

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF WESTFIELD GAS,)
LLC, D/B/A CITIZENS GAS OF WESTFIELD)
FOR (1) AUTHORITY TO INCREASE RATES)
AND CHARGES FOR GAS UTILITY SERVICE)
AND APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES; (2) APPROVAL OF)
CERTAIN REVISIONS TO ITS TERMS AND) CAUSE NO. 44731
CONDITIONS APPLICABLE TO GAS UTILITY)
SERVICE; AND (3) APPROVAL PURSUANT TO)
INDIANA CODE SECTION 8-1-2.5-6 OF AN)
ALTERNATIVE REGULATORY PLAN UNDER)
WHICH IT WOULD CONTINUE ITS ENERGY)
EFFICIENCY PROGRAM PORTFOLIO AND)
ENERGY EFFICIENCY RIDER)**

**VERIFIED REBUTTAL TESTIMONY
of
SABINE E. KARNER**

**On Behalf of
Citizens Gas of Westfield**

Petitioner's Exhibit 8

1 **INTRODUCTION AND BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Sabine E. Karner. My business address is 2020 North Meridian Street,
4 Indianapolis, Indiana.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by the Board of Directors for Utilities of the Department of Public
7 Utilities of the City of Indianapolis, which does business as Citizens Energy Group. I
8 currently serve as Vice President and Controller.

9 **Q. ARE YOU THE SAME SABINE E. KARNER WHO PREVIOUSLY SUBMITTED**
10 **DIRECT TESTIMONY IN THIS PROCEEDING?**

11 A. Yes, I am.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. The purpose of my rebuttal testimony is to respond to proposed adjustments to certain
14 operations and maintenance ("O&M") expenses presented by the Indiana Office of Utility
15 Consumer Counselor ("OUCC"). Failure to address other aspects of the OUCC's
16 testimony, however, does not constitute my agreement with such aspects.

17 **O&M ADJUSTMENTS**

18 **Overview**

19 **Q. DID THE OUCC ACCEPT THE PRO FORMA ADJUSTMENTS YOU**
20 **PROPOSED IN YOUR CASE IN CHIEF?**

21 A. In essence, yes. I had proposed a net decrease of \$221,367 in pro forma adjustments to
22 certain operating expenses. The OUCC did not dispute any of my adjustments per se but

1 proposed additional decreases totaling \$13,660. The table below provides a comparison
 2 of the pro forma adjustments sponsored by me in Petitioner's case-in-chief versus the
 3 OUCC's case-in-chief on the same topics.

Topic	Petitioner's Case-in-Chief	OUCC's Case-in- Chief	Difference
O&M:			
Payroll	(16,383)	(28,702)	(12,319)
Payroll Taxes	(1,082)	(1,261)	(179)
CSS Redistribution	(80,429)	(80,429)	-
Distribution O&M	(28,337)	(28,337)	-
Business Insurance	25,764	25,764	-
Out of Period	6,226	5,064	(1,162)
Non-Recurring	(3,293)	(3,293)	-
Non-Allowed	(168)	(168)	-
Property Taxes	9,489	9,489	-
Depreciation & Amortization	(133,154)	(133,154)	-
	(221,367)	(235,027)	(13,660)

4

5 **Out of Period Expenses**

6 **Q. DO YOU AGREE WITH THE OUCC'S PROPOSED ADJUSTMENTS TO OUT-**
 7 **OF-PERIOD EXPENSES?**

8 A. No. The OUCC's witness Ms. Wilcox appears to have gone through some trouble to
 9 identify a total of \$1,162 in test year charges that pertained to periods outside the test
 10 year. While I agree with Ms. Wilcox that the transactions she identified were in fact
 11 incurred for services performed outside the test year, I do not agree that an adjustment is
 12 appropriate.

13 **Q. PLEASE EXPLAIN WHY YOU ARE REJECTING THE ADJUSTMENT.**

14 A. There are two reasons. First, more than half the amount of the OUCC's proposed
 15 additional adjustment for out of period expenses represents the allocated portion of
 16 certain Shared Services transactions. Ms. Wilcox inappropriately allocated these costs at

1 a single percentage of 0.62% even though the individual transactions were allocated
 2 during the test year at differing percentages ranging from 0.36% to 1.31%. Test year
 3 allocation percentages were made available in my workpapers and could easily have been
 4 determined. The table below reflects the amounts presented by Ms. Wilcox compared to
 5 the actual test year allocated amounts:

Entity	Amount	Area	Actual % to WFG	Actual \$ to WFG	OUCG
CSS	\$ 109,395	1302	0.55%	\$ 601.67	\$ 678.25
CSS	\$ 178	1109	0.36%	\$ 0.64	\$ 1.10
CSS	\$ 139	1451	0.62%	\$ 0.86	\$ 0.86
CSS	\$ 1,742	1402	1.31%	\$ 22.83	\$ 10.80
CSS	\$ 1,730	1402	1.31%	\$ 22.66	\$ 10.72
				\$ 648.66	\$ 701.74
Utility	\$ 460			\$ 460.00	\$ 460.00
				\$ 1,108.66	\$ 1,161.74

6
 7 Second, with the exception of one CSS transaction, the adjustment proposed by
 8 Ms. Wilcox is for transactions below the materiality threshold I had generally applied to
 9 my pro forma adjustments. As explained in my case-in-chief testimony, that general
 10 threshold was \$1,000 for adjustments to the Utility's transactions and \$5,000 for Shared
 11 Services transactions prior to allocations, based on my professional knowledge of the
 12 data and my assessment of a cost-benefit limit. Accordingly, I did not attempt to locate
 13 transactions below that threshold unless they had otherwise become known to me or were
 14 easily identified from among the approximately 275,000 test year income statement
 15 transactions of the Utility's and Shared Services' general ledgers. As far as out of period
 16 transactions are concerned, I don't believe lowering the threshold further as Ms. Wilcox
 17 has done yields a materially different revenue requirement: the expansion of identifiable
 18 transactions to even lower levels of cost necessarily cuts both ways. Although Ms.
 19 Wilcox found a few transactions charged to test year expense for services performed

1 outside the test year, she did not attempt to locate transactions for services performed
2 during the test year but charged to periods outside the test year. I think it only fair and
3 appropriate to look at both sides.

4 **Q. HAVE YOU CONDUCTED A SEARCH FOR OUT OF PERIOD**
5 **TRANSACTIONS BELOW THE UTILITY'S \$1,000 THRESHOLD FOR**
6 **PURPOSES OF REBUTTAL?**

7 A. Yes. I reviewed the Utility's general ledger transactions recorded after the end of the test
8 year to locate charges for services performed during the test year and found at least three
9 transactions totaling \$2,090. I use the phrase *at least* because I chose not to look for all
10 possible transactions but instead confined my search to charges above \$500, and I did not
11 look further out than January 2016. In addition, I chose not to review Shared Services
12 transactions below my original threshold of \$5,000 which more than likely would have
13 yielded additional charges that properly belong in the test year.

14 **Q. PLEASE SUMMARIZE YOUR FINDINGS.**

15 A. The table below shows the three transactions I located for services performed during the
16 test year but charged to the general ledger in January 2016 (after the test year).

Account	Period of Service	Amount	Vendor	Invoice
887020 Grade Valve Box-All	Dec-15	593.19	MILLER PIPELINE CORPORATION	535925
887650 Distribution Main Repair	Dec-15	593.19	MILLER PIPELINE CORPORATION	535925
887650 Distribution Main Repair	Oct-15	<u>903.69</u>	ASPHALT PATCHING INC	15-449
		2,090.07		

17
18 **Q. WHAT IS YOUR RECOMMENDATION FOR OUT OF PERIOD EXPENSES?**

19 A. I recommend that the adjustment for out of period expenses remain at the amount I had
20 proposed in my case in chief. As I believe I demonstrated above, lowering the materiality

1 threshold even further as the OUCC has done in order to identify yet more transactions
2 eligible for adjustment is not a worthwhile exercise once it is done fairly by taking into
3 account both ends of the test year.

4
5 **Payroll and Payroll Taxes**

6 **Q. THE OUCC ALSO RECOMMENDED ADJUSTMENTS TO PAYROLL AND**
7 **PAYROLL TAXES AS A RESULT OF PROPOSING THE DISALLOWANCE OF**
8 **CERTAIN LEVELS OF SHORT-TERM INCENTIVE PAY. HOW DO YOU**
9 **RESPOND?**

10 A. These adjustments to the pro forma amounts, decreases of \$12,319 for payroll and \$179
11 for payroll taxes, should be rejected. Petitioner's witness Aaron D. Johnson addresses
12 Ms. Wilcox's recommendation in rebuttal testimony.

13
14 **RECOMMENDATIONS**

15 **Q. BASED ON THE FOREGOING, WHAT ARE YOUR RECOMMENDATIONS AS**
16 **A RESULT OF YOUR REBUTTAL TESTIMONY?**

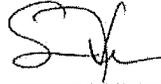
17 A. My rebuttal recommendations are that the Commission should:
18 a. Reject the OUCC's proposed adjustment to out of period expenses.
19 b. Based upon the rebuttal testimony of Petitioner's witness Johnson, reject the
20 OUCC's proposed adjustments to payroll and payroll taxes.

21 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 A. Yes, at this time.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of her knowledge, information and belief.



Sabine E. Karner