

FILED
May 17, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA NATURAL GAS)
CORPORATION FOR AUTHORITY TO) CAUSE NO.: 45889
CHANGE ITS RATES, CHARGES, TARIFFS,)
RULES, AND REGULATIONS)

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF
BONNIE J. MANN

Indiana Natural Gas Corporation, ("ING", "Company", or "Petitioner"), by counsel,
hereby submits the direct testimony and attachments of Bonnie J. Mann.

Respectfully submitted,



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IURC
PETITIONER'S 3
EXHIBIT NO. 1025-87
DATE REPORTER

OFFICIAL
EXHIBITS

Counsel for Petitioner,
Indiana Natural Gas Corporation

**PRE-FILED DIRECT TESTIMONY OF BONNIE J. MANN
ON BEHALF OF INDIANA NATURAL GAS CORPORATION**

Introduction and Background

Q1. Please state your name and business address.

A1. My name is Bonnie J. Mann; my business address is 1776 N. Meridian, Suite 500, Indianapolis, Indiana 46202.

Q2. What is your occupation?

A2. I am a Certified Public Accountant with LWG CPAs and Advisors (“LWG”), an accounting firm which specializes in utility regulation before the Indiana Utility Regulatory Commission (“Commission”).

Q3. Would you please describe your educational background and professional qualifications, which you believe might be relevant to the testimony and opinions you offer in this Cause?

A3. I am a 1987 graduate of Butler University where I earned a Bachelor of Science Degree in business, with a concentration in accounting. Following graduation, I was employed by the international accounting firm of Peat Marwick, where I performed financial and operational audits for a variety of clients. Since September 1988, I have been employed by the firm now known as LWG CPAs and Advisors (“LWG”), a firm specializing in various financial matters including utility regulation on behalf of not for profit utilities, municipalities, investor-owned utilities, and intervenors before the Indiana Utility Regulatory Commission. I am currently a Principal with LWG concentrating in the utilities area.

Q4. What are your relevant professional affiliations?

1 A4. I am a member of the American Institute of Certified Public Accountants (AICPA), and
2 the Indiana CPA Society (INCPAS), for which I have served as a chair of its Utilities
3 Committee.

4 **Q5. On whose behalf are you appearing in this Cause?**

5 A5. I am appearing on behalf of Indiana Natural Gas Corporation, "ING", "Company", or
6 "Petitioner").

7 **Q6. Ms. Mann, have you previously testified on behalf of this Petitioner before the**
8 **Commission?**

9 A6. Yes, I have testified in many cases on behalf of ING.

10 **Q7. Please summarize the scope of your work for the Petitioner in this case.**

11 A7. I along with my colleagues at LWG were requested by the Petitioner to review its
12 financial records in order to form an opinion as to the appropriate level of revenues
13 required to recover the Company's current cost of service; to thereafter advise the
14 management of Petitioner on various adjustments that should be made in this base rate
15 case; and to prepare Testimony and Exhibits on the Petitioner's behalf for presentation
16 before the IURC supporting Petitioner's request to change its rates and charges.

17 **Q8. Are you sponsoring any attachments?**

18 A8. Yes. I am sponsoring the following attachments, which were prepared by me or by my
19 colleagues at LWG under my direction and supervision:

- 20 • Attachment BJM-1, which includes the revenue requirement, rate base and cost of
21 capital calculations.
- 22 • Attachment BJM-2, which is the revenue proof and rate derivation schedules.

1 **Q9. Are you providing any workpapers?**

2 A9. Yes, I am providing workpapers that provide additional detail and support for the
3 schedules included in Attachment BJM-1 and BJM-2.

4 **Test Year Results and Pro Forma Revenue and Expense Adjustments**

5 **Q10. Ms. Mann, having reviewed Petitioner's books and records for the Test Year what**
6 **conclusions did you reach?**

7 A10. Petitioner is not earning a reasonable return on its rate base used to provide natural gas
8 service to its customers through its current rates.

9 **Q11. Have you reduced your conclusions to adjustments to Test Year results?**

10 A11. Yes. Attachment BJM-1 are the accounting schedules which include the technical
11 exhibits and schedules supporting a change in Petitioner's current base rates that should
12 provide Petitioner the opportunity of covering its operating expenses and recovering a
13 reasonable return.

14 **Q12. Please explain what is included in Schedules A and B of Attachment BJM-1.**

15 A12. Schedules A and B show the Comparative Balance Sheets and Statements of Net Income,
16 respectively, for the Petitioner. This historical information is presented as of December
17 31, 2021 and 2022. The twelve months ended December 31, 2022, is the Test Year
18 proposed by the Petitioner initiating this Cause. The books and records of Petitioner are
19 kept in accordance with the uniform system of accounts for a gas utility. They are the
20 representations of the management of the Petitioner, and are the starting point for our
21 fixed, known and measurable accounting adjustments. Schedules A-1, B-1, and B-2 are
22 the supporting details for the major Balance Sheet and Statement of Income elements,
23 respectively.

1 **Q13. Please describe the adjustments contained in Schedule C-1 of Attachment BJM-1.**

2 A13. **Adjustment Nos. 1, through 7,** are comprised of several adjustments to Operating
3 Revenues and Expenses.

4 **Adjustment No. 1,** which adjusts operating revenue and consists of four (4) adjustments
5 totaling (\$6,190,168).

