

FILED

June 23, 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. 6-S

SETTLEMENT TESTIMONY OF HEATHER R. POOLE

JUNE 23, 2017

Respectfully submitted,



Scott Franson

Attorney No. 27839-49

Deputy Consumer Counselor

SETTLEMENT TESTIMONY OF HEATHER R. POOLE
CAUSE NO. 44891
OHIO VALLEY GAS CORPORATION AND OHIO VALLY GAS, INC.

I. INTRODUCTION

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

2 A: My name is Heather R. Poole, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as
6 the Assistant Director of the Natural Gas Division. I have worked as a member of
7 the OUCC’s Natural Gas Division since December of 2010. For a summary of my
8 educational and professional experience, as well as my preparation for this case,
9 please see the Appendix attached to my settlement testimony.

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

11 A: My settlement testimony supports a Settlement Agreement (“Agreement”) between
12 the Parties in this Cause: Ohio Valley Gas Corporation and Ohio Valley Gas, Inc.
13 (jointly “OVG”), and the OUCC (collectively, the “Settling Parties”). The
14 Agreement resolves all issues between OVG and the OUCC in this case, with the
15 exception of pension expense. My settlement testimony focuses on those items in
16 which differences existed between OVG’s and the OUCC’s cases-in-chief. I
17 discuss the pertinent matters agreed to in the Settlement, such as the settled original
18 cost rate base, return on original cost rate base, and pro forma operating revenue

1 and expense adjustments. I also discuss terms of the Agreement related to OVG's
2 cost of service study.

3 Because the parties have not settled on the issue of pension expense, a joint
4 set of revenue requirement schedules cannot be prepared and submitted as part of
5 the settlement documents. I have prepared a set of revenue requirement schedules
6 with all the settlement terms and the OUCC's position on pension expense, which
7 are attached to this settlement testimony as Attachment HRP-1. OVG witness S.
8 Mark Kerney has also prepared a set of revenue requirement schedules with all
9 settlement terms and OVG's position on pension expense, which are attached to his
10 settlement testimony.

11 **Q: Is the Agreement a product of arms-length negotiations between the Settling**
12 **Parties?**

13 A: Yes. The Agreement represents a compromise reached in the settlement
14 negotiation process, with give and take by both of the Settling Parties. The Settling
15 Parties devoted considerable time and effort to fairly balance OVG's interests and
16 those of the ratepayers.

II. ISSUES RESOLVED IN SETTLEMENT

A. Cost of Equity

17 **Q: What cost of equity did each party propose in this Cause?**

18 A: OVG proposed an 11.10% cost of equity, while the OUCC proposed a 9.00% cost
19 of equity.

1 **Q: What cost of equity have the Settling Parties agreed to in this Cause?**

2 A: The Settling Parties agreed to a 10.00% cost of equity. The OUCC considers this a
3 fair and reasonable result when combined with other considerations and
4 compromises made in this Agreement. Further, this return is the same as the return
5 recently granted to Community Natural Gas in Cause No. 44768.

6 **Q: Have you provided an agreed upon capital structure as part of your revenue**
7 **requirement schedules in Attachment HRP-1?**

8 A: Yes. Attachment HRP-1, Schedule 8 shows the agreed upon capital structure.

B. Rate Base

9 **Q: What value did each of the Settling Parties assign to rate base in this Cause?**

10 A: OVG proposed a rate base value of \$51,716,232, while the OUCC proposed a rate
11 base value of \$51,674,972. In its case, the OUCC agreed with OVG's net utility
12 plant in service of \$46,761,542 and OVG's proposed 13-month average of stored
13 natural gas of \$1,055,453. However, the Settling Parties differed on the 13-month
14 average for materials and supplies inventory, and the amount of investment in
15 working capital.

