

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner			√

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF MIDWEST NATURAL GAS)
CORPORATION FOR AUTHORITY TO) CAUSE NO. 45888
CHANGE ITS RATES, CHARGES, TARIFFS,)
RULES, AND REGULATIONS) APPROVED: JAN 10 2024**

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Veleta, Commissioner
Jennifer L. Schuster, Senior Administrative Law Judge**

On May 17, 2023, Midwest Natural Gas Corporation (“Petitioner” or “Midwest”) filed its Petition and case-in-chief seeking authority to change its existing rates, charges, tariffs, rules, and regulations, including the testimony and exhibits of David A. Osmon, President of Petitioner and a Certified Public Accountant¹; Cody M. Osmon, Controller for Petitioner; and Bonnie J. Mann, Certified Public Accountant and Principal of LWG CPAs and Advisors (“LWG”). Included in the attachments of David Osmon was a Partial Settlement Agreement (“Partial Settlement Agreement”) between Petitioner and the Indiana Office of the Utility Consumer Counselor (“OUCC”).

On August 30, 2023, a Joint Notice of Agreement in Principle and Motion to Modify Procedural Schedule was filed, advising the Commission that the parties had reached an agreement in principle on all remaining contested issues. Midwest and the OUCC filed their Stipulation and Settlement Agreement (“Final Settlement Agreement”) and testimony supporting the Settlement Agreement on September 29, 2023.

On October 23, 2023 at 9:30 a.m., the Commission held a hearing on the Settlement Agreement in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis Indiana. The parties appeared and participated in the hearing by counsel. During the hearing, the Settlement Agreement was offered and admitted into evidence without objection. The parties’ cases-in-chief and settlement testimony filed were also offered and admitted into the record without objection.

Based upon the applicable law and the evidence of record, the Commission now finds:

¹ On June 22, 2023, the proof of publication of the legal notice required by Ind. Code § 8-1-2-61 and a copy of the notice provided to residential customers required by 170 IAC 5-1-18 were late-filed as an attachment to Mr. Osmon’s testimony. As indicated in Petitioner’s evidence, Petitioner issued revised customer notices during the discussions leading to the Settlement Agreement.

1. Notice and Jurisdiction. Due, legal, and timely notice of the evidentiary hearing in this Cause was given and published as required by law. Petitioner is a public utility as defined by Ind. Code § 8-1-2-1. Pursuant to Ind. Code §§ 8-1-2-1 and 8-1-2-42.7, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner's Characteristics. Midwest is a corporation duly organized and existing under Indiana law. Midwest's principal office is located at 101 S.E. Third Street, Washington, Indiana. Midwest is a public utility currently providing natural gas service to its customers in both rural and municipal areas in the following Indiana counties: Daviess, Greene, Monroe, Jackson, Jennings, Knox, Orange, Scott, Clark, and Washington. Petitioner serves approximately 15,120 customers.

3. Petitioner's Existing Rates, Test Year, and Relief Requested. Midwest's current base rates are those established by the Commission in Cause No. 44880 on August 16, 2017. Such rates were reduced pursuant to the Commission's order dated February 16, 2018 in Cause No. 45032. The test year for this base rate case proceeding includes the 12 months ended December 31, 2022, adjusted for changes that are fixed, known, and measurable and occurring within 12 months following the end of the test year. Midwest's cutoff date to determine the used and useful nature of its utility plant and the value of its rate base is December 31, 2022. Based on its case-in-chief, Midwest seeks to increase its current operating revenue by an additional \$1,989,993 of operating revenue over pro forma rate revenue as of the test year.

4. The Parties' Evidence.

A. Petitioner's Case-in-Chief and Partial Settlement Agreement Testimony. David Osmon discussed significant changes in plant and expenses. He indicated that the primary driver for this rate case is the construction projects Midwest has undertaken since its last rate case.

