

FILED

APRIL 20, 2017

INDIANA UTILITY

REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF OHIO VALLEY GAS)
CORPORATION AND OHIO VALLEY GAS, INC. FOR)
(1) AUTHORITY TO INCREASE THEIR RATES AND)
CHARGES FOR GAS UTILITY SERVICE; (2))
APPROVAL OF NEW SCHEDULES OF RATES AND)
CHARGES; AND (3) APPROVAL OF CHANGES TO)
THEIR GENERAL RULES AND REGULATIONS)
APPLICABLE TO GAS UTILITY SERVICE)

CAUSE NO. 44891

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

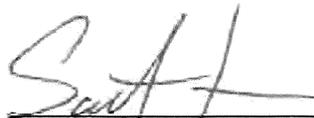
PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF MARK H. GROSSKOPF

APRIL 20, 2017

OFFICIAL
EXHIBITS

Respectfully submitted,



Scott Franson
Attorney No. 27839-49
Deputy Consumer Counselor

IURC
PUBLIC'S

EXHIBIT NO. _____
DATE 7-7-17 REPORTER 

**TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF
CAUSE NO. 44891
OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC.**

I. INTRODUCTION

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

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Senior Utility Analyst. For a summary of my educational and professional
7 experience and my preparation for this case, please see Appendix MHG-1
8 attached to my testimony.

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

10 A: I address certain elements in Ohio Valley Gas Corporation's and Ohio Valley
11 Gas, Inc.'s (collectively "Joint Petitioners" or "OVG") request for a rate increase,
12 incorporating recommendations and *pro forma* adjustments of other OUCC
13 witnesses. I sponsor and discuss adjustments to Joint Petitioner's public utility
14 fee, Indiana utility receipts tax, state income tax, and federal income tax. I also
15 sponsor accounting schedules to support the OUCC's recommended *pro forma*
16 adjustments and to implement the OUCC's recommended cost of equity. The
17 accounting schedules I prepared incorporate all adjustments the OUCC used to

1 calculate its recommended total *pro forma* revenue requirements and the resulting
2 recommended rate increase.

II. OUCW WITNESS INTRODUCTION

3 **Q: Please introduce the other OUCW witnesses who are testifying in this case.**

4 A: The following OUCW witnesses reviewed and analyzed OVG's rate case and are
5 testifying on various elements of the revenue requirements.

6 **Ms. Debra K. Wilcox** analyzed OVG's revenue adjustments, purchased gas
7 expense, depreciation expense, property tax, rate base, and capital structure. She
8 recommends changes to OVG's *pro forma* large customer revenue, transportation
9 equipment depreciation, and elements of OVG's original cost rate base.

10 **Ms. Farheen Ahmed** analyzed OVG's operating and maintenance expense
11 adjustments. She recommends changes to OVG's *pro forma* payroll expense and
12 payroll tax expense, termination of pension plan expense, 401K contributions,
13 group insurance expense, employee dependent scholarship expense, and other
14 miscellaneous expenses.

15 **Mr. Bradley E. Lorton** testifies that OVG requests an 11.1% cost of equity to be
16 used in a weighted cost of capital applied to an original cost rate base. Mr. Lorton
17 recommends the Commission adopt the OUCW's proposed cost of equity of 9.0%
18 based on his Distributed Cash Flow ("DCF") and Capital Asset Pricing Model
19 ("CAPM") analysis, to be used in the weighted cost of capital applied to an
20 original cost rate base.

21 **Mr. Brien R. Krieger** discusses his analysis of OVG's cost of service study,
22 including OVG's efforts toward single tariff rates, interclass subsidies,
23 elimination of the interruptible rate class, and fixed monthly facilities charges.
24 While Mr. Krieger offers support for most of OVG's proposed cost of service
25 issues, he recommends an alternative method for allocating transmission mains.

III. REVENUE REQUIREMENT SCHEDULES

26 **Q: Does the OUCW agree with OVG's proposed *pro forma* increase in revenue**
27 **from existing rates?**

1 A: No. OVG requests a rate increase of 17.05%, to increase its annual revenue by
2 \$3,245,960. The OUCC's review supports an increase in OVG's *pro forma*
3 revenue requirement of \$1,458,354, resulting in a 7.66% rate increase.

4 **Q: What attachments and schedules do you sponsor showing the pertinent**
5 **calculations related to your testimony?**

6 A: I sponsor the following attachments and schedules:

7 Attachment MHG-1: OUCC Revenue Requirement Schedules

- 8 • Schedule 1: Comparison of Joint Petitioner's and OUCC's
9 Revenue Requirements, Comparison of Income Statement
10 Adjustments, and Revenue Conversion Factor.
- 11 • Schedule 2: Joint Petitioner's Balance Sheet as of September
12 30, 2016.
- 13 • Schedule 3: Joint Petitioner's Income Statement for the
14 Twelve Months Ended June 30, 2016.
- 15 • Schedule 4: Original Cost Rate Base at September 30, 2016.
- 16 • Schedule 5: *Pro Forma* Net Operating Income Statement.
- 17 • Schedule 6: *Pro Forma* Present Rate Adjustments.
- 18 • Schedule 7: *Pro Forma* Proposed Rate Adjustments.
- 19 • Schedule 8: Capital Structure as of September 30, 2016.