16 **Q: What 13-month average of materials and supplies inventory have the Settling**
17 **Parties agreed upon in the Settlement?**

18 A: The Settling Parties agreed upon a 13-month average of materials and supplies
19 inventory of \$2,561,162.

20 **Q: What working capital amount have the Settling Parties agreed upon in the**
21 **Settlement?**

22 A: The Settling Parties did not reach agreement on the issue of whether OVG's non-
23 recurring test year expenses incurred to close out its pension liability should be
24 amortized and included in the revenue requirement. The working capital amount is

1 dependent on the Indiana Utility Regulatory Commission's ("Commission") final
2 ruling on this proposal.

3 **Q: Have you provided a calculation of the OUCC's original cost rate base?**

4 A: Yes. Attachment HRP-1, Schedule 4 shows the agreed upon net utility plant in
5 service, 13-month average of materials, and supplies inventory, and 13-month
6 average of stored natural gas. This schedule also includes the OUCC's calculation
7 of working capital, for a total original cost rate base of \$51,680,466.

C. Large Customer Revenue Adjustment

8 **Q: What large customer revenue adjustment was proposed in each parties' case-**
9 **in-chief?**

10 A: OVG proposed to decrease large customer revenue by (\$6,340). The OUCC
11 proposed to decrease large customer revenue by (\$1,052).

12 **Q: What large customer revenue adjustment do the Settling Parties agree to in**
13 **this Cause?**

14 A: The Settling Parties agree to decrease large customer revenue by (\$1,052).

D. Transportation Equipment Depreciation Adjustment

15 **Q: What transportation equipment depreciation adjustment was proposed in**
16 **each parties' case-in-chief?**

17 A: OVG proposed an increase to transportation equipment depreciation of \$35,474.
18 The OUCC proposed an increase to transportation equipment depreciation of
19 \$20,736.

20 **Q: What transportation equipment depreciation adjustment do the Settling**
21 **Parties agree to in this Cause?**

22 A: The Settling Parties agree to increase transportation equipment depreciation by
23 \$22,156.

E. Payroll Expense Adjustment

1 **Q: What payroll expense adjustment was proposed in each parties' case-in-chief?**

2 A: OVG proposed an increase to payroll expense of \$146,861. The OUCC proposed
3 an increase to payroll expense of \$132,646.

4 **Q: What payroll expense adjustment do the Settling Parties agree to in this**
5 **Cause?**

6 A: The Settling Parties agree to increase payroll expense by \$146,861.

F. Employer Contributions to 401(k) Expense Adjustment

7 **Q: What employer contributions to 401(k) expense adjustment was proposed in**
8 **each parties' case-in-chief?**

9 A: OVG proposed a decrease to employer contributions to 401(k) expense of
10 (\$12,641). The OUCC proposed a decrease to employer contributions to 401(k)
11 expense of (\$17,430).

12 **Q: What employer contributions to 401(k) expense adjustment do the Settling**
13 **Parties agree to in this Cause?**

14 A: The Settling Parties agree to decrease the employer contributions to the 401(k)
15 expense in the amount of (\$12,641), resulting in a total *pro forma* 401(k) expense
16 amount of \$550,447.

G. Group Insurance Expense Adjustment

17 **Q: What group insurance expense adjustment was proposed in each parties' case-**
18 **in-chief?**

19 A: OVG proposed an increase in group insurance expense of \$611,476. The OUCC
20 proposed an increase in group insurance expense of \$595,830.

1 **Q: What group insurance expense adjustment do the Settling Parties agree to in**
2 **this Cause?**

3 A: The Settling Parties agree to increase group insurance expense in the amount of
4 \$611,476.

H. Employee Dependent Scholarship Expense Adjustment

5 **Q: What employee dependent scholarship expense adjustment was proposed in**
6 **each parties' case-in-chief?**

7 A: OVG proposed an increase in employee dependent scholarship expense of \$22,581.
8 The OUCC proposed a decrease of (\$38,219) in employee dependent scholarship
9 expense.

