

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

Commissioner	Yes	No	Not Participating
Huston	✓		
Bennett	✓		
Freeman	✓		
Veleta	✓		
Ziegner	✓		

**PETITION OF COMMUNITY NATURAL GAS)
COMPANY, INC. FOR AUTHORITY TO CHANGE) CAUSE NO. 46209
ITS RATES, CHARGES, TARIFFS, RULES, AND)
REGULATIONS) APPROVED: SEP 24 2025**

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Kristin E. Kresge, Administrative Law Judge

On March 7, 2025, Community Natural Gas Company, Inc. (“CNG” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) initiating this Cause. Also on March 7, 2025, CNG filed its prepared testimony and attachments, as well as supporting workpapers from the following witnesses:

- Dean J. Kieffer, President of CNG¹;
- Bonnie J. Mann, Certified Public Accountant, LWG CPAs and Advisors (“LWG”);
- Earl L. Ridlen, III, Certified Public Accountant and Financial Advisor, LWG; and
- Ryan K. Schonhoff, Utility Rate Consultant.²

On June 13, 2025, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the prepared testimony and attachments of LaCresha N. Vaulx, Utility Analyst; Jason D. Kohlmann, Assistant Director of the Natural Gas Division; Mark H. Grosskopf, Senior Utility Analyst; and Jared J. Hoff, Utility Analyst.³

On July 23, 2025, Petitioner and the OUCC (collectively the “Settling Parties”) filed a Stipulation and Settlement Agreement (“Settlement Agreement”) between the parties resolving all issues in this proceeding. Also on July 23, 2025, Petitioner filed the settlement testimony of Mr. Kieffer, and the OUCC filed the settlement testimony of Mr. Kohlmann.

The Commission conducted an evidentiary hearing in this Cause on August 15, 2025 at 10:00 a.m., in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Settling Parties participated in the evidentiary hearing, by counsel, and the parties’ respective prefiled evidence, including the Settlement Agreement, was admitted without objection.

Based upon the applicable law and the evidence of record, the Commission finds:

¹ Petitioner filed corrections to Mr. Kieffer’s testimony on March 14, 2025.

² Petitioner filed corrections to Mr. Schonhoff’s testimony on March 14 and May 13, 2025.

³ The OUCC filed a correction to Mr. Hoff’s Attachment JDK-8 on June 16, 2025.

1. **Jurisdiction and Notice.** Due, legal, and timely notice of the public evidentiary hearing in this Cause was given and published as required by law. Petitioner is a public utility as defined by Ind. Code § 8-1-2-1. Pursuant to Ind. Code §§ 8-1-2-1 and 8-1-2-42.7, the Commission has jurisdiction over this Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is a corporation organized and existing under Indiana law. Petitioner's principal office is located at 933 West Third Street, Mount Carmel, Illinois. Petitioner is a public utility currently providing natural gas service to its customers in both rural and municipal areas in Gibson, Posey, Dubois, Spencer, Greene, Monroe, Pike, Owen, Sullivan, and Warrick counties in Indiana. Petitioner serves approximately 7,800 customers.

3. **Existing Rates, Test Year, and Relief Requested.** Petitioner's current base rates are those established by the Commission's Order in Cause No. 45690 on October 12, 2022. The Presiding Officers' docket entry of April 22, 2025 established the test year as the 12-month period ending September 30, 2024, adjusted for changes that are fixed, known, and measurable and occurring within 12 months following the end of such test year. Petitioner's cutoff date to determine the used and useful nature of its utility plant and the value of its rate base is September 30, 2024. In its case-in-chief, Petitioner sought to increase its current operating revenue by 15.92%, which represents an additional \$1,293,757 of operating revenue over pro forma rate revenue as of the test year.

4. **The Settling Parties' Evidence.**

A. **Petitioner's Case-in-Chief.** Dean J. Kieffer, Petitioner's President, testified that the requested rate increase was necessary for several reasons. First, he stated that CNG is experiencing increased costs to keep and retain employees. He testified that CNG needs to add employees to keep up with new and changing regulations, in addition to increases in operation and maintenance ("O&M") expenses. He also stated that Petitioner is not currently earning the allowed return from its last rate case, and Petitioner has made significant investments in rate base since its last rate case and is not earning a return on those necessary capital investments.