David Osmon described the terms of the Partial Settlement Agreement, including a return on equity ("ROE") of 10.1%, applying any approved increase across the board in lieu of a new cost of service study, and an increase to Tariff A from \$11.83 per month to \$15.00 per month. He opined that the settled 10.1% ROE was reasonable because the last rate case for Midwest (Cause No. 44880) included a test year end of March 31, 2016 with a ROE of 10.1%, and a significant increase in interest rates have occurred since then. He stated that one benefit of the Partial Settlement Agreement is that agreeing on this issue eliminates the expenses of a cost of capital expert (which was \$30,000 in 2016). He opined that the agreement not to complete a new cost of service study was reasonable because Petitioner's customer mix has not materially changed since the base rate case concluded in 2016-2017. He opined that the Partial Settlement Agreement was in the public interest, as compromise reduces overall rate case expense, avoids the need to litigate complex issues, and allows the parties to focus on the remaining issues in this case.

David Osmon explained his opinion on the fair value of Petitioner's utility plant in service and discussed plant related to the Muscatatuck Urban Training Center ("MUTC") in Jennings County, Indiana Department of Transportation ("INDOT") relocation projects, and the completion of Midwest's seven-year transmission, distribution, and storage system improvement charge ("TDSIC") plan in December 2022. He stated that all phases of the TDSIC plan were capitalized

into plant for purposes of this rate case. Midwest is treating the deferred amounts similar to rate case expenses, in that the total is amortized over five years. Midwest understood the OUCC to agree on this approach.

David Osmon explained that the most important matter related to expenses is the increase in service personnel wages in order to retain and attract employees. Midwest increased wages on July 1, 2022 to service personnel at a level never reached before.

He indicated that Midwest believes that the continuation of energy efficiency rebates is nowhere specifically excluded in base rate recovery, and allowing recovery would be consistent with other energy efficiency mechanisms currently in use. He stated that annual filings to the Commission resulting from Cause No. 43107 show that Petitioner has routinely exceeded the assignment amount. He said the adjustment for rebates included in its filing eliminates the amount of rebates provided to customers in 2022 that exceeds \$25,000.

David Osmon discussed Midwest's requested changes to tariffs and service charges, including grain dryer service charges and the tariff service charges not addressed in the Partial Settlement Agreement. Petitioner's requested various tariff changes include an increase in the disconnection/reconnection (and related) fees, removal of the language that exempted grain dryer customers from paying a service charge for each month of discontinued service when reconnecting after less than 12 months, refunds to customers for new customers added to an extension where the original customers contributed to the cost of that construction, and changes to the application of rates between small commercial and large commercial customers.

Cody Osmon testified in support of Midwest's depreciation expense adjustment. He explained that Midwest is asking permission to move the treatment of ITRON Automatic Meter Reading ("AMR") endpoints to 15-year property instead of the composite rate treatment that the old AMR units received. He explained the previous supplier (Neptune) has ended its sales of natural gas endpoints and their failure rate was long before the 15-year mark.

Ms. Mann presented the attachments for the revenue requirement, rate base, cost of capital calculations, the revenue proof, and rate derivation schedules. She also testified regarding test year results and pro forma revenue and expense adjustments. She testified that, based on her analysis, Petitioner should be authorized to earn at least \$1,825,793 annually in net operating income, which would be an overall return of 8.15%. She stated that the increase in operating revenue should be \$1,989,993, which is an overall increase of 1.811% over pro forma present rate revenue.

B. Second ("Final") Settlement Agreement and Testimony. David Osmon explained the Final Settlement Agreement and testified that he was authorized to inform the Commission that all parties believe the Final Settlement Agreement as a whole represents a reasonable resolution of the issues in this Cause and that approval of the Final Settlement Agreement is in the public interest. He presented an updated redlined and clean tariff to reflect the terms of the Final Settlement Agreement and certain Midwest Natural responses to OUCC data requests.

He explained that, even though testimony was not filed by the OUCC, the OUCC related its positions in this Cause through data requests and informal discussions leading up to settlement

discussions, including its concerns regarding rate base and expense items, excess accumulated deferred income taxes (“EADIT”), tariff changes, and revised customer notices. While Midwest did not agree with all of the OUCC’s positions, working through this list and other issues at arm’s length allowed Midwest and the OUCC to reach a settlement of all issues among all parties.

