

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

PETITION OF OHIO VALLEY GAS	)	
CORPORATION AND OHIO VALLEY GAS, INC.	)	
FOR AUTHORITY TO ISSUE LONG-TERM DEBT	)	<b>CAUSE NO. 45538</b>

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S**

**PUBLIC'S EXHIBIT NO. 1 – TESTIMONY OF OUCC WITNESS  
CINTHIA J. GALVEZ**

With the current requirement that all staff work from home, signatures for affirmations are not available at this time.

**June 10, 2021**

Respectfully submitted,



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Scott C. Franson  
Attorney No. 27839-49  
Deputy Consumer Counselor

**OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC.  
CAUSE NO. 45538  
TESTIMONY OF OUCC WITNESS CINTHIA J. GALVEZ**

**I. INTRODUCTION**

1   **Q:   Please state your name and business address.**

2   A:   My name is Cinthia J. Galvez, and my business address is 115 West Washington  
3       Street, Suite 1500 South, Indianapolis, IN 46204.

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

5   A:   I am a Utility Analyst in the Natural Gas Division of the Indiana Office of Utility  
6       Consumer Counselor (“OUCC”). For a summary of my educational and  
7       professional experience, as well as my preparation for this case, please see the  
8       Appendix attached to my testimony (Appendix CJG-1).

9   **Q:   What is the purpose of your testimony?**

10  A:   My testimony provides my analysis of Ohio Valley Gas Corporation and Ohio  
11       Valley Gas, Inc. (collectively “Petitioners” or “OVG”) request for authority to issue  
12       \$6,000,000 of long-term debt.

13  **Q:   What are your recommendations?**

14  A:   I recommend the Indiana Utility Regulatory Commission (“Commission”) approve  
15       OVG’s request to issue \$6,000,000 in long term debt.

**II. RELIEF SOUGHT BY PETITIONER**

16  **Q:   What relief is OVG requesting in this Cause?**

17  A:   Page 2 of the Verified Petition filed on April 30, 2021 states:

18               OVGC requests authority to issue long-term debt for purposes of  
19               supporting a buy-back of OVGC stock from its parent company,

1 Beynon Farm Products. OVGC had used the proceeds of its stock  
2 sale to acquire the Hanover Group 4 holding company, which owns  
3 and operates Fountaintown Natural Gas and South Eastern Indiana  
4 Natural Gas Utilities. OVGC believes that such financing will  
5 include borrowing an amount up to \$6,000,000 for a period of five  
6 (5) to ten (10) years at an interest rate of up to 3.75%.

7 **Q: Does OVG specify the terms of the proposed \$6,000,000 long-term debt**  
8 **borrowing?**

9 A: Yes. Mr. Salkie testified "OVG anticipates that it will be able to borrow money at  
10 a fixed interest rate of not more than 3.75%. This loan would have a term of five  
11 (5) years, with principal payments based on a ten (10) year amortization schedule  
12 and no prepayment penalty after the third year." (Direct Testimony of Salkie, page  
13 2.)

14 **Q: Does OVG currently hold long-term debt?**

15 A: No. OVG currently does not hold any long-term debt. (Direct Testimony of Salkie,  
16 page 1.)

17 **Q: Why is OVG seeking to borrow \$6,000,000 in long-term debt?**

18 A: Mr. Salkie testified "OVG would like to borrow money to buy back these recently  
19 transferred shares in order to reduce its outstanding common equity over the course  
20 of the proposed 5-year loan term..." (Direct Testimony of Salkie, page 2.)

21 **Q: Will the entire \$6,000,000 loan amount be used to repurchase the stock?**

22 A: Mr. Salkie testified "While the stock buyback comprises the bulk of the uses  
23 contemplated for the proceeds of the proposed \$6 million loan, OVG also  
24 anticipates directing the remaining loan proceeds to various capital improvement  
25 projects at OVG's operating utilities." (Direct Testimony of Salkie, page 2.)

26 **Q: Does OVG seek approval of specific construction projects in this proceeding?**

27 A: No. The scope of this financing case is limited to the requested financing authority.

1           The OUCC reserves its right to review and challenge the details of specific  
2           construction projects and their costs in appropriate proceedings.

3   **Q:   Does the OUCC agree with OVG's proposed use of the financing funds?**

4   A:   Yes. The OUCC agrees with the use of the financing funds.

5   **Q:   How will the issuance of long-term debt impact OVG's capital structure?**

6   A:   In response to OUCC Data Request 1.4, Petitioner provided the current capital  
7           structure before external financing, and the capital structure after external  
8           financing. The addition of the \$6,000,000 in long-term debt will lower Petitioner's  
9           percentage of common equity in the capital structure, and lower the weighted  
10          average cost of capital. (Attachment CJG-1.)

11   **Q:   When does OVG expect to incur the \$6,000,000 in long-term debt?**

12   A:   Mr. Salkie testified, "If approved, I expect to close on the loan within 60 days of  
13          the Final Order in this Cause." (Direct Testimony of Salkie, page 4.)

14   **Q:   When will OVG's requested financing authority expire?**

15   A:   OVG did not request or state when the requested financing authority would expire.  
16          The OUCC typically recommends a 24-month timeframe and is not in favor of an  
17          open-ended financing authority. The OUCC recommends any unused financing  
18          authority expire December 31, 2023.

19   **Q:   Will OVG provide the final terms of the loan to the Commission after the**  
20   **issuance of the loan?**

21   A:   Yes. OVG will advise the Commission of the final terms of the loan promptly  
22          following the closing on the loan. (Direct Testimony of Salkie, page 4.) The OUCC  
23          recommends OVG provide a written report to both the OUCC and the Commission  
24          within 30 days of incurring the debt with the final terms of the loan. The report  
25          should include all the terms of the debt, which includes: the amount and use of debt,

1 maturity period, interest rate, premiums/discounts, issuance expenses, collateral  
2 details, repayment terms, and any other terms.