6 a) Decrease in gas sales to remove GCA revenue collected during the year totaling
7 (\$6,165,657).

8 b) Increase in operating revenue to reflect the impact of changing the Normal
9 Temperature Adjustment (“NTA”) to reflect the most recent NOAA Heating Degree
10 Averages netting to \$32,026.

11 c) Increase in revenues to annualize customers added in the current year as well as
12 customers expected as a result of recent increases to rate base totaling \$25,437.

13 d) Decrease in revenues to adjust for customers moving from large commercial to
14 transport of (\$81,974).

15 **Adjustment No. 2,** which adjusts other operating revenue and consists of two (2)
16 adjustments totaling \$5,375.

17 a) Increase in other gas revenues for a proposed increase in collection, reconnection,
18 disconnection and after hour fees of \$5,220.

19 b) Increase in other gas revenues for increase in returned payment fees of \$155.

20 **Q14. Ms. Mann, please explain the purchased gas adjustment.**

21 A14. **Adjustment No. 3** adjusts the natural gas purchased to remove the cost of gas from base
22 rates and is a decrease of (\$5,902,715) in Natural Gas Purchased. The unaccounted for
23 percentage used in this adjustment is based on the unaccounted for gas calculated in the

GCA schedule 11a filed during the test year. The volume of gas was based on test year sales. The cost of gas used in pricing the unaccounted for gas was based on estimated cost of gas within the 12 months following the test year recognizing Petitioner's estimated sales and fixed gas purchases.

Q15. Please describe the pro forma adjustments to operating expenses.

A15. **Adjustment No. 4** adjusts "Operation and Maintenance" expense and consists of fifteen(15) adjustments totaling \$263,431 as follows:

(a) Amortization of estimated rate case expense resulting in an increase of \$37,000 to test year rate case expense. Petitioner is estimating the cost of rate case expense based upon discussions with outside contractors and its experience during its last rate proceeding.

(b) Decrease of (\$6,940) to reflect the current IURC fee on the applicable Pro-Forma Present Rate Revenues.

(c) A decrease for the elimination of energy efficiency rebates to customers under the NTA agreement of (\$2,950). This is the amount of rebates in excess of the amount ordered by the IURC in Cause No. 43129.

(d) Increase in payroll expenses of \$160,025, which reflects the cost of salaries and wages for Petitioner's employees included in operations and maintenance expenses. The pro forma payroll was calculated by first annualizing the test year wages and then applying the expected 2023 pay rate increase for all employees. The adjustment also accounts for several employees leaving the utility, the annualization of the replacement employees already hired, and the addition of an

1 employee the company has hired during the 12 months following the test year.

2 The pro forma payroll was compared to test year payroll and adjusted for
3 Petitioner's payroll capitalization.

4 (e) Increase in retirement contribution made on behalf of employees of \$4,908. This
5 is based on the Pro Forma salaries calculated for the payroll adjustment, as
6 described above.

7 (f) Decrease of (\$860) for bad debts. This adjustment is based on a five-year average.
8 A five year average was chosen to insure that the impacts of the State's
9 emergency order and the utility's subsequent write-offs of those accounts are not
10 too heavily weighted into the average.

11 (g) Decrease in insurance expenses to reflect the changes in the cost of property,
12 worker's compensation, casualty and general liability insurance of (\$6,103).

13 (h) Increase in insurance expense of \$56,163 for changes in the cost of health
14 insurance provided to employees.

15 (i) Decrease in miscellaneous expense of (\$10,772) for the cost of employee gifts
16 and events.

17 (j) Reduction in expenses of (\$382) to remove lobbying fees charged to the Petitioner
18 by the Indiana Energy Association

19 (k) An increase of \$2,250 to annualize an increase in directors fees.

1 (l) Increase in operations expenses for increases in the cost of outside contractors of
2 \$46,910.

3 (m) Increase in expenses of \$1,063 for unrecovered penalties during the Statewide
4 moratorium on collecting such fees over the estimated life of these rates which is
5 expected to be 5 years.

6 (n) A decrease in expenses of (\$15,600) to reflect the change in IT services fees as
7 the utility moves from an internal employee to an outside service.

8 (o) A decrease in expenses of (\$3,000) to remove fines imposed by the Pipeline
9 Safety Division of the IURC for missed locates.

10 **Q16. Are there any other pro forma adjustments to operating expenses?**

11 A16. Yes. Those adjustments are as follows:

12 **Adjustment 5** reflects the decrease in the Pro-Forma depreciation and amortization
13 expense. Utility Plant in Service at December 31, 2022 has been decreased by the cost of
14 fully depreciated assets still on the Petitioner's books and increased by the additions to
15 plant added through the end of the test year. This adjustment uses 2.5% depreciation for
16 distribution and transmission plant; Petitioner is requesting a change in the depreciation
17 rate for AMR meters to 15 years or 6.67% based on Petitioners actual experience with the
18 equipment; 20% for transportation equipment and 10% depreciation for all other
19 equipment. This results in an decrease in depreciation and amortization expense of
20 \$153,978.