David Osmon discussed the terms of the Final Settlement Agreement. Section I.A. of the Final Settlement Agreement recognizes the parties’ agreement that Midwest’s proposal as set forth in its case-in-chief, including the Partial Settlement Agreement, shall be approved except as modified by this Final Settlement Agreement. Section I.B. states that the parties agree to Midwest’s proposed capital structure, reflecting an overall weighted average cost of capital of 8.15%. Section I.C. of the Final Settlement Agreement addresses rate base and the parties’ agreed adjustment to rate base of (\$116,741) to remove automotive equipment from utility plant in service. The parties agree the working capital amount should be \$750,519 due to changes in operation and maintenance expense. The resulting overall rate base agreed to by the parties is \$22,282,455.

He explained that Section I.D. addresses the revenue requirement agreed to by the parties. The parties agreed to a recommended revenue increase of \$1,847,190, or 8.39% (including gas cost).² Final Settlement Agreement Table 1 and the Exhibit 1 Schedules supporting the Final Settlement Agreement further detail the derivation of the agreed revenue requirement.

In section I.E., the parties agreed that the refund of EADIT to customers will be addressed through a separate tariff rider, the “Tax Cuts and Jobs Act of 2017 Temporary Adjustment Mechanism,” rather than through an adjustment to base rates. The total amount to be refunded to customers each year is \$35,076, which is the \$2,923 in monthly amortization required as part of Cause No. 45032 S11.

David Osmon explained that Section I.F. states that the parties agreed Petitioner should file a revised tariff if new rates have not gone into effect at the end of the five-year amortization period to remove the following expenses from the cost of service used to establish Petitioner’s base rates in this proceeding: (1) rate case expense; (2) deferred TDSIC revenue requirement; (3) deferred TDSIC depreciation; (4) deferred TDSIC property tax; and (5) unrecovered penalties (COVID). The parties also agreed that, should Petitioner seek Commission approval of new base rates and charges to be effective prior to the expiration of the five-year amortization period, Petitioner may include recovery of any remaining unamortized expense for the above items as part of that proceeding.

In Section I.G. of the Final Settlement Agreement, the parties agreed to a 2.50% composite depreciation rate and a 20-year depreciation life for new ITRON endpoints, reflecting a depreciation rate for ITRON endpoints of 5.0%. In the event ITRON endpoints are not available for purchase to satisfy needed installations due to significant supply chain delays or other unforeseen material circumstances, and Petitioner purchases, installs, and places in service endpoints of a different manufacturer (“Alternative Endpoints”), such Alternative Endpoints may be depreciated at the ITRON endpoint depreciation rate of 5.0%, and the depreciation rate for such Alternative Endpoints will be subject to adjustment in Petitioner’s next base rate case. He said

² As shown in the settlement schedules attached to the Final Settlement Agreement (parties’ Jt. Ex. 1), the percentage increase proposed by Petitioner in its case-in-chief was corrected to 9.08% rather than 1.81%. The agreed-upon increase of 8.39% reflects a 0.69% reduction in the overall requested revenue requirement.

Midwest believes changing the depreciation rate from 2.75% to 2.5% better reflects the useful life of the utility plant in service other than the AMR endpoints. The current Neptune endpoints are failing before 15 years. He said Midwest agreed to a 20-year depreciation life as a compromise to the Final Settlement Agreement as a whole.

In Section I.H., the parties agreed to the following customer service charges: Tariff A: \$15/month, Tariff B: \$30/month, Tariff C: \$180/month, and Tariff E: \$550/month.

In Section I.I., the parties agreed that Attachment BJM-2, Schedule A will be updated to allocate the increase in revenue requirement across the board to all rate classes such that the total revenues of each rate class are increased by the same percentage. David Osmon described the specific tariff changes the parties agreed to in Section I.J. of the Final Settlement Agreement and explained that Petitioner will provide the OUCC and Commission with a final revenue proof and updated, redlined tariff that includes all tariff changes approved in the Commission's final order.

David Osmon then discussed Section I.K. of the Final Settlement Agreement, which is specific language agreed to by the parties to address Tariff E language regarding a concern brought to Midwest about transportation customers' ability to move between multiple tariffs from month to month. For purposes of settlement, the parties agreed that Petitioner's current transportation tariff does not preclude customers from moving to a gas cost adjustment ("GCA") tariff and switching back to a transportation tariff within one month. This causes under- or over-collections from the transportation customers that switch to a normal GCA tariff rate during the year and then switch back to a transportation tariff that are not being charged to those specific customers once they switch back to the transportation tariff.