20 Attachment MHG-2: Customer Comments.

21 **Q: Please describe the schedules in Attachment MHG-1.**

22 A: Page 1 of Schedule 1 summarizes the main components of the revenue
23 requirements, incorporating the OUCC's adjustments as compared to OVG's
24 proposed revenue requirements, resulting in the calculation of the OUCC's
25 recommended revenue increase. Pages 2 and 3 of Schedule 1 compare OVG's
26 and the OUCC's proposed revenue and expense adjustments at present rates and

1 each parties' calculation of the revenue conversion factor. Schedule 2 represents
2 OVG's unadjusted Balance Sheet as of the rate base cut-off date, and Schedule 3
3 represents the Income Statement as of the end of the test year. Schedule 4 shows
4 the OUCC's calculation of OVG's original cost rate base as of September 30,
5 2016. Schedule 5 is the *Pro Forma* Net Operating Income Statement reflecting
6 all *pro forma* revenue and expense adjustments proposed by the OUCC. The
7 OUCC's proposed adjustments yield revised *pro forma* revenue, operating
8 expenses and net operating income, resulting in a revised proposed rate increase.
9 Schedule 6 shows the results of the OUCC's calculated adjustments to revenue,
10 operating expenses, and taxes. Schedule 7 uses the OUCC's proposed revenue
11 increase to gross up bad debt, the IURC fee, Indiana utility receipts tax, and
12 federal and state income taxes. Schedule 8 reflects the Weighted Average Cost of
13 Capital ("WACC") based on OVG's capital structure and the cost of equity
14 proposed by the OUCC.

IV. PROPOSED ADJUSTMENTS TO REVENUE REQUIREMENTS

15 **Q: Are you sponsoring all adjustments shown on Schedule 6 of Attachment**
16 **MHG-1?**

17 **A:** No. Schedule 6 reflects all of the OUCC's adjustments. I am sponsoring only the
18 public utility fee adjustment, the Indiana utility receipts tax adjustment, and the
19 state income tax and federal income tax adjustments. The other adjustments on
20 Schedule 6 reflect the net result of adjustments sponsored by OUCC witnesses
21 Debra Wilcox and Farheen Ahmed. The details of Ms. Wilcox's adjustments are
22 shown on Public's Exhibit No. 2, Attachments DKW-1 through DKW-3. The

1 details of Ms. Ahmed's adjustments are shown on Public's Exhibit No. 3,
2 Attachments FA-1 through FA-7. All adjustments to the operation and
3 maintenance expenses affect the working capital shown on Schedule 4.

4 **Q: Does the OUCC agree with any of OVG's adjustments included in its**
5 **revenue requirements schedules?**

6 A: Yes. The OUCC agrees with the following adjustments proposed by OVG:

- 7 • Removal of GCA Revenue
- 8 • Removal of Unbilled Sales
- 9 • Removal of PSA Tracker Revenue
- 10 • General Service Customer Count Changes
- 11 • Removal of Amortized Rate Case and SNG Expense
- 12 • Removal of Purchased Gas Expense
- 13 • Removal of PSA Tracker Expenses
- 14 • Cloud Hosting and Cellular Service Fees
- 15 • Bad Debt Expense
- 16 • Amortized Legal Expenses Related to Native Gas Petition
- 17 • Out of Period Expenses for Outside Services
- 18 • Removal of Consultant Expenses for Pension Plan
- 19 • Property and Liability Insurance Expense
- 20 • Annual Audit Fee Expense
- 21 • Worker's Compensation Insurance Expense
- 22 • Depreciation Expense
- 23 • Property Tax

24 **Q: Please discuss your adjustment to the public utility fee and the Indiana utility**
25 **receipts tax.**

26 A: I do not dispute OVG's methodology in calculating either the public utility fee or
27 the Indiana utility receipts tax. The changes to OVG's public utility fee and
28 Indiana utility receipts tax calculations reflected in my schedules are a result of
29 changes in *pro forma* revenues sponsored by OUCC witness Wilcox.

30 **Q: Please discuss your adjustment to state and federal income taxes.**

31 A: I do not dispute OVG's methodology in calculating the *pro forma* federal and
32 state income tax adjustments based on *pro forma* present rates, with the exception

1 of the state income tax rate. OVG used a 6.25% state income tax rate which has
2 been in effect for the past year. However, the state income tax rate will decrease
3 to 6.0% effective July 1, 2017. I recalculated OVG's state income tax using the
4 6.0% rate as shown on Attachment MHG-1, Schedule 6, page 3. All other
5 changes to OVG's federal and state income tax calculations are a result of
6 changes to the *pro forma* proposed revenue requirements discussed earlier.