Adjustment 6 adjusts “Taxes Other Than Income Taxes” expense and consists of three (3) different adjustments totaling (\$91,162) as follows:

- a) Decrease of (\$86,076) to remove utility receipts tax expense during the test year.
- b) Increase of \$13,784 for changes in payroll taxes due to the changes in the payroll tax adjustment.
- c) Decrease of (\$18,870) for changes in property taxes based on changes in rate base.

This calculation was made by taking the property taxes paid during 2022 for the year 2021 and dividing them by utility plant in service for 2021 to create a marginal tax rate. This marginal tax rate was then applied to the utility plant in service as of the end of the test year to arrive at the pro forma estimated property taxes.

Adjustment 7 adjusts income tax expense and consists of two (2) different adjustments totaling (\$131,438) as follows:

- a) Decrease in State Income Taxes of (\$17,338) using the appropriate State Income Tax rate of 4.9%.
- b) Decrease in Federal Income Taxes by (\$114,100).

Q17. Please describe the adjustments presented in Schedule C-2 and Schedule C-3 of Attachment BJM-1.

A17. Schedule C-2 reflects adjustments that are correlated with the increase in revenues as proposed by Petitioner, and includes four (4) adjustments:

Adjustment A of Schedule C-2, reflects the projected proposed increase in annual revenue of \$1,144,537.

Adjustment B reflects the application of the current IURC fee to the increase in annual revenue resulting in an adjustment of \$1,330.

1 **Adjustment C** applies the bad debt rate used in Schedule C-1 to the increased annual
2 revenue reflecting an adjustment of \$1,311.

3 **Adjustment D** adjusts income taxes to the increase in annual revenue and consists of two
4 (2) different adjustments totaling \$284,004 as follows:

5 a) State Income Taxes of \$55,953.

6 b) Federal Income Taxes of \$228,051.

7 **Q18. What is shown in Schedule C-3 of Attachment BJM-1?**

8 A18. **Schedule C-3** is the calculation of overall revenues on which the proposed rate increase
9 is based. GCA revenue has been added to present rate revenue to calculate the pro forma
10 rate increase on average.

11 **Rate Base**

12 **Q19. What is Schedule D of Attachment BJM-1?**

13 A19. Schedule D is the calculation of Original Cost Rate Base. It is comprised of several
14 components.

15 **Q20. What are those components?**

16 A20. The major component is Utility Plant-in-Service as of December 31, 2022, less . The
17 original cost is offset by the total accumulated depreciation on utility plant in service as
18 of December 31, 2022. This results in the Net Utility Plant in Service of \$6,110,930. To
19 the Net Utility Plant-in-Service, we have added working capital in the amount of
20 \$360,759 using the FERC 45-day working capital formula, which has been accepted for
21 gas utilities the size of Petitioner in lieu of performing a cash lead-lag study, the 13-
22 month average of the cost of materials and supplies held by the Petitioner of \$304,649.
23 The total original cost rate base included in these exhibits is \$6,776,338.

1 **Q21. Please describe Schedule E of Attachment BJM-1.**

2 A21. Schedule E reflects the capital structure of the Petitioner as of the end of the test year,
3 December 31, 2022. Petitioner's capital structure includes common equity, customer
4 deposits, and deferred taxes include the remaining EADIT from Cause No. 45032.

5 **Q22. Ms. Mann, on the basis of your analysis, what net operating income should this**
6 **Petitioner be authorized an opportunity to earn?**

7 A22. I believe this Petitioner should be authorized the opportunity to earn at least \$653,236
8 annually in net operating income.

9 **Q23. If this Commission authorized a net operating income of \$653,236, what would be**
10 **the overall rate of return on Petitioner's used and useful plant?**

11 A23. This would be an overall return of 9.64%. The components comprising the overall return
12 are detailed on Schedule E.

13 **Q24. In your opinion, what increase in revenue should the Commission authorize for the**
14 **Petitioner?**

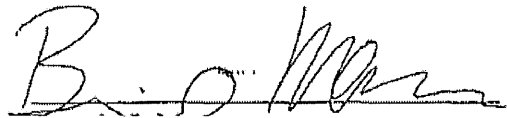
15 A24. Based upon Schedule C, the increase in operating revenue should be \$1,144,537 which is
16 an overall increase of 1.910% over pro forma present rate revenue as reflected on my
17 Attachment BJM-1 (Schedule C).

18 **Q25. Does this conclude your direct testimony?**

19 A25. Yes, it does.

Verification

I affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Bonnie J. Mann", written over a horizontal line.

