **RATES OF RETURN AT THE PRESENT REVENUE LEVEL?**

22 A. Yes, Petitioner's Exhibit KAH-3, Schedule 2, contains the Statement of Operating  
23 Income at equal rates of return at the present revenue levels.

1 Q19 WHAT WOULD THE RESULT BE IF THE TOTAL OPERATING REVENUES  
2 BY RATE SCHEDULE AT THE PROPOSED REVENUE REQUIREMENT  
3 REFLECTED EQUAL RATES OF RETURN?

4 A. Petitioner's Exhibit KAH-3, Schedule 3, contains the Statement of Operating Income  
5 at equal rates of return at the proposed revenue requirement.

6 Q20 WHAT IS PETITIONER PROPOSING RELATIVE TO RATES OF RETURN?

7 A. Petitioner's Exhibit KAH-3, Schedule 4, contains the Statement of Operating Income  
8 at proposed rates by rate schedule.

9 Q21 CAN YOU IDENTIFY THE SUBSIDY LEVEL FOR EACH RATE SCHEDULE  
10 AT PRESENT AND PROPOSED RATES AND THE CHANGE IN EACH  
11 SUBSIDY LEVEL REFLECTED IN THE PROPOSED REVENUE  
12 ALLOCATIONS.

13 A. Yes, Petitioner's Exhibit KAH-4 reflects the current and proposed customer class  
14 subsidy levels for each rate schedule at present and proposed rates. In this proceeding  
15 Petitioner is proposing to retain the present subsidy levels.

16  
17 Q22 WHAT EFFECT WILL THE PROPOSED REVENUE DISTRIBUTION AND  
18 SUBSIDY REDUCTION LEVELS HAVE ON THE ANNUAL REVENUES FROM  
19 GAS SALES TO BE COLLECTED FROM EACH RATE SCHEDULE?

20 A. Petitioner's Exhibit KAH-5 contains a summary of present and proposed margins and  
21 revenues from gas sales by rate schedule.  
22

23 V. RATES AND CHARGES

1 Q23 PLEASE EXPLAIN HOW YOU DEVELOPED INDIANA UTILITIES'  
2 PROPOSED RATES FOR THIS PROCEEDING.

3 A. Based upon the desired revenue distribution to each rate class as previously described  
4 in my testimony, the primary objective was to design rates that recover the appropriate  
5 amount of revenue from each rate class. We were guided by our objective to (1) have  
6 a reasonable relationship between rate blocks in the subject rate schedule, (2) mitigate  
7 rate shock within the customer class, (3) have a reasonable relationship between rate  
8 blocks in adjacent rate schedules, and (4) create sales and transportation rate schedules  
9 that are margin neutral to Petitioner .

10 Q24 HAVE YOU DEVELOPED RATES AND CHARGES THAT PRODUCE THE  
11 RESULTS DESCRIBED IN THE PRECEDING SECTION?

12 A. Yes. Petitioner's Exhibit KAH-6 contains a comparison of present to proposed  
13 revenues by rate schedule and by rate component. Columns 1 and 2 reflect the pro  
14 forma billing determinants and rate components such as Customer Charges and  
15 Distribution Charges. Columns 3 and 4 reflect the present rates and revenues.  
16 Columns 5 through 6 reflect the proposed rates and revenues. Columns 7 and 8 reflect  
17 the dollar and percentage changes from present to proposed rates. Petitioner's Exhibit  
18 KAH-7 contains a revenue proof comparing proposed revenues by rate class to the  
19 allocated costs. This schedule demonstrates that the proposed rates generate the  
20 appropriate level of revenues. Column 3 highlights Petitioner's proposed rates and  
21 charges, and Column 4 shows the Revenues from Gas Sales at Proposed Rates.  
22 Column 5 shows the Miscellaneous Revenues attributable to each rate class. Column  
23 6 reflects total calculated revenues and compares that total to allocated costs (Column

7) for each rate schedule based on the proposed rates and charges. Columns 8 and 9 reflect the dollar and percentage difference between calculated revenues and allocated costs, which are extremely minor and result from rounding differences.

**Rate 1-Residential and Small General Sales Service**

**Q25 PLEASE DESCRIBE THE PROPOSED REVISIONS TO RATE 1 FOR RESIDENTIAL AND SMALL GENERAL SALES SERVICE.**

A. First, it should be noted that Rate 1 is separated on the Tariff into Rate 1R-Residential Sales Service and Rate 1G-Small General Sales Service. These rates were initially a single combined rate schedule but were separated into Rate 1R and 1G for administrative and rate application purposes. The Rate 1R and 1G rates are identical in all respects. The customer charge for Rate 1-Residential and Small General Sales Service has been raised to \$15.00 from \$11.67 per meter. The remaining increased revenue requirement for this class will be recovered through increases to the distribution charges. The allocated fixed costs per bill for Rate 1R are \$41. The proposed customer charge level represents 37% of the allocated fixed costs.

**Q26 PLEASE DESCRIBE THE IMPACT OF PETITIONER'S PROPOSED REVENUE ALLOCATIONS REFERENCED ABOVE.**

A. Petitioner's Exhibit KAH-8, Schedule 1 contains a table of monthly bill amounts calculated at various levels of usage for both present and proposed rates for Petitioner's 1-Residential and General Sales Service customers. Schedule 2 presents the impacts for an average Rate 1R Residential customer. The dollar and percentage increase in monthly bill amounts is identified for each average monthly usage level.

1 Rate 2-Large Commercial Gas Sales Service

2 **Q30 PLEASE DESCRIBE THE PROPOSED REVISIONS TO RATE 2 FOR LARGE**  
3 **COMMERCIAL SERVICE?**

4 A. Rate 2 currently has a customer charge of \$67.00 per meter per month, which we are  
5 proposing to change to \$72.00 per meter per month. As with Rate 1, we are proposing  
6 the remaining revenue requirement be recovered through the distribution charges. The  
7 allocated fixed costs per bill for Rate 2 are \$533. The proposed customer charge level  
8 represents 14% of the allocated fixed costs.

9 **Q31 WHAT IS THE IMPACT ON THE RATES AND CHARGES FOR THIS LARGE**  
10 **COMMERCIAL CUSTOMER CLASS UNDER THE PROPOSED REVENUE**  
11 **ALLOCATION OF THE COST OF SERVICE STUDY?**

12 A. Petitioner's Exhibit KAH-8, Schedule 3, shows this impact for this class.

13  
14  
15 Rate 3-Industrial Gas Sales Service

16 **Q32 WHAT REVISIONS ARE PROPOSED FOR RATE 3-INDUSTRIAL SALES**  
17 **SERVICE?**

18 A. Rate 3 currently has a customer charge of \$489.00 per meter per month. We are  
19 proposing to change this charge to \$525.00 per meter per month. As with the previous  
20 rate schedules, we are proposing the remaining revenue requirement be recovered  
21 through the distribution charges. The allocated fixed costs per bill for Rate 3 are  
22 \$1446. The proposed customer charge level represents 36% of the allocated fixed  
23 costs.

1 Q27 WHAT IS THE IMPACT OF PETITIONER'S PROPOSED REVENUE  
2 ALLOCATION FOR THIS CLASS?

3 A. Petitioner's Exhibit KAH-8, Schedule 4, reflects the impact.

4 Rate 4-General Gas Transportation Service

5 Q28 WHAT REVISIONS ARE PROPOSED FOR RATE 4?

6 B. Rate currently has a customer charge of \$489.00 per meter per month, which we are  
7 proposing to change to \$525.00 per meter per month. As with the previous rate  
8 schedules, we are proposing the remaining revenue requirement be recovered through  
9 the distribution charge. The allocated fixed costs per bill for Rate 4 are \$8093. The  
10 proposed customer charge level represents 6% of the allocated fixed costs.

11 Q29 WHAT IS THE IMPACT OF THIS CLASS OF PETITIONER'S PROPOSED  
12 REVENUE ALLOCATION?

13 A. Petitioner's Exhibit KAH-8, Schedule 5, shows the impact on this class.

14 Rate 5-Large Volume Gas Transportation Service

15 Q30 WHAT REVISIONS ARE PROPOSED FOR RATE 5?

16 A. Rate 5 currently has a customer charge of \$925.00 per meter per month. We are  
17 proposing to change this charge to \$1,000.00 per meter per month. As with the  
18 previous rate classes, we are proposing the remaining revenue requirement be  
19 recovered through the distribution charge. The allocated fixed costs per bill for Rate 5  
20 are \$9672. The proposed customer charge level represents 10% of the allocated fixed  
21 costs.

1 Q31 WHAT IS THE IMPACT OF THIS CLASS OF PETITIONER'S PROPOSED  
2 REVENUE ALLOCATION?

3 A. Petitioner's Exhibit KAH-8, Schedule 6 shows the impact on this class.

4 Rate 6-School Transportation Service

5 Q32 WHAT REVISIONS ARE PROPOSED FOR RATE 6 SCHOOL  
6 TRANSPORTATION SERVICE?

7 A. This rate has a customer charge of \$128.00 per meter per month. Because there are no  
8 customers on Rate 6 and thus no cost of service conclusions for this service, we are  
9 proposing to increase the existing Customer Charge and Distribution Charge by the  
10 Large General Service rate schedule percentage margin increase. Thus we are  
11 proposing to change the Customer Charge to \$138.00 per meter per month.

12 VI. TARIFF

13 Q33 HAVE YOU PREPARED A TARIFF REFLECTING RATES AND CHARGES  
14 THAT PRODUCE THE RESULTS DESCRIBED IN THE PRECEDING  
15 SECTION?

16 A. No. The only change to the existing tariff are described above and in my exhibits; plus  
17 they need to update my NOAA data, as I have previously done for various utilities. I  
18 believe these changes are essentially compliance tariff changes.

19 Q34 DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

20 A. Yes, at the present time.

VERIFICATION


I affirm under the penalties for perjury that the foregoing is true to the best of my knowledge, information and belief as of the date here filed.

Kerry A. Heid  
Kerry A. Heid

## 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 26<sup>th</sup> day of June, 2018:

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



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L. Parvin Price

## EXHIBIT KAH-1

**KERRY A. HEID, P.E.**

**Heid Rate and Regulatory Services**

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Mr. Heid is an independent rate consultant with more than 40 years of gas, electric, water, wastewater, and steam utility experience in the rate and regulatory areas. Mr. Heid was previously Director of Rates for Vectren Corporation, a combination gas and electric utility with one million customers, where he directed the rate activities for the Vectren utilities of Indiana Gas Company, Southern Indiana Gas and Electric Company and Vectren Energy Delivery of Ohio. Mr. Heid has testified on numerous occasions regarding cost of service studies, rate design and other regulatory and ratemaking matters.

After leaving Vectren in 2002 to start his own rate and regulatory consulting firm, Mr. Heid continued on retainer with Vectren through 2017. Mr. Heid has also assisted numerous other clients with respect to cost of service and rate design studies and other regulatory and ratemaking matters.

Prior to Mr. Heid's employment with Vectren, he was employed by Black & Veatch Consulting Engineers, where he prepared cost of service and rate design studies for utilities throughout the United States. Mr. Heid also held senior management and advisory positions with the Indiana Utility Regulatory Commission and its predecessor the Public Service Commission of Indiana. Mr. Heid was also employed in the Finance Department of Florida Power & Light Company.

Mr. Heid has been actively involved as a member of the following professional industry associations: (i) *American Gas Association ("AGA") Rate and Strategic Planning Committee, including former Chair of its Revenue Requirements Subcommittee*; (ii) *Edison Electric Institute ("EEI") Economic Regulation and Competition Committee*; (iii) *American Water Works Association ("AWWA") Rates and Charges Committee*; (iv) *Water Subcommittee of the National Association of Regulatory Utility Commissioners ("NARUC")*; and (v) *Water Environment Federation*;

At the Indiana Utility Regulatory Commission's invitation, Mr. Heid conducted separate two-day training for its staff on preparation of gas cost of service and rate design studies and water cost of service and rate design studies. Mr. Heid has served on the faculty of numerous utility rate training seminars and has given presentations to various utility organizations including the AGA Gas Rate Fundamentals Course, the AGA Rate and Strategic Planning Committee, the AWWA ACE Water Conference, and the Annual Eastern Utility Water Rate Seminar.

Mr. Heid has a B.S. degree in Civil Engineering from Purdue University and an MBA degree with a concentration in finance from Indiana University. Mr. Heid is a registered Professional Engineer in the State of Indiana.

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>                     | <i>Year</i> | <i>Project Emphasis</i>   |
|-----------------------------------|-------------|---|
| Vectren North (Indiana Gas Co.)   | 1990        | Gas Cost of Service Study and Rate Design<br>Normal Temperature Adjustment  |
| Vectren North (Indiana Gas Co.)   | 1992-1995   | Gas Cost of Service Study and Rate Design<br>Normal Temperature Adjustment<br>Environmental Cost Recovery Tracker |
| Vectren North (Indiana Gas Co.)   | 1989-2002   | Quarterly Gas Cost Adjustments  |
| Vectren South (SIGECO)-Gas        | 2000-2002   | Quarterly Gas Cost Adjustments  |
| Vectren South (SIGECO)-Electric   | 2000-2002   | Quarterly Electric Fuel Cost Adjustments<br>Demand Side Management Cost Riders                                    |
| Vectren Energy Delivery of Ohio   | 2000-2002   | Quarterly Gas Cost Adjustments  |
| Vectren Energy Delivery of Ohio   | 2001        | Gas Cost Recovery Audit   |
| Vectren Energy Delivery of Ohio   | 2001        | Senate Bill 287 Implementation<br>Gross Receipts Tax Rider  |
| Vectren South (SIGECO)-Electric   | 2001        | NOx Environmental Cost Recovery Mechanism   |
| Vectren South (SIGECO)-Electric   | 2002        | NOx Environmental Cost Recovery Mechanism   |
| Vectren South (SIGECO)-Electric   | 2002        | Review of Electric Cost of Service Study  |
| Evansville Business Alliance      | 2002        | Wastewater Cost of Service Study and Rate Design  |
| Evansville Business Alliance      | 2002        | Water Cost of Service Study and Rate Design   |
| Mead Johnson (Bristol Myers)      | 2003        | Wastewater Rate Projections   |
| Vectren South (SIGECO)-Electric   | 2003        | NOx Environmental Cost Recovery Mechanism   |
| South Bend Industrial Intervenors | 2003        | Wastewater Cost of Service and Rate Design  |
| Indiana Utilities Corporation     | 2003        | Gas Cost of Service and Rate Design   |
| Community Natural Gas Co.         | 2003        | Gas Cost of Service Study and Rate Design   |
| Indiana Natural Gas Corporation   | 2003        | Gas Cost of Service Study and Rate Design   |
| Indiana-American Water Company    | 2003        | Water Cost of Service Study and Rate Design<br>Single Tariff Pricing  |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>  | <i>Year</i> | <i>Project Emphasis</i>  |
|--|-------------|--|
| Purdue University  | 2004        | Wastewater Cost of Service Study and Rate Design   |
| City of Frankfort, IN  | 2004        | Water Cost of Service Study and Rate Design<br>Large Customer Bypass Negotiations                  |
| Evansville Business Alliance   | 2004        | Wastewater Cost of Service Study and Rate Design   |
| Switzerland County Natural Gas   | 2004        | Gas Cost of Service Study and Rate Design  |
| Vectren Energy Delivery of Ohio  | 2004        | Gas Cost of Service Study and Rate Design  |
| Vectren North (Indiana Gas Co.)  | 2004        | Gas Cost of Service Study and Rate Design<br>Normal Temperature Adjustment                         |
| Clay Utilities Customers   | 2005-2007   | Outside City Surcharge   |
| City of East Chicago, IN   | 2005        | Water Cost of Service Study and Rate Design  |
| Indianapolis Department of Waterworks<br>(formerly Indianapolis Water Company, Inc.)   | 2006        | Water Cost of Service Study and Rate Design  |
| Culver Academies   | 2005        | Wastewater Cost of Service Study and Rate Design   |
| City of Anderson, IN   | 2005-2006   | Water Cost of Service Study and Rate Design  |
| Vectren South (SIGECO)-Electric  | 2006-2007   | Electric Cost of Service Study   |
| Vectren South (SIGECO)-Gas   | 2006-2007   | Gas Cost of Service Study and Rate Design  |
| MasterGuard Corporation  | 2006        | Electric Rate Billing Dispute Litigation   |
| Lawrenceburg Gas Corporation   | 2006-2007   | Gas Cost of Service Study and Rate Design<br>Single Tariff Pricing<br>School Transportation Tariff |
| Fountaintown Gas Company   | 2006        | Transportation Balancing Provisions  |
| Lawrenceburg Gas Company<br>Midwest Natural Gas Corporation<br>Indiana Utilities Corporation<br>South Eastern Indiana Natural Gas Co.<br>Fountaintown Gas Company, Inc.<br>Community Natural Gas Co.<br>Boonville Natural Gas Corporation<br>Chandler Natural Gas Corporation<br>Indiana Natural Gas Corporation | 2006        | Normal Temperature Adjustment  |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>  | <i>Year</i> | <i>Project Emphasis</i>   |
|--|-------------|---|
| Missouri-American Water Company                          | 2006-2007   | CWIP Surcharge  |
| Grandview Municipal Waterworks                           | 2007        | Sale for Resale Rate Litigation   |
| Citizens Gas & Coke Utility                              | 2007        | Normal Temperature Adjustment   |
| Southeastern Indiana REMC                                | 2007        | Electric Cost of Service Study and Rate Design  |
| Ohio Valley Gas Company                                  | 2007        | Gas Cost of Service Study and Rate Design<br>Normal Temperature Adjustment<br>Pipeline Safety Integrity Rider |
| Midwest Gas Corporation                                  | 2007        | Gas Cost of Service Study and Rate Design<br>Single Tariff Pricing<br>School Transportation Tariff            |
| Citizens Thermal Energy                                  | 2007        | Steam Cost of Service Study and Rate Design   |
| Rensselaer Municipal Electric Utility                    | 2007        | Rensselaer Municipal Electric Contract with IMPA  |
| Vectren North (Indiana Gas Company)                      | 2007        | Gas Cost of Service Study and Rate Design   |
| Vectren Energy Delivery of Ohio                          | 2007-2008   | Gas Cost of Service Study and Rate Design   |
| Lawrenceburg Gas Corporation                             | 2007-2008   | Gas Cost Adjustment Review and Corrections  |
| Indiana Natural Gas Corporation                          | 2007-2008   | School Transportation Tariff  |
| Boonville Natural Gas Corp. & Chandler Natural Gas Corp. | 2007-2008   | Gas Cost of Service Study and Rate Design<br>Single Tariff Pricing  |
| Community Natural Gas Co., Inc.                          | 2007-2008   | Rate Design   |
| Indiana Natural Gas Corporation                          | 2008        | Gas Cost of Service Study and Rate Design   |
| Santa Claus Municipal Waterworks                         | 2008        | Water Cost of Service Study and Rate Design   |
| Indiana Housing and Community Development Authority      | 2008        | 2008 Review of Utility Allowances for Low Income Housing  |
| Evansville Business Alliance                             | 2008        | Wastewater Cost of Service Study and Rate Design  |
| Citizens Thermal Energy                                  | 2008        | Large Volume Customer Steam Contract<br>Negotiations and Approval   |
| Southeastern Indiana REMC                                | 2008        | Update to Electric Cost of Service Study and Rate Design  |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>   | <i>Year</i> | <i>Project Emphasis</i>  |
|---|-------------|--|
| Indiana Utilities Corporation   | 2008        | Gas Rate Design  |
| City of Ft. Wayne, Indiana  | 2008        | Indiana Michigan Power Electric Cost of Service Study and Rate Design Intervention   |
| Indiana Municipal Utilities Group   | 2008-2009   | Northern Indiana Public Service Company ("NIPSCO") Cost of Service Study and Rate Design Intervention  |
| Vectren South (SIGECO)-Gas  | 2008-2009   | Analysis of and Assistance with Consolidation of Indiana Gas Company and Southern Indiana Gas & Electric Company Rates (Single Tariff Pricing) |
| City of East Chicago, Indiana   | 2009        | Public Fire Protection Rates   |
| Indianapolis Department of Waterworks (formerly Indianapolis Water Company, Inc.) | 2009-2010   | Water Cost of Service Study and Rate Design<br>Weather Normalization Adjustment  |
| Indiana-American Water Company  | 2009-2010   | Water Cost of Service Study and Rate Design<br>Single Tariff Pricing<br>Weather Normalization Adjustment                                       |
| Town of Montezuma, Indiana  | 2009-2010   | Wholesale Power Analysis and Negotiations  |
| Hendricks Power Cooperative   | 2009-2010   | Electric Cost of Service Study and Rate Design   |
| Vectren South (SIGECO)-Electric   | 2009-2010   | Electric Cost of Service Study   |
| Northern Indiana Public Service Company ("NIPSCO")                                | 2009-2010   | Audit of Gas Rate Case Filing Documents  |
| Purdue University   | 2010-2011   | Internal Gas, Electric, Water and Wastewater Cost of Service Studies   |
| Fort Wayne Municipal Waterworks   | 2010-2011   | Water Cost of Service Study, Rate Design and Outside City Rate Differential  |
| Wabash County REMC  | 2010-2011   | Electric Cost of Service Study and Rate Design   |
| Indianapolis Power & Light Company  | 2010        | Demand-Side Management Lost Revenue Recovery Tracker   |
| City of Jasper, IN Municipal Gas Utility  | 2010-2011   | Gas Cost of Service Study and Rate Design and Decoupling   |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>  | <i>Year</i> | <i>Project Emphasis</i>   |
|--|-------------|---|
| Indiana Municipal Utilities Group  | 2011        | Northern Indiana Public Service Company ("NIPSCO") Cost of Service Study and Rate Design Intervention |
| Nucor Steel  | 2011        | Intervention in Duke DSM Case Concerning Cost Allocation of Energy Efficiency Costs                   |
| Indiana American Water Company   | 2011        | Water Cost of Service Study and Rate Design Single Tariff Pricing                                     |
| Midwest Natural Gas Corporation<br>Indiana Utilities Corporation<br>South Eastern Indiana Natural Gas Co.<br>Fountaintown Gas Company, Inc.<br>Community Natural Gas Co.<br>Boonville Natural Gas Corporation<br>Indiana Natural Gas Corporation<br>Switzerland County Natural Gas | 2011        | Gas Energy Efficiency, Funding and Decoupling   |
| Sycamore Gas Company   | 2011-2012   | Assistance with Negotiating and Preparing a Large Volume Customer Special Contract                    |
| Indiana Utilities Corporation  | 2011-2012   | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling                                      |
| Ohio Valley Gas Corporation  | 2011-2012   | Gas Cost of Service Study and Rate Design Single Tariff Pricing                                       |
| Northern Indiana Public Service Company (Kokomo Gas & Fuel Co.)  | 2011-2012   | Court Litigation with Kokomo Opalescent Glass, Inc. Concerning Gas Rates                              |
| City of Fort Wayne, Indiana  | 2011-2012   | Indiana Michigan Power Electric Cost of Service Study and Rate Design Intervention                    |
| Morgan Foods   | 2012        | Stucker Fork Conservancy District Water Cost of Service Study and Rate Design Intervention            |
| South Eastern Indiana Natural Gas Co.  | 2012        | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling                                      |
| Boonville Natural Gas Corporation  | 2012        | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling                                      |
| Midwest Gas Corporation  | 2012        | Gas Cost of Service and Rate Design<br>Gas Energy Efficiency, Funding and Decoupling                  |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>                          | <i>Year</i> | <i>Project Emphasis</i>   |
|--|-------------|---|
|  |             |   |
| Indianapolis Power & Light Company     | 2012        | Assistance with Regulatory Matters  |
| Illinois American Water Company        | 2012        | Support Water Decoupling Mechanism Before the Illinois Commerce Commission  |
| White River Citizens United            | 2012        | Petition Objecting to Outside Rates for Bargersville Water  |
| Town of Montezuma, Indiana             | 2012        | Review of Wholesale Power Amendment and Negotiations with Duke Energy   |
| Vectren Energy Delivery of Ohio        | 2012        | Assistance with Implementation of HB95, Establishing Gas Cost of Service Study and Rates and Charges Excluding Equity Component       |
| Fountaintown Natural Gas Company       | 2012        | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling  |
| Switzerland County Natural Gas Company | 2012        | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling  |
| Community Natural Gas Co.              | 2012-2013   | Gas Cost of Service Study and Rate Design.<br>Gas Energy Efficiency, Funding and Decoupling.  |
| Nucor Steel                            | 2013        | Expert Testimony on Electric Energy Efficiency Self-Direct Program in IURC Cause No. 44310  |
| Citizens Thermal Energy                | 2013        | Steam Cost of Service Study and Rate Design   |
| Indiana Natural Gas Company            | 2013        | Gas Rate Design<br>Gas Energy Efficiency, Funding and Decoupling  |
| City of Fort Wayne, Indiana            | 2012-2013   | Water Cost of Service Study and Rate Design   |
| Citizens Thermal Energy                | 2013        | Research and Development Into Revenue Stabilization Rate Design   |
| Delta Natural Gas                      | 2014        | Review of Unaccounted for Gas Calculations and Underlying Procedures  |
| Community Natural Gas Co.              | 2014-2015   | Assistance with Calculation of Cost of Service-Based Rate for Large Volume Customer and Assistance with Preparation of 30-Day Filing. |
| Vectren South Electric                 | 2015        | Assistance with LED Lighting Analysis   |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>  | <i>Year</i> | <i>Project Emphasis</i>   |
|--|-------------|---|
| Midwest Natural Gas Corporation<br>Indiana Utilities Corporation<br>South Eastern Indiana Natural Gas Co.<br>Fountaintown Gas Company, Inc.<br>Community Natural Gas Co.<br>Boonville Natural Gas Corporation<br>Indiana Natural Gas Corporation<br>Switzerland County Natural Gas | 2015        | Review and Analysis of First Year's Decoupling Rates  |
| Morgan Foods   | 2015        | Stucker Fork Conservancy District Water Cost of Service Study and Rate Design Intervention  |
| Town of Whitestown, IN   | 2015        | Citizens Water (Formerly Indianapolis Water Company and Indianapolis Department of Waterworks) Cost of Service Study and Rate Design Intervention |
| Vectren South Electric   | 2015-2016   | Miscellaneous Regulatory and Ratemaking Projects  |
| Vectren North and South Gas  | 2016        | Intervention in ANR Pipeline Company Rate Case Docket No. RP16-440-000  |
| Community Natural Gas Company  | 2016        | Natural Gas Cost of Service Study and Rate Design   |
| United House of Prayer (Class Action)  | 2016-2018   | Water Rate Litigation Versus City of Detroit, MI  |
| Leonard S. Bohn (Class Action)   | 2016-2017   | Water Rate Litigation Versus City of Taylor, MI   |
| City of Fort Wayne, Indiana  | 2016        | Water Cost of Service Study and Rate Design Revision to Reflect Expiration of Contract  |
| Davies County Rural Water System Inc.  | 2016        | Wholesale Water Rate Litigation Versus City of Washington, IN   |
| Midwest Natural Gas Company  | 2017        | Natural Gas Cost of Service Study and Rate Design   |
| Ohio Valley Gas Corporation  | 2017        | Gas Cost of Service Study and Rate Design, Including Single Tariff Pricing  |
| Jamila Youmans (Class Action)  | 2017-2018   | Water Rate Litigation Versus Township of Bloomfield, MI   |
| Hawaii Gas Company   | 2018        | Natural Gas Cost of Service Study   |

