

FILED
July 10, 2024
**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 ITS RATES)
AND CHARGES FOR GAS UTILITY SERVICE, (2))
APPROVAL OF NEW SCHEDULES OF RATES)
AND CHARGES, (3) APPROVAL OF DECOUPLING)
THROUGH A NEW SALES RECONCILIATION)
COMPONENT RIDER, AND (4) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF AND OTHER REQUESTS.)**

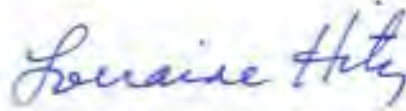
CAUSE NO. 46011

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

**PUBLIC'S EXHIBIT NO. 10-S –SETTLEMENT TESTIMONY OF OUCC WITNESS
HEATHER R. POOLE**

July 10, 2024

Respectfully submitted,



Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

**OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC.
CAUSE NO. 46011
SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE**

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 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as
6 the Director of the Natural Gas Division. I have worked as a member of the OUCC’s
7 Natural Gas Division since December 2010. For a summary of my educational and
8 professional experience, as well as my preparation for this case, please see
9 Appendix HRP-1 attached to my testimony.

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

11 A: My settlement testimony supports the Stipulation and Settlement Agreement
12 (“Agreement”) between the Parties in this Cause: Ohio Valley Gas Corporation and
13 Ohio Valley Gas, Inc. (collectively “OVG” or “Joint Petitioners”), and the OUCC,
14 (collectively, the “Settling Parties”). The Agreement resolves all issues between the
15 Settling Parties in this Cause. I discuss the pertinent matters agreed to in the
16 Agreement, such as original cost rate base, capital structure, pro forma operating
17 revenues, and pro forma expense adjustments. I discuss terms of the Agreement
18 related to OVG’s proposed Sales Reconciliation Adjustment. I also discuss
19 customer service charges and rate design.

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

3 A: Yes. The Agreement represents a compromise reached in the settlement negotiation
4 process, with give and take by the Settling Parties. The Settling Parties devoted
5 considerable time and effort to fairly balance OVG's interests and those of OVG's
6 customers.

II. AFFORDABILITY

7 **Q: What does Ind. Code § 8-1-2-0.5 state about affordability?**

8 A: The statute declares that affordability should be protected when utilities invest in
9 infrastructure necessary for system operation and maintenance.

10 **Q: Does the Agreement address affordability?**

11 A: Yes. The Agreement reduces OVG's requested revenue increase through rate
12 design and in additional ways as discussed below, thereby further protecting
13 affordability.

14 **Q: How much has OVG's rate request been reduced because of the Agreement?**

15 A: OVG originally proposed an increase to revenues of \$12,062,051, for a percentage
16 increase of 29.24% including gas costs. This produces a net operating income of
17 \$6,429,245. The OUCC recommended reducing the revenue increase to
18 \$10,124,289, for a percentage increase of 24.45% including gas costs. This
19 produces a net operating income of \$5,279,780.

20 The Settling Parties agree that OVG's base rates will be designed to produce
21 a \$5,862,415 return on rate base, which results in total revenue of \$34,335,621. The
22 agreed revenue requirement represents a \$11,059,420 increase in revenue, which is

1 a \$1,002,631 decrease from the amount originally requested by OVG in its case-in-
2 chief.

III. RATE BASE

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

4 A: The Settling Parties agree to an original cost rate base of \$68,078,161. This reflects
5 OVG's forecasted rate base proposed in its case-in-chief, adjusted for an update to
6 working capital.

IV. COST OF EQUITY AND CAPITAL STRUCTURE

7 **Q: What cost of equity did OVG and the OUCC propose in this Cause?**

8 A: OVG proposed an 11.00% cost of equity, while the OUCC's case-in-chief
9 recommended a 9.00% cost of equity.

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

11 A: The Settling Parties agree to a 10.00% cost of equity. The OUCC considers this a
12 fair and reasonable result when combined with other considerations and
13 compromises made in this Agreement.