Bonnie J. Mann

ATTACHMENT BJM-1

**ATTACHMENT BJM-1
SCHEDULE A**

**INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA**

**BALANCE SHEETS
As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
UTILITY PLANT IN SERVICE		
Total utility plant in service	\$ 21,816,064	\$ 20,452,374
Construction work in progress	-	564,146
Accumulated depreciation	<u>(15,060,613)</u>	<u>(15,013,067)</u>
Net Utility Plant In Service	<u>6,755,451</u>	<u>6,003,453</u>
INVESTMENTS	<u>369,083</u>	<u>369,083</u>
REGULATORY ASSET	<u>57,455</u>	<u>57,969</u>
CURRENT ASSETS		
Cash	96,013	91,004
Accounts receivable	1,821,325	1,253,128
Notes receivable	-	396,000
Materials & supplies	252,883	252,277
Prepaid expenses	<u>90,621</u>	<u>100,468</u>
	<u>2,260,842</u>	<u>2,092,877</u>
Total Assets	<u><u>\$ 9,442,831</u></u>	<u><u>\$ 8,523,382</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Common stock issued	\$ 507,235	\$ 507,235
Other paid-in capital	168,605	168,605
Treasury Stock	(2,817,823)	(2,817,823)
Retained earnings	<u>8,660,079</u>	<u>8,899,591</u>
Total Shareholders' Equity	<u>6,518,096</u>	<u>6,757,608</u>
OTHER LONG TERM DEBT	<u>-</u>	<u>-</u>
DEFERRED INCOME TAXES	<u>199,385</u>	<u>199,385</u>
REGULATORY LIABILITY	<u>55,056</u>	<u>56,111</u>
CURRENT LIABILITIES		
Short term debt	700,000	678,095
Accounts payable	1,585,294	727,059
Customer deposits	162,271	158,581
Accrued expenses	455,267	370,966
Refundable gas cost	<u>(232,538)</u>	<u>(424,423)</u>
Total Current Liabilities	<u>2,670,294</u>	<u>1,510,278</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 9,442,831</u></u>	<u><u>\$ 8,523,382</u></u>

**ATTACHMENT BJM-1
SCHEDULE A-1**

**INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA**

**DETAIL OF UTILITY PLANT-IN-SERVICE
As of December 31, 2022 and 2021**

<u>Description</u>	<u>2022</u>	<u>2021</u>
<u>Utility Plant in Service</u>		
<u>Intangible Plant</u>		
Organizational expenses	\$ 18,052	\$ 18,052
Franchise & consents	76,854	76,854
Total Intangible Plant	94,906	94,906
<u>Transmission Plant</u>		
Mains	819,337	819,337
Meas/Reg equipment	620,018	576,503
Communication equipment	37,542	37,542
Other equipment	6,759	6,759
Total Transmission Plant	1,483,656	1,440,141
<u>Distribution Plant</u>		
Land & land rights	\$133,681	\$133,681
Structures & Improvements	239,294	239,294
Mains	7,535,224	7,535,224
General regulator station	46,132	46,132
Measuring/Regulator equipment	678,639	678,639
Services	4,647,501	4,156,173
Meters	3,432,224	2,654,252
Meter installations	13,727	13,727
House regulator	409,758	409,758
Regulators installation	9,205	9,205
Industrial measuring/regulator equipment	131,205	131,205
Other equipment	29,829	29,829
Total Distribution Plant	17,306,419	16,037,119
<u>General Plant</u>		
Structures & improvements	468,278	468,278
Office furniture and equipment	254,652	254,652
Computer equipment	83,933	97,190
Transportation equipment	1,011,992	950,460
Tools & shop equipment	347,218	347,218
Laboratory equipment	698	698
Power operated equipment	481,814	481,814
Communiation equipment	91,332	91,332
Miscellaneous equipment	182,166	182,166
Overhead to plant accounts	9,000	6,400
Total General Plant	2,931,083	2,880,208
Total Utility Plant in Service	<u>\$ 21,816,064</u>	<u>\$ 20,452,374</u>

ATTACHMENT BJM-1
SCHEDULE B

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

COMPARATIVE STATEMENTS OF NET INCOME
For the Twelve Months Ended December 31, 2022 and 2021

Description	2022	2021
<u>Operating Revenues</u>		
Gas sales	\$ 10,083,762	\$ 8,046,921
Other gas revenues	55,930	54,660
Total Operating Revenues	<u>10,139,692</u>	<u>8,101,581</u>
<u>Operating Expenses</u>		
Natural gas purchased	6,251,017	4,154,661
Transmission expense	127,237	60,706
Distribution expense	776,968	757,756
Maintenance expense	174,342	157,067
Customer accounts expense	350,793	371,308
Administrative and general expense	1,193,298	1,174,762
Depreciation	592,810	514,359
Taxes other than income taxes	314,328	317,875
Income taxes	86,668	146,288
Total Operating Expenses	<u>9,867,461</u>	<u>7,654,782</u>
Net Operating Income	<u>272,231</u>	<u>446,799</u>
<u>Other Income and Expense - Net</u>		
Interest & dividend income	47,408	47,469
Interest expense	(17,844)	(4,779)
All other income, net	18,551	39,000
Total Other Income and Expense - Net	<u>48,115</u>	<u>81,690</u>
Net Income	<u><u>\$ 320,346</u></u>	<u><u>\$ 528,489</u></u>

ATTACHMENT BJM-1
SCHEDULE B-1

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

COMPARATIVE DETAIL OF OPERATING REVENUES
For the Twelve Months Ended December 31, 2022 and 2021

<u>Description</u>	<u>2022</u>	<u>2021</u>
<u>Operating Revenues</u>		
<u>Gas Sales</u>		
Residential	\$ 4,776,288	\$ 3,963,089
Commercial	5,148,260	3,552,620
Public authority	-	-
Transportation	135,748	223,602
GCA variance refunds applied	<u>23,466</u>	<u>307,610</u>
Total gas sales	<u>10,083,762</u>	<u>8,046,921</u>
<u>Other Gas Revenues</u>		
Forfeited discounts	27,694	22,960
Miscellaneous service revenue	<u>28,236</u>	<u>31,700</u>
Total other gas revenue	<u>55,930</u>	<u>54,660</u>
Total operating revenues	<u><u>\$ 10,139,692</u></u>	<u><u>\$ 8,101,581</u></u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