Mr. Kieffer opined that the fair value of Petitioner's utility plant would exceed the original cost reflected in Petitioner's books and records and stated that the utility plant is used and useful in providing service to Petitioner's customers. Mr. Kieffer testified about return on equity ("ROE") and rate design and opined that the Partial Settlement had reached a reasonable compromise and is in the public interest.

Mr. Kieffer testified to the rate design and service charge and stated that Petitioner is proposing to change its monthly customer charges in this rate base case. He stated it is reasonable for rates to be increased across-the-board, and that Petitioner forego preparation of a new cost of service study ("COSS") in this proceeding.

Bonnie J. Mann, Certified Public Accountant and Principal of LWG, explained that she reviewed Petitioner's books and records as of the test year and concluded that Petitioner was not covering its operating expenses or earning a reasonable return on its rate base. She indicated that her conclusions on adjustments to Petitioner's test year are reflected in her accounting schedules.

Ms. Mann testified that Petitioner should be given the opportunity to earn \$1,559,022 annually in net operating income. Based on such net operating income and Petitioner's operating expenses, Ms. Mann opined that Petitioner's adjusted operating revenue should be increased by \$1,293,757.

Earl L. Ridlen III, Certified Public Accountant, Financial Advisor of LWG, described his work for Petitioner, including his analysis of Petitioner's books and records with a focus on ROE capital. Mr. Ridlen testified that Petitioner and the OUCC had settled the ROE issue and agreed upon a return of 10.1% on Petitioner's equity investments, which he opined was reasonable in light of his testimony in other small gas rate cases.

Ryan K. Schonhoff, Utility Rate Consultant for Petitioner, stated that he did not prepare a COSS for this proceeding because Petitioner's customer mix has not changed substantially since its last rate case in 2022. Mr. Schonhoff sponsored the derivation of the proposed rate class revenues. He explained the determination of Petitioner's proposed rates and charges and demonstrated that the proposed rates generate the appropriate level of revenue. Mr. Schonhoff also sponsored a new tariff for gas service, which contains a comparison of present to proposed margins by rate schedule and by rate component. Mr. Schonhoff discussed the impacts of Petitioner's proposed revenue allocations and rates and charges upon residential service customers. He also sponsored the proposed Tariff for Gas Service sheets that are proposed to be revised in this proceeding.

B. OUCC's Case-in-Chief. LaCresha N. Vaulx, Utility Analyst in the OUCC's Natural Gas Division, recommended adjustments to GCA revenue, revenue from Cause No. 43995 S-1, natural gas purchased, and the IURC fee. She also recommended CNG's proposed rate increase be reduced, based on the OUCC's recommended adjustments, for a total revenue increase of \$957,089.

Jason D. Kohlmann, Assistant Director of OUCC's Natural Gas Division, made recommended adjustments to Petitioner's O&M expenses, including its rate case expense and expense for payroll, property insurance, health insurance, payroll tax, lobbying fees, director fees, and miscellaneous matters. He also recommended Petitioner file a revised tariff if new base rates have not gone into effect before the end of the five-year amortization period for rate case expenses to remove these expenses from Petitioner's base rates.

Mark H. Grosskopf, Senior Utility Analyst in the OUCC's Natural Gas Division, recommended changes to Petitioner's depreciation expense adjustment, Petitioner's calculation of original cost rate base, capital structure, customer deposit policy, and loan agreements. He recommended removal of contributions in aid of construction and a different working capital amount in rate base, as well as inclusion of long-term debt, stockholder loans, and a regulatory asset in the capital structure. He testified the synchronized interest calculation and customer deposit policy should be updated or amended, and that CNG pursue written consent from First National Bank for all current and future employee loans, pursuant to its loan agreement with First National Bank.