14 **Q: What other components of the capital structure have the Settling Parties
15 agreed to?**

16 A: The Settling Parties agree on all other portions of OVG's capital structure as
17 proposed in its case-in-chief, as adjusted to the actual capital structure for purposes
18 of each phase of implementation.

19 **Q: What did the Settling Parties agree to on customer deposits?**

20 A: The Settling Parties agree OVG will update its customer deposit amount in the
21 general ledger for the link year and test year to the correct amounts and include the

1 correct amounts in its Step 1 and Step 2 compliance filings.

2 **Q: What Weighted Average Cost of Capital (“WACC”) have the Settling Parties**
3 **agreed to?**

4 A: The Settling Parties agreed to a WACC of 8.6079%.

5 **Q: What fair return results from the Agreement when the WACC is applied to**
6 **Joint Petitioners’ rate base?**

7 A: The Settling Parties stipulate and agree the WACC resulting from Joint Petitioners’
8 capital structure multiplied by Joint Petitioners’ net original cost rate base yields a
9 fair return of no more than \$5,862,415.

V. PRO FORMA REVENUES

10 **Q: What revenue adjustments do the Settling Parties agree to in this Cause?**

11 A: The Settling Parties agree OVG’s pro forma revenues should be the same as
12 reflected in OVG’s case-in-chief. OVG shall not be required to revise its tariff to
13 pass credit card fees on to customers; however, the OUCC does not waive its ability
14 in future cases to contend that any such fees not passed on should be imputed to
15 OVG’s revenues.

VI. PRO FORMA EXPENSES

16 **Q: What Distribution expense adjustments do the Settling Parties agree to in this**
17 **Cause?**

18 A: The Settling Parties agree OVG’s pro forma Distribution expenses should be
19 decreased by \$64,140.

20 **Q: What Operation and Maintenance (“O&M”) expense adjustments do the**
21 **Settling Parties agree to in this Cause?**

22 A: The Settling Parties agree OVG’s pro forma O&M expenses should be decreased
23 by \$322,964, as follows:

- 1 • Lobbying Fees - reduction of \$668;
- 2 • Executive Other Expenses – reduction of \$2,277;
- 3 • Advertising Expense – reduction of \$12,247;
- 4 • Meals Expense – reduction of \$32,860;
- 5 • Miscellaneous Expense – reduction of \$23,036;
- 6 • Non-recurring Expense – reduction of \$33,721;
- 7 • Outside Service Expense – reduction of \$118,155; and
- 8 • Other Expense - reduction of \$100,000.

9 **Q: What do the Settling Parties agree to on corporate policies?**

10 A: The Settling Parties agree OVG will develop a written policy regarding travel
11 expenses, meal expenses, and credit card usage and submit them to the Indiana
12 Utility Regulatory Commission (“Commission”) and the OUCC within 90 days of
13 this Cause’s Final Order.

14 **Q: What inflation adjustment do the Settling Parties agree to in this Cause?**

15 A: The Settling Parties agree to use the OUCC’s methodology of calculating inflation
16 on the adjustments for Distribution and O&M expenses above. This results in a
17 decrease of \$3,050 for Distribution expenses and \$15,357 for O&M expenses.

18 **Q: What Depreciation expense adjustment do the Settling Parties agree to in this**
19 **Cause?**

20 A: The Settling Parties agree to OVG’s depreciation expense adjustment as proposed
21 in its case-in-chief.

22 **Q: What Amortization expense adjustment do the Settling Parties agree to in this**
23 **Cause?**

24 A: The Settling Parties agree to a total Regulatory Asset of \$1,302,347, comprised of
25 \$569,535 in TDSIC costs and \$732,812 in Rate Case Expense. The Settling Parties

1 agree to a 4-year amortization period at a rate of \$325,587 annually. At the end of
2 the 4-year amortization period, OVG shall file a new tariff to remove the
3 amortization expense agreed to herein. If OVG files a rate case such that new rates
4 would go into effect before the expiration of the 4-year amortization period, the
5 Settling Parties agree the unamortized amount shall be recovered in that general
6 rate case.