COMPARATIVE DETAIL OF OPERATING EXPENSES
For the Twelve Months Ended December 31, 2022 and 2021

<u>Description</u>	<u>2022</u>	<u>2021</u>
<u>Operating Expenses</u>		
<u>Natural Gas Purchased</u>		
Natural gas purchases	\$ 6,251,017	\$ 4,154,661
Total natural gas purchased	6,251,017	4,154,661
<u>Transmission expense</u>		
Communication expense	18,170	19,003
Intermediate mains operations	25,127	280
Purchase point operations	47,911	23,250
Intermediate main repair	5,720	4,865
Purchase point repair	30,309	13,308
Total transmission expense	127,237	60,706
<u>Distribution Expense</u>		
Mains/Services operations	552,715	547,895
Town border - operations	18,142	19,098
House regulator operations	78,294	86,814
Customer service miscellaneous expense	95,169	78,130
Distribution other expense	32,323	25,372
Rents	325	447
Total distribution expense	776,968	757,756
<u>Maintenance Expense</u>		
Distribution main repair	64,406	53,104
Industrial service repair	4,325	11,539
Regulator station repair	425	6,595
Services repair	8,078	9,475
Meter-regulator repair	15,324	9,856
Equipment repair	81,784	66,498
Total maintenance expense	174,342	157,067
<u>Customer Accounts Expenses</u>		
Meter reading	13,941	6,554
Customer operations	309,255	331,187
Uncollectable accounts	3,600	4,800
Advertising expense	23,997	28,767
Total customer accounts expenses	\$ 350,793	\$ 371,308

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

COMPARATIVE DETAIL OF OPERATING EXPENSES
For the Twelve Months Ended December 31, 2022 and 2021

Description	2022	2021
Operating Expenses (Con't)		
<u>Administrative & General Expenses</u>		
General/Administrative salaries	\$ 332,715	\$ 295,372
Office expense	177,626	172,954
Administrative transferred	(34,100)	(12,020)
Outside services	56,329	53,688
Insurance expense	142,414	103,356
Injuries & damages	3,000	(63)
Employee benefits	406,358	420,073
Regulatory expense	36,630	67,324
Miscellaneous general expense	60,856	55,362
General plant maintenance	11,470	18,716
Total administrative & general expenses	<u>\$ 1,193,298</u>	<u>\$ 1,174,762</u>
Depreciation Expense		
Depreciation - plant	<u>\$ 592,810</u>	<u>\$ 514,359</u>
Total depreciation expense	<u>592,810</u>	<u>514,359</u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

COMPARATIVE DETAIL OF OPERATING EXPENSES
For the Twelve Months Ended December 31, 2022 and 2021

<u>Description</u>	<u>2022</u>	<u>2021</u>
Operating Expenses (Con't)		
Taxes Other Than Income Taxes		
Total taxes other than income taxes	<u>314,328</u>	<u>317,875</u>
Income Taxes		
Federal income taxes	62,528	119,853
Deferred income taxes	<u>24,140</u>	<u>26,435</u>
Total income taxes	<u>86,668</u>	<u>146,288</u>
Total Operating Expenses	<u><u>\$ 9,867,461</u></u>	<u><u>\$ 7,594,076</u></u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

Pro-Forma Operating Income Statement

For the 12 Months Ended December 31, 2022

Increase Required: 1.910%

	<u>December</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>
	<u>2022</u>			<u>Present</u>			<u>Proposed</u>
				<u>Rates</u>			<u>Rates</u>
<u>Operating Revenues</u>							
Gas sales	\$ 10,083,762	\$ (6,190,168)	(1)	\$ 3,893,594	\$ 1,144,537	(A)	\$ 5,038,131
Other gas revenues	55,930	5,375	(2)	61,305			61,305
Total Operating Revenues	<u>10,139,692</u>	<u>(6,184,793)</u>		<u>3,954,899</u>	<u>1,144,537</u>		<u>5,099,436</u>
<u>Operating Expenses</u>							
Natural gas purchased	6,251,017	(5,902,715)	(3)	348,302			348,302
Other operation & maintenance	2,622,638	263,431	(4)	2,886,069	2,641	(B) & (C)	2,888,710
Depreciation	592,810	153,978	(5)	746,788			746,788
Taxes other than income taxes	314,328	(91,162)	(6)	223,166			223,166
Income taxes	86,668	(131,438)	(7)	(44,770)	284,004	(D)	239,234
Total Operating Expenses	<u>9,867,461</u>	<u>(5,707,905)</u>		<u>4,159,556</u>	<u>286,645</u>		<u>4,446,201</u>
Net Operating Income	<u>\$ 272,231</u>	<u>\$ (476,887)</u>		<u>\$ (204,656)</u>	<u>\$ 857,895</u>		<u>\$ 653,236</u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(1) GAS SALES ADJUSTMENTS

(a)

Decrease in gas sales for the elimination of GCA revenue included in the test year.