Jared J. Hoff, Utility Analyst in the OUCC's Natural Gas Division testified regarding Petitioner's proposed rate design, service charges, and tariff changes. Mr. Hoff did not recommend

a COSS in this Cause, however, he recommended a COSS as a part of Petitioner's next base rate case. Mr. Hoff testified the proposed Reconnection Charge is reasonable in relation to the actual costs and did not oppose the Reconnection Charge. He recommended approval of the monthly customer service charges for each tariff rate as proposed by CNG, and also recommended the Commission apply any increases to the overall tariff rate for each tariff consistent with the across-the-board methodology CNG proposed – adjusting the volumetric rate for each tariff rate to result in an equal overall rate change – without the inclusion of the Normal Temperature Adjustment (“NTA”) therms. He stated Petitioner has taken measures to improve its system reliability and resiliency, but recommended CNG continue replacing the older sections of its system, as well as those sections that have higher risks of leaks or increased brittleness, with modern materials, as appropriate.

C. Settlement Agreement and Settlement Testimony. The settlement testimony of Petitioner's witness Mr. Kieffer and OUCC witness Mr. Kohlmann both recommended that the Commission approve the Settlement Agreement. Mr. Kieffer generally described the Settlement Agreement and discussed the specific terms of the agreement. He stated that the Settlement Agreement recognizes the Settling Parties' agreement that CNG's proposal as set forth in its case-in-chief, including the Partial Settlement, that is expressly supported by Petitioner's testimony, should be approved except as modified by the Settlement Agreement.

Mr. Kieffer explained that the Settling Parties agreed to include in CNG's capital structure the \$620,766 Regulatory Liability from the Tax Cuts and Jobs Act at 0.00% cost. He stated the Settling Parties also agree to include in CNG's capital structure \$545,000 related to the line of credit (representing a 14-month average balance) at a cost of 7.50%. This results in an overall capital structure of 8.27% for ratemaking purposes. He testified this term represents a compromise between the as-filed positions of the Settling Parties.

Mr. Kieffer stated the Settling Parties agreed to all amounts in rate base as presented in the OUCC's case-in-chief, except for working capital. He stated the Settling Parties agree the working capital amount will be updated using the 45-day method based upon the updated revenue requirement resulting from the Settlement Agreement. He explained the agreed-upon rate base is reasonable and is supported by the evidence, and the use of the 45-day method for calculating working capital is consistent with prior cases involving CNG.

Mr. Kieffer testified the Settlement Agreement sets forth the agreed pro forma adjustments to CNG's revenue, and reflects consideration of the parties' positions on these adjustments. In particular, he noted the Settlement Agreement accepts the OUCC's proposed adjustment to eliminate GCA revenue and the OUCC's calculation of the impact from the Cause No. 43995-S1 tariff changes.

Mr. Kieffer stated the OUCC's testimony raised concerns with several of the expense adjustments reflected in CNG's case-in-chief. He stated the Settlement Agreement sets forth the Settling Parties' resolution of these concerns. In some instances, there was no disagreement between the Settling Parties as to the methodology to be used to calculate a particular expense, and in those cases the Settling Parties applied the agreed methodology to the updated numbers resulting from the Settlement Agreement. In other instances, he stated the Settling Parties engaged in back-and-

forth discussions and the exchange of information in order to better understand the nature of the expenses and the appropriate level to include in the revenue requirement. He stated, taken as a whole, these adjustments provide for a reasonable level of ongoing expense necessary for the operation of the utility.

Mr. Kieffer explained the Settlement Agreement reflects agreement on director's fees and rate case expense. Specifically, the Settling Parties agreed that director's fees should be updated to \$9,000/year, which is a reasonable compromise between the parties respective litigation positions. With respect to rate case expense, he stated the parties agreed to rate case expense of \$160,000, plus \$44,640 in unamortized rate case expense; the parties also agreed to an amortization period of five years. He explained Petitioner also agreed to file a revised tariff if new rates have not gone into effect at the end of the five-year amortization period to remove rate case expense from Petitioner's base rates. Should such an adjustment be necessary, the adjustment will be done on an across-the-board basis.