3 **Q: Is there a cap on the interest rate on the loan?**

4 A: Yes. Mr. Salkie testified, "...for purposes of this proceeding, OVG is seeking  
5 authority to borrow \$6 million at an interest rate of up to 3.75%, to be repaid in full  
6 within 5 years." (Direct Testimony of Salkie, page 4.)

7 **Q: What collateral will OVG pledge to secure the amounts borrowed?**

8 A: Mr. Salkie testified:

9 The proposed loan contemplates the bank perfecting a first-priority  
10 lien on all of OVG's domestic personal property, including but not  
11 limited to accounts receivable, inventory, equipment, and  
12 intangibles. The terms of the contemplated loan also include various  
13 negative covenants intended to preserve the viability of the  
14 collateral, including limitations on asset divestitures and additional  
15 indebtedness. (Direct Testimony of Salkie, page 4.)

16 **Q: Did your review show whether OVG has sufficient net income to repay the**  
17 **borrowing and associated interest expense?**

18 A: Yes. Exhibit No. 2 to Mr. Salkie's testimony, which is the 2020 Calendar Year-End  
19 Unaudited Income Statement, shows OVG's net income was \$3,911,107 in 2020. I  
20 conclude OVG is generating enough funds to cover its debt obligations.

21 **III. OUCC RECOMMENDATION**

22 **Q: What does the OUCC recommend in this proceeding?**

23 A: The OUCC recommends Commission approval of the following:

- 24 1. OVG's financing request to issue long-term debt in the amount of \$6,000,000  
25 with a term of five (5) years, with principal payments based on a ten (10) year  
26 amortization schedule, and an interest rate capped at 3.75%;
- 27 2. An expiration date of December 31, 2023; and

1           3. OVG shall provide a written report to both the OUCC and the Commission  
2           within 30 days of incurring the debt. The report should include all the terms of  
3           the debt, which includes: the amount and use of debt, maturity period, interest  
4           rate, premiums/discounts, issuance expenses, collateral details, repayment  
5           terms, and any other terms.

6   **Q:   Does this conclude your testimony?**

7   **A:   Yes.**

**APPENDIX TO TESTIMONY OF**  
**OUCW WITNESS CINTHIA J. GALVEZ**

1   **Q:   Describe your educational background and experience.**

2   A:   I graduated from the Kelley School of Business at Indiana University in  
3       Indianapolis, Indiana with a Bachelor of Science Degree in Finance, and a minor in  
4       Economics in August 2019. While attending the Business School, I worked for  
5       AT&T, in multiple locations in Indiana as a Retail Sales Consultant. I assisted  
6       customers with sales of AT&T cellular, internet, and TV services.

7               In October 2019, I began my employment with the OUCC as a Utility  
8       Analyst. My current responsibilities include reviewing, analyzing, and preparing  
9       testimony for Gas Cost Adjustment (“GCA”) cases, Certificate of Public  
10      Convenience and Necessity (“CPCN”) cases, financing cases, Gas Demand Side  
11      Management (“GDSM”) cases, Targeted Economic Development (“TED”) Project  
12      cases, special contract cases, and base rate cases for natural gas utilities.

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

14   A:   Yes, I have filed testimony in a variety of cases before the Commission, including  
15       GCA, CPCN, GDSM, TED project, financing, special contract, and base rate cases.

16   **Q:   Please describe the review you conducted to prepare this testimony.**

17   A:   I reviewed the Verified Petition, Petitioners’ witness Ronald P. Salkie’s Direct  
18       Testimony, OVG’s responses to OUCC Discovery Requests, and supporting  
19       documentation submitted in this Cause by Petitioner.

**Q 1.4:** *What will Petitioner's capital structure be after issuing the requested \$6 million in long term debt if Petitioner's request in this Cause is approved?*

**Response 1.4:**

Here is OVG's capital structure at 3/31/2021 prior to adding Long-Term Debt and what it would have been if OVG had undertaken the proposed Long-Term Debt as of that date:

Ohio Valley Gas Corporation and Ohio Valley Gas, Inc.				
Calculations of Cost of Capital				
at March 31, 2021				
<b>BEFORE EXTERNAL FINANCING</b>				
Sources of Capital	Amount	% of Total	Cost	Rate of Return
	\$	%	%	%
Common Equity	69,985,224	90%	10.0%	8.9632%
Customer Deposits	865,612	1%	6.0%	0.0665%
Deferred Income Tax Reserve	7,230,116	9%	0.0%	0.0000%
<b>Total</b>	<b>78,080,951</b>	<b>100%</b>		<b>9.0297%</b>
<b>WITH EXTERNAL FINANCING</b>				
Sources of Capital	Amount	% of Total	Cost	Rate of Return
	\$	%	%	%
Common Equity *	63,985,224	82%	10.0%	8.1947%
Long-Term Debt *	6,000,000	8%	3.3%	0.2536%
Customer Deposits	865,612	1%	6.0%	0.0665%
Deferred Income Tax Reserve	7,230,116	9%	0.0%	0.0000%
<b>Total</b>	<b>78,080,951</b>	<b>100%</b>		<b>8.5148%</b>
* Assumes full Long-Term Debt amount used for Common Stock Repurchase Program				



**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing ***OUCC'S TESTIMONY OF CINTHIA J. GALVEZ*** has been served upon the following counsel of record in the captioned proceeding by electronic service on June 10, 2021.

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