7 **Q: What Taxes Other Than Income Tax adjustment do the Settling Parties agree**
8 **to in this Cause?**

9 A: The Settling Parties agree to OVG's Taxes Other Than Income Tax amounts as
10 proposed in its case-in-chief.

11 **Q: What income tax adjustments do the Settling Parties agree to in this Cause?**

12 A: The Settling Parties agree the income tax adjustments are flow-through adjustments
13 that have been adjusted for the items above.

VII. REGULATORY MECHANISMS

14 **Q: What do the Settling Parties agree to on OVG's proposed Sales Reconciliation**
15 **Adjustment?**

16 A: The Settling Parties agree OVG's proposed Sales Reconciliation Adjustment is
17 withdrawn from this case.

VIII. IMPLEMENTATION AND RATE BASE UPDATE MECHANISM

18 **Q: How will the new rates be implemented?**

19 A: The Settling Parties agree the rate change will be implemented on a services-
20 rendered basis after OVG's new tariff has been approved by the Commission's
21 Energy Division.

1 **Q: What rate base update mechanism do the Settling Parties agree to?**

2 A: The Settling Parties agree OVG should be authorized to modify its base rates and
3 charges in two steps as described below.

4 Step 1 Rates will be based on the agreed revenue requirement as adjusted to
5 reflect the actual original cost of OVG's rate base and actual capital structure as of
6 the beginning of the test year. Following the issuance of a Final Order in this Cause,
7 Phase 1 rates will go into effect on an interim subject to refund basis, pending a 60-
8 day review process for all parties to review and present any objections. If needed
9 to resolve any objections, the Commission will conduct a hearing and rates will be
10 trued up, retroactive to the date such rates were put into place.

11 Step 2 Rates will be based on the agreed revenue requirement as of September
12 30, 2025, as adjusted to reflect the actual original cost of OVG's rate base and actual
13 capital structure as of September 30, 2025. In OVG's Step 2 rate update filing, the
14 Settling Parties agreed the utility plant in service ("UPIS") portion of rate base will
15 be the lesser of (i) OVG's forecasted additions to test-year-end Total Utility Plant,
16 or (ii) OVG's actual additions to Total Utility Plant as of September 30, 2025. Step
17 2 rates will take effect on a services-rendered basis after the new tariffs have been
18 approved by the Commission's Energy Division, on an interim subject to refund
19 basis, pending a 60-day review process for the parties to review and present any
20 objections. If needed to resolve any objections, the Commission will conduct a
21 hearing and rates will be trued up, retroactive to the date such rates were put into
22 place.

1 To the extent the actual revenue requirement resulting from either Step 1 or
2 Step 2 is different from \$34,335,621 as provided in the affordability section above,
3 the difference shall be reflected by changing the rates in an across-the-board
4 fashion.

5 The Settling Parties agree the forecasted additions to Utility Plant in Service
6 serve as a cap in calculating the actual rate base that is ultimately submitted as part
7 of OVG's Step 2 Compliance Filing. However, the forecasted additions to Utility
8 Plant in Service are only a cap for purposes of this proceeding (not a cap for
9 purposes of a future general rate case or for purposes of OVG's capital trackers).

IX. RATE DESIGN

10 **Q: What rate design have the Settling Parties agreed upon?**

11 A: The Settling Parties agree to monthly customer charges for all current rate classes
12 be set at the pre-utility receipts tax repeal rates. The Settling Parties agree to a
13 monthly customer charge for Pipeline Direct customers in rate classes T19, T49
14 and T99 of \$1,199.83.

15 **Q: What cost of service issues have the Settling Parties agreed upon?**

16 A: The Settling Parties agree OVG will update its cost-of-service study to account for
17 the actual calculations attributed to Rate 9T in its Step 1 compliance filing. The
18 Settling Parties agree no changes will be made to OVG's proposed Transmission
19 Allocation or Zero-Intercept Mains study presented in its case-in-chief.