He testified that the terms of the Final Settlement Agreement were the result of a give and take amongst the parties. He stated that Midwest's agreement to the settlement as a whole should not be construed as support of or agreement to a specific reason as to why one settlement term in isolation is reasonable. For example, while Midwest believes that Indiana Energy Association ("IEA") costs not associated with lobbying are an allowable expense, because of the amount Midwest agreed to exclude this expense from rates at this time. Similarly, while Midwest does not believe it is required to issue revised customer notices, during the discussions leading to the settlement, Midwest agreed to do so.

He opined that Commission approval of the Final Settlement Agreement is in the overall public interest. He said the Final Settlement Agreement addresses the concerns of the OUCC through compromise, yet provides Midwest with sufficient revenues to reliably operate the utility. He stated that the Final Settlement Agreement is supported by and within the scope of the evidence presented by the parties. The Final Settlement Agreement represents the result of extensive, good faith, arm's length negotiations of the conceptual framework and details of the Final Settlement Agreement. Experts were involved with legal counsel, and substantial time was devoted to settlement discussions. Taken as a whole, he opined that the Final Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause.

Ms. Mann presented attachments concerning the rate derivation, revenue proof, and the residential bill impact reflecting the terms of the Final Settlement Agreement. The residential bill

impact provided information about the difference between Petitioner's current rate and its proposed rate, as modified by the Final Settlement Agreement, by dollar amount and percentage for a residential customer using 5, 10, 15, 20, and 25 Dth in a monthly billing period. She testified that she reviewed the settlement schedules included with the OUCC's settlement testimony as Attachment HRP-1 and incorporated in the Final Settlement Agreement and that there were no apparent discrepancies in the settlement schedules.

Ms. Poole of the OUCC testified that the Final Settlement Agreement resolves all issues between the parties in this Cause and discussed the various sections of the Final Settlement Agreement. She attached to her settlement testimony a set of revenue requirement schedules reflecting the terms of the Final Settlement Agreement as Attachment HRP-1. She explained that the parties agreed that certain pro forma revenues and expenses should remain as filed in Midwest's case-in-chief.

Ms. Poole confirmed that Midwest proposed an increase to revenues of \$1,989,993 for a percentage increase of 9.08%, including gas costs.³ This produces a net operating income of \$1,825,793. She stated that the parties agreed that Midwest's base rates will be designed to produce a \$1,816,020 return on rate base. The revenue requirement represents a \$1,847,190 increase in revenue, which is a \$142,803 decrease from the amount originally requested by Midwest in its case-in-chief. She discussed the agreed-to rate base, cost of equity, capital structure, proforma revenue and expenses, EADIT, amortization of expenses, depreciation rates, rate design, and tariffs.

Ms. Poole testified that the OUCC considers the Final Settlement Agreement to be reasonable and in the public interest and recommends that the Commission approve it. She said the parties each made material concessions, and the resulting agreement includes a residential customer rate that lessens the rate increase impact and prevents rate shock to captive residential customers. She noted that the Final Settlement Agreement, considered in its entirety, serves the public interest and the ratepayers of Midwest by guaranteeing ratepayer savings of \$142,803 annually as opposed to Petitioner's case as originally filed.

5. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406.

In addition, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can

³ This is an update to the 1.811% that was included in Ms. Mann's case-in-chief testimony.

approve any settlement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the settlement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

As discussed above, the Partial Settlement Agreement indicates an agreement on ROE, cost of service, and one tariff service charge. David Osmon described the benefits of the Partial Settlement Agreement, including reducing both the need for Midwest and the OUCC to litigate these issues and a cost of service expert and cost of service study. The OUCC did not specifically testify regarding the Partial Settlement Agreement, but was a signatory to the agreement and supported the later Final Settlement Agreement which referenced the Partial Settlement Agreement.

