

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF BOONVILLE NATURAL GAS )  
CORPORATION FOR AUTHORITY TO CHANGE )  
ITS RATES, CHARGES, TARIFFS, RULES, AND )  
REGULATIONS )**

**CAUSE NO.: 45215**

**FILED**  
September 16, 2019  
INDIANA UTILITY  
REGULATORY COMMISSION

**SETTLEMENT TESTIMONY**

**OF**

**EARL L. RIDLEN III**

**ON BEHALF OF**

**BOONVILLE NATURAL GAS CORPORATION**

**SETTLEMENT TESTIMONY OF EARL L. RIDLEN  
ON BEHALF OF  
BOONVILLE NATURAL GAS CORPORATION**

1 Q1. **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. My name is Earl L. Ridlen, LWG CPAs and Advisors, 1776 N. Meridian, Suite 500,  
3 Indianapolis, Indiana 46202.

4 Q2. **HAVE YOU PREVIOUSLY OFFERED TESTIMONY IN THIS CAUSE?**

5 A2. Yes I have on behalf of Boonville Natural Gas Corporation, the Petitioner in this Cause.

6 Q3. **WHAT IS THE PURPOSE OF YOUR TESTIMONY HERE?**

7 A3. The Petitioner and the Office of Utility Consumer Counselor (OUCC) have reached a  
8 Settlement on the accounting issues raised in this rate case. A Settlement Agreement was  
9 previously filed by Petitioner's counsel in this Cause. My testimony is designed to provide  
10 the resulting revenue requirement for this Petitioner in light of the Settlement Agreement.

11 Q4. **WHAT IS PETITIONER'S REVENUE REQUIREMENT?**

12 A4. I believe that the Petitioner needs to increase its existing base rate revenue by \$134,712.  
13 As reflected in the attached schedules ELR-1S, such increase in revenues would permit the  
14 Petitioner the opportunity to earn a net operating income of \$460,604.

15 Q5. **MR. RIDLEN DID YOU PREPARE EXHIBIT ELR-1S?**

16 A5. I reviewed Exhibit ELR-1S. It was actually prepared by staff accountants and my colleague  
17 Bonnie Mann.

18 Q6. **IS EXHIBIT ELR-1S SIMILAR TO THE SCHEDULES PREVIOUSLY FILED IN**  
19 **THIS CAUSE?**

1 A6. Yes. The format of Exhibit ELR-1S is the same as the original accounting schedules which  
2 were attached to Ms. Mann’s direct testimony as Exhibit BJM-1 and the rebuttal schedules,  
3 Exhibit BJM-1R. The difference between the schedules attached here, and the schedules  
4 previously filed on behalf of Petitioner is that settlement of all accounting issues has now  
5 occurred and Exhibit ELR-1S numerically reflects the agreement of the Parties.

6 Q7. **MR. RIDLEN ARE THERE REMAINING ISSUES RELATED TO THE ENERGY**  
7 **EFFICIENCY PROGRAM, INCLUDING THE SRC, EEFC, AND**  
8 **ADMINISTRATIVE COSTS ASSOCIATED WITH THE ENERGY EFFICIENCY**  
9 **PROGRAM?**

10 A7. Yes there are, but the only remaining issues related to the Energy Efficiency Program  
11 include: what amounts, if any, are required to be refunded or recovered under the SRC;  
12 what amounts should be returned to ratepayers under the EEFC; what period of time any  
13 dollars will be refunded or collected pursuant to the SRC or EEFC; and what additional  
14 steps are necessary such as related to Petitioners Appendix F to wind up the Energy  
15 Efficiency Program. However, the Parties have agreed to work collaboratively; to reach  
16 out to the other small gas utilities that participated as joint Petitioners in Cause No. 43995  
17 when the Energy Efficiency Program was established and attempt to reach a global  
18 settlement for all of the small gas utilities and the OUCC related to the Energy Efficiency  
19 Program. The Parties have also agreed to a timeline for this collaboration. To the extent  
20 that the discussions that are to be held do not result in a resolution of the issues raised by  
21 the OUCC in this rate case; then either the OUCC or this Petitioner can request a sub docket  
22 under Cause No. 43995.

1 Q8. **WERE SOME OF THE ISSUES RELATED TO THE SRC AND EEFC RESOLVED**  
2 **IN THE SETTLEMENT AGREEMENT?**

3 A8. Yes. The Parties agreed not to include the SRC or EEFC calculated dollars as part of  
4 Petitioner's capital structure.