Mr. Kieffer testified the Settlement Agreement addresses certain types of loans. He stated the OUCC's testimony raised a question as to the extent to which Petitioner had obtained written consent from First National Bank in connection with outstanding loans from employees. In response, Petitioner pursued and obtained written consent from First National Bank for all current employee loans. He stated this term of the Settlement Agreement recognizes that Petitioner has obtained written consent for the outstanding employee loans. He added the Settlement Agreement further documents Petitioner's agreement to pursue written consent from First National Bank for any future employee loans. Mr. Kieffer testified this provision reasonably resolves the OUCC's concern and ensures Petitioner remains in compliance with its loan covenants.

Mr. Kieffer next addressed Petitioner's customer deposit policy and reconnection charge. He explained in its testimony, the OUCC noted that some of Petitioner's customer deposit provisions were less stringent than under the IURC's rules, while other provisions warrant clarification. He stated under the Settlement Agreement, Petitioner agreed to make a compliance filing with amended customer deposit language within 60 days of a Final Order in this Cause, as recommended by OUCC witness Grosskopf or, at Petitioner's option, the amended customer deposit language may be included with Petitioner's settlement tariff. He stated the Settling Parties also agreed that Petitioner's Reconnection Charge should be increased from \$60.00 to \$80.00.

Mr. Kieffer testified the Settling Parties reached agreement on rate design. Specifically, he stated the Settling Parties agree to the rate design recommendations made by OUCC witness Hoff, specifically to apply any increases to the overall tariff rate for each tariff in the same across-the-board methodology Petitioner proposed, adjusting the volumetric rate for each tariff rate to result in an equal overall rate change for all tariff rates, and without including the NTA therms. The Settling Parties also reached agreement on the monthly customer charges for each rate class. Mr. Kieffer added that Petitioner also agreed to include a COSS as part of its next base rate case. He stated the Settling Parties agree that the cost of that study can be included for recovery as part of that rate case, but it does not preclude the OUCC from reviewing the cost and possibly taking issue with that cost in the next rate case.

Mr. Kieffer stated Petitioner will continue replacing the older sections of its system, as well as those sections that have higher risks of leaks or increased brittleness, with modern materials, as appropriate. He stated this is consistent with the recommendation in the OUCC's testimony on this topic.

Finally, Mr. Kieffer stated the Settlement Agreement recognizes the Settling Parties entered into a Partial Settlement Agreement in this Cause and explains that the terms of the Partial Settlement Agreement are now incorporated into the Settlement Agreement.

Mr. Kieffer testified the Settlement Agreement also contains other provisions typically found in settlement agreements before the Commission, including recognition that the Settlement Agreement is a package compromise and will be null and void unless approved in its entirety without an unacceptable modification or further condition. He also stated the Settling Parties agree that the Settlement Agreement shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce this Settlement Agreement.

Mr. Kieffer concluded that Commission approval of the Settlement Agreement is in the overall public interest. He explained settlement is a reasonable means of resolving this proceeding in a manner that is fair and balanced to all concerned. He noted the Settlement Agreement addressed many of the concerns of the OUCC, yet provides Petitioner with sufficient revenues to reliably operate the utility. He stated the Settlement Agreement is supported by and within the scope of the evidence presented by the Settling Parties. The Settlement Agreement represents the result of extensive, good faith, arm's-length negotiations of the conceptual framework and details of the Settlement Agreement. He noted experts were involved with legal counsel and substantial time was devoted to the settlement discussions. Taken as a whole, he stated the Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause. Mr. Kieffer stated Petitioner asks the Commission to issue an order approving the Settlement Agreement in its entirety.

OUCC witness Kohlmann also testified in support of the Settlement Agreement, stating that the Settlement Agreement resolves all issues between the Settling Parties. He discussed the issues resolved in the Settlement Agreement, including original cost rate base, capital structure, pro forma operating revenues, and pro forma expense adjustments. He also discussed customer service charges, rate design, and the other agreed terms.