The Final Settlement Agreement resolved all remaining contested issues between the parties, as discussed above. Attachment HRP-1, which was incorporated by reference in the Final Settlement Agreement, is the revenue requirement schedules reflecting the terms of the Agreement. The schedules indicate that Midwest’s base rates will be designed to produce a \$1,816,020 return on rate base. The revenue requirement represents a \$1,847,190 increase in revenue and total original cost rate base is \$22,282,455. The following table details the calculation for the settled upon total cost rate base:

Original Cost Rate Base

Utility Plant in Service as of December 31, 2022	\$51,639,129
Less: Customer Advances and others	(\$2,545,096)
Less: Accumulated Depreciation as of December 31, 2022	(\$28,923,631)
Net Utility Plant in Service	\$20,170,402
Add: Working Capital and Materials & Supplies	\$2,112,053
Total Original Cost Rate Base	\$22,282,455

The following table details the settled upon capital structure as of December 31, 2022:

Description	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	\$17,054,509	71.84%	10.10%	7.26%
Long Term Debt	\$4,252,663	17.91%	4.75%	0.85%
Customer Deposits	\$162,055	0.68%	6.00%	0.04%
Deferred Income Taxes	\$1,773,659	7.47%	0.00%	0.00%
EADIT Net of Amortization	\$496,714	2.09%	0.00%	0.00%
Total Capital	\$23,739,600	100.00%		8.15%

The following table details the settled upon revenue requirement and revenue increase:

Revenue Requirement	Amount
Total Original Cost Rate Base	\$22,282,455
Rate of Return	8.15%
Authorized Net Operating Income	\$1,816,020
Net Operating Income at Pro-Forma Present Rates	\$439,961
Increase in Revenues Required	\$1,376,059
Gross Revenue Conversion Factor	134.2377%
Increase in Revenue Requirement (Based on Net Original Cost Rate Base)	\$1,847,190

Both David Osmon and Ms. Poole testified that the Final Settlement Agreement was the result of arm's length discussions and opined that the Final Settlement Agreement was in the public interest.

The Partial and Final Settlement Agreements, both of which are incorporated by reference into the Final Settlement Agreement, resolve all contested issues between the parties in this case. Based on our review of the evidence of record as described above, we believe the Partial and Final Settlement Agreements are supported by substantial evidence and represent a reasonable compromise on the issues in this Cause and illustrate give and take among the parties. We find that the Partial and Final Settlement Agreements are reasonable and in the public interest and are therefore approved.

The parties agree that the Partial and Final Settlement Agreements should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce their terms. With regard to future citation of the Partial and Final Settlement Agreements, we find that these agreements and our approval thereof should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

6. Residential Bill Impact. Petitioner provided a corrected attachment, Petitioner's Exhibit 5, at the settlement hearing to supplement Ms. Mann's settlement testimony, Attachment BJM-2S. Petitioner's Exhibit 5 indicates that the bill of a residential customer using 100 therms per month will be \$103.03, which is 10.39% greater than the current monthly bill of such a customer, which is \$93.33.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Partial and Final Settlement Agreements are approved and incorporated by reference in this order.

2. Petitioner is authorized to increase its operating revenues exclusive of the cost of gas by \$1,847,190 and is authorized to earn a net operating income of \$1,816,020 on a rate base of \$22,282,455.

3. Petitioner shall file a revised tariff if new rates have not gone into effect at the end of the five-year amortization period to remove the following expenses from Petitioner's base rates: rate case expense, deferred TDSIC revenue requirement, deferred TDSIC depreciation, deferred TDSIC property tax, and unrecovered penalties (COVID).

4. Petitioner shall file a revised tariff consistent with our findings above with the Energy Division of the Commission under this Cause. The rates and charges and terms and conditions set forth therein shall be effective for service rendered on and after the date of approval by the Energy Division.

5. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, AND VELETA CONCUR; ZIEGNER ABSENT:

APPROVED: JAN 10 2024

**I hereby certify that the above is a true
and correct copy of the Order as approved**

**Dana Kosco
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

STIPULATION AND PARTIAL SETTLEMENT AGREEMENT
ON COST OF EQUITY CAPITAL, COST OF SERVICE,
AND RESIDENTIAL SERVICE CHARGE

This Stipulation and Settlement Agreement (Partial Settlement Agreement) is entered into by Midwest Natural Gas Corporation (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”). The OUCC and Petitioner collectively are referred to in this Partial Settlement Agreement as “the Parties”. The Parties have discussed the appropriateness of settling the cost of equity capital and on the basis of compromise, agree 10.10% is an appropriate cost of equity capital for this Petitioner in this Cause. The Parties recognize a 10.10% cost of equity is consistent with prior Orders from the Indiana Regulatory Commission (“Commission”) in other small gas utility base rate cases, including the Commission’s Order in Petitioner’s last litigated case, Cause No. 44880, p. 13, issued on August 16, 2017.