5 Q9. **DO YOU BELIEVE THE SETTLEMENT AGREEMENT AND THE RESULTING**  
6 **REVENUE REQUIREMENT AS REFLECTED IN YOUR EXHIBIT ELR-1S ARE**  
7 **REASONABLE?**

8 A9. Yes I do. Petitioner has not changed its base rates since 2012. Petitioner's operating costs  
9 have increased; Petitioner has added utility plant; and Petitioner needs additional rate  
10 revenue in order to continue providing reasonable service to its natural gas customers. I  
11 believe this compromised revenue requirement, and the terms of the Settlement Agreement  
12 together result in a reasonable rate increase for this Petitioner.

13 Q10. **MR. RIDLEN DO YOU RECOMMEND THAT THE COMMISSION ACCEPT**  
14 **THE SETTLEMENT AGREEMENT AND THEREAFTER ISSUE AN ORDER**  
15 **BASED ON THE SETTLEMENT AGREEMENT AND YOUR EXHIBIT ELR-1S?**

16 A10. Yes I do.

17 Q11. **DOES THIS CONCLUDE YOUR PREFILED SETTLEMENT TESTIMONY?**

18 A11. Yes it does.

**VERIFICATION**

I affirm under the penalties of perjury that the foregoing is true to the best of my knowledge, information and belief as of the date here filed.

A handwritten signature in black ink, appearing to read "Earl L. Ridlen, III", written over a horizontal line.

Earl L. Ridlen, III

**ELR-1S**

**BOONVILLE NATURAL GAS CORPORATION**

**Pro-Forma Operating Income Statement  
At Pro-Forma Present and Proposed Rates  
For the 12 Months Ended June 30, 2018**

Increase required

3.48%

Description	June 30, 2018	Adjustments	Ref	Pro-Forma Present Rates	Adjustments	Ref	Proposed Rates
<b><u>Operating revenues:</u></b>							
Sales of gas	\$ 4,496,464	\$ (1,999,103)	(1)	\$ 2,497,361	\$ 134,712	(A)	\$ 2,632,073
Other operating revenues	67,996	10,000	(2)	77,996			77,996
Total operating revenues	<u>4,564,460</u>	<u>(1,989,103)</u>		<u>2,575,357</u>	<u>134,712</u>		<u>2,710,069</u>
<b><u>Operating expenses:</u></b>							
Natural gas purchased	1,864,089	(1,854,470)	(3)	9,619			9,619
Other operation & maintenance	1,525,110	30,487	(4)	1,555,597	737	(B)	1,556,334
Depreciation and amortization	151,228	261,386	(5)	412,614			412,614
Taxes other than income taxes	207,034	(24,875)	(6)	182,159	1,878	(C)	184,037
Income taxes	9,933	43,366	(7)	53,299	33,562	(D)	86,861
Total operating expenses	<u>3,757,394</u>	<u>(1,544,106)</u>		<u>2,213,288</u>	<u>36,177</u>		<u>2,249,465</u>
Net operating income	<u>\$ 807,066</u>	<u>\$ (444,997)</u>		<u>\$ 362,069</u>	<u>\$ 98,534</u>		<u>\$ 460,604</u>

BOONVILLE NATURAL GAS CORPORATION

## Detail of Adjustments

**(1) REVENUE ADJUSTMENTS**

(a) Decrease in operating revenue from the elimination of GCA revenues included in the test year	\$ (1,860,843)
(b) Decrease in annual operating revenue from the December 19, 2017 compliance filing in Cause No. 44129	\$ (13,906)
(c) Decrease in operating revenue from April 24, 2018 Filing No 50157	\$ (98,842)
(d) Decrease in operating revenue for compliance filing in Cause No. 45032 S6	\$ -
(e) Decrease in operating revenue to update NTA to current NOAA normals	\$ (25,512)
Total adjustment to operating revenue - Increase/(Decrease)	<u>\$ (1,999,103)</u>

**(2) OTHER OPERATING REVENUES**

Increase in other operating revenues estimated based change in non-recurring revenue tariff approved in 2018.	<u>\$ 10,000</u>
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**(3) NATURAL GAS PURCHASED ADJUSTMENT**