10 **Q: What employee dependent scholarship expense adjustment do the Settling**
11 **Parties agree to in this Cause?**

12 A: The Settling Parties agree to decrease employee dependent scholarship expense by
13 (\$38,219) resulting in no *pro forma* revenue requirement for this expense.

I. Other Miscellaneous Expense Adjustments

14 **Q: What other miscellaneous expense adjustments were proposed in each parties'**
15 **case-in-chief?**

16 A: OVG did not propose any other miscellaneous expense adjustment. The OUCC
17 proposed a decrease of (\$7,579) in other miscellaneous expense adjustments.

18 **Q: What other miscellaneous expenses adjustments do the Settling Parties agree**
19 **to in this Cause?**

20 A: The Settling Parties agree to reduce other miscellaneous expenses by (\$5,237).
21 This amount includes costs for an end of year celebration, employee gifts and
22 lobbying costs. The Settling Parties also agree the remaining \$2,342 of

1 miscellaneous expenses related to office supplies to terminate the pension plan
2 should be included in the pension plan adjustment, as discussed below.

J. Payroll Tax Adjustment

3 **Q: What payroll tax adjustment was proposed in each party's case-in-chief?**

4 A: OVG proposed an increase in payroll tax expense of \$36,884. The OUCC
5 proposed an increase in payroll tax expense of \$35,807.

6 **Q: What payroll tax expense adjustment do the Settling Parties agree to in this**
7 **Cause?**

8 A: The Settling Parties agree to increase payroll tax expense by \$36,884.

K. State Income Tax Rate

9 **Q: What state income tax rate was proposed in each parties' case-in-chief?**

10 A: OVG proposed a state income tax rate of 6.25%. The OUCC proposed a state
11 income tax rate of 6.00%.

12 **Q: What state income tax rate do the Settling Parties agree to in this Cause?**

13 A: The Settling Parties agree to a state income tax rate of 6.00% to reflect the state
14 income tax rate that goes into effect on July 1, 2017. As a result of settlement, the
15 Settling Parties also agree to include a gasoline tax rate increase that goes into
16 effect on July 1, 2017. The total increase for this gasoline tax rate increase is
17 \$5,540. The calculation of this gasoline tax rate increase amount can be found on
18 Attachment HRP-1, Schedule 6, page 2 under adjustment 5 - Transportation
19 Equipment Expense.

L. Other Flow-Through Adjustments

1 **Q: What other flow-through adjustments are affected by the Agreement?**

2 A: The calculation of the IURC Fee, Utility Receipts Tax, Federal Income Tax and
3 State Income Tax are all affected by the Agreement.

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

5 A: While the Settling Parties agreed on the methodology used to calculate these
6 various flow-through adjustments, the final dollar amounts for these adjustments
7 cannot be determined at this time. The Settling Parties have not agreed on OVG's
8 proposed amortization of non-recurring pension expense incurred in the test year.
9 These flow-through adjustments are dependent on the Commission's final ruling on
10 this proposed revenue requirement.

11 **Q: Have you provided a calculation of the OUCC's calculation of these flow-**
12 **through adjustments?**

13 A: Yes. Attachment HRP-1, Schedule 6, pages 3 - 4 shows the OUCC's calculation of
14 these flow-through adjustments.

M. Cost of Service Principles – Transmission Mains Allocation

15 **Q: What position did each of the Settling Parties take in regards to cost of service**
16 **principles relating to transmission mains allocation?**

17 A: OVG used three allocators to assign the costs of transmission mains: 1) annual
18 throughput; 2) design day demand; and 3) number of customers. The OUCC
19 proposed to eliminate the number of customers allocator when assigning costs of
20 transmission mains.

1 **Q: What cost of service principles relating to transmission mains allocation do the**
2 **Settling Parties agree on?**

3 A: The Settling Parties agree to assign the cost of transmission mains on three
4 allocators: 1) annual throughput; 2) design day demand; and 3) number of
5 customers.