## Representative Engagements of Kerry A. Heid, P.E.<sup>1</sup>

| <i>Client</i>  | <i>Year</i> | <i>Project Emphasis</i>  |
|--|-------------|--|
| Switzerland County Natural Gas Company   | 2018        | Natural Gas Cost of Service Study and Rate Design  |
| City of Jasper, IN Municipal Gas Utility   | 2018        | Natural Gas Cost of Service Study and Rate Design  |
| Midwest Natural Gas Corporation<br>Indiana Utilities Corporation<br>South Eastern Indiana Natural Gas Co.<br>Fountaintown Gas Company, Inc.<br>Community Natural Gas Co.<br>Boonville Natural Gas Corporation<br>Indiana Natural Gas Corporation<br>Switzerland County Natural Gas | 2018        | Compliance with Indiana Utility Regulatory Commission Cause No. 45032 Re: Reduction in Federal Income Tax Rate |

Footnote 1: The aforementioned cases do not include in excess of one hundred water rate cases in which Mr. Heid participated as Principal Water and Sewer Engineer during his tenure with the Indiana Utility Regulatory Commission and its predecessor the Public Service Commission of Indiana through 1986.

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
SCHEDULE OF ALLOCATION FACTORS**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 1  
PAGE 1 OF 3

| <u>NO. ALLOCATORS</u>          |                           | <u>Rate 1 - Res. &amp; Gen.<br/>Svc.</u> | <u>Rate 2 - Large<br/>Commercial Sales</u> | <u>Rate 3 - Industrial<br/>Sales</u> | <u>Rate 4 - General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> | <u>Total</u> |
|--------------------------------|---------------------------|--|--|--------------------------------------|--|--|--------------|
| <b><u>Input Allocators</u></b> |                           |  |  |                                      |  |  |              |
| 2                              | Annual Sales              | 196,295                                  | 198,682                                    | 7,018                                | 0  | 0  | 401,995      |
|                                |                           | 48.8301%                                 | 49.4240%                                   | 1.7459%                              | 0.0000%                                    | 0.0000%                                  | 100.0000%    |
| 3                              | Number of Bills           | 36,344                                   | 1,766                                      | 16                                   | 36   | 12                                       | 38,174       |
|                                |                           | 95.2062%                                 | 4.6262%                                    | 0.0419%                              | 0.0943%                                    | 0.0314%                                  | 100.0000%    |
| 5                              | Design Day Sales          | 2,983                                    | 2,123                                      | 32                                   | 0  | 0  | 5,138        |
|                                |                           | 58.0579%                                 | 41.3232%                                   | 0.6189%                              | 0.0000%                                    | 0.0000%                                  | 100.0000%    |
| 10                             | Uncollectibles Analysis   | 94.69%                                   | 5.31%                                      | 0.00%                                | 0.00%                                      | 0.00%                                    | 100.00%      |
|                                |                           | 94.6892%                                 | 5.3108%                                    | 0.0000%                              | 0.0000%                                    | 0.0000%                                  | 100.0000%    |
| 11                             | Forfeited Discounts Study | 95.00%                                   | 5.00%                                      | \$0                                  | 0.00%                                      | 0.00%                                    | 100.00%      |
|                                |                           | 95.0000%                                 | 5.0000%                                    | 0.0000%                              | 0.0000%                                    | 0.0000%                                  | 100.0000%    |
| 19                             | Weighted Meters Factor    | 1  | 11   | 41                                   | 41   | 41                                       |              |
|                                |                           | 3,029                                    | 1,619                                      | 55                                   | 123  | 41                                       | 4,866        |
|                                |                           | 62.2393%                                 | 33.2671%                                   | 1.1234%                              | 2.5277%                                    | 0.8426%                                  | 100.0000%    |
| 20                             | Weighted Services Factor  | 1.00                                     | 1.80                                       | 3.00                                 | 3.00                                       | 3.00                                     |              |
|                                |                           | 3,029                                    | 265  | 4                                    | 9  | 3  | 3,310        |
|                                |                           | 91.5125%                                 | 8.0041%                                    | 0.1209%                              | 0.2719%                                    | 0.0906%                                  | 100.0000%    |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
SCHEDULE OF ALLOCATION FACTORS**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 1  
PAGE 2 OF 3

| <u>NO. ALLOCATORS</u>                         |  | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> | <u>Total</u>              |
|---|--|--|--|--------------------------------------|--|--|---------------------------|
| <b><u>Internally-Generated Allocators</u></b> |  |  |  |                                      |  |  |                           |
| 100   | Gross Plant                                      | \$9,500,887<br>67.7587%                  | \$3,391,294<br>24.1861%                        | \$62,589<br>0.4464%                  | \$643,858<br>4.5919%                           | \$423,028<br>3.0170%                     | \$14,021,656<br>100.0000% |
| 102   | Original Cost Rate Base                          | \$4,985,355<br>67.6381%                  | \$1,793,943<br>24.3391%                        | \$33,621<br>0.4561%                  | \$337,055<br>4.5730%                           | \$220,654<br>2.9937%                     | \$7,370,629<br>100.0000%  |
| 103   | Distribution Mains Plant                         | \$4,770,761<br>63.1276%                  | \$1,982,649<br>26.2348%                        | \$29,081<br>0.3848%                  | \$458,878<br>6.0720%                           | \$315,965<br>4.1809%                     | \$7,557,334<br>100.0000%  |
| 107   | Mains and Services Plant                         | \$6,580,651<br>68.6816%                  | \$2,171,867<br>22.6676%                        | \$31,922<br>0.3332%                  | \$473,039<br>4.9371%                           | \$323,905<br>3.3806%                     | \$9,581,383<br>100.0000%  |
| 108   | Meters, Meter Installations and House Regulators | \$997,207<br>62.2393%                    | \$533,011<br>33.2671%                          | \$17,999<br>1.1234%                  | \$40,498<br>2.5277%                            | \$13,499<br>0.8426%                      | \$1,602,215<br>100.0000%  |
| 110   | Subtotal Gross Plant                             | \$7,577,857<br>67.7587%                  | \$2,704,878<br>24.1861%                        | \$49,921<br>0.4464%                  | \$513,538<br>4.5919%                           | \$337,405<br>3.0170%                     | \$11,183,598<br>100.0000% |
| 115   | O&M Without Gas Costs (P/F A)                    | \$198,658<br>71.1016%                    | \$60,588<br>21.6851%                           | \$1,066<br>0.3815%                   | \$11,491<br>4.1126%                            | \$7,597<br>2.7191%                       | \$279,400<br>100.0000%    |
| 117   | O&M Without Gas Costs (P/F B)                    | \$240,815<br>70.5302%                    | \$75,506<br>22.1143%                           | \$1,341<br>0.3927%                   | \$14,318<br>4.1936%                            | \$9,455<br>2.7692%                       | \$341,435<br>100.0000%    |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
SCHEDULE OF ALLOCATION FACTORS**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 1  
PAGE 3 OF 3

| <u>NO. ALLOCATORS</u>                                 |                                    | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> | <u>Total</u>           |
|---|------------------------------------|--|--|--------------------------------------|--|--|------------------------|
| <b><u>Internally-Generated Allocators (cont.)</u></b> |                                    |  |  |                                      |  |  |                        |
| 120   | Total Depreciation Expenses        | \$308,102<br>67.6495%                    | \$110,613<br>24.2872%                          | \$2,054<br>0.4509%                   | \$20,934<br>4.5963%                            | \$13,736<br>3.0161%                      | \$455,439<br>100.0000% |
| 121   | P/F A Normal Rev. w/ Misc. Rev.    | 1,310,060<br>50.6136%                    | 870,916<br>33.6474%                            | 21,815<br>0.8428%                    | 278,137<br>10.7457%                            | 107,429<br>4.1505%                       | 2,588,356<br>100.0000% |
| 122   | P/F A Equalized Rev. w/ Misc. Rev. | 1,861,055<br>71.9011%                    | 553,516<br>21.3848%                            | 10,292<br>0.3976%                    | 98,697<br>3.8131%                              | 64,795<br>2.5033%                        | 2,588,355<br>100.0000% |
| 123   | P/F B Equalized Rev. w/ Misc. Rev. | 2,052,588<br>71.4360%                    | 623,794<br>21.7098%                            | 11,616<br>0.4043%                    | 111,898<br>3.8944%                             | 73,430<br>2.5556%                        | 2,873,326<br>100.0000% |
| 124   | P/F B Normal Rev. w/ Misc. Rev.    | 1,501,593<br>52.2597%                    | 941,194<br>32.7562%                            | 23,139<br>0.8053%                    | 291,338<br>10.1394%                            | 116,064<br>4.0394%                       | 2,873,328<br>100.0000% |
| 125   | Labor Allocator                    | \$320,429<br>80.4950%                    | \$59,998<br>15.0720%                           | \$1,013<br>0.2544%                   | \$10,058<br>2.5267%                            | \$6,576<br>1.6519%                       | \$398,073<br>100.0000% |
| 133   | P/F A Normal Rev. w/ Misc. Rev.    | 1,310,060<br>51.0438%                    | 870,916<br>33.9334%                            | 0<br>0.0000%                         | 278,137<br>10.8370%                            | 107,429<br>4.1858%                       | 2,566,542<br>100.0000% |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
ALLOCATION OF RATE BASE**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 2  
PAGE 1 OF 2

|                                    |   |            |              | <u>Rate 1 - Res.</u>   | <u>Rate 2 -</u> | <u>Rate 3 -</u>   | <u>Rate 4 -</u>       | <u>Rate 5 - Large</u> |
|------------------------------------|---|------------|--------------|------------------------|-----------------|-------------------|-----------------------|-----------------------|
|                                    |   | <u>No.</u> | <u>Total</u> | <u>&amp; Gen. Svc.</u> | <u>Large</u>    | <u>Industrial</u> | <u>General</u>        | <u>Transportation</u> |
|                                    |   |            |              |                        | <u>Sales</u>    | <u>Sales</u>      | <u>Transportation</u> | <u>Transportation</u> |
| <u><b>GROSS PLANT</b></u>          |   |            |              |                        |                 |                   |                       |                       |
| (1)                                | Total Distribution Plant                          |            |              |                        |                 |                   |                       |                       |
| (2)                                | Mains   |            |              |                        |                 |                   |                       |                       |
| (3)                                | Customer  | 3          | \$2,237,943  | \$2,130,660            | \$103,531       | \$938             | \$2,110               | \$703                 |
| (4)                                | Demand  | 4          | \$5,319,390  | \$2,640,101            | \$1,879,118     | \$28,143          | \$456,767             | \$315,262             |
| (5)                                | Land and Land Rights                              | 103        | \$4,943      | \$3,120                | \$1,297         | \$19              | \$300                 | \$207                 |
| (6)                                | Measuring and Regulating Equipment                | 103        | \$144,321    | \$91,107               | \$37,862        | \$555             | \$8,763               | \$6,034               |
| (7)                                | Services  | 20         | \$1,874,786  | \$1,715,663            | \$150,059       | \$2,266           | \$5,098               | \$1,699               |
| (8)                                | Meters  | 19         | \$1,304,627  | \$811,990              | \$434,012       | \$14,656          | \$32,976              | \$10,992              |
| (9)                                | Meter Installations                               | 19         | \$297,588    | \$185,217              | \$98,999        | \$3,343           | \$7,522               | \$2,507               |
| (10)                               | Total General and Intangible Plant                | 110        | \$2,838,058  | \$1,923,030            | \$686,416       | \$12,668          | \$130,320             | \$85,623              |
| (11) Total Gross Plant             |   |            | \$14,021,656 | \$9,500,887            | \$3,391,294     | \$62,589          | \$643,858             | \$423,028             |
| <u><b>DEPRECIATION RESERVE</b></u> |   |            |              |                        |                 |                   |                       |                       |
| (1)                                | Total Distribution Plant Depreciation Reserve     |            |              |                        |                 |                   |                       |                       |
| (2)                                | Mains   | 103        | \$3,661,640  | \$2,311,504            | \$960,623       | \$14,090          | \$222,333             | \$153,090             |
| (3)                                | Measuring and Regulating Equipment                | 103        | \$85,136     | \$53,744               | \$22,335        | \$328             | \$5,169               | \$3,559               |
| (4)                                | Services  | 20         | \$943,976    | \$863,856              | \$75,556        | \$1,141           | \$2,567               | \$856                 |
| (5)                                | Meters  | 19         | \$517,176    | \$321,886              | \$172,049       | \$5,810           | \$13,072              | \$4,357               |
| (6)                                | Meter Installations                               | 19         | \$157,970    | \$98,319               | \$52,552        | \$1,775           | \$3,993               | \$1,331               |
| (7)                                | General and Intangible Plant Depreciation Reserve | 110        | \$1,486,373  | \$1,007,146            | \$359,496       | \$6,635           | \$68,252              | \$44,843              |
| (8) Total Depreciation Reserve     |   |            | \$6,852,270  | \$4,656,456            | \$1,642,612     | \$29,778          | \$315,387             | \$208,037             |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
ALLOCATION OF RATE BASE

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 2  
PAGE 2 OF 2

|                                   |                                  | No. | Total              | Rate 1 - Res.<br>& Gen. Svc. | Rate 2 -<br>Large<br>Commercial<br>Sales | Rate 3 -<br>Industrial<br>Sales | Rate 4 -<br>General<br>Transportation | Rate 5 - Large<br>Transportation |
|-----------------------------------|----------------------------------|-----|--------------------|------------------------------|--|---------------------------------|---------------------------------------|----------------------------------|
| <u>OTHER RATE BASE COMPONENTS</u> |                                  |     |                    |                              |  |                                 |                                       |                                  |
| (1)                               | Materials and Supplies           | 100 | \$36,552           | \$24,767                     | \$8,841                                  | \$163                           | \$1,678                               | \$1,103                          |
| (2)                               | Cash Working Capital             | 117 | \$164,692          | \$116,157                    | \$36,420                                 | \$647                           | \$6,906                               | \$4,561                          |
| (3)                               | Total Other Rate Base Components |     | <u>\$201,244</u>   | <u>\$140,924</u>             | <u>\$45,261</u>                          | <u>\$810</u>                    | <u>\$8,585</u>                        | <u>\$5,663</u>                   |
| (4)                               | Total Rate Base                  |     | <u>\$7,370,629</u> | <u>\$4,985,355</u>           | <u>\$1,793,943</u>                       | <u>\$33,621</u>                 | <u>\$337,055</u>                      | <u>\$220,654</u>                 |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
ALLOCATION OF DEPRECIATION AND AMORTIZATION EXPENSE

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 3  
PAGE 1 OF 1

|  | <u>No.</u> | <u>Total</u>     | <u>Rate 1 - Res.<br/>&amp; Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--|------------|------------------|--|--|--------------------------------------|--|--|
| <u>DEPRECIATION AND AMORTIZATION EXPENSES</u>    |            |                  |  |  |                                      |  |  |
| (1) Total Distribution                           |            |                  |  |  |                                      |  |  |
| (2) Mains  | 103        | \$212,927        | \$134,416                                | \$55,861                                       | \$819                                | \$12,929                                       | \$8,902                                  |
| (6) Measuring and Regulating Equipment           | 103        | \$4,444          | \$2,805                                  | \$1,166  | \$17                                 | \$270  | \$186                                    |
| (7) Services                                     | 20         | \$51,317         | \$46,961                                 | \$4,107  | \$62                                 | \$140  | \$47                                     |
| (8) Meters - Account 381                         | 19         | \$38,745         | \$24,115                                 | \$12,890                                       | \$435                                | \$979  | \$326                                    |
| (9) Meter Installations - Account 381            | 19         | \$8,732          | \$5,435                                  | \$2,905  | \$98                                 | \$221  | \$74                                     |
| (13) General and Intangible Plant                | 110        | \$139,273        | \$94,369                                 | \$33,685                                       | \$622                                | \$6,395  | \$4,202                                  |
| (16) Total Depreciation and Amortization Expense |            | <u>\$455,439</u> | <u>\$308,102</u>                         | <u>\$110,613</u>                               | <u>\$2,054</u>                       | <u>\$20,934</u>                                | <u>\$13,736</u>                          |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE  
PROFORMA A (PRESENT REVENUE LEVELS)