\$ (6,165,657)

(b)

Decrease in operating revenue to set revenues for new heating degree day (HDD) normals.

Weather normalization using 1991-2020 NOAA HDD 30-year average

\$ 55,413

Weather normalization using 1981-2010 NOAA HDD 30-year average

23,387

\$ 32,026

(c)

Increase in gas sales to annualize new test year customers

\$ 25,437

(d)

Decrease in gas sales to adjust revenue for customers moving from Large Commercial to Transport

\$ (81,974)

Total Gas Sales Revenue adjustment

\$ (6,190,168)

(2) OTHER GAS REVENUE ADJUSTMENTS

(a)

Increase in other gas revenues for increase in collection, reconnection, disconnection and after hour fees.

\$ 5,220

(b)

Increase in other gas revenues for increase in returned payment fees.

\$ 155

Total Other Gas Revenue adjustment

\$ 5,375

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(3) NATURAL GAS PURCHASED ADJUSTMENT

To adjust natural gas purchased to eliminate the cost of natural gas to be purchased from base rates.

	<u>RATE</u>
Test year sales - Dth	<u>11,717,233</u>
	11,717,233
Unaccounted for gas percentage - (2022 GCA schedule 11a)	<u>0.65%</u>
Estimated unaccounted for gas - Dth	<u><u>76,162</u></u>
Estimated purchases of system gas	76,162
Anticipated cost of system gas	<u>\$ 4.5732</u>
Total pro-forma cost of purchased gas	\$ 348,302
Less: test year purchased gas	<u>6,251,017</u>
Total Adjustment Increase/(Decrease)	<u><u>\$ (5,902,715)</u></u>

(4) OTHER OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS

(a)

To adjust other operation and maintenance expense for the amortization of rate case expense

Estimated cost of rate filing	\$ 185,000
Amortization period - years	<u>5</u>
Annual amortization amount	\$ 37,000
Less: test year expense	<u>-</u>
Adjustment - Increase/(Decrease)	<u>\$ 37,000</u>

(b)

To adjust other operation and maintenance expense to reflect the IURC fee requirement

Applicable revenues at present rates (schedule C-3)	\$ 3,893,594
Current IURC rate	<u>0.001163372</u>
Pro-forma IURC fee at present rates	\$ 4,530
Less: Test year IURC fee	<u>11,470</u>
Adjustment - Increase/(Decrease)	<u>\$ (6,940)</u>

(c)

To adjust other operation and maintenance expense to remove energy efficiency contribution for NTA.

Adjustment-Increase/(Decrease)	<u>\$ (2,950)</u>
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(d)

To adjust other Operation and Maintenance Expense for the annualization of payroll and wage increases (net of amount capitalized)

Proforma payroll expensed	\$ 1,165,722
Test year payroll expensed	<u>1,005,697</u>
Payroll Adjustment - Increase/(Decrease)	<u>\$ 160,025</u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(4) OTHER OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS CONT

(e)

To increase operations and maintenance expense for retirement contribution for employee

Proforma retirement expense	\$	147,605	
Test year retirement expense		142,697	
Pension Expense Adjustment - Increase/(Decrease)			\$ 4,908

(f)

To adjust other operation and maintenance expense to average bad debts

Twelve months ended December 31, 2022	\$	3,600	
Twelve months ended December 31, 2021		5,400	
Twelve months ended December 31, 2020		5,400	
Twelve months ended December 31, 2019		2,400	
Twelve months ended December 31, 2018		5,500	
Average	\$	4,460	
Less: Test Year		3,600	
Bad Debt Adjustment - Increase/(Decrease)			\$ 860

(g)

To adjust other operations and maintenance expense for property insurance.

Total proforma insurance expense	\$	136,311	
Test year property insurance		142,414	
Property Insurance Adjustment - Increase/(Decrease)			\$ (6,103)

(h)

To adjust other operation and maintenance expense to increase health insurance

Proforma insurance expense	\$	274,507	
Test year health insurance		218,344	
Health Insurance Adjustment - Increase/(Decrease)			\$ 56,163

(i)

To adjust other operations and maintenance expense to remove employee gifts and events

Non-recurring expenses Adjustment - Increase/(Decrease)			\$ (10,772)
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ATTACHMENT BJM-1

(j)

To adjust other operations and maintenance expense for lobbying fees.			\$ (382)
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(k)

To adjust other operations and maintenance expense to annualize directors fees.			\$ 2,250
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(l)

To adjust other operations and maintenance expense for changes in fees to contractors.			\$ 46,910
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INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(4) OTHER OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS CONT

(m)	
To adjust other operations and maintenance expense for unrecovered penalties related to the statewide moratorium.	
Total unrecovered penalties	\$ 5,316
Amortized over the life of the rates	5
Adjustment - Increase/(Decrease)	\$ 1,063
(n)	
To adjust other operations and maintenance expense for changes in IT services.	
	\$ (15,600)
(o)	
To adjust other operations and maintenance expense for missed locate penalties	
	\$ (3,000)
Total Adjustment to Other Operations and Maintenance Expense - Increase/(Decrease)	\$ 263,431