III. ITEMS NOT RESOLVED IN SETTLEMENT

6 **Q: Are there any items the Settling Parties were not able to agree upon?**

7 A: Yes. The Settling Parties excluded from the settlement the issue of whether OVG
8 should be permitted to amortize test year non-recurring pension expense. Therefore,
9 this issue is still outstanding.

10 **Q: Briefly describe each parties' case-in-chief position on pension expense.**

11 A: OVG proposed a decrease in pension expense of (\$901,804). The OUCC proposed
12 a decrease in pension expense of (\$1,138,267).

13 **Q: Have any changes been made to the Settling Parties case-in-chief positions?**

14 A: Yes. As mentioned above, the Settling Parties agreed to move \$2,342 of office
15 supplies expense related to the termination of the pension expense to the pension
16 expense adjustment. The inclusion of this \$2,342 is shown on Attachment HRP-1,
17 Schedule 6, page 2 in Adjustment 3 – Pension Expense.

18 **Q: Are there any other changes to the OUCC's position on pension expense?**

19 A: No. With the exception of the \$2,342 noted above, the OUCC's position on
20 pension expense is the same as that provided in OUCC witness Farheen Ahmed's
21 testimony.

IV. OVERALL REVENUE REQUIREMENT

Q: What overall rate increase was proposed in each parties' case-in-chief?

A: OVG proposed a revenue increase of \$3,245,960 or 17.05% on gas sales and transportation revenues, excluding the cost of gas. The OUCC proposed a revenue increase of \$1,458,354 or 7.66% on gas sales and transportation revenues, excluding the cost of gas.

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

A: No. As discussed above, the parties have not settled on the issue of pension expense. Therefore, joint settlement revenue requirement schedules cannot be prepared and submitted as part of the settlement documents. I prepared a set of revenue requirement schedules with all the settlement terms and the OUCC's position on pension expense, which are attached to this settlement testimony as Attachment HRP-1. OVG witness S. Mark Kerney has also prepared a set of revenue requirement schedules with all settlement terms and OVG's position on pension expense, which are attached to his settlement testimony.

Q: What is the OUCC's proposed revenue requirement after taking into account all settlement positions and the OUCC's proposed treatment of non-recurring pension expense?

A: After taking into account the settlement reached on less than all issues, the OUCC proposes a revenue increase of \$2,167,563, or 11.39% on gas sales and transportation revenues, excluding the cost of gas, as shown on Attachment HRP-1, Schedule 1, page 1.

V. CONCLUSION

1 **Q: Does the OUCC recommend Commission approval of the Agreement?**

2 A: Yes. The Settling Parties each made material concessions when they entered into
3 the proposed Agreement. The terms of the Agreement demonstrate the give and
4 take of settlement negotiations in resolving multiple contested issues in a manner
5 acceptable to all Settling Parties. The Agreement also reduces the risk and expense
6 of litigation of multiple issues. Therefore, the OUCC considers the Agreement to
7 be in the public interest, and recommends the Commission approve the Agreement.
8 The Settling Parties' testimony and exhibits provide evidence to support the
9 Agreement.

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

11 A: Yes.

AFFIRMATION

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

Heather R. Poole

Heather R. Poole

Assistant Director of the

Natural Gas Division

Indiana Office of Utility Consumer Counselor

Cause No. 44891

Ohio Valley Gas Corporation and

Ohio Valley Gas, Inc.

June 21, 2017

Date

APPENDIX TO SETTLEMENT TESTIMONY OF
OUCC WITNESS HEATHER R. POOLE

1 **Q: Describe your educational background and experience.**

2 A: I graduated from the School of Business at Ball State University in Muncie,
3 Indiana with a Bachelor of Science Degree in Accounting in May 2001 and a
4 Master of Science Degree in Accounting in May 2002. From September 2002
5 through September 2010, I worked for London Witte Group, LLC, a CPA firm in
6 Indianapolis, Indiana, as a Senior Staff Accountant. I prepared and reviewed
7 individual, corporate, not-for-profit, property and payroll tax returns; prepared
8 compilations, reviews and audit reports in compliance with GAAP for a variety of
9 utility companies and not-for-profit organizations; prepared depreciation
10 schedules; and guided clients through year-end accounting processes, including
11 preparation and review of adjusting entries. I prepared and reviewed Gas Cost
12 Adjustment (“GCA”) petitions, as well as annual reports filed with the
13 Commission for natural gas companies within the State of Indiana. I also
14 prepared rate case exhibits and schedules filed with the Commission on behalf of
15 various gas utility clients.