Mr. Kohlmann testified the Settlement Agreement addresses affordability by reducing Petitioner's requested revenue increase through rate design and in additional ways discussed further in his testimony, which he stated further protects affordability. He explained CNG originally proposed an increase in revenues of \$1,293,757, for a percentage increase of 15.92% including gas costs. He stated the OUCC recommended reducing the revenue increase to a percentage increase of 11.67% including gas costs. He testified the Settling Parties agreed that CNG's base rates under the Settlement Agreement will be designed to produce a \$1,490,869 net operating income, which represents a \$1,011,846 revenue increase, or a \$281,911 decrease from the amount CNG originally requested in its case-in-chief.

Mr. Kohlmann testified the Settling Parties agreed to an original cost rate base of \$18,027,426, which reflects the OUCC's proposed rate base as adjusted for an update to working capital. The following table details the calculation for the settled upon total cost rate base:

Original Cost Rate Base

Utility Plant in Service as of September 30, 2024		\$31,329,435
Less: Contributions in Aid of Construction as of September 30, 2024		(\$4,900)
Less: Accumulated Depreciation as of September 30, 2024		<u>(\$14,366,749)</u>
Net Utility Plant in Service		\$16,957,786
Add:		
Working Capital	\$3,216,325/8	\$402,041
Materials and Supplies		\$407,503
Gas in Storage		<u>\$260,096</u>
Total Original Cost Rate Base		\$18,027,426

Mr. Kohlmann also discussed the 10.10% cost of equity agreed to by the Settling Parties prior to CNG's Petition in this Cause. He stated this agreed cost of equity was incorporated into the Partial Settlement Agreement, which in turn was incorporated into the Settlement Agreement. He discussed the Settlement Agreement provisions affecting the capital structure and stated the Settling Parties agreed to the resulting weighted average cost of capital of 8.27%. The following table details the settled upon capital structure incorporating the Partial Settlement on cost of equity and the resulting WACC:

Capital Structure as of September 30, 2024

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common Equity	\$12,884,903	79.09%	10.10%	7.99%
Regulator Liability Associated with Cause No. 43995 S1	272,453	1.67%	0.00%	0.00%
Regulatory Liability from Tax Cuts and Jobs Act	620,766	3.81%	0.00%	0.00%
Customer Deposits	94,331	0.58%	6.00%	0.03%
Deferred Tax	1,874,297	11.50%	0.00%	0.00%
Line of Credit	545,000	3.35%	7.50%	0.25%
Stockholder Loan	-	<u>0.00%</u>	<u>6.50%</u>	<u>0.00%</u>
Total	\$16,291,750	100.00%		8.27%

Mr. Kohlmann discussed the revenue adjustments agreed to by the Settling Parties. He also discussed the pro forma expenses addressed in the Settlement Agreement. With respect to rate design, he stated the Settling Parties agreed to increase the monthly customer charges for each rate class. In addition, the Settling Parties agreed to apply any increases in the overall tariff rate for each tariff in the same across-the-board methodology. Petitioner proposed adjusting the volumetric

rate for each tariff rate to result in an equal overall rate change, without including the NTA terms. Mr. Kohlmann discussed the Settlement Agreement provisions related to Petitioner's customer deposit language, reconnection charge, rate case expense amortization expiration, employee loans, and reliability and resiliency.

Mr. Kohlmann concluded the Settlement Agreement is in the public interest. He explained in entering into the Settlement Agreement, the Settling Parties each made concessions. He stated the resulting Settlement Agreement includes customer service charges that will mitigate the rate increase impact and help prevent rate shock for CNG's customers. He stated the terms of the Settlement Agreement demonstrate the give and take of settlement negotiations in resolving multiple contested issues in a manner acceptable to the Settling Parties that is also reasonable and in the public interest. He stated the Settlement Agreement also reduces the risk and expense of litigating multiple issues. He stated if approved, the Settlement Agreement, considered in its entirety, serves the public interest and CNG's customers by guaranteeing a rate level that will save ratepayers approximately \$281,911 annually compared to Petitioner's case-in-chief proposal. He opined the Settlement Agreement promotes administrative efficiency; therefore, he stated the OUCC considers the Agreement to be both reasonable and in the public interest. Mr. Kohlmann stated the Settling Parties' testimony and exhibits provide evidence that supports the reasonableness of the Settlement Agreement, and the OUCC recommends the Commission approve the Settlement Agreement as being in the public interest.

5. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement. Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that such agreement serves the public interest.

The Settlement Agreement and the Partial Settlement, which is incorporated into the final Settlement Agreement, resolve all contested issues between the Settling Parties in this case. A copy of the Settlement Agreement is attached to this order and incorporated herein by reference. Both Petitioner and the OUCC submitted testimony in support of the Settlement Agreement. The Settlement Agreement addresses efforts towards affordability by reducing Petitioner's requested revenue increase through rate design and other various adjustments. Based on our review of the evidence of record as described above, we find the Settlement Agreement will allow Petitioner an opportunity to earn revenues sufficient enough to allow it to continue providing safe, reliable, and

efficient service; therefore, the Settlement Agreement is reasonable, in the public interest, and is therefore approved.

The Settling Parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Regarding future citation of the Settlement Agreement, we find that the Settlement Agreement and our approval of it should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

6. Confidentiality. On March 7, 2025, CNG filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information (“Motion”) in this Cause, which was supported by the Affidavit of Mr. Kieffer, showing that certain information to be submitted to the Commission contained trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. The Presiding Officers issued a docket entry on April 22, 2025 finding this information should be held confidential on a preliminary basis, after which the information was submitted under seal. After reviewing the information, we find this information qualifies as confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29. This information shall be held as confidential and protected from public access and disclosure by the Commission and is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Partial Settlement and the Settlement Agreement are both approved and incorporated by reference into this Order.

2. Petitioner shall be authorized to increase its operating revenues exclusive of the cost of gas by \$1,011,846 and shall be authorized to earn a net operating income of \$1,490,869 on a rate base of \$18,027,426.

3. Petitioner shall file tariffs under this Cause as described herein and in the Settlement Agreement and Partial Settlement. Such tariffs shall become effective for services rendered on and after the date of approval by the Commission’s Energy Division.

4. If Petitioner does not file another base rate case and receive approval of new rates by the end of the five-year amortization period, Petitioner shall file a revised tariff under this Cause to remove rate case expense from Petitioner’s base rates. If such a revised tariff is filed, CNG’s rates and charges should be adjusted on an across-the-board basis.

5. CNG shall include a cost-of-service study as part of its next base rate case. The cost of that study may be included for recovery as part of that rate case, but it does not preclude the OUCC from reviewing the cost and possibly taking issue with that cost in the next base rate case.

6. The information submitted under seal in this Cause pursuant to CNG’s Motion is determined to be confidential trade secret information pursuant to Ind. Code §§ 5-14-34 and 24-2-

3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

7. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA AND ZIEGNER CONCUR:

APPROVED: SEP 24 2025

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

_____ on behalf of
Dana Kosco
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL GAS)
COMPANY, INC. FOR AUTHORITY TO CHANGE) CAUSE NO. 46209
ITS RATES, CHARGES, TARIFFS, RULES, AND)
REGULATIONS)

SUBMISSION OF SETTLEMENT AGREEMENT

Community Natural Gas Co., Inc., (“Community”, “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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Counsel for Petitioner,
Community Natural Gas Co., Inc..

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 23rd day of July, 2025, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF COMMUNITY NATURAL GAS)
COMPANY, INC. FOR AUTHORITY TO CHANGE) CAUSE NO. 46209
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STIPULATION AND SETTLEMENT AGREEMENT

Community Natural Gas Company, Inc. (“Petitioner” or “Community”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), (collectively the “Settling Parties” and each individually a “Settling Party”), solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree 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 (“IURC” or “Commission”) into a final, non-appealable order (“Final Order”)¹ 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.