V. RECOMMENDATIONS

7 **Q: Please summarize your recommendations related to operating revenue and**
8 **expenses.**

9 A: As shown on Schedules 1 and 5 of Attachment MHG-1, the OUCC's adjustments
10 to revenue, operating expenses, and taxes result in a non-gas cost revenue
11 percentage increase of 7.66%, for a total recommended revenue increase of
12 \$1,458,354.

13 **Q: Please summarize your recommendations regarding a return on rate base.**

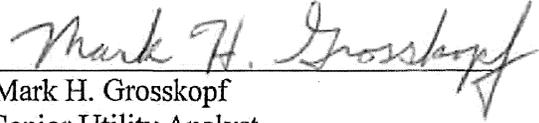
14 A: OUCC witness Wilcox recommends a materials and supplies inventory of
15 \$2,561,162, with revised working capital of \$1,296,815, yielding a revised
16 original cost rate base of \$51,674,972. OUCC witness Lorton recommends a
17 return on common equity of 9.0%. The resulting return on original cost rate base
18 is \$3,725,765.

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

20 A: Yes.

AFFIRMATION

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



Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No. 44891
Ohio Valley Gas Corporation and
Ohio Valley Gas, Inc.

4/20/17
Date

**APPENDIX MHG-1 TO TESTIMONY OF
OUCC WITNESS MARK H. GROSSKOPF**

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

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of
3 Science degree in business with a major in accounting. I worked in auditing and
4 accounting positions at various companies from 1980 to 1995. I joined the OUCC
5 in April of 1995 and have worked as a member of the OUCC's Natural Gas
6 Division since June of 1999. I became a Certified Public Accountant in
7 November of 1998. I also completed both weeks of the National Association of
8 Regulatory Utility Commissioners Annual Regulatory Studies program at
9 Michigan State University. I completed an additional week of the Advanced
10 Regulatory Studies Program hosted by the Institute of Public Utilities Regulatory
11 Research and Education at Michigan State University.

12 **Q: Have you previously testified before the Commission?**

13 A: Yes, I have testified as an accounting witness in various causes involving water,
14 wastewater, electric, and gas utilities, including but not limited to, rate cases,
15 pipeline safety adjustment cases, 7-Year Plan, and Transmission, Distribution,
16 and Storage System Improvement Charge ("TDSIC") Tracker cases.

17 **Q: Please describe the review and analysis you conducted to prepare your
18 testimony.**

19 A: I reviewed Joint Petitioner's testimony, exhibits, workpapers and supporting
20 documentation. I analyzed Joint Petitioner's responses to OUCC discovery
21 requests. I participated in numerous meetings with other OUCC staff members to
22 identify and address issues in this Cause. I also reviewed comments received
23 from OVG's customers, attached to my testimony as Attachment MHG-2.

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Comparison of Joint Petitioner's and the OUCC's
Revenue Requirement

Description	Per Petitioner	Per OUCC	Sch Ref
Rate Base	\$51,716,232	\$51,674,972	4
Times: Rate Of Return	<u>8.85%</u>	<u>7.21%</u>	8
Net Operating Income	4,576,840	3,725,765	
Less: Adjusted Net Operating Income	<u>2,607,371</u>	<u>2,838,524</u>	5
Increase In Net Operating Income	1,969,469	887,241	
Times: Revenue Conversion Factor	<u>1.6481</u>	<u>1.6437</u>	1
Recommended Revenue Increase	<u>\$3,245,960</u>	<u>\$1,458,354</u>	
Overall Percentage Increase (Decrease)	<u>17.05%</u>	<u>7.66%</u>	

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Comparison of Income Statement Adjustments
Test Year Ending June 30, 2016