16 In December 2010, I began my employment with the OUCC as a Utility
17 Analyst II. In October 2012, I was promoted to Senior Utility Analyst. In
18 February 2017, I was promoted to Assistant Director of the Natural Gas Division.
19 My current responsibilities include reviewing and analyzing rate cases filed by
20 Indiana natural gas, electric and water utilities with the Commission. I also
21 review GCAs, special contracts, tariff, financing, certificate of public necessity,

1 pipeline safety adjustment, gas demand side management, alternative regulatory
2 plan, 7-Year Plan, and TDSIC Tracker cases for natural gas utilities.

3 In May 2016, I passed the Certified Public Accountant (“CPA”) Exam,
4 and obtained my CPA license in June 2016. While employed at the OUCC, I
5 completed NARUC’s Utility Rate School hosted by the Institute of Public
6 Utilities at Michigan State University and the Institute of Public Utilities
7 Advanced Regulatory Studies Program at Michigan State University. I am also a
8 member of the Indiana CPA Society.

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

10 A: Yes. I have testified in GCAs, rate cases, TDSIC tracker cases, 7-Year Plan
11 cases, tariff, gas demand side management, and special contract cases involving
12 gas and water utilities. I also provided extensive testimony in the Commission’s
13 investigation into the existing GCA procedures and schedules.

14 **Q: What review and analysis have you conducted to prepare your settlement**
15 **testimony?**

16 A: I reviewed the petition, testimony, exhibits, workpapers and supporting
17 documentation submitted in this Cause by both OVG and the OUCC. I
18 participated in settlement negotiations with OVG. I also reviewed the Joint
19 Settlement Agreement and attachments, and prepared the OUCC’s version of the
20 settlement revenue requirement schedules.

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

Comparison of Calculation of
Revenue Requirement

Description	Per OVG Case In Chief	Per Settlement without Pension Exp.	Sch Ref	Change
Rate Base	\$51,716,232	\$51,680,466	4	(\$35,766)
Times: Rate Of Return	<u>8.85%</u>	<u>7.99%</u>	8	<u>-0.86%</u>
Net Operating Income	4,576,840	4,129,269		(447,571)
Less: Adjusted Net Operating Income	<u>2,607,371</u>	<u>2,810,555</u>	5	<u>203,184</u>
Increase In Net Operating Income	1,969,469	1,318,714		(650,755)
Times: Revenue Conversion Factor	<u>1.6481</u>	<u>1.6437</u>	1	<u>(0.0044)</u>
Recommended Revenue Increase	<u>\$3,245,960</u>	<u>\$2,167,563</u>		<u>(\$1,078,397)</u>
Overall Percentage Increase (Decrease) on Gas Sales and Transportation Revenues	<u>17.05%</u>	<u>11.39%</u>		<u>-5.67%</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 Settlement without Pension Exp.	Change
<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	<u>(9,931,240)</u>	<u>(9,925,952)</u>	<u>5,288</u>
<u>Operating Expenses</u>			
Purchased Gas	(9,731,255)	(9,731,255)	0
Transmission			
Annualize Transportation Depr.	393	246	(147)
Annualize Payroll Expense	1,368	1,368	0
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	17,091	(10,275)
Annualize Payroll Expense	71,724	71,724	0
Customer Accounting			
Annualize Transportation Depr.	3,347	2,091	(1,256)
Normalize Bad Debt	8,963	8,963	0
Annualize Payroll Expense	24,702	24,702	0
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	2,728	(1,640)
Annualize Payroll Expense	49,067	49,067	0
Termination of Pension Expense	(901,804)	(1,138,267)	(236,463)
401(k) Contributions	(12,641)	(12,641)	0
Property and Liability Insurance	334	334	0
Group Insurance	611,476	611,476	0
Employee Dependent Scholarships	22,581	(38,219)	(60,800)
Annual Audit Fees	(12,980)	(12,980)	0
Workers Compensation	19,075	19,075	0
Transportation Equipment Expense	0	5,540	5,540
Miscellaneous	0	(5,237)	(5,237)
Taxes - General			
Payroll Taxes	36,884	36,884	0
Public Utility Fee	3,132	3,138	6
Utility Receipts Tax	(141,671)	(141,597)	74
Property Tax	46,925	46,925	0
Miscellaneous Taxes	0	0	0
Taxes - Income - State	(17,482)	(9,888)	7,594
Taxes - Income - Federal	18,400	123,109	104,709
Depreciation	109,388	109,388	0
Total Operating Expenses	<u>(\$9,941,650)</u>	<u>(\$10,139,546)</u>	<u>(\$197,896)</u>