The Parties have also discussed the appropriateness of settling issues related to the cost of service and the resulting rate design. The Parties agree Petitioner prepared a cost-of-service study in its prior base rate case, Cause No. 44880, Order dated August 16, 2017, page 3, 13-14. Issues surrounding such cost-of-service study and resulting rate design were fully litigated in that Cause. The Commission’s Order, p. 14, approved the cost-of-service study and rate design as proposed by Petitioner. The Parties believe no material changes have occurred within Petitioner’s customer classes since the Order in Cause No. 44880 that would require a new cost-of-service study. Therefore, the Parties agree any increase in Petitioner’s revenue requirement established in this

Cause be allocated across the board to all rate classes such that the total revenues of each rate class are increased by the same percentage.

The Parties further agree Tariff A's monthly service charge will be increased to \$15.00.

The Parties agree Petitioner will prepare a revenue proof that will use the updated customer numbers from Petitioner's case-in-chief filing.

The Parties acknowledge that each will provide the Commission with testimony from their respective witnesses in support of this Partial Settlement Agreement. The Parties anticipate continuing to engage in settlement negotiations related to other issues in this Cause and will advise the Commission if additional issues are settled.

The Parties also acknowledge this Partial Settlement Agreement is conditioned upon and subject to the Commission's acceptance and use of the terms of this Partial Settlement Agreement in this Cause and in the Commission's Final Order. To the extent the Commission does not accept this Partial Settlement Agreement, or does not use the terms of this Partial Settlement Agreement in its Final Order, the Parties reserve their right to seek additional proceedings and offer additional testimony in this Cause related to these issues.

Finally, the Parties recognize this Partial Settlement Agreement is reached for purposes of this Cause only. The Parties acknowledge that neither will cite this Partial Settlement Agreement as precedent before the Commission in any other Cause beyond this proceeding. The undersigned attorneys represent that they are fully authorized to execute this Partial Settlement Agreement on behalf of their designated Party.

ACCEPTED and AGREED this 17th day of May, 2023

Midwest Natural Gas Corporation



By:
Jeffrey M. Peabody.
Attorney for
Midwest Natural Gas Corporation

Indiana Office of Utility Consumer Counselor



By:
Matthew Kappus
Counsel of Record

DMS 26290995

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF MIDWEST NATURAL GAS)
CORPORATION FOR AUTHORITY TO) CAUSE NO.: 45888
CHANGE ITS RATES, CHARGES, TARIFFS,)
RULES, AND REGULATIONS)**

STIPULATION AND SETTLEMENT AGREEMENT

Midwest Natural Gas Corporation. (“Petitioner” or “Midwest”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), (collectively the “Settling Parties”), solely for purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”) without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

- A. Requested Relief - The Settling Parties agree that Midwest’s proposal as set forth in its case-in-chief, including the Partial Settlement (included as Attachment DAO-3 to the Direct Testimony of David A. Osmon), shall be approved except as modified herein.

- B. Capital Structure – The Settling Parties agree to Midwest’s proposed capital structure, reflecting an overall weighted average cost of capital of 8.15%.

