

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 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 )

CAUSE NO. 45761

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 8: SETTLEMENT TESTIMONY OF  
OUCC WITNESS HEATHER R. POOLE

February 10, 2023

Respectfully submitted,



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Jeffrey M. Reed  
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Deputy Consumer Counselor

**WESTFIELD GAS, LLC D/B/A CITIZENS GAS OF WESTFIELD  
CAUSE NO. 45761  
SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE**

**I. INTRODUCTION**

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

2 A: My name is Heather R. Poole, and my business address is 115 W. Washington  
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as  
6 the Director of the Natural Gas Division. I have worked as a member of the OUCC's  
7 Natural Gas Division since December 2010. For a summary of my educational and  
8 professional experience, as well as my preparation for this case, please see the  
9 Appendix attached to my testimony.

10 **Q: What is the purpose of your settlement testimony?**

11 A: My settlement testimony supports the Settlement Agreement ("Agreement")  
12 between the Parties in this Cause: Westfield Gas, LLC, d/b/a Citizens Gas of  
13 Westfield ("Westfield" or "Petitioner") and the OUCC (collectively, the "Settling  
14 Parties"). The Agreement resolves all issues between the Settling Parties in this  
15 Cause. My settlement testimony focuses on those items in which differences existed  
16 between Westfield's and the OUCC's cases-in-chief. I discuss the pertinent matters  
17 agreed to in the Agreement, such as the fair value rate base, capital structure and  
18 return on fair value rate base, pro forma operating revenues, and pro forma  
19 operation & maintenance ("O&M") expense adjustments. I discuss terms of the

1 Agreement related to Westfield's Energy Efficiency Rider ("EER"), Unaccounted  
2 for Gas in the Gas Cost Adjustment ("GCA") mechanism, and rate design. The  
3 Settling Parties also filed a set of revenue requirement schedules reflecting the  
4 terms of the Agreement, designated as Attachment 1 to the Agreement.

5 **Q: Is the Agreement a product of arms-length negotiations between the Settling**  
6 **Parties?**

7 A: Yes. The Agreement represents a compromise reached in the settlement negotiation  
8 process, with give and take by the Settling Parties. The Settling Parties devoted  
9 considerable time and effort to fairly balance Westfield's interests and those of  
10 Westfield's customers.

## II. ISSUES RESOLVED IN SETTLEMENT

### A. Revenue Requirement and Net Operating Income

11 **Q: What value did the Settling Parties agree to for the revenue requirement and**  
12 **net operating income?**

13 A: The Settling Parties agree that Westfield's base rates will be designed to produce a  
14 \$1,400,063 return on rate base. The revenue requirement represents a \$751,832  
15 increase in revenue, which is a \$544,029 decrease from the amount originally  
16 requested by Westfield in its case-in-chief.

### B. Rate Base

17 **Q: What value did the Settling Parties assign to rate base in this Cause?**

18 A: The Settling Parties agree to a fair value rate base of \$20,145,826. This reflects a  
19 compromise between Westfield's \$22,073,595 fair value rate base, and the  
20 OUCC's \$18,301,018 fair value rate base recommended by OUCC witness Courter.

**C. Cost of Equity and Capital Structure**

1 **Q: What cost of equity did Westfield and the OUCC propose in this Cause?**

2 A: Westfield proposed a 10.90% cost of equity, while the OUCC proposed a 9.40%  
3 cost of equity.

4 **Q: What cost of equity have the Settling Parties agreed to in this Cause?**

5 A: The Settling Parties agree to a 10.00% cost of equity. The OUCC considers this a  
6 fair and reasonable result when combined with other considerations and  
7 compromises made in this Agreement.

8 **Q: What Weighted Average Cost of Capital ("WACC") have the Settling Parties  
9 agreed to?**

10 A: The Settling Parties agreed to apply an agreed-upon inflation factor to only the cost  
11 of equity, which results in a WACC of 6.95%.

12 **Q: The Presiding Officers issued a Docket Entry on January 30, 2023 asking  
13 questions about the debt cost rate. What is your response?**

14 A: The OUCC considered the debt cost rate within the context of the settlement as a  
15 whole. The OUCC recognized the debt cost rate and debt component in the capital  
16 structure as proposed by Petitioner in its case-in-chief accurately reflects  
17 Petitioner's current circumstances. The OUCC weighed the litigation risk to  
18 ratepayers of an unfavorable order on this and all other issues as well as the benefits  
19 of a negotiated resolution, including the non-precedential nature of settlements.  
20 Ultimately, the OUCC concluded the final settlement in this particular instance is  
21 reasonable and serves the public interest when considering all concessions and  
22 gains, including the debt cost rate issue.