Adjustment	Per Petitioner	Per OUCC	OUCC More/Less
<u>Operating Revenues</u>			
Gas Sales:			
Gas Costs in Billed Revenue	(\$9,654,156)	(\$9,654,156)	\$0
Unbilled Revenue	(193,017)	(193,017)	0
PSA Cost Recovery Revenue	(1,398)	(1,398)	0
Changes to Large Customer Class	(6,340)	(1,052)	5,288
General Service Customer Count	68,310	68,310	0
Rate Case/SNG Expense Recovery	(82,074)	(82,074)	0
Transportation Revenues:			
PSA Cost Recovery Revenue	(574)	(574)	0
Changes to Large Customer Class	(61,991)	(61,991)	0
Forfeited Discounts	0	0	0
Miscellaneous Revenues	0	0	0
Total Operating Revenues	(9,931,240)	(9,925,952)	5,288
<u>Operating Expenses</u>			
Purchased Gas	(9,731,255)	(9,731,255)	0
Transmission			
Annualize Transportation Depr.	393	230	(163)
Annualize Payroll Expense	1,368	1,236	(132)
Distribution			
PSA Cost Recovery Expenses	(118,266)	(118,266)	0
Cellular Service for Field Tablets	8,023	8,023	0
Annualize Transportation Depr.	27,366	15,996	(11,370)
Annualize Payroll Expense	71,724	64,781	(6,943)
Customer Accounting			
Annualize Transportation Depr.	3,347	1,957	(1,390)
Normalize Bad Debt	8,963	8,963	0
Annualize Payroll Expense	24,702	22,311	(2,391)
Administrative & General			
Rate Case Expense	58,985	58,985	0
Native Gas Litigation Expenses	(84,254)	(84,254)	0
Out of Period Expenses in TY	(11,326)	(11,326)	0
Remove Routine Pension Consulting	(36,472)	(36,472)	0
Annualize Transportation Depr.	4,368	2,553	(1,815)
Annualize Payroll Expense	49,067	44,318	(4,749)
Termination of Pension Expense	(901,804)	(1,138,267)	(236,463)
401(k) Contributions	(12,641)	(17,430)	(4,789)
Property and Liability Insurance	334	334	0
Group Insurance	611,476	595,830	(15,646)
Employee Dependent Scholarships	22,581	(38,219)	(60,800)
Annual Audit Fees	(12,980)	(12,980)	0
Workers Compensation	19,075	19,075	0
Miscellaneous	0	(7,579)	(7,579)
Taxes - General			
Payroll Taxes	36,884	35,807	(1,077)
Public Utility Fee	3,132	3,138	6
Utility Receipts Tax	(141,671)	(141,597)	74
Property Tax	46,925	46,925	0
Ohio and Misc. Taxes	0	0	0
Taxes - Income - State	(17,482)	(7,243)	10,239
Taxes - Income - Federal	18,400	137,523	119,123
Depreciation	109,388	109,388	0
Total Operating Expenses	(\$9,941,650)	(\$10,167,515)	(\$225,865)

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Revenue Conversion Factor

Description	Per Petitioner		Per OUCC
Gross Revenue Change	100.0000%	1	100.0000%
Less: Bad Debt (0.3350%)	0.3350%	2	0.3350%
Subtotal	100.0000%	3	100.0000%
Less: Public Utility Fee (0.1171996%)	0.1172%	4	0.1172%
Subtotal	99.6650%	5	99.6650%
Less: Utility Receipts Tax (at 1.40%)	1.3953%	6	1.3953%
Subtotal	99.5478%	7	99.5478%
Less: State Income Tax (at 6.0%)	6.2217%	8	5.9729%
Subtotal	91.9308%	9	92.1796%
Less: Federal Income Tax (at 34%)	31.2565%	10	31.3411%
Change In Net Operating Income	60.6743%		60.8386%
Revenue Conversion Factor	1.6481		1.6437

Formula Notes:

Line 5 equals (100% minus Line 2)

Line 6 equals (Line 5 multiplied by 1.4%)

Line 7 equals (Line 1 minus Line 2 minus Line 4)

Line 8 equals (Line 7 multiplied by 8.5%)

Line 9 equals (Line 7 minus Line 6 minus Line 8)

Line 10 equals (Line 9 multiplied by 34%)

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Balance Sheet as of September 30, 2016

ASSETS

Utility Plant:	
Utility Plant in Service	\$96,812,832
Less: Accumulated Depreciation	<u>(49,878,570)</u>
Net Utility Plant in Service	46,934,262
Construction Work in Progress	<u>557,896</u>
Total Utility Plant	47,492,158
Other Property and Investments:	
Non-Utility Property	<u>888,835</u>
Current and Accrued Assets:	
Cash	12,023,055
Special Deposits	236,874
Working Funds	38,554
Accounts Receivable	(1,418,222)
Other Accounts Receivable	238,576
Accumulated Provision for Uncollectible Accounts	(132,603)
Accounts Receivable from Associated Companies	0
Fuel Stock	669
Plant Materials and Operating Supplies	2,441,787
Stores Expense	329,663
Gas Stored Underground - Current	1,276,033
Prepayments	323,266
Accrued Utility Revenue	<u>143,186</u>
Total Current Assets	<u>15,500,838</u>
Deferred Debits:	
Miscellaneous Deferred Debits	<u>147,294</u>
Total Assets	<u><u>\$64,029,125</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Balance Sheet as of September 30, 2016