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

Revenue Conversion Factor

Description	Per Petitioner		Per Settlement with Pension Exp.
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		1.64369464

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 6.0%)

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
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Other Property and Investments:

Non-Utility Property	<u>888,835</u>
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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>
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Deferred Debits:

Miscellaneous Deferred Debits	<u>147,294</u>
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Total Assets	<u><u>\$64,029,125</u></u>
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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

Operating Revenues

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>

Operating Expenses

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>

Other Income and Deductions

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>1,302,309</u>
Total Original Cost Rate Base	<u><u>\$51,680,466</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
<u>Operating Revenues</u>							
Gas Sales:	\$25,916,090			\$16,052,703	\$1,828,038	7-1	\$17,880,740
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	339,526	7-1	3,321,031
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	2,167,563		21,429,593
<u>Operating Expenses</u>							
Purchased Gas	9,731,255	(9,731,255)	Pet.	0			0
Operation & Maintenance:	10,994,719			10,418,470			10,425,731
Transmission							
Annualize Transportation Depr.		246	6-2				
Annualize Payroll Expense		1,368	Pet.				
Distribution							
PSA Cost Recovery Expenses		(118,266)	Pet.				
Cellular Service for Field Tablets		8,023	Pet.				
Annualize Transportation Depr.		17,091	6-2				
Annualize Payroll Expense		71,724	Pet.				
Customer Accounting							
Annualize Transportation Depr.		2,091	6-2				
Normalize Bad Debt		8,963	Pet.		7,261	7-2	
Annualize Payroll Expense		24,702	Pet.				
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.		2,728	6-2				
Annualize Payroll Expense		49,067	Pet.				
Termination of Pension Expense		(1,138,267)	6-3				
401(k) Contributions		(12,641)	Pet.				
Property and Liability Insurance		334	Pet.				
Group Insurance		611,476	Pet.				
Employee Dependent Scholarships		(38,219)	6-4				
Annual Audit Fees		(12,980)	Pet.				
Workers Compensation		19,075	Pet.				
Transportation Equipment Expense		5,540	6-5				
Miscellaneous		(5,237)	6-6				
Taxes - General							
Payroll Taxes	410,063	36,884	Pet.	446,947			446,947
Public Utility Fee	33,837	3,138	6-7	36,975	2,540	7-3	39,515
Utility Receipts Tax	404,965	(141,597)	6-8	263,368	30,244	7-4	293,612
Property Tax	705,419	46,925	Pet.	752,344			752,344
Miscellaneous Taxes	71,919	0	Pet.	71,919			71,919
Taxes - Income - State	291,097	(9,888)	6-9	281,209	129,466	7-5	410,674
Taxes - Income - Federal	1,308,734	123,109	6-9	1,431,843	679,336	7-6	2,111,179
Depreciation	2,639,013	109,388	Pet.	2,748,401			2,748,401
Total Operating Expenses	26,591,021	(10,139,546)		16,451,475	848,847		17,300,322
Net Operating Income	\$2,596,961	\$213,594		\$2,810,555	\$1,318,716		\$4,129,271