1 **Q: What fair return resulted from the settled capital structure and WACC when**  
2 **applied to the settled rate base?**

3 A: The Settling Parties stipulate and agree the WACC resulting from the settled capital  
4 structure times the settled fair value rate base yields a fair return of no more than  
5 \$1,400,063.

6 **D. Pro Forma Revenues**

7 **Q: What revenue adjustments do the Settling Parties agree to in this Cause?**

8 A: The Settling Parties agree Westfield's pro forma revenues for late payment  
9 revenues and reconnection/connection fees should be those as stated in Westfield's  
10 case-in-chief. The Settling Parties also agree to use a 3-year average using Calendar  
11 Year ("CY") 2019, CY 2020 and CY 2021 data, which results in a \$4,514 decrease  
12 in revenue for imbalance premium revenue. The amounts above result in a total  
13 Other Revenue Adjustment of (\$133,090).

14 **E. O&M Expenses**

15 **Q: Please explain the results of the settlement negotiations regarding O&M**  
16 **expense adjustments.**

17 A: The Settling Parties negotiated compromises to three O&M expense adjustments.  
18 First, the Settling Parties agree total rate case expense should be \$375,000  
19 amortized over four (4) years, for an annual expense of \$93,750. This expense  
20 reflects a reduction from Westfield's case-in-chief position since the hearing will  
21 not be contested and a joint proposed order will be filed. If new rates have not gone  
22 into effect at the end of the 4-year amortization period, Westfield will file a revised  
23 tariff to remove rate case expense from its base rates. If such an adjustment is

1 required, Westfield will have the right to adjust its rates and charges across the  
2 board without a new cost-of-service study. In the event Westfield has new base  
3 rates that go into effect before the end of the 4-year amortization period, any  
4 remaining rate case expense not amortized at the time of Petitioner's next rate case  
5 order may be included in that proceeding.

6 Second, the Settling Parties agree to a net write-off adjustment of (\$1,449).  
7 Third, the Settling Parties agree to a public utility fee adjustment of \$3,357. Both  
8 of these are flow-through adjustments and consider the miscellaneous revenue  
9 adjustment noted above.

10 **F. Energy Efficiency Rider ("EER")**

11 **Q: Have the Settling Parties agreed to an extension of Westfield's EER?**

12 A: Yes. The Settling Parties agree to the extension of Westfield's energy efficiency  
13 ("EE") programs, and the Energy Efficiency Funding Component ("EEFC") and  
14 Sales Reconciliation Component ("SRC") of the EER through a Final Order in the  
15 next general rate case. This is consistent with Westfield's and the OUCC's positions  
16 in their cases-in-chief. Because Westfield's EE programs are modeled after  
17 CenterPoint Energy Indiana North's ("CEI North") EE programs, if CEI North's  
18 EE programs are not approved, expire, or otherwise cease, Westfield's EE portfolio  
19 and EER should be discontinued and wound down. Westfield will also be subject  
20 to the same reporting requirements as are currently in effect.

1 **G. Unaccounted For Gas**

2 **Q: Have the Settling Parties reached agreement on the percentage of**  
3 **unaccounted-for-gas (“UAFG”) to be used in Westfield’s GCA mechanism?**

4 A: Yes. The Settling Parties agree to lower the maximum annual UAFG percentage  
5 from 1.28% proposed in Westfield’s case-in-chief to 1.18%. This is an increase  
6 from the OUCC’s proposed 0.81% in its case-in-chief.

7 **H. Cost of Service/Cost Allocations**

8 **Q: Have the Settling Parties reached agreement on the overall allocation of the**  
9 **revenue increase to the customer rate classes?**

10 A: Yes. The Settling Parties agree to use Westfield’s cost of service study updated  
11 based on the Settling Parties’ agreed-upon fair value rate base, WACC, revenue  
12 requirement, and the agreed upon change to the monthly Residential Customer  
13 charge.

14 **I. Rate Design**

15 **Q: Have the Settling Parties reached agreement on monthly customer service**  
16 **charges?**

17 A: Yes. The monthly customer service charge for residential customers in Rate D20  
18 will be increased from \$11.83 to \$15.00 per month. This is a compromise between  
19 the Settling Parties from Westfield’s requested \$16.83 and the OUCC’s  
20 recommended \$14.00. The decrease in the monthly customer charge for residential  
21 customers from Westfield’s original request will be made up in the volumetric  
22 charge for residential customers, therefore not impacting other rate classes. All  
23 other rate classes will have the same customer charge as proposed by Westfield in  
24 its case-in-chief.