The Settling Parties agree that Community’s requested relief in Cause No. 46209, including the Partial Settlement, that is expressly supported by Community’s testimony, shall be granted as proposed by Community, except as modified below:

- A. Capital Structure – The Settling Parties agree to include in Community’s capital structure the \$620,766 Regulatory Liability from the Tax Cuts and Jobs Act at 0.00% cost. The Settling Parties also agree to include in Community’s capital structure \$545,000 related to the line of credit (representing a 14-month average

¹ “Final Order” as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

balance) at a cost of 7.50%. This results in an overall capital structure weighted average cost of capital of 8.27% for ratemaking purposes.

B. Rate Base – The Settling Parties agree to all amounts in rate base as presented in the OUCC’s case-in-chief, with the exception of working capital. The working capital amount will be updated using the 45-day method based upon the updated revenue requirement resulting from this Settlement Agreement.

C. Revenue Adjustments – The Settling Parties agree to the following pro forma adjustments to Community’s revenue:

- i) Other Gas Revenues adjustment of \$5,320.
- ii) Elimination of GCA Revenue adjustment of (\$2,790,370).
- iii) Cause No. 43995 S1 Tariff Change Revenue adjustment of \$70,020.

D. Expense Adjustments – The Settling Parties agree to the following pro forma adjustments to Community’s expenses:

- i) Energy Efficiency Contribution from NTA adjustment of (\$11,300).
- ii) Pension Contribution adjustment of \$36,515.
- iii) Charitable Contributions adjustment of (\$150).
- iv) Cost of Billing Software Implementation adjustment of \$23,273.
- v) Bad Debt Expense adjustment of \$23,260.
- vi) Employee Gifts and Events adjustment of (\$2,145).
- vii) Property Tax adjustment of \$3,553.
- viii) Property Insurance Expense adjustment of \$7,104.
- ix) Health Insurance Expense adjustment of \$45,271.
- x) Lobbying and Entertainment Fees adjustment of (\$959).
- xi) Depreciation Expense adjustment of \$44,550.
- xii) Natural Gas Purchased adjustment of (\$2,752,918).
- xiii) Payroll Expense adjustment of \$225,878.
- xiv) Miscellaneous Expense adjustment of (\$9,500).
- xv) Payroll Tax Expense adjustment of \$20,179.
- xvi) Director Fees Expense adjustment of (\$21,000).
- xvii) Rate Case Expense adjustment of (\$2,459). This incorporates a rate case expense of \$160,000, plus \$44,640 in unamortized prior rate case expense, for a total rate case expense of \$204,640 amortized over five years. Community agrees to file a revised tariff to remove rate case expense from base rates if new base rates have not gone into effect before the end of the five-year amortization period. If such an adjustment is necessary, the adjustment will be done on an across-the-board basis.
- xviii) IURC Fee adjustment: The Settling Parties agree to use the OUCC’s methodology of calculating the IURC fee adjustment, using the updated rate effective July 1, 2025, and based on numbers resulting from the Settlement Agreement.
- xix) State and Federal Income Tax adjustments: The Settling Parties agree to use the methodology from Petitioner’s case-in-chief and based on the updated numbers resulting from the Settlement Agreement. The Settling Parties also

agree to update the synchronized interest calculation to remove the 0.01% plug included in Ms. Mann's calculation.