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 4  
PAGE 1 OF 2

|   | <u>No.</u> | <u>Total</u> | <u>Rate 1 - Res.<br/>&amp; Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|---|------------|--------------|--|--|--------------------------------------|--|--|
| <u>PROFORMA COST OF GAS</u>                       |            |              |  |  |                                      |  |  |
| (1) Commodity Cost of Purchased Gas               | 2          | \$0          | \$0                                      | \$0  | \$0                                  | \$0  | \$0                                      |
| (2) Demand Cost of Purchased Gas                  | 5          | \$0          | \$0                                      | \$0  | \$0                                  | \$0  | \$0                                      |
| (3) Leased Storage                                | 9          | \$0          | \$0                                      | \$0  | \$0                                  | \$0  | \$0                                      |
| (4) Unaccounted for Gas Costs                     | 2          | \$36,302     | \$17,726                                 | \$17,942                                       | \$634                                | \$0  | \$0                                      |
| (5) Total Proforma Cost of Gas                    |            | \$36,302     | \$17,726                                 | \$17,942                                       | \$634                                | \$0  | \$0                                      |
| <u>OPERATING EXPENSES</u>                         |            |              |  |  |                                      |  |  |
| (6) Total Distribution Expenses                   |            |              |  |  |                                      |  |  |
| (7) Mains and Services                            | 107        | \$217,136    | \$149,132                                | \$49,219                                       | \$723                                | \$10,720                                       | \$7,340                                  |
| (8) Meter, Meter Installation and House Regulator | 108        | \$29,490     | \$18,355                                 | \$9,811  | \$331                                | \$745  | \$248                                    |
| (9) Customer Installation Expenses                | 3          | \$15,110     | \$14,385                                 | \$699  | \$6                                  | \$14   | \$5                                      |
| (10) Total Customer Accounts Expense              | 3          | \$10,026     | \$9,545                                  | \$464  | \$4                                  | \$9  | \$3                                      |
| (11) Uncollectibles                               | 10         | \$6,143      | \$5,817                                  | \$326  | \$0                                  | \$0  | \$0                                      |
| (12) Total Customer Service Expenses              | 3          | \$1,495      | \$1,423                                  | \$69   | \$1                                  | \$1  | \$0                                      |
| (13) Total Sales Expenses                         | 115        | \$8,950      | \$6,364                                  | \$1,941  | \$34                                 | \$368  | \$243                                    |
| (14) Administrative and General                   |            |              |  |  |                                      |  |  |
| (15) Plant-Related                                | 100        | \$61,579     | \$41,725                                 | \$14,894                                       | \$275                                | \$2,828  | \$1,858                                  |
| (16) Salaries-Related                             | 125        | \$744,274    | \$599,104                                | \$112,177                                      | \$1,893                              | \$18,805                                       | \$12,295                                 |
| (17) Other  | 115        | \$223,328    | \$158,790                                | \$48,429                                       | \$852                                | \$9,185  | \$6,073                                  |
| (18) Total Proforma A Operating Costs             |            | \$1,317,531  | \$1,004,640                              | \$238,029                                      | \$4,120                              | \$42,676                                       | \$28,066                                 |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE  
PROFORMA B (PROPOSED REVENUE LEVELS)

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 4  
PAGE 2 OF 2

|   |            |              | <u>Rate 1 - Res.</u>   | <u>Rate 2 - Large</u> | <u>Rate 3 -</u>         | <u>Rate 4 -</u>       | <u>Rate 5 - Large</u> |
|---|------------|--------------|------------------------|-----------------------|-------------------------|-----------------------|-----------------------|
|   | <u>NO.</u> | <u>Total</u> | <u>&amp; Gen. Svc.</u> | <u>Commercial</u>     | <u>Industrial Sales</u> | <u>General</u>        | <u>Transportation</u> |
|   |            |              |                        | <u>Sales</u>          |                         | <u>Transportation</u> |                       |
| <u>PROFORMA COST OF COST</u>                      |            |              |                        |                       |                         |                       |                       |
| (1) Commodity Cost of Purchased Gas               | 2          | \$0          | \$0                    | \$0                   | \$0                     | \$0                   | \$0                   |
| (2) Demand Cost of Purchased Gas                  | 5          | \$0          | \$0                    | \$0                   | \$0                     | \$0                   | \$0                   |
| (3) Leased Storage                                | 9          | \$0          | \$0                    | \$0                   | \$0                     | \$0                   | \$0                   |
| (4) Unaccounted for Gas Costs                     | 2          | \$36,302     | \$17,726               | \$17,942              | \$634                   | \$0                   | \$0                   |
| (5) Total Proforma Cost of Gas                    |            | \$36,302     | \$17,726               | \$17,942              | \$634                   | \$0                   | \$0                   |
| <u>OPERATING EXPENSES</u>                         |            |              |                        |                       |                         |                       |                       |
| (6) Total Distribution Expenses                   |            |              |                        |                       |                         |                       |                       |
| (7) Mains and Services                            | 107        | \$217,136    | \$149,132              | \$49,219              | \$723                   | \$10,720              | \$7,340               |
| (8) Meter, Meter Installation and House Regulator | 108        | \$29,490     | \$18,355               | \$9,811               | \$331                   | \$745                 | \$248                 |
| (9) Customer Installation Expenses                | 3          | \$15,110     | \$14,385               | \$699                 | \$6                     | \$14                  | \$5                   |
| (10) Total Customer Accounts Expense              | 3          | \$10,026     | \$9,545                | \$464                 | \$4                     | \$9                   | \$3                   |
| (11) Uncollectibles                               | 10         | \$6,599      | \$6,249                | \$350                 | \$0                     | \$0                   | \$0                   |
| (12) Total Customer Service Expenses              | 3          | \$1,495      | \$1,423                | \$69                  | \$1                     | \$1                   | \$0                   |
| (13) Total Sales Expenses                         | 117        | \$8,950      | \$6,312                | \$1,979               | \$35                    | \$375                 | \$248                 |
| (14) Administrative and General                   |            |              |                        |                       |                         |                       |                       |
| (15) Plant-Related                                | 100        | \$61,579     | \$41,725               | \$14,894              | \$275                   | \$2,828               | \$1,858               |
| (16) Salaries-Related                             | 125        | \$744,274    | \$599,104              | \$112,177             | \$1,893                 | \$18,805              | \$12,295              |
| (17) Other  | 117        | \$223,709    | \$157,782              | \$49,472              | \$878                   | \$9,381               | \$6,195               |
| (18) Total Proforma B Operating Costs             |            | \$1,318,368  | \$1,004,013            | \$239,134             | \$4,148                 | \$42,880              | \$28,193              |

INDIANA UTILITIES CORPORATION  
 COST OF SERVICE STUDY  
 ALLOCATION OF MISCELLANEOUS REVENUES

TYPE OF FILING: CASE-IN-CHIEF  
 WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
 SCHEDULE 5  
 PAGE 1 OF 1

|                                      |                              | <u>Total</u> | <u>Rate 1 - Res.<br/>&amp; Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--------------------------------------|------------------------------|--------------|--|--|--------------------------------------|--|--|
| <b><u>MISCELLANEOUS REVENUES</u></b> |                              |              |  |  |                                      |  |  |
| (1)                                  | Forfeited Discounts          | 11 \$15,027  | \$14,276                                 | \$751  | \$0                                  | \$0  | \$0                                      |
| (2)                                  | Total Miscellaneous Revenues | \$15,027     | \$14,276                                 | \$751  | \$0                                  | \$0  | \$0                                      |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA A NORMALIZED TAXES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 1 OF 9

|  | No. | Total              | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Industrial<br>Sales | General<br>Transportation | Rate 5 - Large<br>Transportation |
|--|-----|--------------------|------------------------------|------------------------------------|---------------------|---------------------------|----------------------------------|
| (1) Proforma A Normalized Revenues. w/o Misc. Rev. |     | \$2,573,329        | \$1,295,784                  | \$870,164                          | \$21,815            | \$278,137                 | \$107,429                        |
| (2) Proforma A Normalized Miscellaneous Revenues   |     | \$15,027           | \$14,276                     | \$751                              | \$0                 | \$0                       | \$0                              |
| (3) Proforma A Normalized Rev. w/Misc. Revenues    |     | <u>\$2,588,356</u> | <u>\$1,310,060</u>           | <u>\$870,916</u>                   | <u>\$21,815</u>     | <u>\$278,137</u>          | <u>\$107,429</u>                 |

**Indiana Utility Receipts Taxes**

|  |     |                    |                    |                  |                 |                  |                  |
|--|-----|--------------------|--------------------|------------------|-----------------|------------------|------------------|
| (4) Total Proforma A Normalized Revenues w/ Misc. Rev. |     | \$2,588,356        | \$1,310,060        | \$870,916        | \$21,815        | \$278,137        | \$107,429        |
| (5) Less: Uncollectible Expense                        | 10  | (\$6,143)          | (\$5,817)          | (\$326)          | \$0             | \$0              | \$0              |
| (6) Less: Statutory Exemption                          | 133 | (\$1,000)          | (\$510)            | (\$339)          | \$0             | (\$108)          | (\$42)           |
| (7) Less: Exempt Revenues                              | 133 | \$0                | \$0                | \$0              | \$0             | \$0              | \$0              |
| (8) Income for Utility Receipts Tax                    |     | <u>\$2,581,213</u> | <u>\$1,303,732</u> | <u>\$870,250</u> | <u>\$21,815</u> | <u>\$278,028</u> | <u>\$107,388</u> |
| (9) Utility Receipts Tax Rate                          |     | 1.40%              | 1.40%              | 1.40%            | 1.40%           | 1.40%            | 1.40%            |
| (10) Utility Receipts Tax                              |     | <u>\$36,137</u>    | <u>\$18,252</u>    | <u>\$12,184</u>  | <u>\$305</u>    | <u>\$3,892</u>   | <u>\$1,503</u>   |

**State Income Taxes**

|   |     |                  |                    |                  |                 |                  |                 |
|---|-----|------------------|--------------------|------------------|-----------------|------------------|-----------------|
| (11) Total Proforma A Normalized Revenues     |     | \$2,588,356      | \$1,310,060        | \$870,916        | \$21,815        | \$278,137        | \$107,429       |
| (12) Less: Operation and Maintenance Expenses |     | (\$1,317,531)    | (\$1,004,640)      | (\$238,029)      | (\$4,120)       | (\$42,676)       | (\$28,066)      |
| (13) Less: Gas Costs                          |     | (\$36,302)       | (\$17,726)         | (\$17,942)       | (\$634)         | \$0              | \$0             |
| (14) Less: Depreciation                       |     | (\$455,439)      | (\$308,102)        | (\$110,613)      | (\$2,054)       | (\$20,934)       | (\$13,736)      |
| (15) Less: Property Taxes                     | 100 | (\$59,273)       | (\$40,163)         | (\$14,336)       | (\$265)         | (\$2,722)        | (\$1,788)       |
| (16) Less: Other Taxes                        | 115 | (\$67,236)       | (\$47,806)         | (\$14,580)       | (\$256)         | (\$2,765)        | (\$1,828)       |
| (17) Less: Utility Receipts Tax               |     | \$0              | \$0                | \$0              | \$0             | \$0              | \$0             |
| (18) Less: Interest Expense                   | 102 | (\$1,474)        | (\$997)            | (\$359)          | (\$7)           | (\$67)           | (\$44)          |
| (19) Plus: Non-Deductible Expenses            | 102 | \$0              | \$0                | \$0              | \$0             | \$0              | \$0             |
| (20) Income for State Income Taxes            |     | <u>\$651,103</u> | <u>(\$109,374)</u> | <u>\$475,057</u> | <u>\$14,479</u> | <u>\$208,973</u> | <u>\$61,967</u> |
| (21) State Income Tax Rate                    |     | 5.75%            | 5.75%              | 5.75%            | 5.75%           | 5.75%            | 5.75%           |
| (22) State Income Taxes                       |     | <u>\$37,438</u>  | <u>(\$6,289)</u>   | <u>\$27,316</u>  | <u>\$833</u>    | <u>\$12,016</u>  | <u>\$3,563</u>  |
| (23) Less: Deferred State Tax Flowback        | 120 | \$0              | \$0                | \$0              | \$0             | \$0              | \$0             |
| (24) Total State Tax Liability                |     | <u>\$37,438</u>  | <u>(\$6,289)</u>   | <u>\$27,316</u>  | <u>\$833</u>    | <u>\$12,016</u>  | <u>\$3,563</u>  |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA A NORMALIZED TAXES (Continued)**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 2 OF 9

|   | No. | Total         | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Industrial<br>Sales | General<br>Transportation | Rate 5 - Large<br>Transportation |
|---|-----|---------------|------------------------------|------------------------------------|---------------------|---------------------------|----------------------------------|
| <b>Federal Income Taxes</b>                   |     |               |                              |                                    |                     |                           |                                  |
| (25) Total Proforma A Normalized Revenues     |     | \$2,588,356   | \$1,310,060                  | \$870,916                          | \$21,815            | \$278,137                 | \$107,429                        |
| (26) Less: Operation and Maintenance Expenses |     | (\$1,317,531) | (\$1,004,640)                | (\$238,029)                        | (\$4,120)           | (\$42,676)                | (\$28,066)                       |
| (27) Less: Gas Costs                          |     | (\$36,302)    | (\$17,726)                   | (\$17,942)                         | (\$634)             | \$0                       | \$0                              |
| (28) Less: Depreciation                       |     | (\$455,439)   | (\$308,102)                  | (\$110,613)                        | (\$2,054)           | (\$20,934)                | (\$13,736)                       |
| (29) Less: Property Taxes                     |     | (\$59,273)    | (\$40,163)                   | (\$14,336)                         | (\$265)             | (\$2,722)                 | (\$1,788)                        |
| (30) Less: Other Taxes                        |     | (\$67,236)    | (\$47,806)                   | (\$14,580)                         | (\$256)             | (\$2,765)                 | (\$1,828)                        |
| (31) Less: Utility Receipts Tax               |     | (\$36,137)    | (\$18,252)                   | (\$12,184)                         | (\$305)             | (\$3,892)                 | (\$1,503)                        |
| (32) Less: Interest Expense                   |     | (\$1,474)     | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (33) Plus: Non-Deductible Expenses            |     | \$0           | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (34) Less: State Income taxes                 |     | (\$37,438)    | \$6,289                      | (\$27,316)                         | (\$833)             | (\$12,016)                | (\$3,563)                        |
| (35) Income for Federal Income Taxes          |     | \$577,527     | (\$121,337)                  | \$435,558                          | \$13,341            | \$193,064                 | \$56,900                         |
| (36) Federal Income Tax Rate                  |     | 21.00%        | 21.00%                       | 21.00%                             | 21.00%              | 21.00%                    | 21.00%                           |
| (37) Federal Income Taxes                     |     | \$121,281     | (\$25,481)                   | \$91,467                           | \$2,802             | \$40,543                  | \$11,949                         |
| (38) Less: Investment Tax Credit              | 100 | \$0           | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (39) Less: Deferred Federal Tax Flowback      | 120 | (\$23,760)    | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (40) Total Federal Tax Liability              |     | \$97,521      | (\$41,554)                   | \$85,697                           | \$2,695             | \$39,451                  | \$11,232                         |
| <b>Net Operating Income</b>                   |     |               |                              |                                    |                     |                           |                                  |
| (41) Total Proforma A Normalized Margins      |     | \$2,588,356   | \$1,310,060                  | \$870,916                          | \$21,815            | \$278,137                 | \$107,429                        |
| (42) Less: Operation and Maintenance Expenses |     | (\$1,317,531) | (\$1,004,640)                | (\$238,029)                        | (\$4,120)           | (\$42,676)                | (\$28,066)                       |
| (43) Less: Gas Costs                          |     | (\$36,302)    | (\$17,726)                   | (\$17,942)                         | (\$634)             | \$0                       | \$0                              |
| (44) Less: Depreciation                       |     | (\$455,439)   | (\$308,102)                  | (\$110,613)                        | (\$2,054)           | (\$20,934)                | (\$13,736)                       |
| (45) Less: Other Taxes                        |     | (\$67,236)    | (\$47,806)                   | (\$14,580)                         | (\$256)             | (\$2,765)                 | (\$1,828)                        |
| (46) Less: Utility Receipts Tax               |     | (\$36,137)    | (\$18,252)                   | (\$12,184)                         | (\$305)             | (\$3,892)                 | (\$1,503)                        |
| (47) Less: Property Taxes                     |     | (\$59,273)    | (\$40,163)                   | (\$14,336)                         | (\$265)             | (\$2,722)                 | (\$1,788)                        |
| (48) Less: State Income Taxes                 |     | (\$37,438)    | \$6,289                      | (\$27,316)                         | (\$833)             | (\$12,016)                | (\$3,563)                        |
| (49) Less: Total Federal Income tax Liability |     | (\$97,521)    | \$41,554                     | (\$85,697)                         | (\$2,695)           | (\$39,451)                | (\$11,232)                       |
| (50) Net Operating Income                     |     | \$481,480     | (\$78,786)                   | \$350,220                          | \$10,654            | \$153,680                 | \$45,712                         |
| (51) Total Rate Base                          |     | \$7,370,629   | \$4,985,355                  | \$1,793,943                        | \$33,621            | \$337,055                 | \$220,654                        |
| (52) Rate of Return                           |     | 6.53%         | -1.58%                       | 19.52%                             | 31.69%              | 45.59%                    | 20.72%                           |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA A EQUALIZED TAXES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 3 OF 9

| NO.   | TOTAL          | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Industrial<br>Sales | General<br>Transportation | Rate 5 - Large<br>Transportation |
|---|----------------|------------------------------|------------------------------------|---------------------|---------------------------|----------------------------------|
| (1) Rate Base                                   | \$7,370,629    | \$4,985,355                  | \$1,793,943                        | \$33,621            | \$337,055                 | \$220,654                        |
| (2) Allowed Rate of Return                      | 6.5324%        | 6.5324%                      | 6.5324%                            | 6.5324%             | 6.5324%                   | 6.5324%                          |
| (3) Allowed Net Operating Income                | \$481,479      | \$325,663                    | \$117,188                          | \$2,196             | \$22,018                  | \$14,414                         |
| <b><u>Federal Income Taxes</u></b>              |                |                              |                                    |                     |                           |                                  |
| (4) Net Operating Income                        | \$481,479      | \$325,663                    | \$117,188                          | \$2,196             | \$22,018                  | \$14,414                         |
| (5) Less: Interest Expense                      | 102 (\$1,474)  | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (6) Plus: Non-Deductible Expenses               | \$0            | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (7) Plus: Investment Tax Credit                 | 100 \$0        | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (8) Less: Deferred Federal Tax Flowback         | 120 (\$23,760) | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (9) Total Amount to Calculate Federal Taxes     | \$456,245      | \$308,593                    | \$111,058                          | \$2,082             | \$20,858                  | \$13,653                         |
| (10) Federal Tax Factor (Tax Rate/(1-Tax Rate)) | 26.5823%       | 26.5823%                     | 26.5823%                           | 26.5823%            | 26.5823%                  | 26.5823%                         |
| (11) Federal Income Taxes Before Flowback       | \$121,280      | \$82,031                     | \$29,522                           | \$554               | \$5,545                   | \$3,629                          |
| (12) Less: Deferred Federal Tax Flowback        | 120 (\$23,760) | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (13) Less: Investment Tax Credit                | \$0            | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (14) Federal Income taxes After Flowback        | \$97,520       | \$65,958                     | \$23,751                           | \$446               | \$4,453                   | \$2,913                          |
| <b><u>State Income Taxes</u></b>                |                |                              |                                    |                     |                           |                                  |
| (15) Net Operating Income                       | \$481,479      | \$325,663                    | \$117,188                          | \$2,196             | \$22,018                  | \$14,414                         |
| (16) Less: Interest Expense                     | 102 (\$1,474)  | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (17) Plus: Non-Deductible Expenses              | \$0            | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (18) Plus: Utility Receipts Tax                 | \$36,137       | \$25,966                     | \$7,740                            | \$144               | \$1,380                   | \$907                            |
| (19) Plus: Investment Tax Credit                | \$0            | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (20) Plus: Federal Income Taxes                 | \$97,520       | \$65,958                     | \$23,751                           | \$446               | \$4,453                   | \$2,913                          |
| (21) Plus: Property taxes                       | 100 \$0        | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (22) Less: Deferred State Tax Flowback          | 102 \$0        | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (23) Total Amount to Calculate State Taxes      | \$613,662      | \$416,590                    | \$148,320                          | \$2,780             | \$27,783                  | \$18,189                         |
| (24) State Tax Factor (Tax Rate/(1-Tax Rate))   | 6.1008%        | 6.1008%                      | 6.1008%                            | 6.1008%             | 6.1008%                   | 6.1008%                          |
| (25) State Income Taxes-Current and Deferred    | \$37,438       | \$25,415                     | \$9,049                            | \$170               | \$1,695                   | \$1,110                          |
| (26) Less: Deferred State Tax Flowback          | 102 \$0        | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (27) State Income Tax After Flowback            | \$37,438       | \$25,415                     | \$9,049                            | \$170               | \$1,695                   | \$1,110                          |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA A EQUALIZED TAXES (Continued)**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 4 OF 9