Federal Tax Proof:

Net Operating Income	\$4,129,271	
Add: Federal Income Tax	2,111,179	
Add: Non-Deductible 50% Meals Expense	33,912	
Add: Capitalized Equity (AFUDC)	43,522	
Less: Synchronized Interest	<u>(108,529)</u>	
Federal Taxable Income	6,209,355	
Tax Rate	<u>34.00%</u>	
Gross Federal Income Tax	2,111,181	
Less: Investment Tax Credit	<u>0</u>	
Pro Forma Federal Income Tax	<u>\$2,111,181</u>	2,111,179 2

State Tax Proof:

Federal Taxable Income	\$6,209,355	
Add: State Income Tax	410,674	
Add: Utility Receipts Tax	293,612	
Add: Ohio Excise Tax	31,956	
Less: Pro Forma Exclusion of Ohio Income	<u>(101,023)</u>	
State Taxable Income	6,844,574	
Tax Rate	<u>6.00%</u>	
Pro Forma State Income Tax	<u>\$410,674</u>	410,674 0

Utility Receipts Tax Proof:

Total Operating Revenues	\$21,429,593	
Less: Ohio Sales Margin	(384,451)	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debt	<u>(71,870)</u>	
Taxable Gross Receipts	20,972,272	
Tax Rate	<u>1.40%</u>	
Pro Forma Utility Receipts Tax	<u>\$293,612</u>	293,612 0

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments to Utility Operating Income Based on Present Rates
Differing from Petitioner's Filing

(1)
Large Customer Revenue

	Facility Charges (Bills)	Therms	Unit Margin Rate	Total Revenue Margin
Changes to Sales Customer Revenue Margin				
Rate 11				
Loss of Winchester Ming Hua Dong	(12)	(4,405)		
Addition of Winchester Cooper Farms, Inc.	12	11,000		
Increased usage Portland St. Henry Tile		24,000		
Increased Portland usage FCC MFG LLC		11,840		
	0		\$14.50	\$0
		42,435	0.3645	15,468
Rate 12				
St. Vincent Randolph Hospital moved to R16	(6)	(62,157)		
	(6)		550.00	(3,300)
		(62,157)	0.1532	(9,522)
Rate 41				
Perry County Memorial Hospita moved from R46	2	0		
	2		14.50	29
		0	0.4401	0
Rate 42				
ATTC Manufacturing Inc moved to R46	(1)	(19,959)		
	(1)		550.00	(550)
		(19,959)	0.1592	(3,177)
Total Net Change to Sales Customer Revenue Margin	(5)	(39,681)		<u>(\$1,052)</u>

(2)
Transportation Equipment Depreciation

Annualized test year book depreciation on vehicles purchased July 1, 2015 - Sept 30, 2016	\$119,219
Less: Depreciation recorded during test year on vehicles purchased during test year	<u>21,294</u>
Additional depreciation on transportation equipment purchased during test year	97,925
Less: Test year depreciation recorded on vehicles becoming fully depreciated during test year	<u>66,817</u>
Net Adjustment to vehicle depreciation charged to transportation clearing account	<u><u>\$31,108</u></u>
Allocation of transportation equipment depreciation adjustment per transportation clearing account allocations for test year:	
Transmission Expense	\$246
Distribution Expense	17,091
Customer Accounting Expense	2,091
Administrative & General Expense	2,728
Construction (Utility Plant) & Other non-O&M Costs	8,952

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments to Utility Operating Income Based on Present Rates
Differing from Petitioner's Filing

(3)