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

Test year sales - DTH	464,268
Unaccounted for gas percentage - test year	<u>0.70%</u>
Estimated unaccounted for gas	<u>3,250</u>
Estimated unaccounted for gas	3,250
Anticipated cost of system gas - per DTH	<u>\$ 2.9598</u>
Total pro-forma cost of purchased gas	9,619
Less: Test year purchased gas	<u>1,864,089</u>
Total adjustment to natural gas purchased - Increase/(Decrease)	<u>\$ (1,854,470)</u>



**BOONVILLE NATURAL GAS CORPORATION****Detail of Adjustments****(4) OTHER OPERATION & MAINTENANCE EXPENSE ADJUSTMENTS**

(a)

To adjust other operation and maintenance" expense for the annualization of test year payroll and wage increases

\$ 23,300

(b)

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

Estimated cost of the rate case	230,000
OUCG adjustment	(1,500)
Estimated costs of notifications and mailings	<u>3,075</u>
Total estimated costs	231,575
Amortization period - years	<u>5</u>

Annual rate case expense	46,315
Less: Test year rate case expense	<u>0</u>

Adjustment - increase/(decrease) \$ 46,315

(c)

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

Applicable revenues at present rates	\$ 3,859,134
Current IURC rate	<u>0.00129641</u>

Pro-forma fee at present rates	5,003
Less: Test year IURC fee	<u>4,666</u>

Adjustment - increase/(decrease) \$ 337

(d)

To adjust other operation and maintenance expense for the increase in the cost of property and casualty insurance

Pro-forma cost of insurance	
General liability	\$ 11,038
Workers' compensation	10,973
Commercial umbrella	28,500
Agency fee	<u>4,000</u>
Pro-forma cost of insurance	54,511
Less: Test year insurance expense	<u>84,415</u>

Adjustment - increase/(decrease) \$ (29,904)

(e)

To adjust other operation and maintenance expense for the increase in the cost of employee health, ltd and life insurance

Pro-forma employee insurance expense (net of employee contribution)	\$ 97,801
Less: Test year insurance expense	<u>81,372</u>

Adjustment - increase/(decrease) \$ 16,429

BOONVILLE NATURAL GAS CORPORATION

## Detail of Adjustments

## (4) OTHER OPERATION &amp; MAINTENANCE EXPENSE ADJUSTMENTS CONTINUED

		(f)	
To adjust other operation and maintenance expense for the increase associated with bad debts			
Bad debt expense (3 year average)	\$	10,464	
Less: Test year bad debt expense		<u>756</u>	
Adjustment - increase/(decrease)			<u>\$ 9,708</u>
		(g)	
To adjust other operation and maintenance expense for retirement plan costs			
Proforma retirement contribution	\$	21,948	
Test Year pension expense		<u>13,844</u>	
Adjustment - increase/(decrease)			<u>\$ 8,104</u>
		(h)	
To adjust other operation and maintenance expense for charitable contributions			
			<u>\$ (1,602)</u>
		(i)	
To adjust other operation and maintenance expense for energy efficiency from NTA order			
			<u>\$ (6,500)</u>
		(j)	
To adjust other operation and maintenance expense for cost increases relating to leased employees			
			<u>\$ 10,400</u>
		(k)	
To adjust other operation and maintenance expense to remove the cost of employer sponsored employee gatherings			
			<u>\$ (4,747)</u>
		(l)	
To adjust other operation and maintenance expense to amortize the cost of filings related to Cause No 45032			
Total costs as of 12/31/2018	\$	49,868	
OUCG adjustment		<u>(7,299)</u>	
Net costs	\$	42,569	
Amortization period		<u>5</u>	
Annual amortization		8,514	
Test year expense		<u>49,868</u>	
Adjustment - Increase/(Decrease)			<u>\$ (41,354)</u>
Total adjustment to other operation and maintenance expense - Increase/(Decrease)			<u>\$ 30,487</u>

**BOONVILLE NATURAL GAS CORPORATION****Detail of Adjustments****(5) DEPRECIATION AND AMORTIZATION EXPENSE ADJUSTMENT**

(a)

To adjust depreciation expense to reflect current plant-in-service as of September 30, 2017