|   | <u>NO.</u> | <u>TOTAL</u> | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial Sales</u> | <u>Industrial<br/>Sales</u> | <u>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|---|------------|--------------|--|--|-----------------------------|-----------------------------------|--|
| <b><u>Utility Receipts Taxes</u></b>                      |            |              |  |  |                             |                                   |  |
| (28) Net Operating Income                                 |            | \$481,479    | \$325,663                                | \$117,188                                  | \$2,196                     | \$22,018                          | \$14,414                                 |
| (29) Plus: Operating & Maintenance Expenses               |            | \$1,317,531  | \$1,004,640                              | \$238,029                                  | \$4,120                     | \$42,676                          | \$28,066                                 |
| (30) Plus: Gas Costs (Special Contract + UAFG)            |            | \$36,302     | \$17,726                                 | \$17,942                                   | \$634                       | \$0                               | \$0                                      |
| (31) Plus: Depreciation and Amortization Expenses         |            | \$455,439    | \$308,102                                | \$110,613                                  | \$2,054                     | \$20,934                          | \$13,736                                 |
| (32) Plus: Investment Tax Credit                          |            | \$0          | \$0                                      | \$0  | \$0                         | \$0                               | \$0                                      |
| (33) Plus: Federal Income Taxes                           |            | \$97,520     | \$65,958                                 | \$23,751                                   | \$446                       | \$4,453                           | \$2,913                                  |
| (34) Plus: State Income Taxes                             |            | \$37,438     | \$25,415                                 | \$9,049                                    | \$170                       | \$1,695                           | \$1,110                                  |
| (35) Plus: Property taxes                                 |            | \$59,273     | \$40,163                                 | \$14,336                                   | \$265                       | \$2,722                           | \$1,788                                  |
| (36) Plus: Other Taxes                                    | 117        | \$67,236     | \$47,422                                 | \$14,869                                   | \$264                       | \$2,820                           | \$1,862                                  |
| (37) Less: Uncollectible Expense                          | 10         | (\$6,143)    | (\$5,817)                                | (\$326)                                    | \$0                         | \$0                               | \$0                                      |
| (38) Less: Statutory Exemption                            | 121        | (\$1,000)    | (\$506)                                  | (\$336)                                    | (\$8)                       | (\$107)                           | (\$42)                                   |
| (39) Less: Exempt Revenues                                |            | \$0          | \$0                                      | \$0  | \$0                         | \$0                               | \$0                                      |
| (40) Total Amount to Calculate Utility Receipts Taxes     |            | \$2,545,075  | \$1,828,765                              | \$545,113                                  | \$10,140                    | \$97,209                          | \$63,847                                 |
| (41) Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))  |            | 1.4199%      | 1.4199%                                  | 1.4199%                                    | 1.4199%                     | 1.4199%                           | 1.4199%                                  |
| (42) Utility Receipts Taxes                               |            | \$36,137     | \$25,966                                 | \$7,740                                    | \$144                       | \$1,380                           | \$907                                    |
| <b><u>Derivation of Proforma A Equalized Revenues</u></b> |            |              |  |  |                             |                                   |  |
| (43) Net Operating Income                                 |            | \$481,479    | \$325,663                                | \$117,188                                  | \$2,196                     | \$22,018                          | \$14,414                                 |
| (44) Plus: Operating & Maintenance Expenses               |            | \$1,317,531  | \$1,004,640                              | \$238,029                                  | \$4,120                     | \$42,676                          | \$28,066                                 |
| (45) Plus: Gas Costs                                      |            | \$36,302     | \$17,726                                 | \$17,942                                   | \$634                       | \$0                               | \$0                                      |
| (46) Plus: Depreciation and Amortization Expenses         |            | \$455,439    | \$308,102                                | \$110,613                                  | \$2,054                     | \$20,934                          | \$13,736                                 |
| (47) Plus: Federal Income Taxes                           |            | \$97,520     | \$65,958                                 | \$23,751                                   | \$446                       | \$4,453                           | \$2,913                                  |
| (48) Plus: State Income taxes                             |            | \$37,438     | \$25,415                                 | \$9,049                                    | \$170                       | \$1,695                           | \$1,110                                  |
| (49) Plus: Gross Income taxes                             |            | \$36,137     | \$25,966                                 | \$7,740                                    | \$144                       | \$1,380                           | \$907                                    |
| (50) Plus: Property taxes                                 |            | \$59,273     | \$40,163                                 | \$14,336                                   | \$265                       | \$2,722                           | \$1,788                                  |
| (51) Plus: Other Taxes                                    |            | \$67,236     | \$47,422                                 | \$14,869                                   | \$264                       | \$2,820                           | \$1,862                                  |
| (52) Plus: Investment Tax Credit                          |            | \$0          | \$0                                      | \$0  | \$0                         | \$0                               | \$0                                      |
| (53) Proforma A Equalized Revenues w/Misc. Rev.           |            | \$2,588,355  | \$1,861,055                              | \$553,516                                  | \$10,292                    | \$98,697                          | \$64,795                                 |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES  
PROFORMA B EQUALIZED TAXES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 5 OF 9

|   | NO. | TOTAL       | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Industrial<br>Sales | General<br>Transportation | Rate 5 - Large<br>Transportation |
|---|-----|-------------|------------------------------|------------------------------------|---------------------|---------------------------|----------------------------------|
| (1) Rate Base                                     |     | \$7,370,629 | \$4,985,355                  | \$1,793,943                        | \$33,621            | \$337,055                 | \$220,654                        |
| (2) Allowed Rate of Return                        |     | 9.3600%     | 9.3600%                      | 9.3600%                            | 9.3600%             | 9.3600%                   | 9.3600%                          |
| (3) Allowed Net Operating Income                  |     | \$689,892   | \$466,630                    | \$167,913                          | \$3,147             | \$31,548                  | \$20,653                         |
| <b><u>Federal Income Taxes</u></b>                |     |             |                              |                                    |                     |                           |                                  |
| (4) Net Operating Income                          |     | \$689,892   | \$466,630                    | \$167,913                          | \$3,147             | \$31,548                  | \$20,653                         |
| (5) Less: Interest Expense                        | 102 | (\$1,474)   | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (6) Plus: Non-Deductible Expenses                 |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (7) Plus: Investment Tax Credit                   | 100 | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (8) Less: Deferred Federal Tax Flowback           | 120 | (\$23,760)  | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (9) Total Amount to Calculate Federal Taxes       |     | \$664,658   | \$449,560                    | \$161,784                          | \$3,033             | \$30,389                  | \$19,893                         |
| (10) Federal Tax Factor (Tax Rate/(1-Tax Rate))   |     | 26.5823%    | 26.5823%                     | 26.5823%                           | 26.5823%            | 26.5823%                  | 26.5823%                         |
| (11) Federal Income Taxes Before Flowback and ITC |     | \$176,681   | \$119,503                    | \$43,006                           | \$806               | \$8,078                   | \$5,288                          |
| (12) Less: Deferred Federal Tax Flowback          | 120 | (\$23,760)  | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (13) Less: Investment Tax Credit                  |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (14) Federal Income Tax Liability                 |     | \$152,921   | \$103,430                    | \$37,235                           | \$699               | \$6,986                   | \$4,571                          |
| <b><u>State Income Taxes</u></b>                  |     |             |                              |                                    |                     |                           |                                  |
| (15) Net Operating Income                         |     | \$689,892   | \$466,630                    | \$167,913                          | \$3,147             | \$31,548                  | \$20,653                         |
| (16) Less: Interest Expense                       |     | (\$1,474)   | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (17) Plus: Non-Deductible Expenses                |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (18) Plus: Utility Receipts Tax                   |     | \$40,120    | \$28,639                     | \$8,725                            | \$163               | \$1,566                   | \$1,028                          |
| (19) Plus: Investment Tax Credit                  |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (20) Plus: Federal Income Taxes                   |     | \$152,921   | \$103,430                    | \$37,235                           | \$699               | \$6,986                   | \$4,571                          |
| (21) Plus: Property Taxes                         | 100 | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (22) Less: Deferred State Tax Flowback            |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (23) Total Amount to Calculate State Taxes        |     | \$881,459   | \$597,701                    | \$213,515                          | \$4,002             | \$40,033                  | \$26,208                         |
| (24) State Tax Factor (Tax Rate/(1-Tax Rate))     |     | 6.1008%     | 6.1008%                      | 6.1008%                            | 6.1008%             | 6.1008%                   | 6.1008%                          |
| (25) State Income Taxes-Current and Deferred      |     | \$53,776    | \$36,465                     | \$13,026                           | \$244               | \$2,442                   | \$1,599                          |
| (26) Less: Deferred State Tax Flowback            |     | \$0         | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (27) State Income Tax Liability                   |     | \$53,776    | \$36,465                     | \$13,026                           | \$244               | \$2,442                   | \$1,599                          |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA B EQUALIZED TAXES (Continued)**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 6 OF 9

|  | <u>NO.</u> | <u>TOTAL</u> | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial Sales</u> | <u>Industrial<br/>Sales</u> | <u>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--|------------|--------------|--|--|-----------------------------|-----------------------------------|--|
| <b><u>Utility Receipts Tax</u></b>                       |            |              |  |  |                             |                                   |  |
| (28) Net Operating Income                                |            | \$689,892    | \$466,630                                | \$167,913                                  | \$3,147                     | \$31,548                          | \$20,653                                 |
| (29) Plus: Operating & Maintenance Expenses              |            | \$1,318,368  | \$1,004,013                              | \$239,134                                  | \$4,148                     | \$42,880                          | \$28,193                                 |
| (30) Plus: Gas Costs (Rate 70 + UAFG)                    |            | \$36,302     | \$17,726                                 | \$17,942                                   | \$634                       | \$0                               | \$0                                      |
| (31) Plus: Depreciation and Amortization Expenses        |            | \$455,439    | \$308,102                                | \$110,613                                  | \$2,054                     | \$20,934                          | \$13,736                                 |
| (32) Plus: Investment Tax Credit                         | 100        | \$0          | \$0                                      | \$0  | \$0                         | \$0                               | \$0                                      |
| (33) Plus: Federal Income Taxes                          |            | \$152,921    | \$103,430                                | \$37,235                                   | \$699                       | \$6,986                           | \$4,571                                  |
| (34) Plus: Property Taxes                                |            | \$59,273     | \$40,163                                 | \$14,336                                   | \$265                       | \$2,722                           | \$1,788                                  |
| (35) Plus: State Income Taxes                            |            | \$53,776     | \$36,465                                 | \$13,026                                   | \$244                       | \$2,442                           | \$1,599                                  |
| (36) Plus: Other Taxes                                   | 117        | \$67,236     | \$47,422                                 | \$14,869                                   | \$264                       | \$2,820                           | \$1,862                                  |
| (37) Less: Uncollectible Expense                         | 10         | (\$6,599)    | (\$6,249)                                | (\$350)                                    | \$0                         | \$0                               | \$0                                      |
| (38) Less: Statutory Exemption                           | 122        | (\$1,000)    | (\$719)                                  | (\$214)                                    | (\$4)                       | (\$38)                            | (\$25)                                   |
| (39) Less: Exempt Revenues                               |            | \$0          | \$0                                      | \$0  | \$0                         | \$0                               | \$0                                      |
| (40) Total Amount to Calculate Utility Receipts Tax      |            | \$2,825,607  | \$2,016,982                              | \$614,504                                  | \$11,450                    | \$110,294                         | \$72,378                                 |
| (41) Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate)) |            | 1.4199%      | 1.4199%                                  | 1.4199%                                    | 1.4199%                     | 1.4199%                           | 1.4199%                                  |
| (42) Utility Receipts Taxes                              |            | \$40,120     | \$28,639                                 | \$8,725                                    | \$163                       | \$1,566                           | \$1,028                                  |

**DERIVATION OF PROFORMA B EQUALIZED REVENUES**

|   |  |             |             |           |          |           |          |
|---|--|-------------|-------------|-----------|----------|-----------|----------|
| (43) Net Operating Income                         |  | \$689,892   | \$466,630   | \$167,913 | \$3,147  | \$31,548  | \$20,653 |
| (44) Plus: Operating & Maintenance Expenses       |  | \$1,318,368 | \$1,004,013 | \$239,134 | \$4,148  | \$42,880  | \$28,193 |
| (45) Plus: Gas Costs                              |  | \$36,302    | \$17,726    | \$17,942  | \$634    | \$0       | \$0      |
| (46) Plus: Depreciation and Amortization Expenses |  | \$455,439   | \$308,102   | \$110,613 | \$2,054  | \$20,934  | \$13,736 |
| (47) Plus: Federal Income Taxes                   |  | \$152,921   | \$103,430   | \$37,235  | \$699    | \$6,986   | \$4,571  |
| (48) Plus: State Income Taxes                     |  | \$53,776    | \$36,465    | \$13,026  | \$244    | \$2,442   | \$1,599  |
| (49) Plus: Utility Receipts Taxes                 |  | \$40,120    | \$28,639    | \$8,725   | \$163    | \$1,566   | \$1,028  |
| (50) Plus: Property Taxes                         |  | \$59,273    | \$40,163    | \$14,336  | \$265    | \$2,722   | \$1,788  |
| (51) Plus: Other Taxes                            |  | \$67,236    | \$47,422    | \$14,869  | \$264    | \$2,820   | \$1,862  |
| (52) Plus: Investment Tax Credit                  |  | \$0         | \$0         | \$0       | \$0      | \$0       | \$0      |
| (53) Proforma B Equalized Revenues w/Misc. Rev.   |  | \$2,873,326 | \$2,052,588 | \$623,794 | \$11,616 | \$111,898 | \$73,430 |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES  
PROFORMA B NORMALIZED TAXES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 7 OF 9

| NO.  | TOTAL          | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Rate 3 -<br>Industrial Sales | Rate 4 - General<br>Transportation | Rate 5 - Large<br>Transportation |
|--|----------------|------------------------------|------------------------------------|------------------------------|------------------------------------|----------------------------------|
| <b><u>SUBSIDY REDUCTION</u></b>                      |                |                              |                                    |                              |                                    |                                  |
| (1) Proforma A Normalized Revenues w/Misc. Rev.      | \$2,588,356    | \$1,310,060                  | \$870,916                          | \$21,815                     | \$278,137                          | \$107,429                        |
| (2) Less: Proforma A Equalized Revenues w/Misc. Rev. | \$2,588,355    | \$1,861,055                  | \$553,516                          | \$10,292                     | \$98,697                           | \$64,795                         |
| (3) Proforma A Subsidy                               | \$2            | (\$550,995)                  | \$317,400                          | \$11,522                     | \$179,440                          | \$42,634                         |
| (4) Proposed Subsidy Reduction Percentage            |                | 0.00%                        | 0.00%                              | 0.00%                        | 0.00%                              | 0.00%                            |
| (5) Proforma B Subsidy                               | \$2            | (\$550,995)                  | \$317,400                          | \$11,522                     | \$179,440                          | \$42,634                         |
| (6) Proforma B Equalized Revenues w/Misc. Rev.       | \$2,873,326    | \$2,052,588                  | \$623,794                          | \$11,616                     | \$111,898                          | \$73,430                         |
| (7) Proforma B Normalized Revenues w/Misc. Rev.      | \$2,873,328    | \$1,501,593                  | \$941,194                          | \$23,139                     | \$291,338                          | \$116,064                        |
| <b><u>TAX CALCULATIONS</u></b>                       |                |                              |                                    |                              |                                    |                                  |
| <b><u>Utility Receipts Taxes</u></b>                 |                |                              |                                    |                              |                                    |                                  |
| (8) Total Proforma B Normal Revenues                 | \$2,873,328    | \$1,501,593                  | \$941,194                          | \$23,139                     | \$291,338                          | \$116,064                        |
| (9) Less: Uncollectible Expense                      | 10 (\$6,599)   | (\$6,249)                    | (\$350)                            | \$0                          | \$0                                | \$0                              |
| (10) Less: Statutory Exemption                       | 124 (\$1,000)  | (\$523)                      | (\$328)                            | (\$8)                        | (\$101)                            | (\$40)                           |
| (11) Less: Exempt Revenues                           | \$0            | \$0                          | \$0                                | \$0                          | \$0                                | \$0                              |
| (12) Income for Utility Receipts Taxes               | \$2,865,729    | \$1,494,822                  | \$940,516                          | \$23,131                     | \$291,237                          | \$116,024                        |
| (13) Utility Receipts Tax Rate                       | 1.40%          | 1.40%                        | 1.40%                              | 1.40%                        | 1.40%                              | 1.40%                            |
| (14) Utility Receipts Taxes                          | \$40,120       | \$20,928                     | \$13,167                           | \$324                        | \$4,077                            | \$1,624                          |
| <b><u>State Income Taxes</u></b>                     |                |                              |                                    |                              |                                    |                                  |
| (15) Total Proforma B Normal Revenues                | \$2,873,328    | \$1,501,593                  | \$941,194                          | \$23,139                     | \$291,338                          | \$116,064                        |
| (16) Less: Operation and Maintenance Expenses        | (\$1,318,368)  | (\$1,004,013)                | (\$239,134)                        | (\$4,148)                    | (\$42,880)                         | (\$28,193)                       |
| (17) Less: Gas Costs                                 | (\$36,302)     | (\$17,726)                   | (\$17,942)                         | (\$634)                      | \$0                                | \$0                              |
| (18) Less: Depreciation Expense                      | (\$455,439)    | (\$308,102)                  | (\$110,613)                        | (\$2,054)                    | (\$20,934)                         | (\$13,736)                       |
| (19) Less: Property Taxes                            | (\$59,273)     | (\$40,163)                   | (\$14,336)                         | (\$265)                      | (\$2,722)                          | (\$1,788)                        |
| (20) Less: Other Taxes                               | 117 (\$67,236) | (\$47,422)                   | (\$14,869)                         | (\$264)                      | (\$2,820)                          | (\$1,862)                        |
| (21) Less: Utility Receipts Tax                      | \$0            | \$0                          | \$0                                | \$0                          | \$0                                | \$0                              |
| (22) Less: Interest Expense                          | 102 (\$1,474)  | (\$997)                      | (\$359)                            | (\$7)                        | (\$67)                             | (\$44)                           |
| (23) Less: Non-Deductible Expenses                   | \$0            | \$0                          | \$0                                | \$0                          | \$0                                | \$0                              |
| (24) Income for State Income Taxes                   | \$935,237      | \$83,171                     | \$543,941                          | \$15,768                     | \$221,915                          | \$70,441                         |
| (25) State Income Tax Rate                           | 5.75%          | 5.75%                        | 5.75%                              | 5.75%                        | 5.75%                              | 5.75%                            |
| (26) State Income Taxes Before Flowback              | \$53,776       | \$4,782                      | \$31,277                           | \$907                        | \$12,760                           | \$4,050                          |
| (27) Less: Deferred State Tax Flowback               | \$0            | \$0                          | \$0                                | \$0                          | \$0                                | \$0                              |
| (28) Total State Income Tax Liability                | \$53,776       | \$4,782                      | \$31,277                           | \$907                        | \$12,760                           | \$4,050                          |