Pension Expense

Additional costs required to fully fund termination obligation of defined benefit pension plan	\$1,086,031
Less: additional costs to fund at termination applicable to parent company plan participants	<u>76,674</u>
Additional pension termination funding cost applicable to Ohio Valley Gas participants	1,009,357
Plan termination external consultant services and filing fees (incurred in test yr and later)	172,958
Miscellaneous expenses charged to office supplies account	<u>2,342</u>
Total termination funding and consultant services costs applicable to OVG operating expenses	1,184,657
Less: amount previously recovered in rates	<u>1,184,657</u>
Proforma pension expense	-
Less: termination costs included in test year expenses	Termination contributions 1,009,357
	Consultant service/fees <u>128,910</u>
	Total <u>1,138,267</u>
Proforma adjustment to pension expense	<u><u>(1,138,267)</u></u>

(4)

Employee Dependent Scholarships

Total cost of scholarships included in settlement agreement	\$0
Less: expensed per books during test year	<u>38,219</u>
Proforma adjustment to dependent scholarship expense	<u><u>(\$38,219)</u></u>

(5)

Transportation Equipment Expense

Total gallons of gas	77,781
Gas tax rate increase	<u>\$0.10</u>
Total increase in expenses due to increase in gas tax rate increase	7,778
Percentage to operations expense	<u>71.22%</u>
Proforma adjustment to transportation equipment expense	<u><u>\$5,540</u></u>

(6)

Miscellaneous Expense

Removal of end of year celebration expenses	(\$1,329)
Removal of employee gifts	(2,017)
Removal of lobbying costs	<u>(1,702)</u>
Proforma adjustment to miscellaneous expense	<u><u>(\$5,237)</u></u>

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.
CAUSE NO. 44891
Adjustments to Utility Operating Income Based on Present Rates
Differing from Petitioner's Filing

(7)
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>

(8)
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	18,811,970
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 to Utility Operating Income Based on Present Rates
Differing from Petitioner's Filing

(9)
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	(10,418,470)	(10,418,470)
Depreciation	(2,748,401)	(2,748,401)
Taxes Other Than Income	(1,571,552)	(1,571,552)
State Income Tax	(281,209)	
Synchronized Interest	(108,529)	(108,529)
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	4,211,303	4,787,835
Apportionment to Indiana (to exclude Ohio taxable income)		<u>97.89%</u>
Indiana Taxable Income		4,686,812
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		281,209
Pro Forma Federal Income Tax Expense	1,431,843	
Less: Test Year Expense	<u>1,308,734</u>	<u>291,097</u>
OUCG Adjustment - Increase/(Decrease)	<u><u>\$123,109</u></u>	<u><u>(\$9,888)</u></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>11.39%</u>
Adjustment - Increase	<u>\$2,167,563</u>

(2)

Proposed Bad Debt Adjustment

Proposed Rate Increase	\$2,167,563
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.3350%</u>
Adjustment - Increase	<u>\$7,261</u>

(3)

Proposed Public Utility Fee

Proposed Rate Increase	\$2,167,563
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.1172%</u>
Adjustment - Increase	<u>\$2,540</u>

(4)

Proposed Utility Receipts Tax

Proposed Rate Increase	\$2,167,563
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>1.3953%</u>
Adjustment - Increase	<u>\$30,244</u>

(5)

Proposed State Income Tax

Proposed Rate Increase	\$2,167,563
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>5.9729%</u>
Adjustment - Increase	<u>\$129,466</u>

(6)

Proposed Federal Income Tax

Proposed Rate Increase	\$2,167,563
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>31.3411%</u>
Adjustment - Increase	<u>\$679,336</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%	10.000%	7.78%
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>7.99%</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	\$51,680,466
Weighted Cost of Debt	<u>0.21%</u>
Synchronized Interest	<u>\$108,529</u>

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 6-S Settlement Testimony of Heather R. Poole* has been served upon the following counsel of record in the captioned proceeding by electronic service on June 23, 2017.

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