### III. PUBLIC INTEREST

1 **Q: Is the Agreement in the public interest?**

2 A: Yes. The Settling Parties each made material concessions when they entered into  
3 the proposed Agreement. The resulting Agreement includes a residential customer  
4 rate that lessens the rate increase impact and prevents rate shock to captive  
5 residential customers. The terms of the Agreement demonstrate the give and take  
6 of settlement negotiations in resolving multiple contested issues in a manner  
7 acceptable to all Settling Parties. The Agreement also reduces the risk and expense  
8 of litigation of multiple issues. The OUCC believes the Agreement, considered in  
9 its entirety, serves the public interest and the ratepayers of Westfield by  
10 guaranteeing ratepayer savings of \$544,029 compared to Petitioner's case as filed.  
11 The Agreement promotes judicial and administrative efficiency. Therefore, the  
12 OUCC considers the Agreement to be both reasonable and in the public interest.

### IV. CONCLUSION

13 **Q: Does the OUCC recommend approval of the Agreement?**

14 A: Yes. The Settling Parties' testimony and exhibits provide evidence to support the  
15 Agreement, and the OUCC recommends the Commission approve the Agreement.

16 **Q: Does this conclude your settlement testimony?**

17 A: Yes.



**APPENDIX TO TESTIMONY OF**  
**OUCC WITNESS HEATHER R. POOLE**

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

2 A: I graduated from the School of Business at Ball State University in Muncie, Indiana  
3 with a Bachelor of Science Degree in Accounting in May 2001, and a Master of  
4 Science Degree in Accounting in May 2002. From September 2002 through  
5 September 2010, I worked for London Witte Group, LLC, a CPA firm in  
6 Indianapolis, Indiana, as a Senior Staff Accountant. I prepared and reviewed  
7 individual, corporate, not-for-profit, property and payroll tax returns; prepared  
8 compilations, reviews, and audit reports in compliance with GAAP for a variety of  
9 utility companies and not-for-profit organizations; prepared depreciation  
10 schedules; and guided clients through year-end accounting processes, including  
11 preparation and review of adjusting entries. I prepared and reviewed Gas Cost  
12 Adjustment (“GCA”) petitions, as well as annual reports filed with the Commission  
13 for natural gas companies within the State of Indiana. I also prepared rate case  
14 exhibits and schedules filed with the Commission on behalf of various gas utility  
15 clients.

16 In December 2010, I began my employment with the OUCC as a Utility  
17 Analyst II. In October 2012, I was promoted to Senior Utility Analyst. In February  
18 2017, I was promoted to Assistant Director of the Natural Gas Division. In  
19 December 2021, I was promoted to Director of the Natural Gas Division. My  
20 current responsibilities include reviewing and analyzing rate cases filed by Indiana  
21 natural gas, electric and water utilities with the Commission. I also review GCAs,

1 special contracts, tariff, financing, certificate of public necessity, pipeline safety  
2 adjustment, gas demand side management, alternative regulatory plan, 7-Year Plan,  
3 Federal Mandated Cost Adjustment Tracker, and Transmission, Distribution and  
4 Storage System Improvement Charge (“TDSIC”) Tracker cases for natural gas  
5 utilities.

6 In May 2016, I passed the Certified Public Accountant (“CPA”) Exam and  
7 obtained my CPA license in June 2016. While employed at the OUCC, I completed  
8 NARUC’s Utility Rate School hosted by the Institute of Public Utilities at Michigan  
9 State University and the Institute of Public Utilities Advanced Regulatory Studies  
10 Program at Michigan State University. I am also a member of the Indiana CPA  
11 Society.

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

13 A: Yes. I have testified in GCAs, rate cases, TDSIC tracker cases; 7-Year Plan cases;  
14 tariff; gas demand side management; decoupling; and special contract cases  
15 involving gas and water utilities. I also provided extensive testimony in the  
16 Commission’s investigation into the existing GCA procedures and schedules.

17 **Q: What review and analysis have you conducted to prepare your settlement**  
18 **testimony?**

19 A: I reviewed the petition, testimony, rebuttal testimony, exhibits, and supporting  
20 documentation submitted in this Cause. I analyzed Petitioner’s responses to  
21 discovery requests from the OUCC. I participated in a pre-filing meeting with  
22 Petitioner’s representatives to discuss this case. I also participated in settlement  
23 negotiations with Petitioner for this Cause.

**AFFIRMATION**

I affirm, under the penalties for perjury, that the foregoing representations are true.

Heather R. Poole

Heather R. Poole  
Director – Natural Gas Division  
Indiana Office of  
Utility Consumer Counselor  
Cause No. 45761  
Citizens Gas of Westfield, LLC

2-10-23

Date

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic service on February 10, 2023.

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