**INDIANA UTILITIES CORPORATION**  
**COST OF SERVICE STUDY**  
**CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES**  
**PROFORMA B NORMALIZED TAXES (Continued)**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 8 OF 9

|  | NO. | TOTAL         | Rate 1 - Res. &<br>Gen. Svc. | Rate 2 - Large<br>Commercial Sales | Industrial<br>Sales | General<br>Transportation | Rate 5 - Large<br>Transportation |
|--|-----|---------------|------------------------------|------------------------------------|---------------------|---------------------------|----------------------------------|
| <b><u>Federal Income Taxes</u></b>                 |     |               |                              |                                    |                     |                           |                                  |
| (29) Total Proforma B Normal Revenues              |     | \$2,873,328   | \$1,501,593                  | \$941,194                          | \$23,139            | \$291,338                 | \$116,064                        |
| (30) Less: Operation and Maintenance Expenses      |     | (\$1,318,368) | (\$1,004,013)                | (\$239,134)                        | (\$4,148)           | (\$42,880)                | (\$28,193)                       |
| (31) Less: Gas Costs                               |     | (\$36,302)    | (\$17,726)                   | (\$17,942)                         | (\$634)             | \$0                       | \$0                              |
| (32) Less: Depreciation Expense                    |     | (\$455,439)   | (\$308,102)                  | (\$110,613)                        | (\$2,054)           | (\$20,934)                | (\$13,736)                       |
| (33) Less: Other Taxes                             |     | (\$67,236)    | (\$47,422)                   | (\$14,869)                         | (\$264)             | (\$2,820)                 | (\$1,862)                        |
| (34) Less: Property Taxes                          | 100 | (\$59,273)    | (\$40,163)                   | (\$14,336)                         | (\$265)             | (\$2,722)                 | (\$1,788)                        |
| (35) Less: Utility Receipts Taxes                  |     | (\$40,120)    | (\$20,928)                   | (\$13,167)                         | (\$324)             | (\$4,077)                 | (\$1,624)                        |
| (36) Less: Interest Expense                        | 102 | (\$1,474)     | (\$997)                      | (\$359)                            | (\$7)               | (\$67)                    | (\$44)                           |
| (37) Less: Non-Deductible Expenses                 |     | \$0           | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (38) Less: State Income taxes                      |     | (\$53,776)    | (\$4,782)                    | (\$31,277)                         | (\$907)             | (\$12,760)                | (\$4,050)                        |
| (39) Income for Federal Income Taxes               |     | \$841,341     | \$57,461                     | \$499,498                          | \$14,538            | \$205,078                 | \$64,766                         |
| (40) Federal Income Tax Rate                       |     | 21.00%        | 21.00%                       | 21.00%                             | 21.00%              | 21.00%                    | 21.00%                           |
| (41) Federal Income Taxes                          |     | \$176,682     | \$12,067                     | \$104,894                          | \$3,053             | \$43,066                  | \$13,601                         |
| (42) Less: Investment Tax Credit                   | 100 | \$0           | \$0                          | \$0                                | \$0                 | \$0                       | \$0                              |
| (43) Less Deferred Federal Tax Flowback            | 120 | (\$23,760)    | (\$16,074)                   | (\$5,771)                          | (\$107)             | (\$1,092)                 | (\$717)                          |
| (44) Total Federal Income Tax Liability            |     | \$152,922     | (\$4,007)                    | \$99,124                           | \$2,946             | \$41,974                  | \$12,884                         |
| <b><u>Net Operating Income</u></b>                 |     |               |                              |                                    |                     |                           |                                  |
| (45) Total Proforma B Normal Revenues w/Misc. Rev. |     | \$2,873,328   | \$1,501,593                  | \$941,194                          | \$23,139            | \$291,338                 | \$116,064                        |
| (46) Less: Operation and Maintenance Expenses      |     | (\$1,318,368) | (\$1,004,013)                | (\$239,134)                        | (\$4,148)           | (\$42,880)                | (\$28,193)                       |
| (47) Less: Gas Costs                               |     | (\$36,302)    | (\$17,726)                   | (\$17,942)                         | (\$634)             | \$0                       | \$0                              |
| (48) Less: Depreciation Expense                    |     | (\$455,439)   | (\$308,102)                  | (\$110,613)                        | (\$2,054)           | (\$20,934)                | (\$13,736)                       |
| (49) Less: Other Taxes                             |     | (\$67,236)    | (\$47,422)                   | (\$14,869)                         | (\$264)             | (\$2,820)                 | (\$1,862)                        |
| (50) Less: Utility Receipts Taxes                  |     | (\$40,120)    | (\$20,928)                   | (\$13,167)                         | (\$324)             | (\$4,077)                 | (\$1,624)                        |
| (51) Less: Property Taxes                          |     | (\$59,273)    | (\$40,163)                   | (\$14,336)                         | (\$265)             | (\$2,722)                 | (\$1,788)                        |
| (52) Less: State Income Taxes                      |     | (\$53,776)    | (\$4,782)                    | (\$31,277)                         | (\$907)             | (\$12,760)                | (\$4,050)                        |
| (53) Less: Total Federal Income Tax Liability      |     | (\$152,922)   | \$4,007                      | (\$99,124)                         | (\$2,946)           | (\$41,974)                | (\$12,884)                       |
| (54) Net Operating Income                          |     | \$689,893     | \$62,465                     | \$400,732                          | \$11,599            | \$163,171                 | \$51,926                         |
| (55) Total Rate Base                               |     | \$7,370,629   | \$4,985,355                  | \$1,793,943                        | \$33,621            | \$337,055                 | \$220,654                        |
| (56) Rate of Return                                |     | 9.36%         | 1.25%                        | 22.34%                             | 34.50%              | 48.41%                    | 23.53%                           |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
SUMMARY OF PROFORMA REVENUES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 6  
PAGE 9 OF 9

|  | <u>NO.</u>  | <u>TOTAL</u> | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial Sales</u> | <u>Industrial<br/>Sales</u> | <u>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--|---|--------------|--|--|-----------------------------|-----------------------------------|--|
| <b><u>Proforma A Normalized Revenues</u></b> |   |              |  |  |                             |                                   |  |
| (1)  | Proforma A Normalized Revenues w/o Misc. Rev.     | \$2,573,329  | \$1,295,784                              | \$870,164                                  | \$21,815                    | \$278,137                         | \$107,429                                |
| (2)  | Proforma A Normalized Miscellaneous Revenues      | \$15,027     | \$14,276                                 | \$751                                      | \$0                         | \$0                               | \$0                                      |
| (3)  | Total Proforma A Normalized Revenues w/Misc. Rev. | \$2,588,356  | \$1,310,060                              | \$870,916                                  | \$21,815                    | \$278,137                         | \$107,429                                |
| <b><u>Proforma A Equalized Revenues</u></b>  |   |              |  |  |                             |                                   |  |
| (4)  | Proforma A Equalized Revenues w/o Misc. Rev.      | \$2,573,327  | \$1,846,779                              | \$552,764                                  | \$10,292                    | \$98,697                          | \$64,795                                 |
| (5)  | Proforma A Equalized Miscellaneous Revenues       | \$15,027     | \$14,276                                 | \$751                                      | \$0                         | \$0                               | \$0                                      |
| (6)  | Total Proforma A Equalized Revenues w/Misc. Rev.  | \$2,588,355  | \$1,861,055                              | \$553,516                                  | \$10,292                    | \$98,697                          | \$64,795                                 |
| <b><u>Proforma B Equalized Revenues</u></b>  |   |              |  |  |                             |                                   |  |
| (7)  | Proforma B Equalized Revenues w/o Misc. Rev.      | \$2,858,299  | \$2,038,312                              | \$623,042                                  | \$11,616                    | \$111,898                         | \$73,430                                 |
| (8)  | Proforma B Equalized Miscellaneous Revenues       | \$15,027     | \$14,276                                 | \$751                                      | \$0                         | \$0                               | \$0                                      |
| (9)  | Total Proforma B Equalized Revenues w/Misc. Rev.  | \$2,873,326  | \$2,052,588                              | \$623,794                                  | \$11,616                    | \$111,898                         | \$73,430                                 |
| <b><u>Proforma B Normalized Revenues</u></b> |   |              |  |  |                             |                                   |  |
| (10)   | Proforma B Normalized Revenues w/o Misc. Rev.     | \$2,858,301  | \$1,487,317                              | \$940,442                                  | \$23,139                    | \$291,338                         | \$116,064                                |
| (11)   | Proforma B Normalized Miscellaneous Revenues      | \$15,027     | \$14,276                                 | \$751                                      | \$0                         | \$0                               | \$0                                      |
| (12)   | Total Proforma B Normalized Revenues w/Misc. Rev. | \$2,873,328  | \$1,501,593                              | \$941,194                                  | \$23,139                    | \$291,338                         | \$116,064                                |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
NORMALIZED COST OF SERVICE AT PRESENT RATES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 7  
PAGE 1 OF 4

|  | <u>TOTAL</u>       | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial<br/>Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--|--------------------|--|--|--|--|--|
| <b><u>OPERATING REVENUES:</u></b>                  |                    |  |  |  |  |  |
| (1) Revenue from Gas Sales                         | \$2,573,329        | \$1,295,784                              | \$870,164                                      | \$21,815                                 | \$278,137                                      | \$107,429                                |
| (2) Miscellaneous Revenues                         | <u>\$15,027</u>    | <u>\$14,276</u>                          | <u>\$751</u>                                   | <u>\$0</u>                               | <u>\$0</u>                                     | <u>\$0</u>                               |
| (3) Total Operating Revenues                       | <u>\$2,588,356</u> | <u>\$1,310,060</u>                       | <u>\$870,916</u>                               | <u>\$21,815</u>                          | <u>\$278,137</u>                               | <u>\$107,429</u>                         |
| <b><u>OPERATING EXPENSES</u></b>                   |                    |  |  |  |  |  |
| (4) Commodity Cost of Purchased Gas                | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (5) Demand Cost of Purchased Gas                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (6) Leased Storage                                 | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (7) Unaccounted for Gas Costs                      | \$36,302           | \$17,726                                 | \$17,942                                       | \$634                                    | \$0  | \$0                                      |
| (8) Total Manufactured Gas Production Expenses     | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (9) Total Natural Gas Production Expenses          | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (10) Total Underground Storage Expense             | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (11) Total Transmission Expenses                   |                    |  |  |  |  |  |
| (12) Mains   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (13) Compressor Station Equipment                  | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (14) Structures and Improvements                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (15) Measuring and Regulating Equipment            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (16) Supervision and Engineering                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (17) Other Transmission                            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (18) Total Distribution Expenses                   |                    |  |  |  |  |  |
| (19) Measuring and Regulating Equipment            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (20) Mains and Services                            | \$217,136          | \$149,132                                | \$49,219                                       | \$723                                    | \$10,720                                       | \$7,340                                  |
| (21) Industrial Measuring and Regulating Equipment | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (22) Meter, Meter Installation and House Regulator | \$29,490           | \$18,355                                 | \$9,811  | \$331                                    | \$745  | \$248                                    |
| (23) Customer Installation Expenses                | \$15,110           | \$14,385                                 | \$699  | \$6                                      | \$14   | \$5                                      |
| (24) Structures and Improvements Maintenance       | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (25) Supervision and Engineering                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (26) Other Distribution                            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (27) Total Customer Accounts Expense               | \$10,026           | \$9,545                                  | \$464  | \$4                                      | \$9  | \$3                                      |
| (28) Uncollectibles                                | \$6,143            | \$5,817                                  | \$326  | \$0                                      | \$0  | \$0                                      |
| (29) Total Customer Service Expenses               | \$1,495            | \$1,423                                  | \$69   | \$1                                      | \$1  | \$0                                      |
| (30) Total Sales Expenses                          | \$8,950            | \$6,364                                  | \$1,941  | \$34                                     | \$368  | \$243                                    |
| (31) Administrative and General                    | \$1,029,181        | \$799,618                                | \$175,500                                      | \$3,020                                  | \$30,818                                       | \$20,225                                 |
| (32) Total Depreciation and Amortization Expense   | \$455,439          | 308,102                                  | 110,613  | 2,054                                    | 20,934   | 13,736                                   |
| (33) Other Taxes                                   | \$67,236           | \$47,806                                 | \$14,580                                       | \$256                                    | \$2,765  | \$1,828                                  |
| (34) Property Taxes                                | \$59,273           | \$40,163                                 | \$14,336                                       | \$265                                    | \$2,722  | \$1,788                                  |
| (35) Utility Receipts Taxes                        | \$36,137           | \$18,252                                 | \$12,184                                       | \$305                                    | \$3,892  | \$1,503                                  |
| (36) State Income Taxes                            | \$37,438           | (\$6,289)                                | \$27,316                                       | \$833                                    | \$12,016                                       | \$3,563                                  |
| (37) Federal Income Taxes                          | <u>\$97,521</u>    | <u>(\$41,554)</u>                        | <u>\$85,697</u>                                | <u>\$2,695</u>                           | <u>\$39,451</u>                                | <u>\$11,232</u>                          |
| (38) Total Operating Expenses                      | <u>\$2,106,876</u> | <u>\$1,388,845</u>                       | <u>\$520,696</u>                               | <u>\$11,161</u>                          | <u>\$124,457</u>                               | <u>\$61,718</u>                          |
| (39) Net Operating Income                          | <u>\$481,480</u>   | <u>(\$78,786)</u>                        | <u>\$350,220</u>                               | <u>\$10,654</u>                          | <u>\$153,680</u>                               | <u>\$45,712</u>                          |
| (40) Total Rate Base                               | \$7,370,629        | \$4,965,355                              | \$1,793,943                                    | \$33,621                                 | \$337,055                                      | \$220,654                                |
| (41) Rate of Return                                | <u>6.53%</u>       | <u>-1.58%</u>                            | <u>19.52%</u>                                  | <u>31.69%</u>                            | <u>45.59%</u>                                  | <u>20.72%</u>                            |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
EQUALIZED COST OF SERVICE AT PRESENT RATES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 7  
PAGE 2 OF 4

|  | <u>TOTAL</u>       | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u> | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u> | <u>Rate 3 -<br/>Industrial<br/>Sales</u> | <u>Rate 4 -<br/>General<br/>Transportation</u> | <u>Rate 5 - Large<br/>Transportation</u> |
|--|--------------------|--|--|--|--|--|
| <b><u>OPERATING REVENUES:</u></b>                  |                    |  |  |  |  |  |
| (1) Revenue from Gas Sales                         | \$2,573,327        | \$1,846,779                              | \$552,764                                      | \$10,292                                 | \$98,697                                       | \$64,795                                 |
| (2) Miscellaneous Revenues                         | <u>\$15,027</u>    | <u>\$14,276</u>                          | <u>\$751</u>                                   | <u>\$0</u>                               | <u>\$0</u>                                     | <u>\$0</u>                               |
| (3) Total Operating Revenues                       | <u>\$2,588,355</u> | <u>\$1,861,055</u>                       | <u>\$553,516</u>                               | <u>\$10,292</u>                          | <u>\$98,697</u>                                | <u>\$64,795</u>                          |
| <b><u>OPERATING EXPENSES</u></b>                   |                    |  |  |  |  |  |
| (4) Commodity Cost of Purchased Gas                | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (5) Demand Cost of Purchased Gas                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (6) Leased Storage                                 | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (7) Unaccounted for Gas Costs                      | \$36,302           | \$17,726                                 | \$17,942                                       | \$634                                    | \$0  | \$0                                      |
| (8) Total Manufactured Gas Production Expenses     | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (9) Total Natural Gas Production Expenses          | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (10) Total Underground Storage Expense             | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (11) Total Transmission Expenses                   |                    |  |  |  |  |  |
| (12) Mains   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (13) Compressor Station Equipment                  | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (14) Structures and Improvements                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (15) Measuring and Regulating Equipment            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (16) Supervision and Engineering                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (17) Other Transmission                            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (18) Total Distribution Expenses                   |                    |  |  |  |  |  |
| (19) Measuring and Regulating Equipment            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (20) Mains and Services                            | \$217,136          | \$149,132                                | \$49,219                                       | \$723                                    | \$10,720                                       | \$7,340                                  |
| (21) Industrial Measuring and Regulating Equipment | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (22) Meter, Meter Installation and House Regulator | \$29,480           | \$18,355                                 | \$9,811  | \$331                                    | \$745  | \$248                                    |
| (23) Customer Installation Expenses                | \$15,110           | \$14,385                                 | \$699  | \$6                                      | \$14   | \$5                                      |
| (24) Structures and Improvements Maintenance       | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (25) Supervision and Engineering                   | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (26) Other Distribution                            | \$0                | \$0                                      | \$0  | \$0                                      | \$0  | \$0                                      |
| (27) Total Customer Accounts Expense               | \$10,026           | \$9,545                                  | \$464  | \$4                                      | \$9  | \$3                                      |
| (28) Uncollectibles                                | \$6,143            | \$5,817                                  | \$326  | \$0                                      | \$0  | \$0                                      |
| (29) Total Customer Service Expenses               | \$1,495            | \$1,423                                  | \$69   | \$1                                      | \$1  | \$0                                      |
| (30) Total Sales Expenses                          | \$8,950            | \$6,364                                  | \$1,941  | \$34                                     | \$368  | \$243                                    |
| (31) Administrative and General                    | \$1,029,181        | \$799,618                                | \$175,500                                      | \$3,020                                  | \$30,818                                       | \$20,225                                 |
| (32) Total Depreciation and Amortization Expense   | \$455,439          | 308,102                                  | 110,613  | 2,054                                    | 20,934   | 13,736                                   |
| (33) Other Taxes                                   | \$67,236           | \$47,422                                 | \$14,869                                       | \$264                                    | \$2,820  | \$1,862                                  |
| (34) Property Taxes                                | \$59,273           | \$40,163                                 | \$14,336                                       | \$265                                    | \$2,722  | \$1,788                                  |
| (35) Utility Receipts Taxes                        | \$36,137           | \$25,966                                 | \$7,740  | \$144                                    | \$1,380  | \$907                                    |
| (36) State Income Taxes                            | \$37,438           | \$25,415                                 | \$9,049  | \$170                                    | \$1,695  | \$1,110                                  |
| (37) Federal Income Taxes                          | \$97,520           | \$65,958                                 | \$23,751                                       | \$446                                    | \$4,453  | \$2,913                                  |
| (38) Total Operating Expenses                      | <u>\$2,106,875</u> | <u>\$1,535,391</u>                       | <u>\$436,328</u>                               | <u>\$8,096</u>                           | <u>\$76,679</u>                                | <u>\$50,381</u>                          |
| (39) Net Operating Income                          | <u>\$481,479</u>   | <u>\$325,663</u>                         | <u>\$117,188</u>                               | <u>\$2,196</u>                           | <u>\$22,018</u>                                | <u>\$14,414</u>                          |
| (40) Total Rate Base                               | \$7,370,629        | \$4,985,355                              | \$1,793,943                                    | \$33,621                                 | \$337,055                                      | \$220,654                                |
| (41) Rate of Return                                | <u>6.53%</u>       | <u>6.53%</u>                             | <u>6.53%</u>                                   | <u>6.53%</u>                             | <u>6.53%</u>                                   | <u>6.53%</u>                             |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
EQUALIZED COST OF SERVICE AT PROPOSED RATES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 7  
PAGE 3 OF 4

|  | <u>TOTAL</u>       | <u>Rate 1 - Res. &amp; Gen. Svc.</u> | <u>Rate 2 - Large Commercial Sales</u> | <u>Rate 3 - Industrial Sales</u> | <u>Rate 4 - General Transportation</u> | <u>Rate 5 - Large Transportation</u> |
|--|--------------------|--------------------------------------|--|----------------------------------|--|--------------------------------------|
| <b><u>OPERATING REVENUES:</u></b>                  |                    |                                      |  |                                  |  |                                      |
| (1) Revenue from Gas Sales                         | \$2,858,299        | \$2,038,312                          | \$623,042                              | \$11,616                         | \$111,898                              | \$73,430                             |
| (2) Miscellaneous Revenues                         | <u>\$15,027</u>    | <u>\$14,276</u>                      | <u>\$751</u>                           | <u>\$0</u>                       | <u>\$0</u>                             | <u>\$0</u>                           |
| (3) Total Operating Revenues                       | <u>\$2,873,326</u> | <u>\$2,052,588</u>                   | <u>\$623,794</u>                       | <u>\$11,616</u>                  | <u>\$111,898</u>                       | <u>\$73,430</u>                      |
| <b><u>OPERATING EXPENSES</u></b>                   |                    |                                      |  |                                  |  |                                      |
| (4) Commodity Cost of Purchased Gas                | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (5) Demand Cost of Purchased Gas                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (6) Leased Storage                                 | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (7) Unaccounted for Gas Costs                      | \$36,302           | \$17,726                             | \$17,942                               | \$634                            | \$0                                    | \$0                                  |
| (8) Total Manufactured Gas Production Expenses     | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (9) Total Natural Gas Production Expenses          | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (10) Total Underground Storage Expense             | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (11) Total Transmission Expenses                   |                    |                                      |  |                                  |  |                                      |
| (12) Mains   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (13) Compressor Station Equipment                  | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (14) Structures and Improvements                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (15) Measuring and Regulating Equipment            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (16) Supervision and Engineering                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (17) Other Transmission                            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (18) Total Distribution Expenses                   |                    |                                      |  |                                  |  |                                      |
| (19) Measuring and Regulating Equipment            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (20) Mains and Services                            | \$217,136          | \$149,132                            | \$49,219                               | \$723                            | \$10,720                               | \$7,340                              |
| (21) Industrial Measuring and Regulating Equipment | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (22) Meter, Meter Installation and House Regulator | \$29,490           | \$18,355                             | \$9,811                                | \$331                            | \$745                                  | \$248                                |
| (23) Customer Installation Expenses                | \$15,110           | \$14,385                             | \$699                                  | \$6                              | \$14                                   | \$5                                  |
| (24) Structures and Improvements Maintenance       | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (25) Supervision and Engineering                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (26) Other Distribution                            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (27) Total Customer Accounts Expense               | \$10,026           | \$9,545                              | \$464                                  | \$4                              | \$9                                    | \$3                                  |
| (28) Uncollectibles                                | \$6,599            | \$6,249                              | \$350                                  | \$0                              | \$0                                    | \$0                                  |
| (29) Total Customer Service Expenses               | \$1,495            | \$1,423                              | \$69                                   | \$1                              | \$1                                    | \$0                                  |
| (30) Total Sales Expenses                          | \$8,950            | \$6,312                              | \$1,979                                | \$35                             | \$375                                  | \$248                                |
| (31) Administrative and General                    | \$1,029,562        | \$798,611                            | \$176,542                              | \$3,047                          | \$31,014                               | \$20,347                             |
| (32) Total Depreciation and Amortization Expense   | <u>\$455,439</u>   | <u>\$308,102</u>                     | <u>\$110,613</u>                       | <u>\$2,054</u>                   | <u>\$20,934</u>                        | <u>\$13,736</u>                      |
| (33) Other Taxes                                   | \$67,236           | \$47,422                             | \$14,869                               | \$264                            | \$2,820                                | \$1,862                              |
| (34) Property Taxes                                | \$59,273           | \$40,163                             | \$14,336                               | \$265                            | \$2,722                                | \$1,788                              |
| (35) Utility Receipts Taxes                        | \$40,120           | \$28,639                             | \$8,725                                | \$163                            | \$1,566                                | \$1,028                              |
| (36) State Income Taxes                            | \$53,776           | \$36,465                             | \$13,026                               | \$244                            | \$2,442                                | \$1,599                              |
| (37) Federal Income Taxes                          | <u>\$152,921</u>   | <u>\$103,430</u>                     | <u>\$37,235</u>                        | <u>\$699</u>                     | <u>\$6,986</u>                         | <u>\$4,571</u>                       |
| (38) Total Operating Expenses                      | <u>\$2,183,434</u> | <u>\$1,585,958</u>                   | <u>\$455,880</u>                       | <u>\$8,469</u>                   | <u>\$80,350</u>                        | <u>\$52,777</u>                      |
| (39) Net Operating Income                          | <u>\$689,892</u>   | <u>\$466,630</u>                     | <u>\$167,913</u>                       | <u>\$3,147</u>                   | <u>\$31,548</u>                        | <u>\$20,653</u>                      |
| (40) Total Rate Base                               | \$7,370,629        | \$4,985,355                          | \$1,793,943                            | \$33,621                         | \$337,055                              | \$220,654                            |
| (41) Rate of Return                                | <u>9.36%</u>       | <u>9.36%</u>                         | <u>9.36%</u>                           | <u>9.36%</u>                     | <u>9.36%</u>                           | <u>9.36%</u>                         |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
NORMALIZED COST OF SERVICE AT PROPOSED RATES