- E. Employee Loans – The Settling Parties acknowledge that Community has pursued and obtained written consent from First National Bank of Carmi for all current employee loans, and Community will pursue written consent from First National Bank of Carmi for all future employee loans, pursuant to its loan agreement with First National Bank of Carmi.
- F. Tariff Matters – The Settling Parties agree Petitioner will make a compliance filing with amended customer deposit language within 60 days of a Final Order in this Cause, as recommended by OUCC witness Grosskopf or, at Petitioner's option, the amended customer deposit language may be included with Community's settlement tariff. The Settling Parties also agree that Community's Reconnection Charge shall increase from \$60.00 to \$80.00.
- G. Rate Design – The Settling Parties agree to the rate design recommendations made by OUCC witness Hoff, specifically to apply any increases to the overall tariff rate for each tariff in the same across-the-board methodology Petitioner proposed, adjusting the volumetric rate for each tariff rate to result in an equal overall rate change for all tariff rates, and without including the NTA terms. The Settling Parties agree to the monthly customer charges for each rate class, as shown below:
 - Residential Service: \$15.00
 - General Service: \$35.00
 - Industrial Service: \$100.00
 - Large Volume Sales Service: \$1,000.00
 - Large Volume Transportation Service: \$1,000.00
 - Large Volume High Load Factor Industrial Gas Sales Service: \$1,000.00
 - School Transportation Service: \$35.00
- H. Cost of Service Study – The Settling Parties agree Petitioner will include a cost of service study as part of Petitioner's next base rate case. The Settling Parties further agree the cost of that study can be included for recovery as part of that rate case, but it does not preclude the OUCC from reviewing the cost and possibly taking issue with that cost in the next rate case.
- I. Reliability and Resiliency – The Settling Parties agree Community will continue replacing the older sections of its system, as well as those sections that have higher risks of leaks or increased brittleness, with modern materials, as appropriate.
- J. Partial Settlement Agreement – the Partial Settlement Agreement previously filed in this Cause is incorporated herein by reference.
- K. Resulting Revenue Requirement – The Settling Parties agree that the following table sets forth the revenue requirement resulting from this Settlement Agreement:

Description	Community Case-in Chief	OUCC Case-in-Chief	Settlement Agreement
Original Cost Rate Base	\$18,044,241	\$18,023,806	\$18,027,426
Times: Weighted Cost of Capital	8.64%	8.23%	8.27%
Net Operating Income Required	\$1,559,022	\$1,483,360	\$1,490,869
Less: Adjusted Net Operating Income	\$592,331	\$768,156	\$734,747
Net Revenue Increase Required	\$966,691	\$715,204	\$756,122
Gross Revenue Conversion Factor	133.8340%	133.8205%	133.8205%
Recommended Revenue Increase	\$1,293,757	\$957,089	\$1,011,846
Percentage Increase (Net of Gas Cost)	24.27%	17.70%	18.71%
Percentage Increase (Including Gas Cost)	15.92%	11.67%	12.34%

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 Agreement and supporting evidence shall be withdrawn and the Commission will

continue to hear this Cause 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 Agreement 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 Agreement 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 Agreement, constitute substantial evidence sufficient to support this Settlement Agreement 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 Agreement.

III. SETTLEMENT AGREEMENT EFFECT, SCOPE, AND APPROVAL.

1. The Parties acknowledge and agree as follows:
 - a) The Settlement Agreement 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 Agreement is in consideration and support of each and every other term.
 - b) The Settlement Agreement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement Agreement nor any of the

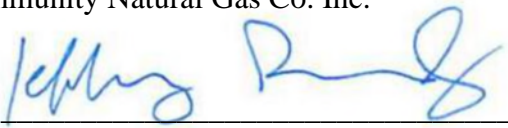
individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement Agreement is not accepted by the Commission. The Parties hereto shall not use this Stipulation 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 Settlement 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 Agreement, 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 Agreement on behalf of their designated clients who will thereafter be bound by this Settlement Agreement.
- e) The Parties hereto will either support; or not oppose on rehearing, reconsideration, and/or appeal; an IURC order accepting and approving this Settlement Agreement in accordance with its terms.

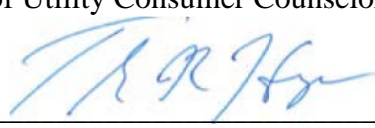
[Signatures on next page]

ACCEPTED and AGREED this 23rd day of July, 2025.

Community Natural Gas Co. Inc.

By: 
Counsel of Record

Indiana Office of Utility Consumer Counselor

By: 
Counsel of Record

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