Utility plant-in-service	\$ 15,705,337	
Less:		
Non-depreciable property	(140,379)	
Transportation equipment	(967,049)	
All other general plant	(1,601,878)	
Less: fully depreciated items	<u>(1,879,189)</u>	
Total deductions	(4,588,494)	
Additions between 6/30/18 and 9/30/18	<u>148,432</u>	
Distribution plant	11,265,275	
Depreciation rate	<u>3.00%</u>	
Distribution plant depreciation		<u>337,958</u>
Transportation equipment	967,049	
Computer and communication equipment	202,426	
Additions between 6/30/18 and 9/30/18	136,423	
Less: fully depreciated items	<u>(851,587)</u>	
Depreciation rate	<u>20.00%</u>	
Transportation depreciation expense		<u>90,862</u>
All other general plant	1,601,878	
Additions between 6/30/18 and 9/30/18	16,003	
Computer and communication equipment	(202,426)	
Less: fully depreciated items	<u>(732,355)</u>	
Depreciation rate	<u>10.00%</u>	
Office furniture, tools, and communications equipment depreciation expense		<u>68,310</u>
Proforma depreciation expense		497,130
Less: Test year depreciation expense		<u>439,334</u>
Total adjustment to depreciation expense - Increase/(Decrease)		<u>\$ 57,796</u>

(b)

To adjust CIAC amortization to match the current annual amortization

Balance 6/30/2018	\$ (2,817,212)	
Amortization rate (matches distribution plant)	<u>3%</u>	
Annual amortization	(84,516)	
Test year amortization expense	<u>(288,106)</u>	
Adjustment - Increase/(Decrease)		<u>\$ 203,590</u>
Total adjustment to depreciation and amortization expense - Increase/(Decrease)		<u>\$ 261,386</u>

BOONVILLE NATURAL GAS CORPORATION

## Detail of Adjustments

**(6) TAXES OTHER THAN INCOME TAXES**

(a)

To adjust taxes other than income tax for increase in FICA tax for the proforma payroll increase reflected in Adjustment 3(a)	\$ <u>2,889</u>
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(b)

To adjust taxes other than income taxes to reflect changes in utility receipts tax rates and applicable revenues

Utility Receipt Tax

Utility receipts	\$ 2,575,357	
Less: Exemption	1,000	
Bad debts (3 year average)	<u>10,464</u>	
Receipts subject to utility receipts tax	2,563,893	
Applicable utility receipts tax rate	<u>1.40%</u>	
Pro-Forma at present rates	35,895	
Less: Test year expense	<u>62,312</u>	
Adjustment-increase/(decrease) in utility receipts tax expense		\$ <u>(26,417)</u>

(c)

To adjust taxes other than income tax for increased cost of property taxes based on current utility plant in service

Total taxes paid 2018	\$ 81,484	
Utility plant in service for property taxes	<u>7,376,938</u>	
Effective property tax rate	1.105%	
Current utility plant in service	<u>7,351,391</u>	
Proforma property tax payment	81,202	
Test year property tax expense	<u>82,549</u>	
Adjustment - increase / (decrease) in property tax expense		\$ <u>(1,347)</u>
Total adjustment to taxes other than income taxes - Increase/(Decrease)		<u>\$ (24,875)</u>

BOONVILLE NATURAL GAS CORPORATION

## Detail of Adjustments

## (7) INCOME TAX ADJUSTMENTS

To adjust income tax to reflect changes in revenues and expenses

## (a) STATE INCOME TAXES

Net operating income before taxes	\$ 415,368	
ADD: Utility receipts taxes	35,895	
LESS: Synchronized interest	<u>(14,011)</u>	
State taxable income		437,252
Applicable rate		<u>5.500%</u>
Pro-forma at present rates		24,049
Less: Test year expense		<u>20,881</u>
Adjustment-increase/decrease in state income tax expense		<u>\$ 3,168</u>

## (b) FEDERAL INCOME TAXES

Net operating income before federal tax and state taxes	\$ 415,368	
Less:		
Synchronized interest	14,011	
State income tax	<u>24,049</u>	
Taxable income		377,308
Federal tax rate		<u>21.00%</u>
Pro-forma federal income tax expense		79,235
Less: Test year federal income tax		<u>(10,948)</u>
Adjustment-increase/(decrease) in federal income tax expense		<u>\$ 90,183</u>
EADIT refund		<u>\$ (49,985)</u>
Total Adjustment (7) to "Income taxes" - increase/(decrease)		<u>\$ 43,366</u>

**BOONVILLE NATURAL GAS CORPORATION**

**Detail of Adjustments**

**Proposed Rate Increase Adjustments**

(A)

To adjust "Operating revenues" to reflect the requested revenue increase

Pro-forma sale of gas - at present rates	\$ 3,869,598	
Requested increase	<u>3.48%</u>	
Adjustment - increase/(decrease)		<u>\$ 134,712</u>