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-2  
SCHEDULE 7  
PAGE 4 OF 4

|  | <u>TOTAL</u>       | <u>Rate 1 - Res. &amp; Gen. Svc.</u> | <u>Rate 2 - Large Commercial Sales</u> | <u>Rate 3 - Industrial Sales</u> | <u>Rate 4 - General Transportation</u> | <u>Rate 5 - Large Transportation</u> |
|--|--------------------|--------------------------------------|--|----------------------------------|--|--------------------------------------|
| <b>OPERATING REVENUES:</b>                         |                    |                                      |  |                                  |  |                                      |
| (1) Revenue from Gas Sales                         | \$2,858,301        | \$1,487,317                          | \$940,442                              | \$23,139                         | \$291,338                              | \$116,064                            |
| (2) Miscellaneous Revenues                         | <u>\$15,027</u>    | <u>\$14,276</u>                      | <u>\$751</u>                           | <u>\$0</u>                       | <u>\$0</u>                             | <u>\$0</u>                           |
| (3) Total Operating Revenues                       | <u>\$2,873,328</u> | <u>\$1,501,593</u>                   | <u>\$941,194</u>                       | <u>\$23,139</u>                  | <u>\$291,338</u>                       | <u>\$116,064</u>                     |
| <b>OPERATING EXPENSES</b>                          |                    |                                      |  |                                  |  |                                      |
| (4) Commodity Cost of Purchased Gas                | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (5) Demand Cost of Purchased Gas                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (6) Leased Storage                                 | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (7) Unaccounted for Gas Costs                      | \$36,302           | \$17,726                             | \$17,942                               | \$634                            | \$0                                    | \$0                                  |
| (8) Total Manufactured Gas Production Expenses     | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (9) Total Natural Gas Production Expenses          | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (10) Total Underground Storage Expense             | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (11) Total Transmission Expenses                   |                    |                                      |  |                                  |  |                                      |
| (12) Mains   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (13) Compressor Station Equipment                  | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (14) Structures and Improvements                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (15) Measuring and Regulating Equipment            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (16) Supervision and Engineering                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (17) Other Transmission                            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (18) Total Distribution Expenses                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (19) Measuring and Regulating Equipment            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (20) Mains and Services                            | \$217,136          | \$149,132                            | \$49,219                               | \$723                            | \$10,720                               | \$7,340                              |
| (21) Industrial Measuring and Regulating Equipment | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (22) Meter, Meter Installation and House Regulator | \$29,490           | \$18,355                             | \$9,811                                | \$331                            | \$745                                  | \$248                                |
| (23) Customer Installation Expenses                | \$15,110           | \$14,385                             | \$699                                  | \$6                              | \$14                                   | \$5                                  |
| (24) Structures and Improvements Maintenance       | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (25) Supervision and Engineering                   | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (26) Other Distribution                            | \$0                | \$0                                  | \$0                                    | \$0                              | \$0                                    | \$0                                  |
| (27) Total Customer Accounts Expense               | \$10,026           | \$9,545                              | \$464                                  | \$4                              | \$9                                    | \$3                                  |
| (28) Uncollectibles                                | \$6,599            | \$6,249                              | \$350                                  | \$0                              | \$0                                    | \$0                                  |
| (29) Total Customer Service Expenses               | \$1,495            | \$1,423                              | \$69                                   | \$1                              | \$1                                    | \$0                                  |
| (30) Total Sales Expenses                          | \$8,950            | \$6,312                              | \$1,979                                | \$35                             | \$375                                  | \$248                                |
| (31) Administrative and General                    | \$1,029,562        | \$798,611                            | \$176,542                              | \$3,047                          | \$31,014                               | \$20,347                             |
| (32) Total Depreciation and Amortization Expense   | \$455,439          | \$308,102                            | \$110,613                              | \$2,054                          | \$20,934                               | \$13,736                             |
| (33) Other Taxes                                   | \$67,236           | \$47,422                             | \$14,869                               | \$264                            | \$2,820                                | \$1,862                              |
| (34) Property Taxes                                | \$59,273           | \$40,163                             | \$14,336                               | \$265                            | \$2,722                                | \$1,788                              |
| (35) Utility Receipts Taxes                        | \$40,120           | \$20,928                             | \$13,167                               | \$324                            | \$4,077                                | \$1,624                              |
| (36) State Income Taxes                            | \$53,776           | \$4,782                              | \$31,277                               | \$907                            | \$12,760                               | \$4,050                              |
| (37) Federal Income Taxes                          | <u>\$152,922</u>   | <u>(\$4,007)</u>                     | <u>\$99,124</u>                        | <u>\$2,946</u>                   | <u>\$41,974</u>                        | <u>\$12,884</u>                      |
| (38) Total Operating Expenses                      | <u>\$2,183,435</u> | <u>\$1,439,128</u>                   | <u>\$540,461</u>                       | <u>\$11,540</u>                  | <u>\$128,167</u>                       | <u>\$64,138</u>                      |
| (39) Net Operating Income                          | <u>\$689,893</u>   | <u>\$62,465</u>                      | <u>\$400,732</u>                       | <u>\$11,599</u>                  | <u>\$163,171</u>                       | <u>\$51,926</u>                      |
| (40) Total Rate Base                               | \$7,370,629        | \$4,985,355                          | \$1,793,943                            | \$33,621                         | \$337,055                              | \$220,654                            |
| (41) Rate of Return                                | <u>9.36%</u>       | <u>1.25%</u>                         | <u>22.34%</u>                          | <u>34.50%</u>                    | <u>48.41%</u>                          | <u>23.53%</u>                        |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
Rate 1 - Residential and Small General Sales

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 1

| LINE<br>NO. | LEVEL OF<br>USAGE<br>(A) | CURRENT<br>BILL<br>(B) | PROPOSED<br>BILL<br>(C) | DOLLAR<br>INCREASE<br>(C - B)<br>(D) | PERCENT<br>INCREASE<br>(D / B)<br>(E) | GAS COST<br>RECOVERY<br>(F) | TOTAL<br>CURRENT<br>BILL<br>(B + F)<br>(G) | TOTAL<br>PROPOSED<br>BILL<br>(C + F)<br>(H) | PERCENT<br>INCREASE<br>(H - G) / G<br>(I) |
|-------------|--------------------------|------------------------|-------------------------|--------------------------------------|---------------------------------------|-----------------------------|--|---|---|
|             | (dth)                    | (\$)                   | (\$)                    | (\$)                                 | (%)                                   | (\$)                        | (\$)                                       | (\$)  | (%)                                       |
| 1           | 0                        | \$11.67                | \$15.00                 | \$3.33                               | 28.54%                                | \$0.00                      | \$11.67                                    | \$15.00                                     | 28.5%                                     |
| 2           | 1                        | \$16.50                | \$20.24                 | \$3.73                               | 22.63%                                | \$4.15                      | \$20.65                                    | \$24.39                                     | 18.1%                                     |
| 3           | 2                        | \$21.34                | \$25.48                 | \$4.14                               | 19.40%                                | \$8.30                      | \$29.64                                    | \$33.78                                     | 14.0%                                     |
| 4           | 3                        | \$26.17                | \$30.71                 | \$4.54                               | 17.36%                                | \$12.45                     | \$38.62                                    | \$43.16                                     | 11.8%                                     |
| 5           | 4                        | \$31.01                | \$35.95                 | \$4.95                               | 15.96%                                | \$16.60                     | \$47.61                                    | \$52.55                                     | 10.4%                                     |
| 6           | 5                        | \$35.84                | \$41.19                 | \$5.35                               | 14.93%                                | \$20.75                     | \$56.59                                    | \$61.94                                     | 9.5%                                      |
| 7           | 10                       | \$60.01                | \$67.38                 | \$7.37                               | 12.29%                                | \$41.50                     | \$101.51                                   | \$108.88                                    | 7.3%                                      |
| 8           | 15                       | \$79.96                | \$88.88                 | \$8.93                               | 11.16%                                | \$62.25                     | \$142.21                                   | \$151.13                                    | 6.3%                                      |
| 9           | 20                       | \$99.91                | \$110.38                | \$10.48                              | 10.49%                                | \$83.00                     | \$182.91                                   | \$193.38                                    | 5.7%                                      |
| 10          | 25                       | \$119.85               | \$131.88                | \$12.03                              | 10.04%                                | \$103.75                    | \$223.60                                   | \$235.63                                    | 5.4%                                      |
| 11          | 30                       | \$139.80               | \$153.38                | \$13.58                              | 9.71%                                 | \$124.50                    | \$264.30                                   | \$277.88                                    | 5.1%                                      |
| 12          | 35                       | \$159.75               | \$174.88                | \$15.13                              | 9.47%                                 | \$145.25                    | \$305.00                                   | \$320.13                                    | 5.0%                                      |
| 13          | 40                       | \$179.70               | \$196.38                | \$16.68                              | 9.28%                                 | \$166.00                    | \$345.70                                   | \$362.38                                    | 4.8%                                      |
| 14          | 45                       | \$199.65               | \$217.88                | \$18.23                              | 9.13%                                 | \$186.75                    | \$386.40                                   | \$404.63                                    | 4.7%                                      |
| 15          | 50                       | \$219.60               | \$239.38                | \$19.79                              | 9.01%                                 | \$207.50                    | \$427.10                                   | \$446.88                                    | 4.6%                                      |
| 16          | 60                       | \$259.49               | \$282.38                | \$22.89                              | 8.82%                                 | \$249.00                    | \$508.49                                   | \$531.38                                    | 4.5%                                      |
| 17          | 70                       | \$299.39               | \$325.38                | \$25.99                              | 8.68%                                 | \$290.50                    | \$589.89                                   | \$615.88                                    | 4.4%                                      |
| 18          | 80                       | \$339.29               | \$368.38                | \$29.10                              | 8.58%                                 | \$332.00                    | \$671.29                                   | \$700.38                                    | 4.3%                                      |
| 19          | 90                       | \$379.18               | \$411.38                | \$32.20                              | 8.49%                                 | \$373.50                    | \$752.68                                   | \$784.88                                    | 4.3%                                      |
| 20          | 100                      | \$419.08               | \$454.38                | \$35.30                              | 8.42%                                 | \$415.00                    | \$834.08                                   | \$869.38                                    | 4.2%                                      |
| 21          | 120                      | \$498.88               | \$540.38                | \$41.51                              | 8.32%                                 | \$498.00                    | \$996.88                                   | \$1,038.38                                  | 4.2%                                      |
| 22          | 140                      | \$578.67               | \$626.38                | \$47.71                              | 8.25%                                 | \$581.00                    | \$1,159.67                                 | \$1,207.38                                  | 4.1%                                      |
| 23          | 160                      | \$658.46               | \$712.38                | \$53.92                              | 8.19%                                 | \$664.00                    | \$1,322.46                                 | \$1,376.38                                  | 4.1%                                      |
| 24          | 180                      | \$738.26               | \$798.38                | \$60.13                              | 8.14%                                 | \$747.00                    | \$1,485.26                                 | \$1,545.38                                  | 4.0%                                      |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
BILL IMPACTS FOR AVERAGE RESIDENTIAL CUSTOMER

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 2

| <u>Month</u> | <u>Usage<br/>(dth)</u> | <u>Present<br/>Rate</u> | <u>Proposed<br/>Rate</u> | <u>Increase<br/>Amount</u> | <u>Percent</u> |
|--------------|------------------------|-------------------------|--------------------------|----------------------------|----------------|
| October-16   | 0.72                   | \$18.12                 | \$21.74                  | \$3.62                     | 20.0%          |
| November-16  | 0.74                   | \$18.33                 | \$21.96                  | \$3.63                     | 19.8%          |
| December-16  | 0.85                   | \$19.30                 | \$22.98                  | \$3.67                     | 19.0%          |
| January-17   | 2.16                   | \$31.08                 | \$35.28                  | \$4.20                     | 13.5%          |
| February-17  | 6.17                   | \$67.14                 | \$72.97                  | \$5.83                     | 8.7%           |
| March-17     | 12.91                  | \$125.22                | \$133.49                 | \$8.28                     | 6.6%           |
| April-17     | 13.11                  | \$126.82                | \$135.16                 | \$8.34                     | 6.6%           |
| May-17       | 9.25                   | \$94.78                 | \$101.85                 | \$7.07                     | 7.5%           |
| June-17      | 7.98                   | \$83.35                 | \$89.91                  | \$6.56                     | 7.9%           |
| July-17      | 3.36                   | \$41.88                 | \$46.57                  | \$4.69                     | 11.2%          |
| August-17    | 1.54                   | \$25.55                 | \$29.50                  | \$3.95                     | 15.5%          |
| September-17 | <u>0.76</u>            | <u>\$18.52</u>          | <u>\$22.16</u>           | <u>\$3.64</u>              | <u>19.6%</u>   |
| Total        | 59.6                   | \$670.09                | \$733.57                 | \$63.48                    | 9.5%           |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
Rate 2 - Large Commercial Sales

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 3

| LINE<br>NO. | LEVEL OF<br>USAGE | CURRENT<br>BILL | PROPOSED<br>BILL | DOLLAR<br>INCREASE<br>(C - B) | PERCENT<br>INCREASE<br>(D / B) | GAS COST<br>RECOVERY | TOTAL<br>CURRENT<br>BILL<br>(B + F) | TOTAL<br>PROPOSED<br>BILL<br>(C + F) | PERCENT<br>INCREASE<br>(H - G) / G |
|-------------|-------------------|-----------------|------------------|-------------------------------|--------------------------------|----------------------|-------------------------------------|--------------------------------------|------------------------------------|
|             | (A)               | (B)             | (C)              | (D)                           | (E)                            | (F)                  | (G)                                 | (H)                                  | (I)                                |
|             | (dth)             | (\$)            | (\$)             | (\$)                          | (%)                            | (\$)                 | (\$)                                | (\$)                                 | (%)                                |
| 1           | 0                 | \$67.00         | \$72.00          | \$5.00                        | 7.46%                          | \$0.00               | \$67.00                             | \$72.00                              | 7.5%                               |
| 2           | 100               | \$447.86        | \$483.99         | \$36.13                       | 8.07%                          | \$415.00             | \$862.86                            | \$898.99                             | 4.2%                               |
| 3           | 200               | \$828.72        | \$895.98         | \$67.26                       | 8.12%                          | \$830.00             | \$1,658.72                          | \$1,725.98                           | 4.1%                               |
| 4           | 300               | \$1,209.58      | \$1,307.97       | \$98.39                       | 8.13%                          | \$1,245.00           | \$2,454.58                          | \$2,552.97                           | 4.0%                               |
| 5           | 400               | \$1,590.44      | \$1,719.96       | \$129.52                      | 8.14%                          | \$1,660.00           | \$3,250.44                          | \$3,379.96                           | 4.0%                               |
| 6           | 500               | \$1,971.30      | \$2,131.95       | \$160.65                      | 8.15%                          | \$2,075.00           | \$4,046.30                          | \$4,206.95                           | 4.0%                               |
| 7           | 600               | \$2,352.16      | \$2,543.94       | \$191.78                      | 8.15%                          | \$2,490.00           | \$4,842.16                          | \$5,033.94                           | 4.0%                               |
| 8           | 700               | \$2,733.02      | \$2,955.93       | \$222.91                      | 8.16%                          | \$2,905.00           | \$5,638.02                          | \$5,860.93                           | 4.0%                               |
| 9           | 800               | \$3,113.88      | \$3,367.92       | \$254.04                      | 8.16%                          | \$3,320.00           | \$6,433.88                          | \$6,687.92                           | 3.9%                               |
| 10          | 900               | \$3,494.74      | \$3,779.91       | \$285.17                      | 8.16%                          | \$3,735.00           | \$7,229.74                          | \$7,514.91                           | 3.9%                               |
| 11          | 1,000             | \$3,875.60      | \$4,191.90       | \$316.30                      | 8.16%                          | \$4,150.00           | \$8,025.60                          | \$8,341.90                           | 3.9%                               |
| 12          | 1,100             | \$4,256.46      | \$4,603.89       | \$347.43                      | 8.16%                          | \$4,565.00           | \$8,821.46                          | \$9,168.89                           | 3.9%                               |
| 13          | 1,200             | \$4,637.32      | \$5,015.88       | \$378.56                      | 8.16%                          | \$4,980.00           | \$9,617.32                          | \$9,995.88                           | 3.9%                               |
| 14          | 1,300             | \$5,018.18      | \$5,427.87       | \$409.69                      | 8.16%                          | \$5,395.00           | \$10,413.18                         | \$10,822.87                          | 3.9%                               |
| 15          | 1,400             | \$5,399.04      | \$5,839.86       | \$440.82                      | 8.17%                          | \$5,810.00           | \$11,209.04                         | \$11,649.86                          | 3.9%                               |
| 16          | 1,500             | \$5,779.90      | \$6,251.85       | \$471.95                      | 8.17%                          | \$6,225.00           | \$12,004.90                         | \$12,476.85                          | 3.9%                               |
| 17          | 1,600             | \$6,160.76      | \$6,663.84       | \$503.08                      | 8.17%                          | \$6,640.00           | \$12,800.76                         | \$13,303.84                          | 3.9%                               |
| 18          | 1,700             | \$6,541.62      | \$7,075.83       | \$534.21                      | 8.17%                          | \$7,055.00           | \$13,596.62                         | \$14,130.83                          | 3.9%                               |
| 19          | 1,800             | \$6,922.48      | \$7,487.82       | \$565.34                      | 8.17%                          | \$7,470.00           | \$14,392.48                         | \$14,957.82                          | 3.9%                               |
| 20          | 1,900             | \$7,303.34      | \$7,899.81       | \$596.47                      | 8.17%                          | \$7,885.00           | \$15,188.34                         | \$15,784.81                          | 3.9%                               |
| 21          | 2,000             | \$7,684.20      | \$8,311.80       | \$627.60                      | 8.17%                          | \$8,300.00           | \$15,984.20                         | \$16,611.80                          | 3.9%                               |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
Rate 3 - Industrial Sales

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 4

| LINE<br>NO. | LEVEL OF<br><u>USAGE</u> | CURRENT<br><u>BILL</u> | PROPOSED<br><u>BILL</u> | DOLLAR<br><u>INCREASE</u><br>(C - B) | PERCENT<br><u>INCREASE</u><br>(D / B) | GAS COST<br><u>RECOVERY</u> | TOTAL<br>CURRENT<br><u>BILL</u><br>(B + F) | TOTAL<br>PROPOSED<br><u>BILL</u><br>(C + F) | PERCENT<br><u>INCREASE</u><br>(H - G) / G |
|-------------|--------------------------|------------------------|-------------------------|--------------------------------------|---------------------------------------|-----------------------------|--|---|---|
|             | (A)                      | (B)                    | (C)                     | (D)                                  | (E)                                   | (F)                         | (G)  | (H)   | (I)                                       |
|             | (dth)                    | (\$)                   | (\$)                    | (\$)                                 | (%)                                   | (\$)                        | (\$)                                       | (\$)  | (%)                                       |
| 1           | 0                        | \$489.00               | \$525.00                | \$36.00                              | 7.4%                                  | \$0.00                      | \$489.00                                   | \$525.00                                    | 7.4%                                      |
| 2           | 100                      | \$690.08               | \$735.27                | \$45.19                              | 6.5%                                  | \$415.00                    | \$1,105.08                                 | \$1,150.27                                  | 4.1%                                      |
| 3           | 200                      | \$891.16               | \$945.54                | \$54.38                              | 6.1%                                  | \$830.00                    | \$1,721.16                                 | \$1,775.54                                  | 3.2%                                      |
| 4           | 300                      | \$1,092.24             | \$1,155.81              | \$63.57                              | 5.8%                                  | \$1,245.00                  | \$2,337.24                                 | \$2,400.81                                  | 2.7%                                      |
| 5           | 400                      | \$1,293.32             | \$1,366.08              | \$72.76                              | 5.6%                                  | \$1,660.00                  | \$2,953.32                                 | \$3,026.08                                  | 2.5%                                      |
| 6           | 500                      | \$1,494.40             | \$1,576.35              | \$81.95                              | 5.5%                                  | \$2,075.00                  | \$3,569.40                                 | \$3,651.35                                  | 2.3%                                      |
| 7           | 600                      | \$1,695.48             | \$1,786.62              | \$91.14                              | 5.4%                                  | \$2,490.00                  | \$4,185.48                                 | \$4,276.62                                  | 2.2%                                      |
| 8           | 700                      | \$1,896.56             | \$1,996.89              | \$100.33                             | 5.3%                                  | \$2,905.00                  | \$4,801.56                                 | \$4,901.89                                  | 2.1%                                      |
| 9           | 800                      | \$2,097.64             | \$2,207.16              | \$109.52                             | 5.2%                                  | \$3,320.00                  | \$5,417.64                                 | \$5,527.16                                  | 2.0%                                      |
| 10          | 900                      | \$2,298.72             | \$2,417.43              | \$118.71                             | 5.2%                                  | \$3,735.00                  | \$6,033.72                                 | \$6,152.43                                  | 2.0%                                      |
| 11          | 1,000                    | \$2,499.80             | \$2,627.70              | \$127.90                             | 5.1%                                  | \$4,150.00                  | \$6,649.80                                 | \$6,777.70                                  | 1.9%                                      |
| 12          | 1,100                    | \$2,700.88             | \$2,837.97              | \$137.09                             | 5.1%                                  | \$4,565.00                  | \$7,265.88                                 | \$7,402.97                                  | 1.9%                                      |
| 13          | 1,200                    | \$2,901.96             | \$3,048.24              | \$146.28                             | 5.0%                                  | \$4,980.00                  | \$7,881.96                                 | \$8,028.24                                  | 1.9%                                      |
| 14          | 1,300                    | \$3,103.04             | \$3,258.51              | \$155.47                             | 5.0%                                  | \$5,395.00                  | \$8,498.04                                 | \$8,653.51                                  | 1.8%                                      |
| 15          | 1,400                    | \$3,304.12             | \$3,468.78              | \$164.66                             | 5.0%                                  | \$5,810.00                  | \$9,114.12                                 | \$9,278.78                                  | 1.8%                                      |
| 16          | 1,500                    | \$3,505.20             | \$3,679.05              | \$173.85                             | 5.0%                                  | \$6,225.00                  | \$9,730.20                                 | \$9,904.05                                  | 1.8%                                      |
| 17          | 1,600                    | \$3,706.28             | \$3,889.32              | \$183.04                             | 4.9%                                  | \$6,640.00                  | \$10,346.28                                | \$10,529.32                                 | 1.8%                                      |
| 18          | 1,700                    | \$3,907.36             | \$4,099.59              | \$192.23                             | 4.9%                                  | \$7,055.00                  | \$10,962.36                                | \$11,154.59                                 | 1.8%                                      |
| 19          | 1,800                    | \$4,108.44             | \$4,309.86              | \$201.42                             | 4.9%                                  | \$7,470.00                  | \$11,578.44                                | \$11,779.86                                 | 1.7%                                      |
| 20          | 1,900                    | \$4,309.52             | \$4,520.13              | \$210.61                             | 4.9%                                  | \$7,885.00                  | \$12,194.52                                | \$12,405.13                                 | 1.7%                                      |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
Rate 4 - General Transportation