(5) DEPRECIATION EXPENSE ADJUSTMENT

To adjust "Depreciation Expense" to reflect current plant in service

Distribution Plant	\$ 17,315,419	
Less: Land and Land Rights	(133,681)	
Less: 3	(1,422,340)	
Depreciable Distribution Plant	15,759,398	
Depreciation Rate	2.50%	
	\$ 393,985	
AMR Meters	777,818	
Depreciation Rate	6.67%	
	51,880	
Transmission Plant	1,483,656	
Less: Land and Land Right	-	
Depreciable Transmission Plant	1,483,656	
Depreciation Rate	2.50%	
	37,091	
General Plant	1,826,158	
Less: Fully depreciated items	(1,379,684)	
General Plant subject to 10% depreciaiton rate	446,474	
Depreciation Rate	10%	
	44,647	
Transportation Plant	1,095,925	
Less: Fully depreciated items	(428,237)	
Depreciable Transportation Plant	1,095,925	
Depreciation Rate	20%	
	219,185	
Total Pro-Forma Depreciation Expense	746,788	
Less: Test Year Depreciation Expense	592,810	
Adjustment - Increase / (Decrease) in Depreciation Expense	\$ 153,978	

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(6) TAXES OTHER THAN INCOME TAXES ADJUSTMENTS

(a)

To adjust taxes other than income taxes to reflect removal of utility receipts tax included in the test year

Adjustment-Increase/(Decrease) in Utility Receipts Tax Expense	<u>\$ (86,076)</u>
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(b)

To adjust taxes other than income taxes to reflect changes in payroll taxes

Payroll Taxes

Payroll Wage Increase Subject To FICA Limits	\$ 180,189
FICA tax rate	<u>7.65%</u>
Increase/(Decrease) in Payroll Tax Expense	<u>\$ 13,784</u>

Property Taxes

Property taxes paid 2022 for 2021	\$ 118,963
Net book value of Utility Plant in Service	<u>6,003,453</u>
Average weighted property tax rate	\$ 0.019820
Net book value of Utility Plant in Service 12/31/22	<u>6,110,930</u>
Estimated proforma property taxes	\$ 121,119
Test Year	<u>139,989</u>
Increase/(Decrease) in Property Taxes	<u>\$ (18,870)</u>
Adjustment - Decrease Taxes other than Income	<u><u>\$ (91,162)</u></u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(7) INCOME TAXES

To adjust "Income Tax" to reflect changes in Revenues and Expenses

(a)

State Income Tax:

Net Operating Income before State Tax	\$	(249,426)	
Less: Synchronized Interest	\$	(8,809)	
Taxable State Income	\$	(258,235)	
Applicable State Tax Rate		4.90%	
Pro-Forma at Present Rates	\$	(12,654)	
Less: Test Year Expense		4,684	
Adjustment - Increase/(Decrease) in State Income Tax Expense			\$ (17,338)

(b)

Federal Income Tax:

Net Operating Income before Federal and State Income Tax	\$	(258,235)	
Less: Pro Forma State Income Tax		(12,654)	
Federal Taxable Income	\$	(245,581)	
Federal Tax Rate		21%	
Adjusted Federal Income Tax Expense	\$	(51,572)	
Less: Test Year Federal Income Tax		62,528	
Adjustment - Increase/(Decrease) in Federal Income Tax Expense			\$ (114,100)
Adjustment - Decrease Income Taxes			\$ (131,438)

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(A)

To adjust "Operating Revenues" to reflect proposed revenue increase.

Adjusted Sales of Gas at present rates	\$ 59,915,163	
Requested rate increase	<u>1.910%</u>	
Adjustment - Increase		<u><u>\$ 1,144,537</u></u>

(B)

To adjust Other "Operation and Maintenance" expense to reflect increase in IURC fee.

Proposed Revenue Increase	\$ 1,143,226	
Current effective IURC fee rate	<u>0.001163372</u>	
Adjustment - Increase		<u>\$ 1,330</u>

(C)

To adjust Other "Operation and Maintenance" expense to reflect increase in bad debts

Proposed Revenue Increase	\$ 1,144,537	
Bad Debt Rate	<u>0.11455%</u>	
Adjustment - Increase		<u>\$ 1,311</u>
Total "Operations and Maintenance" Adjustment		<u><u>\$ 2,641</u></u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

DETAIL OF ADJUSTMENTS

(D)

To adjust "Income Taxes" to reflect pro-forma
changes in revenues and expenses.

State Income Tax:

Proposed Revenue Increase	\$ 1,144,537
Less: Increase in IURC Fee	(1,330)
Less: Increase in Bad Debts	<u>(1,311)</u>

Taxable Increase	1,141,896
Applicable Tax Rate	<u>4.90%</u>

Adjustment - Increase \$ 55,953

Federal Income Tax:

Proposed Revenue Increase	\$ 1,144,537
Less: Increase in IURC Fee	(1,330)
Increase in Bad Debts	(1,311)
Increase in State Income Tax	<u>(55,953)</u>