(B)

To adjust "Other operation and maintenance" expense to reflect current IURC fee

Increase in revenue requested	\$ 133,563	
Current effective rate	<u>0.129641%</u>	
Adjustment - increase/(decrease)		\$ 173

(C)

To adjust "Administrative and general expense" to reflect increases in bad debts

Increase in revenue requested	\$ 134,712	
Current effective rate	<u>0.0041900</u>	
Adjustment - increase/(decrease)		<u>564</u>
Total other operation and maintenance expense		<u>\$ 737</u>

(D)

Increase in revenue requested	\$ 134,712	
Less: Increase in bad debts	<u>564</u>	
	134,148	
Applicable utility receipts tax rate	<u>1.40%</u>	
Adjustment - increase/(decrease)		<u>\$ 1,878</u>

BOONVILLE NATURAL GAS CORPORATION

## Detail of Adjustments

## Proposed Rate Increase Adjustments Continued

(E)

To adjust "State Income Tax" to reflect changes in revenues and expenses

Increase in revenue requested	\$ 134,712
Less: Increase in bad debts	564
Less: Increase in IURC fee.	<u>173</u>
Taxable income	133,975
Applicable tax rate	<u>5.50%</u>

Adjustment - increase/(decrease) in state income tax expense	\$ 7,369
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To adjust "Federal income tax" to reflect changes in revenues and expenses

Increase in revenue requested	\$ 134,712
Less: Increase in IURC fee.	173
Increase in utility receipts tax	1,878
Increase in bad debt expense	564
Increase in state income tax	<u>7,369</u>

Federal taxable income - increase/(decrease)	124,728
Plus: Federal taxable income - present rates	<u>377,308</u>

Total federal taxable income	502,036
Federal tax rate - proposed	<u>21.00%</u>

Pro-forma proposed rate income tax	105,428
Less: Pro-forma present rate income tax	<u>79,235</u>

Adjustment - increase/(decrease)	<u>26,193</u>
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Adjustment - Increase in Income Tax Expense	<u><u>\$ 33,562</u></u>
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**SCHEDULE C-3****BOONVILLE NATURAL GAS****TOTAL REVENUE CALCULATION**

Estimated volume of gas purchased	464,268
Base cost of gas estimated	<u>\$ 2.9557</u>
Base cost of gas revenues	1,372,237
Pro-forma present sales revenues	<u>2,497,361</u>
Total revenues	3,869,598
Requested increase	<u>3.48%</u>
Revenue adjustment - overall	<u>\$ 134,712</u>
Annual operating revenue	<u><u>\$ 4,004,310</u></u>



BOONVILLE NATURAL GAS CORPORATION

## ORIGINAL COST RATE BASE

Utility plant-in-service as of June 30, 2018		\$	15,705,339
Additions between June and September			300,858
Less: Accumulated depreciation			(8,530,524)
Less: Accumulated depreciation between June and September			(124,283)
Less: Contributions in aid of construction, net			<u>(1,830,149)</u>
Net utility plant-in-service			5,521,242
Plus:			
Working capital	1,555,597 /8		194,450
Materials and supplies - 13 month average			<u>122,110</u>
Total original cost rate base		\$	<u>5,837,802</u>
Overall cost of capital - Exhibit E			<u>7.89%</u>
NET INCOME		\$	<u>460,603</u>

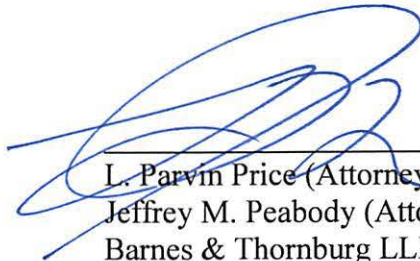
**BOONVILLE NATURAL GAS CORPORATION****CAPITAL STRUCTURE  
September 30, 2018**

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common equity	\$ 6,745,715	75.6995%	10.10%	7.65%
Customer deposits	355,139	3.9853%	6.00%	0.24%
Deferred taxes	<u>1,810,325</u>	<u>20.3152%</u>	0.00%	<u>0.00%</u>
Total	<u>\$ 8,911,179</u>	<u>100.00%</u>		<u>7.89%</u>

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served upon the following counsel of record by electronic delivery the 16<sup>th</sup> day of September, 2019:

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