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' Equity:	
Common Stock	\$22,914,253
Treasury Stock	(2,058,911)
Miscellaneous Paid-in-Capital	24,438
Retained Earnings	<u>28,136,850</u>
Total Shareholders' Equity	<u>49,016,630</u>
Current & Accrued Liabilities:	
Notes Payable	0
Accounts Payable	1,035,411
Accounts Payable to Associated Companies	0
Customer Deposits	2,187,584
Taxes Accrued	(614,800)
Interest Accrued	617,606
Tax Collections Payable	67,481
Miscellaneous Current and Accrued Liabilities	<u>798,867</u>
Total Current & Accrued Liabilities	<u>4,092,149</u>
Deferred Credits:	
Customer Advances for Construction	172,720
Other Deferred Credits	<u>(406,925)</u>
Total Deferred Credits	(234,205)
Contributions in Aid of Construction	0
Accumulated Deferred Income Taxes	<u>11,154,551</u>
Total Liabilities and Shareholders' Equity	<u><u>\$64,029,125</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Income Statement For The Twelve Months Ended June 30, 2016

<u>Operating Revenues</u>	
Gas Sales	\$25,916,090
Forfeited Discounts	139,595
Miscellaneous Operating Revenues	88,227
Transportation Revenues	<u>3,044,070</u>
Total Operating Revenues	<u>29,187,982</u>
<u>Operating Expenses</u>	
Purchased Gas	9,731,255
Transmission	207,422
Distribution	3,985,950
Customer Accounting	1,415,039
Administrative & General	5,386,308
Depreciation	2,639,013
Taxes - General	1,626,203
Taxes - Income - Federal	1,308,734
Taxes - Income - State	<u>291,097</u>
Total Operating Expenses	<u>26,591,021</u>
Utility Operating Income	<u>2,596,961</u>
<u>Other Income and Deductions</u>	
Other Income, Net (of taxes)	31,363
Other Interest	(130,262)
Miscellaneous Income Deductions	(8,864)
Allowance for Funds Used During Construction	<u>43,522</u>
Total Other Income and Deductions	<u>(64,241)</u>
Net Income	<u><u>\$2,532,720</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Original Cost Rate Base at September 30, 2016

Utility Plant In Service at 9/30/16	\$96,812,832
Less: Accumulated Depreciation	(49,878,570)
Less: Contributions in Aid of Construction	0
Less: Non-Refundable Customer Advances for Construction	<u>(172,720)</u>
Net Utility Plant in Service	46,761,542
Add:	
Materials and Supplies Inventory (13 month average)	2,561,162
Stored Natural Gas (13 month average)	1,055,453
Working Capital	<u>1,296,815</u>
Total Original Cost Rate Base	<u><u>\$51,674,972</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Pro Forma Net Operating Income Statement

Description	Twelve Mos. Ending 6/30/2016	Adjustments	Sch. Ref.	Pro Forma Present Rates	Adjustments	Sch. Ref.	Pro Forma Proposed Rates
Operating Revenues							
Gas Sales:	\$25,916,090			\$16,052,703	\$1,229,918	7-1	\$17,282,621
Gas Costs in Billed Revenue		(\$9,654,156)	Pet.				
Unbilled Revenue		(193,017)	Pet.				
PSA Cost Recovery Revenue		(1,398)	Pet.				
Changes to Large Customer Class		(1,052)	6-1				
General Service Customer Count		68,310	Pet.				
Rate Case/SNG Expense Recovery		(82,074)	Pet.				
Transportation Revenues:	3,044,070			2,981,505	228,436	7-1	3,209,941
PSA Cost Recovery Revenue		(574)	Pet.				
Changes to Large Customer Class		(61,991)	Pet.				
Forfeited Discounts	139,595			139,595			139,595
Miscellaneous Revenues	88,227			88,227			88,227
Total Operating Revenues	29,187,982	(9,925,952)		19,262,030	1,458,354		20,720,384
Operating Expenses							
Purchased Gas	9,731,255	(9,731,255)	Pet.	0			0
Operation & Maintenance:	10,994,719			10,374,518			10,379,403
Transmission							
Annualize Transportation Depr.		230	6-2				
Annualize Payroll Expense		1,236	6-3				
Distribution							
PSA Cost Recovery Expenses		(118,266)	Pet.				
Cellular Service for Field Tablets		8,023	Pet.				
Annualize Transportation Depr.		15,996	6-2				
Annualize Payroll Expense		64,781	6-3				
Customer Accounting							
Annualize Transportation Depr.		1,957	6-2				
Normalize Bad Debt		8,963	Pet.		4,885	7-2	
Annualize Payroll Expense		22,311	6-3				
Administrative & General							
Rate Case Expense		58,985	Pet.				
Native Gas Litigation Expenses		(84,254)	Pet.				
Out of Period Expenses in TY		(11,326)	Pet.				
Remove Routine Pension Consulting		(36,472)	Pet.				
Annualize Transportation Depr.		2,553	6-2				
Annualize Payroll Expense		44,318	6-3				
Termination of Pension Expense		(1,138,267)	6-4				
401(k) Contributions		(17,430)	6-5				
Property and Liability Insurance		334	Pet.				
Group Insurance		595,830	6-6				
Employee Dependent Scholarships		(38,219)	6-7				
Annual Audit Fees		(12,980)	Pet.				
Workers Compensation		19,075	Pet.				
Miscellaneous		(7,579)	6-8				
Taxes - General							
Payroll Taxes	410,063	35,807	6-9	445,870			445,870
Public Utility Fee	33,837	3,138	6-10	36,975	1,709	7-3	38,684
Utility Receipts Tax	404,965	(141,597)	6-11	263,368	20,349	7-4	283,716
Property Tax	705,419	46,925	Pet.	752,344			752,344
Ohio and Misc. Taxes	71,919	0	Pet.	71,919			71,919
Taxes - Income - State	291,097	(7,243)	6-12	283,854	87,106	7-5	370,960
Taxes - Income - Federal	1,308,734	137,523	6-12	1,446,257	457,062	7-6	1,903,319
Depreciation	2,639,013	109,388	Pet.	2,748,401			2,748,401
Total Operating Expenses	26,591,021	(10,167,515)		16,423,506	571,110		16,994,616
Net Operating Income	\$2,596,961	\$241,563		\$2,838,524	\$887,243		\$3,725,767