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 5

| LINE<br>NO. | LEVEL OF<br><u>USAGE</u><br>(A) | CURRENT<br><u>BILL</u><br>(B) | PROPOSED<br><u>BILL</u><br>(C) | DOLLAR<br><u>INCREASE</u><br>(C - B)<br>(D) | PERCENT<br><u>INCREASE</u><br>(D / B)<br>(E) | GAS COST<br><u>RECOVERY</u><br>(F) | TOTAL<br>CURRENT<br><u>BILL</u><br>(B + F)<br>(G) | TOTAL<br>PROPOSED<br><u>BILL</u><br>(C + F)<br>(H) | PERCENT<br><u>INCREASE</u><br>(H - G) / G<br>(I) |
|-------------|---------------------------------|-------------------------------|--------------------------------|---|--|------------------------------------|---|--|--|
|             | (dth)                           | (\$)                          | (\$)                           | (\$)  | (%)  | (\$)                               | (\$)  | (\$)   | (%)  |
| 1           | 0                               | \$489.00                      | \$525.00                       | \$36.00                                     | 7.36%  |                                    | \$489.00  | \$525.00   | 7.4%   |
| 2           | 500                             | \$1,494.40                    | \$1,576.35                     | \$81.95                                     | 5.5%   |                                    | \$1,494.40  | \$1,576.35   | 5.5%   |
| 3           | 1,000                           | \$2,499.80                    | \$2,627.70                     | \$127.90                                    | 5.1%   |                                    | \$2,499.80  | \$2,627.70   | 5.1%   |
| 4           | 1,500                           | \$3,505.20                    | \$3,679.05                     | \$173.85                                    | 5.0%   |                                    | \$3,505.20  | \$3,679.05   | 5.0%   |
| 5           | 2,000                           | \$4,510.60                    | \$4,730.40                     | \$219.80                                    | 4.9%   |                                    | \$4,510.60  | \$4,730.40   | 4.9%   |
| 6           | 2,500                           | \$5,516.00                    | \$5,781.75                     | \$265.75                                    | 4.8%   |                                    | \$5,516.00  | \$5,781.75   | 4.8%   |
| 7           | 3,000                           | \$6,521.40                    | \$6,833.10                     | \$311.70                                    | 4.8%   |                                    | \$6,521.40  | \$6,833.10   | 4.8%   |
| 8           | 3,500                           | \$7,526.80                    | \$7,884.45                     | \$357.65                                    | 4.8%   |                                    | \$7,526.80  | \$7,884.45   | 4.8%   |
| 9           | 4,000                           | \$8,532.20                    | \$8,935.80                     | \$403.60                                    | 4.7%   |                                    | \$8,532.20  | \$8,935.80   | 4.7%   |
| 10          | 4,500                           | \$9,537.60                    | \$9,987.15                     | \$449.55                                    | 4.7%   |                                    | \$9,537.60  | \$9,987.15   | 4.7%   |
| 11          | 5,000                           | \$10,543.00                   | \$11,038.50                    | \$495.50                                    | 4.7%   |                                    | \$10,543.00                                       | \$11,038.50  | 4.7%   |
| 12          | 5,500                           | \$11,548.40                   | \$12,089.85                    | \$541.45                                    | 4.7%   |                                    | \$11,548.40                                       | \$12,089.85  | 4.7%   |
| 13          | 6,000                           | \$12,553.80                   | \$13,141.20                    | \$587.40                                    | 4.7%   |                                    | \$12,553.80                                       | \$13,141.20  | 4.7%   |
| 14          | 6,500                           | \$13,559.20                   | \$14,192.55                    | \$633.35                                    | 4.7%   |                                    | \$13,559.20                                       | \$14,192.55  | 4.7%   |
| 15          | 7,000                           | \$14,564.60                   | \$15,243.90                    | \$679.30                                    | 4.7%   |                                    | \$14,564.60                                       | \$15,243.90  | 4.7%   |
| 16          | 7,500                           | \$15,570.00                   | \$16,295.25                    | \$725.25                                    | 4.7%   |                                    | \$15,570.00                                       | \$16,295.25  | 4.7%   |
| 17          | 8,000                           | \$16,575.40                   | \$17,346.60                    | \$771.20                                    | 4.7%   |                                    | \$16,575.40                                       | \$17,346.60  | 4.7%   |
| 18          | 8,500                           | \$17,580.80                   | \$18,397.95                    | \$817.15                                    | 4.6%   |                                    | \$17,580.80                                       | \$18,397.95  | 4.6%   |
| 19          | 9,000                           | \$18,586.20                   | \$19,449.30                    | \$863.10                                    | 4.6%   |                                    | \$18,586.20                                       | \$19,449.30  | 4.6%   |
| 20          | 9,500                           | \$19,591.60                   | \$20,500.65                    | \$909.05                                    | 4.6%   |                                    | \$19,591.60                                       | \$20,500.65  | 4.6%   |

INDIANA UTILITIES CORPORATION  
TYPICAL BILL COMPARISON  
Rate 5 - Large Transportation

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-8  
SCHEDULE 6

| LINE<br>NO. | LEVEL OF<br><u>USAGE</u> | CURRENT<br><u>BILL</u> | PROPOSED<br><u>BILL</u> | DOLLAR<br><u>INCREASE</u><br>(C - B) | PERCENT<br><u>INCREASE</u><br>(D / B) | GAS COST<br><u>RECOVERY</u> | TOTAL<br>CURRENT<br><u>BILL</u><br>(B + F) | TOTAL<br>PROPOSED<br><u>BILL</u><br>(C + F) | PERCENT<br><u>INCREASE</u><br>(H - G) / G |
|-------------|--------------------------|------------------------|-------------------------|--------------------------------------|---------------------------------------|-----------------------------|--|---|---|
|             | (A)                      | (B)                    | (C)                     | (D)                                  | (E)                                   | (F)                         | (G)  | (H)   | (I)                                       |
|             | (dth)                    | (\$)                   | (\$)                    | (\$)                                 | (%)                                   | (\$)                        | (\$)                                       | (\$)  | (%)                                       |
| 1           | 3,000                    | \$3,415.00             | \$3,689.80              | \$274.80                             | 8.0%                                  | \$0.00                      | \$3,415.00                                 | \$3,689.80                                  | 8.0%                                      |
| 2           | 3,500                    | \$3,830.00             | \$4,138.10              | \$308.10                             | 8.0%                                  | \$0.00                      | \$3,830.00                                 | \$4,138.10                                  | 8.0%                                      |
| 3           | 4,000                    | \$4,245.00             | \$4,586.40              | \$341.40                             | 8.0%                                  | \$0.00                      | \$4,245.00                                 | \$4,586.40                                  | 8.0%                                      |
| 4           | 4,500                    | \$4,660.00             | \$5,034.70              | \$374.70                             | 8.0%                                  | \$0.00                      | \$4,660.00                                 | \$5,034.70                                  | 8.0%                                      |
| 5           | 5,000                    | \$5,075.00             | \$5,483.00              | \$408.00                             | 8.0%                                  | \$0.00                      | \$5,075.00                                 | \$5,483.00                                  | 8.0%                                      |
| 6           | 5,500                    | \$5,490.00             | \$5,931.30              | \$441.30                             | 8.0%                                  | \$0.00                      | \$5,490.00                                 | \$5,931.30                                  | 8.0%                                      |
| 7           | 6,000                    | \$5,905.00             | \$6,379.60              | \$474.60                             | 8.0%                                  | \$0.00                      | \$5,905.00                                 | \$6,379.60                                  | 8.0%                                      |
| 8           | 6,500                    | \$6,320.00             | \$6,827.90              | \$507.90                             | 8.0%                                  | \$0.00                      | \$6,320.00                                 | \$6,827.90                                  | 8.0%                                      |
| 9           | 7,000                    | \$6,735.00             | \$7,276.20              | \$541.20                             | 8.0%                                  | \$0.00                      | \$6,735.00                                 | \$7,276.20                                  | 8.0%                                      |
| 10          | 7,500                    | \$7,150.00             | \$7,724.50              | \$574.50                             | 8.0%                                  | \$0.00                      | \$7,150.00                                 | \$7,724.50                                  | 8.0%                                      |
| 11          | 8,000                    | \$7,565.00             | \$8,172.80              | \$607.80                             | 8.0%                                  | \$0.00                      | \$7,565.00                                 | \$8,172.80                                  | 8.0%                                      |
| 12          | 8,500                    | \$7,980.00             | \$8,621.10              | \$641.10                             | 8.0%                                  | \$0.00                      | \$7,980.00                                 | \$8,621.10                                  | 8.0%                                      |
| 13          | 9,000                    | \$8,395.00             | \$9,069.40              | \$674.40                             | 8.0%                                  | \$0.00                      | \$8,395.00                                 | \$9,069.40                                  | 8.0%                                      |
| 14          | 9,500                    | \$8,810.00             | \$9,517.70              | \$707.70                             | 8.0%                                  | \$0.00                      | \$8,810.00                                 | \$9,517.70                                  | 8.0%                                      |
| 15          | 10,000                   | \$9,225.00             | \$9,966.00              | \$741.00                             | 8.0%                                  | \$0.00                      | \$9,225.00                                 | \$9,966.00                                  | 8.0%                                      |
| 16          | 10,500                   | \$9,640.00             | \$10,414.30             | \$774.30                             | 8.0%                                  | \$0.00                      | \$9,640.00                                 | \$10,414.30                                 | 8.0%                                      |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES  
AT PRESENT RATES OF RETURN

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3  
SCHEDULE 1

| <u>Line No.</u>           | <u>Description</u><br>(Column A) | <u>Total</u><br>(B) | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u><br>(C) | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u><br>(D) | <u>Rate 3 -<br/>Industrial Sales</u><br>(E) | <u>Rate 4 -<br/>General<br/>Transportation</u><br>(E) | <u>Rate 5 - Large<br/>Transportation</u><br>(G) |
|---------------------------|----------------------------------|---------------------|---|---|---|---|---|
| <u>Operating Revenues</u> |                                  |                     |   |   |   |   |   |
| 1                         | Revenues From Gas Sales          | \$2,573,329         | \$1,295,784                                     | \$870,164   | \$21,815                                    | \$278,137   | \$107,429                                       |
| 2                         | Miscellaneous Revenues           | <u>\$15,027</u>     | <u>\$14,276</u>                                 | <u>\$751</u>  | <u>\$0</u>                                  | <u>\$0</u>  | <u>\$0</u>                                      |
| 3                         | Total                            | <u>\$2,588,356</u>  | <u>\$1,310,060</u>                              | <u>\$870,916</u>                                      | <u>\$21,815</u>                             | <u>\$278,137</u>                                      | <u>\$107,429</u>                                |
| <u>Operating Expenses</u> |                                  |                     |   |   |   |   |   |
| 4                         | Operation and Maintenance        | \$1,353,832         | \$1,022,366                                     | \$255,970   | \$4,754                                     | \$42,676  | \$28,066  |
| 5                         | Depreciation and Amortization    | 455,439             | 308,102   | 110,613   | 2,054                                       | 20,934  | 13,736  |
| 6                         | Federal Income Taxes             | 97,521              | (41,554)  | 85,697  | 2,695                                       | 39,451  | 11,232  |
| 7                         | State Income Taxes               | 37,438              | (6,289)   | 27,316  | 833   | 12,016  | 3,563   |
| 8                         | Taxes Other Than Income Taxes    | <u>162,646</u>      | <u>106,221</u>                                  | <u>41,100</u>   | <u>826</u>                                  | <u>9,379</u>  | <u>5,120</u>                                    |
| 9                         | Total                            | <u>\$2,106,876</u>  | <u>\$1,388,845</u>                              | <u>\$520,696</u>                                      | <u>\$11,161</u>                             | <u>\$124,457</u>                                      | <u>\$61,718</u>                                 |
| 10                        | Net Operating Income             | <u>\$481,480</u>    | <u>(\$78,786)</u>                               | <u>\$350,220</u>                                      | <u>\$10,654</u>                             | <u>\$153,680</u>                                      | <u>\$45,712</u>                                 |
| 11                        | Original Cost Rate Base          | <u>\$7,370,629</u>  | <u>\$4,985,355</u>                              | <u>\$1,793,943</u>                                    | <u>\$33,621</u>                             | <u>\$337,055</u>                                      | <u>\$220,654</u>                                |
| 12                        | Rate of Return on Rate Base      | 6.53%               | -1.58%  | 19.52%  | 31.69%                                      | 45.60%  | 20.72%  |
| 13                        | Earnings Index                   | 100%                | -24%  | 299%  | 485%  | 698%  | 317%  |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES  
AT EQUALIZED RATES OF RETURN

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3  
SCHEDULE 2

| <u>Line No.</u>           | <u>Description</u><br>(Column A) | <u>Total</u><br>(B) | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u><br>(C) | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u><br>(D) | <u>Rate 3 -<br/>Industrial Sales</u><br>(E) | <u>Rate 4 -<br/>General<br/>Transportation</u><br>(F) | <u>Rate 5 - Large<br/>Transportation</u><br>(G) |
|---------------------------|----------------------------------|---------------------|---|---|---|---|---|
| <u>Operating Revenues</u> |                                  |                     |   |   |   |   |   |
| 1                         | Revenues From Gas Sales          | \$2,573,327         | \$1,846,779                                     | \$552,764   | \$10,292                                    | \$98,697  | \$64,795  |
| 2                         | Miscellaneous Revenues           | <u>\$15,027</u>     | <u>\$14,276</u>                                 | <u>\$751</u>  | <u>\$0</u>                                  | <u>\$0</u>  | <u>\$0</u>                                      |
| 3                         | Total                            | <u>\$2,588,355</u>  | <u>\$1,861,055</u>                              | <u>\$553,516</u>                                      | <u>\$10,292</u>                             | <u>\$98,697</u>                                       | <u>\$64,795</u>                                 |
| <u>Operating Expenses</u> |                                  |                     |   |   |   |   |   |
| 4                         | Operation and Maintenance        | \$1,353,832         | \$1,022,366                                     | \$255,970   | \$4,754                                     | \$42,676  | \$28,066  |
| 5                         | Depreciation and Amortization    | 455,439             | 308,102   | 110,613   | 2,054                                       | 20,934  | 13,736  |
| 6                         | Federal Income Taxes             | 97,520              | 65,958  | 23,751  | 446   | 4,453   | 2,913   |
| 7                         | State Income Taxes               | 37,438              | 25,415  | 9,049   | 170   | 1,695   | 1,110   |
| 8                         | Taxes Other Than Income Taxes    | <u>162,646</u>      | <u>113,551</u>                                  | <u>36,945</u>   | <u>673</u>                                  | <u>6,922</u>  | <u>4,557</u>                                    |
| 9                         | Total                            | <u>\$2,106,875</u>  | <u>\$1,535,391</u>                              | <u>\$436,328</u>                                      | <u>\$8,096</u>                              | <u>\$76,679</u>                                       | <u>\$50,381</u>                                 |
| 10                        | Net Operating Income             | <u>\$481,479</u>    | <u>\$325,663</u>                                | <u>\$117,188</u>                                      | <u>\$2,196</u>                              | <u>\$22,018</u>                                       | <u>\$14,414</u>                                 |
| 11                        | Original Cost Rate Base          | <u>\$7,370,629</u>  | <u>\$4,985,355</u>                              | <u>\$1,793,943</u>                                    | <u>\$33,621</u>                             | <u>\$337,055</u>                                      | <u>\$220,654</u>                                |
| 12                        | Rate of Return on Rate Base      | 6.53%               | 6.53%   | 6.53%   | 6.53%                                       | 6.53%   | 6.53%   |
| 13                        | Earnings Index                   | 100%                | 100%  | 100%  | 100%  | 100%  | 100%  |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES  
AT EQUALIZED RATES OF RETURN

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3  
SCHEDULE 3

| <u>Line No.</u>           | <u>Description</u><br>(Column A) | <u>Total</u><br>(B) | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u><br>(C) | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u><br>(D) | <u>Rate 3 -<br/>Industrial Sales</u><br>(E) | <u>Rate 4 -<br/>General<br/>Transportation</u><br>(F) | <u>Rate 5 - Large<br/>Transportation</u><br>(G) |
|---------------------------|----------------------------------|---------------------|---|---|---|---|---|
| <u>Operating Revenues</u> |                                  |                     |   |   |   |   |   |
| 1                         | Revenues From Gas Sales          | \$2,858,299         | \$2,038,312                                     | \$623,042   | \$11,616                                    | \$111,898   | \$73,430  |
| 2                         | Miscellaneous Revenues           | <u>\$15,027</u>     | <u>\$14,276</u>                                 | <u>\$751</u>  | <u>\$0</u>                                  | <u>\$0</u>  | <u>\$0</u>                                      |
| 3                         | Total                            | <u>\$2,873,326</u>  | <u>\$2,052,588</u>                              | <u>\$623,794</u>                                      | <u>\$11,616</u>                             | <u>\$111,898</u>                                      | <u>\$73,430</u>                                 |
| <u>Operating Expenses</u> |                                  |                     |   |   |   |   |   |
| 4                         | Operation and Maintenance        | \$1,354,669         | \$1,021,739                                     | \$257,076   | \$4,781                                     | \$42,880  | \$28,193  |
| 5                         | Depreciation and Amortization    | 455,439             | 308,102   | 110,613   | 2,054                                       | 20,934  | 13,736  |
| 6                         | Federal Income Taxes             | 152,921             | 103,430   | 37,235  | 699   | 6,986   | 4,571   |
| 7                         | State Income Taxes               | 53,776              | 36,465  | 13,026  | 244   | 2,442   | 1,599   |
| 8                         | Taxes Other Than Income Taxes    | <u>166,629</u>      | <u>116,223</u>                                  | <u>37,930</u>   | <u>691</u>                                  | <u>7,107</u>  | <u>4,678</u>                                    |
| 9                         | Total                            | <u>\$2,183,434</u>  | <u>\$1,585,958</u>                              | <u>\$455,880</u>                                      | <u>\$8,469</u>                              | <u>\$80,350</u>                                       | <u>\$52,777</u>                                 |
| 10                        | Net Operating Income             | <u>\$689,892</u>    | <u>\$466,630</u>                                | <u>\$167,913</u>                                      | <u>\$3,147</u>                              | <u>\$31,548</u>                                       | <u>\$20,653</u>                                 |
| 11                        | Original Cost Rate Base          | <u>\$7,370,629</u>  | <u>\$4,985,355</u>                              | <u>\$1,793,943</u>                                    | <u>\$33,621</u>                             | <u>\$337,055</u>                                      | <u>\$220,654</u>                                |
| 12                        | Rate of Return on Rate Base      | 9.36%               | 9.36%   | 9.36%   | 9.36%                                       | 9.36%   | 9.36%   |
| 13                        | Earnings Index                   | 100%                | 100%  | 100%  | 100%  | 100%  | 100%  |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES  
AT PROPOSED RATES OF RETURN**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-3  
SCHEDULE 4

| <u>Line No.</u>           | <u>Description</u><br>(Column A) | <u>Total</u><br>(B) | <u>Rate 1 - Res. &amp;<br/>Gen. Svc.</u><br>(C) | <u>Rate 2 - Large<br/>Commercial<br/>Sales</u><br>(D) | <u>Rate 3 -<br/>Industrial Sales</u><br>(E) | <u>Rate 4 -<br/>General<br/>Transportation</u><br>(F) | <u>Rate 5 - Large<br/>Transportation</u><br>(G) |
|---------------------------|----------------------------------|---------------------|---|---|---|---|---|
| <u>Operating Revenues</u> |                                  |                     |   |   |   |   |   |
| 1                         | Revenues From Gas Sales          | \$2,858,301         | \$1,487,317                                     | \$940,442   | \$23,139                                    | \$291,338   | \$116,064                                       |
| 2                         | Miscellaneous Revenues           | <u>\$15,027</u>     | <u>\$14,276</u>                                 | <u>\$751</u>  | <u>\$0</u>                                  | <u>\$0</u>  | <u>\$0</u>                                      |
| 3                         | Total                            | <u>\$2,873,328</u>  | <u>\$1,501,593</u>                              | <u>\$941,194</u>                                      | <u>\$23,139</u>                             | <u>\$291,338</u>                                      | <u>\$116,064</u>                                |
| <u>Operating Expenses</u> |                                  |                     |   |   |   |   |   |
| 4                         | Operation and Maintenance        | \$1,354,669         | \$1,021,739                                     | \$257,076   | \$4,781                                     | \$42,880  | \$28,193  |
| 5                         | Depreciation and Amortization    | 455,439             | 308,102   | 110,613   | 2,054                                       | 20,934  | 13,736  |
| 6                         | Federal Income Taxes             | 152,922             | (4,007)   | 99,124  | 2,946                                       | 41,974  | 12,884  |
| 7                         | State Income Taxes               | 53,776              | 4,782   | 31,277  | 907   | 12,760  | 4,050   |
| 8                         | Taxes Other Than Income Taxes    | <u>166,629</u>      | <u>108,512</u>                                  | <u>42,372</u>   | <u>852</u>                                  | <u>9,619</u>  | <u>5,274</u>                                    |
| 9                         | Total                            | <u>\$2,183,435</u>  | <u>\$1,439,128</u>                              | <u>\$540,461</u>                                      | <u>\$11,540</u>                             | <u>\$128,167</u>                                      | <u>\$64,138</u>                                 |
| 10                        | Net Operating Income             | <u>\$689,893</u>    | <u>\$62,465</u>                                 | <u>\$400,732</u>                                      | <u>\$11,599</u>                             | <u>\$163,171</u>                                      | <u>\$51,926</u>                                 |
| 11                        | Original Cost Rate Base          | <u>\$7,370,629</u>  | <u>\$4,985,355</u>                              | <u>\$1,793,943</u>                                    | <u>\$33,621</u>                             | <u>\$337,055</u>                                      | <u>\$220,654</u>                                |
| 12                        | Rate of Return on Rate Base      | 9.36%               | 1.25%   | 22.34%  | 34.50%                                      | 48.41%  | 23.53%  |
| 13                        | Earnings Index                   | 100%                | 13%   | 239%  | 369%  | 517%  | 251%  |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
COMPARISON OF PROFORMA OPERATING REVENUES AND RESULTING DOLLAR SUBSIDY  
LEVELS AT PRESENT AND PROPOSED RATES