- C. Rate Base – The Settling Parties agree to an adjustment to rate base of (\$116,741) to remove automotive equipment from utility plant in service. The Settling Parties agree the working capital amount should be \$750,519 due to changes in operation and maintenance expense. The resulting overall rate base as agreed to by the Settling Parties is \$22,282,455.
- D. Revenue Requirement – The Settling Parties agree to a recommended revenue increase of \$1,847,190, or 8.39% (including gas cost) as set forth in Table 1 below:

Table 1 - Agreed Revenue Requirement

Description	Petitioner’s Case-in Chief	Final Settlement	Difference
Original Cost Rate Base	\$22,042,413	\$22,282,455	(\$119,958)
Times: Weighted Cost of Capital	8.15%	8.15%	0%
Net Operating Income Required	\$1,825,793	\$1,816,020	(\$9,773)
Less: Adjusted Net Operating Income	\$342,890	\$439,961	\$97,071
Net Revenue Increase Required	\$1,482,907	\$1,376,059	(\$106,848)
Gross Revenue Conversion Factor	134.1965%	134.2377%	0.04%
Recommended Revenue Increase	\$1,989,993	\$1,847,190	(\$142,803)
Percentage Increase (Net of Gas Cost)	24.22%	22.21%	-2.01%
Percentage Increase (Including Gas Cost)	9.08%	8.39%	-0.69%

Additional detail regarding the derivation of the agreed revenue requirement is provided in the settlement schedules, included with the Settlement Testimony as Attachment HRP-1, a copy of which is attached hereto and incorporated herein, by reference.

- E. Excess Accumulated Deferred Income Taxes (“EADIT”) – Petitioner did not make an adjustment to its base rates to reflect the refund of EADIT required by the Tax Cuts and Jobs Act of 2017. The Settling Parties agree that the refund of EADIT to customers will be addressed through a separate tariff rider, the “Tax Cuts and Jobs Act of 2017 Temporary Adjustment Mechanism”, rather than through an

adjustment to base rates. The total amount to be refunded to customers each year is \$35,076, which is the \$2,923 in monthly amortization required as part of Cause No. 45032 S11. A copy of the new tariff sheet will be included in Petitioner's red-lined and clean tariff filed with the Commission.

- F. Amortization Expense – The Settling Parties agree Petitioner should file a revised tariff if new rates have not gone into effect at the end of the 5-year amortization period to remove the following expenses from the cost of service used to establish Petitioner's base rates in this proceeding: (1) rate case expense; (2) deferred TDSIC revenue requirement; (3) deferred TDSIC depreciation; (4) deferred TDSIC property tax; and (5) unrecovered penalties (COVID). Should Petitioner seek Commission approval of new base rates and charges to be effective prior to the expiration of the 5-year amortization period, Petitioner may include recovery of any remaining unamortized expense for the above items as part of that proceeding.
- G. Depreciation Rates – The Settling Parties agree to a 2.50% composite depreciation rate. The Settling Parties further agree to a 20-year depreciation life for new ITRON endpoints, reflecting a depreciation rate for ITRON endpoints of 5.0%. In the event ITRON endpoints are not available for purchase to satisfy needed installations due to significant supply chain delays or other unforeseen material circumstances, and Petitioner purchases, installs, and places in service endpoints of a different manufacturer (“Alternative Endpoints”), such Alternative Endpoints may be depreciated at the ITRON endpoint depreciation rate of 5.0%, and the depreciation rate for such Alternative Endpoints will be subject to adjustment in Petitioner's next base rate case.

H. Customer Service Charges – The customer service charges shall be approved as set forth in the Partial Settlement and Petitioner’s case-in-chief, as follows:

1. Tariff A: \$15.00/month
2. Tariff B: \$30.00/month
3. Tariff C: \$180.00/month
4. Tariff E: \$550.00/month

I. Allocation of Rate Increase – The Settling Parties agree Attachment BJM-2, Schedule A will be updated to allocate the increase in revenue requirement across the board to all rate classes such that the total revenues of each rate class are increased by the same percentage. (In the original Attachment BJM-2, Schedule A filed with Midwest’s case-in-chief, each rate class has a different percentage increase. The increase to each customer class should be the same percentage to match the Partial Settlement Agreement.)

J. Tariff Changes – Petitioner will provide the OUCC and Commission with a final revenue proof and updated, redlined tariff that includes all tariff changes approved in the Commission’s final order. The Settling Parties agree to the following tariff changes:

1. The removal of the Energy Efficiency Rider.
2. As discussed in Section I.E above, the Tax Cuts and Jobs Act of 2017 Temporary Adjustment Mechanism tariff sheet will be used to refund the EADIT of \$35,076 to customers instead of being removed.
3. The Non-Sufficient Funds Charge language on Sheet No. 8 will be changed to \$31.
4. The General Terms and Conditions under Curtailment and Interruption, Part C.2. on Sheet No. 10 will reference therms to be consistent with all other language changes in the tariff.
5. Tariff A Availability language on Sheet No. 20 will reference all customers with meter sizes of less than 750.
6. Tariff B Availability language on Sheet No. 22 will reference meter sizes of 750 or greater.
7. Tariff E Availability language on Sheet No. 29 will reference therms to be consistent with all other language changes in the tariff.