Federal Tax Proof:

Net Operating Income	\$3,725,767	
Add: Federal Income Tax	1,903,319	
Add: Non-Deductible 50% Meals Expense	33,912	
Add: Capitalized Equity (AFUDC)	43,522	
Less: Synchronized Interest	<u>(108,517)</u>	
Federal Taxable Income	5,598,003	
Tax Rate	<u>34.00%</u>	
Gross Federal Income Tax	1,903,321	
Less: Investment Tax Credit	<u>0</u>	
Pro Forma Federal Income Tax	<u>\$1,903,321</u>	1,903,319 2

State Tax Proof:

Federal Taxable Income	\$5,598,003	
Add: State Income Tax	370,960	
Add: Utility Receipts Tax	283,716	
Add: Ohio Excise Tax	31,956	
Less: Pro Forma Exclusion of Ohio Income	<u>(101,974)</u>	
State Taxable Income	6,182,661	
Tax Rate	<u>6.00%</u>	
Pro Forma State Income Tax	<u>\$370,960</u>	370,960 0

Utility Receipts Tax Proof:

Total Operating Revenues	\$20,720,384	
Less: Ohio Sales Margin	(384,451)	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debt	<u>(69,494)</u>	
Taxable Gross Receipts	20,265,439	
Tax Rate	<u>1.40%</u>	
Pro Forma Utility Receipts Tax	<u>\$283,716</u>	283,716 0

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments - Increase/(Decrease)

(1)	
Large Customer Revenue	
Adjustment to Petitioner's Revenue per Public's Exhibit No. 2, Attachment DKW-1	<u>(\$1,052)</u>
(2)	
Transportation Equipment Depreciation	
Adjustment to Petitioner's Expense per Public's Exhibit No. 2, Attachment DKW-2	
Transmission	\$230
Distribution	15,996
Customer Accounting	1,957
Administrative & General	2,553
(3)	
Payroll Expense	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-1	
Transmission	\$1,236
Distribution	64,781
Customer Accounting	22,311
Administrative & General	44,318
(4)	
Termination of Pension Plan Expense	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-3	<u>(\$1,138,267)</u>
(5)	
Employer Contributions to 401K	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-4	<u>(\$17,430)</u>
(6)	
Group Insurance Expense	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-5	<u>\$595,830</u>
(7)	
Employee Dependent Scholarship Expense	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-6	<u>(\$38,219)</u>
(8)	
Other Miscellaneous Expense Adjustments	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-7	<u>(\$7,579)</u>
(9)	
Payroll Taxes	
Adjustment to Petitioner's Expense per Public's Exhibit No. 3, Attachment FA-2	<u>\$35,807</u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments

(10)
Public Utility Fee

Pro Forma Present Rate Margin		\$19,262,030
Add Back: Pro Forma Gas Cost Adjustment to Revenues		<u>13,238,785</u>
Pro Forma Present Rate Revenue		32,500,815
Less Exempt Revenues:		
Ohio Sales and Transportation Revenues	(615,614)	
Forfeited Discount Revenues	(139,595)	
Miscellaneous Operating Revenues	<u>(88,227)</u>	
Total Exempt Revenues		(843,436)
Less: Standard Exemption		0
Less: Pro Forma Bad Debt		<u>(108,860)</u>
Eligible Intra-State Revenues		31,548,519
Current Public Utility Fee Rate		<u>0.1172%</u>
Pro Forma Public Utility Fee		36,975
Test Year Public Utility Fee Expense		<u>(33,837)</u>
OUCC Adjustment - Increase/(Decrease)		<u><u>\$3,138</u></u>