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-4

| <u>Line No.</u> | <u>Rate<br/>Schedule<br/>(A)</u> | <u>PROFORMA REVENUES - PRESENT RATES</u>         |  |                                    | <u>PROFORMA REVENUES - PROPOSED RATES</u>                          |   |                                     |                          |                           |
|-----------------|----------------------------------|--|--|------------------------------------|--|---|-------------------------------------|--------------------------|---------------------------|
|                 |                                  | <u>Revenues<br/>At Present<br/>Rates<br/>(B)</u> | <u>Revenues<br/>Required For<br/>Equalized<br/>Returns<br/>(C)</u> | <u>Present<br/>Subsidy<br/>(D)</u> | <u>Revenues<br/>Required For<br/>Equalized<br/>Returns<br/>(E)</u> | <u>Revenues<br/>At Proposed<br/>Rates<br/>(F)</u> | <u>Proposed<br/>Subsidy<br/>(G)</u> | <u>Subsidy Reduction</u> |                           |
|                 |                                  |  |  |                                    |  |   |                                     | <u>Amount<br/>(H)</u>    | <u>Percentage<br/>(I)</u> |
| 1               | Rate 1 - Res. & Gen. Svc.        | \$1,310,060                                      | \$1,861,055  | (\$550,995)                        | \$2,052,588  | \$1,501,593                                       | (\$550,995)                         | \$0                      | 0.00%                     |
| 3               | Rate 2 - Large Commercial Sales  | \$870,916  | \$553,516  | \$317,400                          | \$623,794  | \$941,194   | \$317,400                           | \$0                      | 0.00%                     |
| 4               | Rate 3 - Industrial Sales        | \$21,815   | \$10,292   | \$11,522                           | \$11,616   | \$23,139  | \$11,522                            | \$0                      | 0.00%                     |
| 5               | Rate 4 - General Transportation  | \$278,137  | \$98,697   | \$179,440                          | \$111,898  | \$291,338   | \$179,440                           | \$0                      | 0.00%                     |
| 6               | Rate 5 - Large Transportation    | \$107,429  | \$64,795   | \$42,634                           | \$73,430   | \$116,064   | \$42,634                            | \$0                      | 0.00%                     |
| 7               | Total                            | \$2,588,356                                      | \$2,588,355  | \$2                                | \$2,873,326  | \$2,873,328                                       | \$2                                 | \$0                      |                           |

INDIANA UTILITIES CORPORATION  
 COST OF SERVICE STUDY  
 COMPARISON OF GAS SALES REVENUES AT PRESENT AND PROPOSED RATES

TYPE OF FILING: CASE-IN-CHIEF  
 WITNESS: HEID

PETITIONER'S EXHIBIT KAH-5

| Line No. | Rate Schedule                   | Present Revenue Levels   |                   |                           | Proposed Revenue Levels   |                   |                            | Increase or (Decrease) |              |              |
|----------|---------------------------------|--------------------------|-------------------|---------------------------|---------------------------|-------------------|----------------------------|------------------------|--------------|--------------|
|          |                                 | Margins At Present Rates | Gas Cost Revenues | Revenues At Present Rates | Margins At Proposed Rates | Gas Cost Revenues | Revenues At Proposed Rates | Increase or (Decrease) |              |              |
|          |                                 | (B)                      | (C)               | (D)                       | (E)                       | (F)               | (G)                        | (H)                    | (I)          | Margin %     |
| 1        | Rate 1 - Res. & Gen. Svc.       | \$1,295,784              | \$814,624         | \$2,110,408               | \$1,487,317               | \$814,624         | \$2,301,941                | \$191,534              | 9.08%        | 14.78%       |
| 3        | Rate 2 - Large Commercial Sales | \$870,164                | \$824,530         | \$1,694,695               | \$940,442                 | \$824,530         | \$1,764,973                | \$70,278               | 4.15%        | 8.08%        |
| 4        | Rate 3 - Industrial Sales       | \$21,815                 | \$29,126          | \$50,941                  | \$23,139                  | \$29,126          | \$52,265                   | \$1,324                | 2.60%        | 6.07%        |
| 4        | Rate 4 - General Transportation | \$278,137                | \$0               | \$278,137                 | \$291,338                 | \$0               | \$291,338                  | \$13,201               | 4.75%        | 4.75%        |
| 5        | Rate 5 - Large Transportation   | <u>\$107,429</u>         | <u>\$0</u>        | <u>\$107,429</u>          | <u>\$116,064</u>          | <u>\$0</u>        | <u>\$116,064</u>           | <u>\$8,635</u>         | <u>8.04%</u> | <u>8.04%</u> |
| 5        | Total                           | \$2,573,329              | \$1,668,281       | \$4,241,610               | \$2,858,301               | \$1,668,281       | \$4,526,582                | \$284,972              | 6.72%        | 11.07%       |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6  
PAGE 1 OF 2

| <u>DESCRIPTION</u>   | <u>Number<br/>of Bills</u><br>(1) | <u>Billing<br/>Quantities<br/>(Dekatherms)</u><br>(2) | <u>Present<br/>Rates<br/>(\$/dth)</u><br>(3) | <u>Margin at<br/>Present<br/>Rates</u><br>(4) | <u>Proposed<br/>Rates<br/>(\$/dth)</u><br>(5) | <u>Margin at<br/>Proposed<br/>Rates</u><br>(6) | <u>Increase in Margins</u> |                       |
|--|-----------------------------------|---|--|---|---|--|----------------------------|-----------------------|
|  |                                   |   |  |   |   |  | <u>Amount</u><br>(7)       | <u>Percent</u><br>(8) |
| <b><u>Rate 1 - Residential and Small General Sales</u></b> |                                   |   |  |   |   |  |                            |                       |
| Customer Charge  | 36,344                            |   | \$11.67                                      | \$424,134                                     | \$15.00                                       | \$545,160                                      | \$121,026                  | 28.5%                 |
| First 10 dekatherms  |                                   | 113,405   | \$4.83380                                    | \$548,177                                     | \$5.23820                                     | \$594,038                                      | \$45,861                   | 8.4%                  |
| Over 10 dekatherms   |                                   | 82,890  | \$3.98970                                    | \$330,706                                     | \$4.30000                                     | \$356,427                                      | \$25,721                   | 7.8%                  |
| Total Dekatherms and Margins                               | 36,344                            | 196,295   |  | \$1,303,017                                   |   | \$1,495,625                                    | \$192,608                  | 14.78%                |
| Reconciliation Factor                                      |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins   |                                   |   |  | \$1,295,783                                   |   | \$1,487,322                                    | \$191,539                  | 14.78%                |
| <b><u>Rate 2 - Large Commercial Sales</u></b>              |                                   |   |  |   |   |  |                            |                       |
| Customer Charge  | 1,766                             |   | \$67.00                                      | \$118,322                                     | \$72.00                                       | \$127,152                                      | \$8,830                    | 7.5%                  |
| All dekatherms   |                                   | 198,682   | \$3.80860                                    | \$756,700                                     | \$4.11990                                     | \$818,550                                      | \$61,850                   | 8.2%                  |
| Total Dekatherms and Margins                               | 1,766                             | 198,682   |  | \$875,022                                     |   | \$945,702                                      | \$70,680                   | 8.08%                 |
| Reconciliation Factor                                      |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins   |                                   |   |  | \$870,164                                     |   | \$940,452                                      | \$70,288                   | 8.08%                 |
| <b><u>Rate 3 - Industrial Sales</u></b>                    |                                   |   |  |   |   |  |                            |                       |
| Customer Charge  | 16                                |   | \$489.00                                     | \$7,824                                       | \$525.00                                      | \$8,400  | \$576                      | 7.4%                  |
| All dekatherms   |                                   | 7,018   | \$2.01080                                    | \$14,113                                      | \$2.10270                                     | \$14,758                                       | \$645                      | 4.6%                  |
| Total Dekatherms and Margins                               | 16                                | 7,018   |  | \$21,937                                      |   | \$23,158                                       | \$1,221                    | 5.57%                 |
| Reconciliation Factor                                      |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins   |                                   |   |  | \$21,815                                      |   | \$23,029                                       | \$1,214                    | 5.57%                 |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-6  
PAGE 2 OF 2

| <u>DESCRIPTION</u>                                   | <u>Number<br/>of Bills</u><br>(1) | <u>Billing<br/>Quantities<br/>(Dekatherms)</u><br>(2) | <u>Present<br/>Rates<br/>(\$/therm)</u><br>(3) | <u>Margin at<br/>Present<br/>Rates</u><br>(4) | <u>Proposed<br/>Rates<br/>(\$/therm)</u><br>(5) | <u>Margin at<br/>Proposed<br/>Rates</u><br>(6) | <u>Increase in Margins</u> |                       |
|--|-----------------------------------|---|--|---|---|--|----------------------------|-----------------------|
|  |                                   |   |  |   |   |  | <u>Amount</u><br>(7)       | <u>Percent</u><br>(8) |
| <b><u>Rate 4 - General Transportation</u></b>        |                                   |   |  |   |   |  |                            |                       |
| Customer Charge                                      | 36                                |   | \$489.00                                       | \$17,604                                      | \$525.00  | \$18,900                                       | \$1,296                    | 7.4%                  |
| All dekatherms                                       |                                   | 130,339   | \$2.01080                                      | \$262,085                                     | \$2.10270                                       | \$274,064                                      | \$11,979                   | 4.6%                  |
| Total Dekatherms and Margins                         | 36                                | 130,339   |  | \$279,689                                     |   | \$292,964                                      | \$13,275                   | 4.75%                 |
| Reconciliation Factor                                |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins                                     |                                   |   |  | \$278,136                                     |   | \$291,338                                      | \$13,201                   | 4.75%                 |
| <b><u>Rate 5 - Large Transportation</u></b>          |                                   |   |  |   |   |  |                            |                       |
| Customer Charge                                      | 12                                |   | \$925.00                                       | \$11,100                                      | \$1,000.00                                      | \$12,000                                       | \$900                      | 8.1%                  |
| All dekatherms                                       |                                   | 116,782   | \$0.83000                                      | \$96,929                                      | \$0.89660                                       | \$104,707                                      | \$7,778                    | 8.0%                  |
| Total Dekatherms and Margins                         | 12                                | 116,782   |  | \$108,029                                     |   | \$116,707                                      | \$8,678                    | 8.03%                 |
| Reconciliation Factor                                |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins                                     |                                   |   |  | \$107,429                                     |   | \$116,059                                      | \$8,630                    | 8.03%                 |
| <b><u>Rate 6 - School Transportation Service</u></b> |                                   |   |  |   |   |  |                            |                       |
| Customer Charge                                      | 0                                 |   | \$128.00                                       | \$0   | \$138.00  | \$0  | \$0                        | 7.8%                  |
| All dekatherms                                       |                                   | 0   | \$3.80410                                      | \$0   | \$4.1114  | \$0  | \$0                        | 8.1%                  |
| Total Dekatherms and Margins                         | 0                                 | 0   |  | \$0   |   | \$0  | \$0                        | N/A                   |
| Reconciliation Factor                                |                                   |   |  | 0.994448                                      |   | 0.994448                                       |                            |                       |
| Adjusted Margins                                     |                                   |   |  | \$0   |   | \$0  | \$0                        | #DIV/0!               |
| <b>TOTAL DEKATHERMS AND MARGIN FROM RATES</b>        | <b><u>38,174</u></b>              | <b><u>649,116</u></b>                                 |  | <b><u>\$2,573,328</u></b>                     |   | <b><u>\$2,858,200</u></b>                      | <b><u>\$284,872</u></b>    | <b><u>11.07%</u></b>  |
| <b>MISCELLANEOUS REVENUE</b>                         |                                   |   |  | <b><u>\$15,027</u></b>                        |   | <b><u>\$15,027</u></b>                         | <b><u>\$0</u></b>          |                       |
| <b>TOTAL MARGIN INCLUDING MISC. REVENUE</b>          |                                   |   |  | <b><u>\$2,588,355</u></b>                     |   | <b><u>\$2,873,227</u></b>                      | <b><u>\$284,872</u></b>    | <b><u>11.01%</u></b>  |

**INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
REVENUE PROOF AT PROPOSED RATES**

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-7  
PAGE 1 OF 2

| <u>Description</u>   | <u>Number of<br/>Bills<br/>(1)</u> | <u>Billing<br/>Quantities<br/>(Dekatherms)<br/>(2)</u> | <u>Proposed<br/>Margin<br/>Rates<br/>(\$/dth)<br/>(3)</u> | <u>Revenues From<br/>Gas Sales at<br/>Proposed Rates<br/>(4)</u> | <u>Misc.<br/>Revenues<br/>(5)</u> | <u>Total<br/>Revenues<br/>(6) + (7)<br/>(6)</u> | <u>Cost-of-<br/>Service<br/>(Proforma B<br/>Revenues)<br/>(7)</u> | <u>(Over)/Under<br/>Recovery<br/>(9) - (8)<br/>(8)</u> | <u>(Over)/Under<br/>Recovery<br/>Percentage<br/>(10) / (9)<br/>(9)</u> |
|--|------------------------------------|--|---|--|-----------------------------------|---|---|--|--|
| <b><u>Rate 1 - Residential and Small General Sales</u></b> |                                    |  |   |  |                                   |   |   |  |  |
| Customer Charge  | 36,344                             |  | \$15.00   | \$545,160  |                                   |   |   |  |  |
| First 100 Dekatherms                                       |                                    | 113,405  | \$5.2382  | \$594,038  |                                   |   |   |  |  |
| Over 100 Dekatherms  |                                    | 82,890   | \$4.3000  | \$356,427  |                                   |   |   |  |  |
| Total Dekatherms and Margins                               | 36,344                             | 196,295  |   | \$1,495,625  |                                   |   |   |  |  |
| Reconciliation Factor                                      |                                    |  |   | <u>0.994448</u>  |                                   |   |   |  |  |
| Adjusted Margins   |                                    |  |   | \$1,487,322  | \$14,276                          | \$1,501,598                                     | \$1,501,593   | (\$4)  | -0.0003%   |
| <b><u>Rate 2 - Large Commercial Sales</u></b>              |                                    |  |   |  |                                   |   |   |  |  |
| Customer Charge  | 1,766                              |  | \$72.00   | \$127,152  |                                   |   |   |  |  |
| First 3,000 Dekatherms                                     |                                    | 198,682  | \$4.1199  | \$818,550  |                                   |   |   |  |  |
| Over 3,000 Dekatherms                                      |                                    | 0  | \$0.0000  | \$0  |                                   |   |   |  |  |
| Total Dekatherms and Margins                               | 1,766                              | 198,682  |   | \$945,702  |                                   |   |   |  |  |
| Reconciliation Factor                                      |                                    |  |   | <u>0.994448</u>  |                                   |   |   |  |  |
| Adjusted Margins   |                                    |  |   | \$940,452  | \$751                             | \$941,203                                       | \$941,194   | (\$9)  | -0.0010%   |
| <b><u>Rate 3 - Industrial Sales</u></b>                    |                                    |  |   |  |                                   |   |   |  |  |
| Customer Charge  | 16                                 |  | \$525.00  | \$8,400  |                                   |   |   |  |  |
| All Dekatherms   |                                    | 7,018  | \$2.10270   | \$14,758   |                                   |   |   |  |  |
| Total Dekatherms and Margins                               | 16                                 | 7,018  |   | \$23,158   |                                   |   |   |  |  |
| Reconciliation Factor                                      |                                    |  |   | <u>0.994448</u>  |                                   |   |   |  |  |
| Adjusted Margins   |                                    |  |   | \$23,029   | \$0                               | \$23,029  | \$23,139  | \$110  | 0.4746%  |

INDIANA UTILITIES CORPORATION  
COST OF SERVICE STUDY  
REVENUE PROOF AT PROPOSED RATES

TYPE OF FILING: CASE-IN-CHIEF  
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-7  
PAGE 2 OF 2

| <u>Description</u>                                   | <u>Number of Bills</u><br>(1) | <u>Billing Quantities (Dekatherms)</u><br>(2) | <u>Proposed Margin Rates (\$/dth)</u><br>(3) | <u>Revenues From Gas Sales at Proposed Rates</u><br>(4) | <u>Misc. Revenues</u><br>(5) | <u>Total Revenues (6) + (7)</u><br>(6) | <u>Cost-of-Service (Proforma B Revenues)</u><br>(7) | <u>(Over)/Under Recovery (9) - (8)</u><br>(8) | <u>(Over)/Under Recovery Percentage (10) / (9)</u><br>(9) |
|--|-------------------------------|---|--|---|------------------------------|--|---|---|---|
| <b><u>Rate 4 - General Transportation</u></b>        |                               |   |  |   |                              |  |   |   |   |
| Customer Charge                                      | 36                            |   | \$525.00                                     | \$18,900  |                              |  |   |   |   |
| All Dekatherms                                       |                               | 130,339                                       | \$2.1027                                     | \$274,064   |                              |  |   |   |   |
| Total Dekatherms and Margins                         | 36                            | 130,339                                       |  | \$292,964   |                              |  |   |   |   |
| Reconciliation Factor                                |                               |   |  | <u>0.994448</u>   |                              |  |   |   |   |
| Adjusted Margins                                     |                               |   |  | \$291,337   | \$0                          | \$291,337                              | \$291,338   | \$1   | 0.0003%   |
| <b><u>Rate 5 - Large Transportation</u></b>          |                               |   |  |   |                              |  |   |   |   |
| Customer Charge                                      | 12                            |   | \$1,000.00                                   | \$12,000  |                              |  |   |   |   |
| All Dekatherms                                       |                               | 116,782                                       | \$0.8966                                     | \$104,707   |                              |  |   |   |   |
| Total Dekatherms and Margins                         | 12                            | 116,782                                       |  | \$116,707   |                              |  |   |   |   |
| Reconciliation Factor                                |                               |   |  | <u>0.994448</u>   |                              |  |   |   |   |
| Adjusted Margins                                     |                               |   |  | \$116,059   | \$0                          | \$116,059                              | \$116,064   | \$5   | 0.0047%   |
| <b><u>Rate 6 - School Transportation Service</u></b> |                               |   |  |   |                              |  |   |   |   |
| Customer Charge                                      | 0                             |   | \$138.00                                     | \$0   |                              |  |   |   |   |
| All Dekatherms                                       |                               | 0   | \$4.1114                                     | \$0   |                              |  |   |   |   |
| Total Dekatherms and Margins                         |                               |   |  | \$0   |                              |  |   |   |   |
| Reconciliation Factor                                |                               |   |  | <u>0.994448</u>   |                              |  |   |   |   |
| Adjusted Margins                                     |                               |   |  | \$0   |                              |  |   |   |   |
| <b>Total Dekatherms and Revenue</b>                  | <b><u>38,174</u></b>          | <b><u>649,116</u></b>                         |  | <b><u>\$2,858,198</u></b>                               | <b><u>\$15,027</u></b>       | <b><u>\$2,873,226</u></b>              | <b><u>\$2,873,328</u></b>                           | <b><u>\$102</u></b>                           | <b><u>0.0036%</u></b>                                     |