8. Tariff STS Rate language on Sheet No. 33 will reference meter sizes of 750 or less.
9. The Rate Tracking Factor Adjustment on Sheet No. 51 will be converted to an amount per therms to be consistent with all other language changes in the tariff.
10. The Base Rate Cost of Gas on Sheet No. 52 will be converted to an amount per therm to be consistent with all other language changes in the tariff.
11. The Normal Temperature Adjustment on Sheet No. 60, pages 2 and 3 will be updated with new information for the new 30-year normal degree days.

K. Tariff E Language – The Settling Parties agree Petitioner’s current transportation tariff does not preclude customers from moving to a GCA tariff and switching back to a transportation tariff within one month. This causes under-or over-collections from the transportation customers that switch to a normal GCA tariff rate during the year and then switch back to a transportation tariff that are not being charged to those specific customers once they switch back to the transportation tariff. The Settling Parties agree the following language will be added to the transportation tariff to help alleviate the possibility of leaving GCA customers with large variances when these customers switch back to the transportation tariff:

Where more than one rate schedule (or tariff) is available for the class of service requested, the Transportation Customer shall designate the desired rate schedule from those available for the class of service. A Transportation Customer may change to another applicable tariff rate at any time thereafter by giving written notice to the Utility, provided each successive change shall continue for not less than a fifteen-month period.

A Transportation Customer that has changed to a Sales Service Tariff may change back from the Sales Service Tariff to the Transportation Tariff before the fifteen-month period has been completed if the Customer assumes the liability for its share of all remaining under collections of gas cost resulting from its purchase, consumption, or use while on the Sales Service Tariff.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement.

2. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement to consider the input of the other Settling Party. Such evidence, together with the evidence previously prefiled in this Cause, will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or approves it with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear this with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

3. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

4. The Parties acknowledge a significant motivation for Petitioner to enter into this Settlement is the expectation that a final order will be issued promptly by the Commission authorizing increases in its rates and charges as reflected by this Settlement and the accepted positions of the Parties as reflected by the evidence in this Cause. The Parties have spent significant time and effort to resolve the issues raised in this case.

5. The Parties believe the Parties' direct testimony and exhibits and the Parties' settlement testimony and exhibits, along with this Settlement, constitute substantial evidence

sufficient to support this Settlement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this Settlement.

III. SETTLEMENT EFFECT, SCOPE, AND APPROVAL

1. The Parties acknowledge and agree as follows:
 - a) The Settlement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without change or condition that is unacceptable to either Petitioner or the OUCC. Each term of the Settlement is in consideration and support of each and every other term.
 - b) The Settlement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement is not accepted by the Commission. The Parties hereto shall not use this Stipulation or the Order provided by this Stipulation as precedent or offer the same as an admission in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms. In the event this Stipulation or resulting Order is offered for any purpose prohibited by this Agreement, the Parties agree that objections by the non-offering party are proper.
 - c) The communications and discussions among the Parties, along with the materials produced and exchanged during the negotiation of this Settlement, relate to offers of settlement and compromise, and as such, all are privileged and confidential. Such

material cannot be used in this or any other proceeding without the agreement of the Parties herein.

- d) The undersigned represent and agree that they are fully authorized to execute this Settlement on behalf of their designated clients who will thereafter be bound by this Settlement.
- e) The Parties hereto will either support, or not oppose on rehearing, reconsideration, and/or appeal, an IURC order accepting and approving this Settlement in accordance with its terms.

ACCEPTED and AGREED this 29th day of September, 2023

Midwest Natural Gas Corporation



By: _____
Lauren Aguilar,
Counsel of Record

Indiana Office of Utility Consumer Counselor



By: _____
Counsel of Record