(11)
Indiana Utility Receipts Tax

Gross Receipts		\$19,262,030
Less: Revenue Margin on Ohio Sales	(384,451)	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debts	<u>(64,608)</u>	
Utility Receipts Subject to Utility Receipts Tax		18,811,971
Utility Receipts Tax Rate		<u>1.40%</u>
Pro Forma Utility Receipts Tax at Present Rates		263,368
Less: Utility Receipts Tax Per Books at 6/30/16		<u>(404,965)</u>
OUCC Adjustment - Increase/(Decrease)		<u><u>(\$141,597)</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments

(12)

State and Federal Income Tax

	<u>Federal Income Tax</u>	<u>State Income Tax</u>
Pro Forma Present Rate Operating Revenue Increase	\$19,262,030	\$19,262,030
Less: Operations and Maintenance	(10,374,518)	(10,374,518)
Depreciation	(2,748,401)	(2,748,401)
Taxes Other Than Income	(1,570,475)	(1,570,475)
State Income Tax	(283,854)	
Synchronized Interest	(108,517)	(108,517)
Add Back:		
Non-Deductible 50% Meals Expense	33,912	33,912
Ohio Excise Tax		31,956
Utility Receipts Tax		263,368
Add: Capitalized Equity (AFUDC)	<u>43,522</u>	<u>43,522</u>
Taxable Income	4,253,698	4,832,876
Apportionment to Indiana (to exclude Ohio taxable income)		<u>97.89%</u>
Indiana Taxable Income		4,730,902
Multiply by: Federal Income Tax Rate	<u>34.00%</u>	
Multiply by: State Income Tax Rate		<u>6.00%</u>
Pro Forma State Income Tax Expense		283,854
Pro Forma Federal Income Tax Expense	1,446,257	
Less: Test Year Expense	<u>1,308,734</u>	<u>291,097</u>
OUCC Adjustment - Increase/(Decrease)	<u>\$137,523</u>	<u>(\$7,243)</u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Pro Forma Proposed Adjustments

(1)

Proposed Rate Increase

Pro Forma Present Rate Sales	\$19,034,208
Times: Rate Increase	<u>7.66%</u>
Adjustment - Increase	<u>\$1,458,354</u>

(2)

Proposed Bad Debt Adjustment

Proposed Rate Increase	\$1,458,354
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.3350%</u>
Adjustment - Increase	<u>\$4,885</u>

(3)

Proposed Public Utility Fee

Proposed Rate Increase	\$1,458,354
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.1172%</u>
Adjustment - Increase	<u>\$1,709</u>

(4)

Proposed Utility Receipts Tax

Proposed Rate Increase	\$1,458,354
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>1.3953%</u>
Adjustment - Increase	<u>\$20,349</u>

(5)

Proposed State Income Tax

Proposed Rate Increase	\$1,458,354
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>5.9729%</u>
Adjustment - Increase	<u>\$87,106</u>

(6)

Proposed Federal Income Tax

Proposed Rate Increase	\$1,458,354
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>31.3411%</u>
Adjustment - Increase	<u>\$457,062</u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891

Capital Structure
as of September 30, 2016

Description	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	\$49,016,630	77.83%	9.000%	7.00%
Customer Deposits	2,187,584	3.47%	6.000%	0.21%
Accrued Interest on Customer Deposits	617,606	0.98%	0.000%	0.00%
Deferred Income Taxes	11,154,551	17.72%	0.000%	0.00%
Total	<u>\$62,976,371</u>	<u>100.00%</u>		<u>7.21%</u>

Calculation of Synchronized Interest
as of September 30, 2016

Description	Amount	Percent of Total	Cost	Weighted Cost of Debt
Customer Deposits	2,187,584	3.47%	6.000%	0.21%
Accrued Interest on Customer Deposits	617,606	0.98%	0.000%	0.00%
Deferred Income Taxes	11,154,551	17.72%	0.000%	0.00%
Total	<u>\$13,959,741</u>	<u>22.17%</u>		<u>0.21%</u>

Rate Base	\$51,674,972
Weighted Cost of Debt	<u>0.21%</u>
Synchronized Interest	<u>\$108,517</u>

Lane, Lyndsey

From: Jennifer Cox <cox4444@rocketmail.com>
Sent: Monday, April 03, 2017 4:29 PM
To: UCC Consumer Info
Subject: Opposed to Rate Increase

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Like all my friends and family who are Ohio Valley Gas customers, I am strongly opposed to a rate increase. So many citizens in Connersville who work are working poor, and we cannot afford to pay more for utilities. I am writing today to go on record that I am strongly opposed to a rate increase.

Sincerely,
Jennifer Cox, 4685 W State Road 44, Connersville, IN 47331, cox4444@rocketmail.com, 765/825-7403

Lane, Lyndsey

From: Ken Azzam <windsorcastle30@msn.com>
Sent: Saturday, April 01, 2017 10:40 AM
To: UCC Consumer Info
Subject: Ohio Valley Gas Corp. rate increase request Cause # 44891

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

I recently relocated to Connersville from Palm Springs, California and bought a house here. I am seventy five years old and nearly had a heart attack when the first "major" gas bill arrived, it was \$261.00 and then the next month it was \$280.00 and I am waiting with baited breath for this months bill that should be here any day now. The \$280.00 figure is M O R E than I paid for a whole year in California, so needless to say I plan to express my opinion (and I hope that MANY OTHERS do as well) with regard to Ohio Gas having the nerve to ask for more money!