X. TARIFF CHANGES

1 **Q: What tariff changes do the Settling Parties agree upon?**

2 A: OVG will record annually the number of times customers disconnect and reconnect
3 at the same location, the tariff rate for each such customer, and the length of each
4 disconnection. The Settling Parties agree OVG will include this information in its
5 next general rate case. The other recommendations made by OUCC witness Jared
6 Hoff with regard to Notice of Cancellation of Rate 9T customers, evaluation of
7 Yard Lines, development of criteria for changing the Budget (Level) Plan, and
8 proration for Rate 4S are withdrawn.

XI. PUBLIC INTEREST

9 **Q: Is the Agreement in the public interest?**

10 A: Yes. The Settling Parties each made material concessions when they entered into
11 the proposed Agreement. The resulting Agreement includes customer service
12 charges that lessen the rate increase impact and prevents rate shock to OVG's
13 captive customers. The terms of the Agreement demonstrate the give and take of
14 settlement negotiations in resolving multiple contested issues in a manner
15 acceptable to the Settling Parties. The Agreement also reduces the risk and expense
16 of litigation of multiple issues. The Agreement, considered in its entirety, serves
17 the public interest and the ratepayers of OVG by guaranteeing ratepayer savings of
18 approximately \$1.0 million annually compared to Joint Petitioners' case as initially
19 filed. The Agreement promotes judicial and administrative efficiency. Therefore,
20 the OUCC considers the Agreement to be both reasonable and in the public interest.

1 **Q: Does the Agreement protect affordability?**

2 A: Yes. The Agreement reflects a reasonable compromise and addresses affordability
3 by reducing the rate increase impact, preventing rate shock to customers, and
4 keeping monthly customer charges to pre-utility receipts tax repeal levels. The
5 Agreement also includes other miscellaneous provisions addressing affordability as
6 discussed in my testimony.

XII. CONCLUSION

7 **Q: Does the OUCC recommend approval of the Agreement?**

8 A: Yes. The Settling Parties' testimony and exhibits provide evidence to support the
9 Agreement, and the OUCC recommends the Commission approve the Agreement.

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

11 A: Yes.

APPENDIX TO TESTIMONY OF
OUCW 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, Indiana
3 with a Bachelor of Science Degree in Accounting in May 2001, and a Master of
4 Science Degree in Accounting in May 2002. From September 2002 through
5 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 Commission
13 for natural gas companies within the State of Indiana. I also prepared rate case
14 exhibits and schedules filed with the Commission on behalf of various gas utility
15 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 February
18 2017, I was promoted to Assistant Director of the Natural Gas Division. In
19 December 2021, I was promoted to Director of the Natural Gas Division. My
20 current responsibilities include reviewing and analyzing rate cases filed by Indiana
21 natural gas, electric and water utilities with the Commission. I also review GCAs,

1 special contracts, tariff, financing, certificate of public necessity, pipeline safety
2 adjustment, gas demand side management, alternative regulatory plan, Federal
3 Mandated Cost Adjustment Tracker, and Transmission, Distribution and Storage
4 System Improvement Charge (“TDSIC”) Plan and Tracker cases for natural gas
5 utilities.

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

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

13 A: Yes. I have testified in GCAs, rate cases, TDSIC Plan and tracker cases; tariff; gas
14 demand side management; decoupling; and special contract cases involving gas and
15 water utilities. I also provided extensive testimony in the Commission’s
16 investigation into the existing GCA procedures and schedules.

17 **Q: What review and analysis have you conducted to prepare your testimony?**

18 A: I reviewed the petition, Joint Petitioners’ testimony, exhibits, and supporting
19 documentation submitted in this Cause, as well as the final order in Cause No.
20 44891. I analyzed Joint Petitioners’ responses to discovery requests from the
21 OUCC. I participated in a pre-filing meeting with Joint Petitioners’ representatives
22 to discuss this case and participated in numerous subsequent meetings with Joint

1 Petitioners to discuss various aspects of this case. I also participated in all
2 settlement meetings, discussions, and negotiations with Joint Petitioners.

AFFIRMATION

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

Heather R. Poole

Heather R. Poole
Director-Natural Gas Division
Indiana Office of
Utility Consumer Counselor
Cause No. 46011
Ohio Valley Gas Corp., Inc.

07/10/2024

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic service on July 10, 2024.

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