Federal taxable income increase	1,085,943
Applicable tax rate	<u>21%</u>

Adjustment-Increase \$ 228,051

Total Increase to Income Tax \$ 284,004

ATTACHMENT BJM-1
Schedule C-3

INDIANA NATURAL GAS CORPORATION

TOTAL REVENUE CALCULATION

Estimated volume of gas purchased	11,793,395
Base Cost of Gas Estimated	<u>\$ 4.7502</u>
Base Cost of Gas Revenues	56,021,569
Pro-Forma Present Sales Revenues	<u>3,893,594</u>
Total Revenues	59,915,163
Requested Increase	<u>1.91%</u>
Revenue Adjustment - Overall	<u><u>\$ 1,144,537</u></u>

ATTACHMENT BJM-1
EXHIBIT D

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

ORIGINAL COST RATE BASE

Utility Plant In Service as of December 31, 2022		\$21,816,064
Less: Meters being retired		(644,521)
Less: Accumulated Depreciation as of December 31, 2022		<u>(15,060,613)</u>
Net Utility Plant in Service		6,110,930
Plus:		
Working Capital	\$2,886,069 /8	360,759
Materials and Supplies		<u>304,649</u>
Total Original Cost Rate Base		<u><u>\$6,776,338</u></u>

INDIANA NATURAL GAS CORPORATION
PAOLI, INDIANA

CAPITAL STRUCTURE
As of December 31, 2022

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common Equity	\$6,518,096	94.02%	10.10%	9.50%
Customer Deposits	160,475	2.32%	6.00%	0.14%
Deferred Tax	199,385	2.88%	0.00%	0.00%
Accumulated Excess Deferred Income Taxes, Net of Amortization	<u>55,056</u>	<u>0.79%</u>	0.00%	<u>0.00%</u>
Total	<u>\$6,933,012</u>	<u>100.00%</u>		<u>9.64%</u>

ATTACHMENT BJM-2

INDIANA NATURAL GAS CORPORATION

COMPARISON OF MARGINS AT PRESENT AND PROPOSED RATES

DESCRIPTION	Number of Bills (1)	Billing Quantities (therms) (2)	Present Rates (\$/therm) (3)	Margin at Present Rates (4)	Proposed Rates (\$/therms) (5)	Margin at Proposed Rates (6)	Increase in Margins Amount (7)	Percent (8)
<u>Tariff G</u>								
Service Charge	92,859		11.83	1,098,522	15	1,392,885	294,363	26.796%
First 50 therms		2,549,730	0.30579	779,682	0.40437	1,031,034	251,352	32.238%
Over 50 therms		2,794,604	0.25789	720,700	0.34103	953,044	232,344	32.239%
Total Therms and Margins		<u>5,344,334</u>		<u>2,598,904</u>		<u>3,376,963</u>	<u>778,059</u>	
<u>Tariff C</u>								
Service Charge	3,831		23.66	90,641	30	114,930	24,289	26.796%
First 1,000 therms		1,627,195	0.24141	392,821	0.31924	519,466	126,645	32.240%
Over 1,000 therms		2,331,567	0.18393	428,845	0.24323	567,107	138,262	32.241%
Total Therms and Margins		<u>3,958,762</u>		<u>912,308</u>		<u>1,201,503</u>	<u>289,195</u>	
<u>Tariff STS</u>								
Service Charge	0		23.66	-	30	-	-	
First 1,000 therms		-	0.24141	-	0.31924	-	-	
Over 1,000 therms		-	0.18393	-	0.24323	-	-	
Total Therms and Margins		<u>-</u>		<u>-</u>		<u>-</u>	<u>-</u>	
<u>Tariff TM</u>								
Service Charge	0		23.66	-	30	-	-	
First 1,000 therms		-	0.24141	-	0.31924	-	-	
Over 1,000 therms		-	0.18393	-	0.24323	-	-	
Total Therms and Margins		<u>-</u>		<u>-</u>		<u>-</u>	<u>-</u>	
<u>Tariff T</u>								
Service Charge	106		517.65	54,871	\$ 550.00	58,300	3,429	6.249%
All Dth		2,502,581	0.09153	229,061	0.12104	302,912	73,851	32.241%
Total Therms and Margins		<u>2,502,581</u>		<u>283,932</u>		<u>361,212</u>	<u>77,280</u>	
Total Therms and Margins from Rates		11,805,677		3,795,144		4,939,678	1,144,534	30.158%

INDIANA NATURAL GAS CORPORATION

DERIVATION OF RATES

	Total	Tariff G	Tariff C	Tariff STS	Tariff TM	Tariff T
Present service charge		\$ 11.83	\$ 23.66	\$ 23.66	\$ 23.66	\$ 517.66
Revenues Collected through present service charge	\$ 1,244,034.33	\$ 1,098,521.97	\$ 90,641.46	\$ -	\$ -	\$ 54,870.90
Proposed service charge		15	30	30	30	550
Revenues collected through proposed service charge	\$ 1,566,115.00	\$ 1,392,885.00	\$ 114,930.00	\$ -	\$ -	\$ 58,300.00
Increase in revenue collected through service charges	\$ 322,080.67	\$ 294,363.03	\$ 24,288.54	\$ -	\$ -	\$ 3,429.10
Total Revenue Increase Required	\$ 1,144,537.00					
Increase in revenue collection through distribution charges	\$ 822,456.33					
Current revenue recovered through distrubtion charges	\$ 2,551,109.87					
Percentage increase in distribution charges	32.2392%					

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following
counsel of record electronically this 17th day of May, 2023:

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