

STATE OF INDIANA

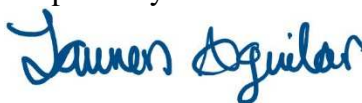
INDIANA UTILITY REGULATORY COMMISSION

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

SUBMISSION OF SETTLEMENT AGREEMENT

Midwest Natural Gas Corporation, (“Midwest”, “Company”, or “Petitioner”), by counsel and on behalf of itself and the Indiana Office of Utility Consumer Counselor (“OUCC”, and collectively the “Settling Parties”), respectfully submits the attached Stipulation and Settlement Agreement (“Settlement Agreement”).

Respectfully submitted for the Settling Parties,



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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record electronically this 29th day of September, 2023:

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**PETITION OF MIDWEST NATURAL GAS)
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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Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.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