Of course as I said I am old-- but at one time stockholders were NOT GUARANTEED to have rosy dividends ALL THE TIME and indeed the upgrading and ongoing maintenance was NOT borne solely by the ratepayers!!

When I asked Ohio Gas where our gas comes from I was told Texas!!! Is there no shame anymore-- isn't it time that fairness to the public returns instead of always considering us a CASHCOW???

I am in hopes that Indiana is not like California where the P U C (Public Utilities Commission) is in the pocket of big business but truly is looking out for fairness both to the public and to companies.

Thank you for your time.

I am

Sincerely,

Kenneth Case
300 W 12th Street
Connersville, IN 47331

Lane, Lyndsey

From: Danielle Criswell <dcriswell@customdesignbenefits.com>
Sent: Wednesday, March 29, 2017 10:27 AM
To: UCC Consumer Info
Subject: Ohio Valley Gas rate increase

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

To whom it may concern,

Please do not agree to the rate increase with OVG. I am a single mom and can barely afford my gas bill as it is. I already work a full time job and have daycare expenses. If they increase the rate anymore, I may have to sell my house because I just can't afford it anymore. I am not a big spender and only buy necessities. Even buying groceries is difficult with the cost of gas and electric. I know you will take everything into consideration before coming to a decision. I know I am not the only one who struggles. I know there are a lot of people who have it worse than I do. I am grateful for everything I have and the hard work I do to provide for my daughter. Please do not let them increase their costs any more. I've lived in my house for almost 10 years now and we love our home. It would break my daughters heart to have to sell. We live in a great neighborhood and she has lots of friends there to play and ride bikes with. I am begging you.

Thank you for taking the time to read my letter. I hope I have had even the slightest impact on your decision.

Thank you and have a great day.
Sincerely,

Danielle Criswell | Disbursement Specialist
Custom Design Benefits
5589 Cheviot Road | Cincinnati, OH 45247
Direct Dial: 513.389.2966 | Phone: 800.598.2929 | Fax: 513.389.2976
dcriswell@CustomDesignBenefits.com | www.CustomDesignBenefits.com



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Lane, Lyndsey

From: Greg Lobenstein <lobygreg@gmail.com>
Sent: Wednesday, March 29, 2017 11:17 AM
To: UCC Consumer Info
Subject: Ohio Valley Gas rate increase

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Dear OUCC,

I am writing in respect to the utility company Ohio Valley Gas rate increase proposal.

I as a home owner in Dearborn county do not agree with the proposed \$.25 increase in utility gas to increase OVG \$3.25 million. Do we really need to do \$.25 per user at one time? I am not against a company trying to increase profit revenue, but to increase rates this drastically at one time. What about a three year incremental plan to achieve the \$.25 cents?

Thank you for the time to allow my voice to be heard.

Lane, Lyndsey

From: noreply@formstack.com
Sent: Friday, March 24, 2017 3:01 PM
To: UCC Consumer Info
Subject: Ohio Valley Gas rate increase

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

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Formstack Submission for form OUCG_Contact_2361

Submitted at 03/24/17 3:01 PM

Title:	Mr.
Name:	Bruce Walkup
Email:	brucewalkup@gmail.com
Address:	218 W Village Drive Sullivan, IN 47882
Telephone (Best number to reach you between 8:00 am and 4:30 pm, Eastern Time, Monday through Friday)::	(812) 268-0500
Type of phone::	Home
If you do not have telephone service,:	
If providing comments on a specific case, please indicate the cause number and/or name of utility::	Ohio Valley Gas
Your Comments::	I am a customer of Ohio Vally Gas, they are asking for approximately a 9% rate increase it is my opinion they can do some cost management and reduce overhead without requesting a rate increase when they want to increase payroll or upgrade equipment.

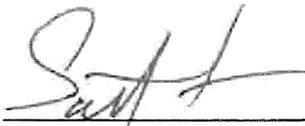
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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1 Testimony of Mark H. Grosskopf* has been served upon the following counsel of record in the captioned proceeding by electronic service on April 20, 2017.

Clayton C. Miller
Bamberger, Foreman, Oswald & Hahn, LLP
201 N. Illinois Street, Suite 1225
Indianapolis, IN 46204
cmiller@bamberger.com

S. Mark Kerney
Ohio Valley Gas Corporation
111 Energy Park Drive
P. O. Box 469
Winchester, IN 47394-0469
mkerney@ovgc.com



Scott Franson
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
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infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile