

**FILED**  
November 2, 2018  
INDIANA UTILITY  
REGULATORY COMMISSION

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF SWITZERLAND COUNTY NATURAL )  
GAS COMPANY, INC. FOR AUTHORITY TO )  
CHANGE ITS RATES, CHARGES, TARIFFS, RULES, ) CAUSE NO. 45117  
AND REGULATIONS )**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

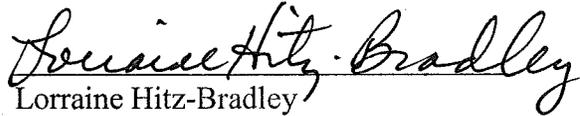
**PUBLIC'S EXHIBIT NO. 1**

**TESTIMONY OF OUCC WITNESS**

**ISABELLE L. GORDON**

**NOVEMBER 2, 2018**

Respectfully submitted,



Lorraine Hitz-Bradley  
Atty. No. 18006-29  
Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS ISABELLE L. GORDON**  
**CAUSE NO. 45117**  
**SWITZERLAND COUNTY NATURAL GAS CO.**

**I. INTRODUCTION**

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

2 A: My name is Isabelle L. Gordon 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 employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as  
6 a Utility Analyst I. I have worked as a member of the OUCC’s Natural Gas Division  
7 since July 2017. My educational and professional experience, as well as my  
8 preparation for this case, are detailed in Appendix ILG-1.

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

10 A: I discuss Switzerland County Natural Gas Co.’s (“Switzerland”) overall need for a  
11 rate increase. I address certain elements in Switzerland’s request for a rate increase,  
12 including adjustments to Switzerland’s pro forma operating revenue, expenses, rate  
13 base, and capital structure. I sponsor accounting schedules to support pro forma  
14 operating revenue and expense adjustments described in my testimony and the  
15 testimony of OUCC witnesses Amy Larsen, Edward Rutter and Leon Golden. My  
16 accounting schedules also reflect adjustments to the rate base calculation as  
17 described in the testimony of OUCC witness Leon Golden, and capital structure as  
18 described in the testimony of OUCC witnesses Bradley Lorton and Jennifer Reed.  
19 The accounting schedules I prepared incorporate all OUCC adjustments to calculate

1 Switzerland's total pro forma revenue requirements and the OUCC's resulting  
2 recommended rate increase.

## II. OUCC WITNESS INTRODUCTION

3 **Q: Please introduce the other OUCC witnesses who are testifying in this case.**

4 A: The following OUCC witnesses reviewed and analyzed Switzerland's rate case and  
5 are testifying on various elements of the revenue requirements and rate design:

6 Ms. Amy Larsen (Public's Exhibit No. 2) addresses adjustments to Petitioner's  
7 operating expenses. She recommends adjustments to payroll expense, retirement  
8 expense, health insurance expense, payroll taxes, and property taxes.

9 Mr. Edward Rutter (Public's Exhibit No. 3) analyzes Petitioner's rate case expense.  
10 He recommends an adjustment to the amount of rate case expense to be included in  
11 base rates. He also recommends removal of rate case expense amortization if new  
12 rates have not gone into effect five years after a final order in this Cause.

13 Mr. Leon Golden (Public's Exhibit No. 4) analyzes Petitioner's rate base  
14 calculations and its adjustments to depreciation expense. He recommends an  
15 original cost rate base adjustment and a depreciation expense adjustment.

16 Mr. Bradley Lorton (Public's Exhibit No. 5) testifies on the cost of common equity  
17 capital. He recommends a 9.1% cost of equity for Petitioner.

18 Ms. Jennifer Reed (Public's Exhibit No. 6) testifies about macroeconomic analyses,  
19 including interest rates, growth, and inflation. She recommends a 9.1% return on  
20 equity consistent with Mr. Lorton's testimony.

21 Mr. Brien Krieger (Public's Exhibit No. 7) discusses his review and analysis of  
22 Petitioner's cost of service study, proposed rate design, and monthly customer  
23 charge. He recommends a residential customer charge of \$12.00 and does not object  
24 to Petitioner's other proposed customer charges.

**III. REVENUE REQUIREMENT SCHEDULES**

1 **Q: Does the OUCC agree with Switzerland's proposed pro forma increase in**  
2 **revenue from rates?**

3 A: No. The OUCC's review supports the need for an increase in annual revenue of  
4 \$18,306, representing a 3.33% increase over gross margin. In contrast, Switzerland  
5 requests a rate increase of 15.26% over gross margin, to increase its annual revenue  
6 by \$83,699.

7 **Q: Did you find any errors in Switzerland's revenue requirement schedules, as**  
8 **filed in its Exhibit BJM-1?**

9 A: Yes. In the calculation of synchronized interest, Switzerland failed to include  
10 deferred tax in the calculation of the weighted cost of debt. Switzerland also used a  
11 different long-term debt amount and cost, than the debt amount and cost proposed  
12 in Exhibit E. Finally, Petitioner excluded the Belterra Note Payable in Exhibit E. I  
13 used the same capital structure for the calculation of synchronized interest as shown  
14 on Attachment ILG-1, Schedule 8. I have corrected this error within the calculation  
15 of state and federal income taxes, as shown on Attachment ILG-1, Schedule 6, p.  
16 3.

17 **Q: What attachments and schedules have you submitted that show pertinent**  
18 **calculations related to the OUCC's testimony?**

19 A: I sponsor the following attachments and schedules included in this filing:

20 Attachment ILG-1: OUCC Revenue Requirement Schedules

- 21 • Schedule 1: Comparison of Switzerland's and the OUCC's Revenue  
22 Requirements, and Comparison of Income Statement Adjustments.
- 23 • Schedule 2: Switzerland's Balance Sheet as of September 30, 2017.
- 24 • Schedule 3: Switzerland's Income Statement for the Twelve Months Ended  
25 September 30, 2017.

- 1           • Schedule 4: Original Cost Rate Base at September 30, 2017.
- 2           • Schedule 5: Pro Forma Net Operating Income Statement.
- 3           • Schedule 6: Pro Forma Present Rate Adjustments.
- 4           • Schedule 7: Pro Forma Proposed Rate Adjustments.
- 5           • Schedule 8: Capital Structure as of September 30, 2017.

6   **Q: Please describe the schedules you sponsor in Attachment ILG-1.**

7   A: Schedule 1, at page 1, summarizes the main components of the revenue  
8   requirements, incorporating the OUCC's adjustments, as compared to  
9   Switzerland's proposed revenue requirements, resulting in the calculation of the  
10   OUCC's recommended revenue increase. Schedule 1, at pages 2 and 3, shows the  
11   comparison of Switzerland's and the OUCC's proposed revenue and expense  
12   adjustments at present rates and the comparative calculations of the revenue  
13   conversion factor. Schedule 2 and Schedule 3 represent Switzerland's unadjusted  
14   Balance Sheet and Income Statement as of the end of the test year. Schedule 4  
15   shows the OUCC's updated calculation of Switzerland's original cost rate base as  
16   of September 30, 2017, as sponsored by OUCC witness Golden. Schedule 5 is the  
17   Pro Forma Net Operating Income Statement reflecting all pro forma revenue and  
18   expense adjustments proposed by the OUCC. The OUCC's proposed adjustments  
19   yield revised pro forma operating expenses and net operating income, resulting in  
20   a revised proposed rate increase. Schedule 6 shows the OUCC's calculated  
21   adjustments to various operating revenue and expenses; depreciation expense; taxes  
22   other than income taxes; and federal and state income taxes. Schedule 7 uses the

1 OUCC's proposed revenue increase to gross up bad debt, the IURC fee, Indiana  
2 utility receipts tax, and federal and state income taxes. Schedule 8 reflects the  
3 OUCC's revisions to Switzerland's capital structure.

#### IV. PROPOSED ADJUSTMENTS TO REVENUE REQUIREMENT SCHEDULES

4 **Q: Are you sponsoring all adjustments shown on Schedules 5 and 6 of Attachment**  
5 **ILG-1?**

6 A: No. Schedules 5 and 6 reflect all of the OUCC's operating income and expense  
7 adjustments. I am sponsoring the new National Oceanic and Atmospheric  
8 Administration ("NOAA") averages for the Normal Temperature Adjustment  
9 ("NTA"), the natural gas purchased, the IURC fee, the miscellaneous expense, the  
10 Indiana utility receipts tax ("URT"), the state and federal income tax, and some of  
11 the capital structure adjustments. My proposed adjustments are shown in detail on  
12 Schedule 6, pp. 1-3, and Attachments ILG-2 through ILG-5.

13 Other operating income and expense adjustments on Schedules 5 and 6  
14 reflect the result of adjustments sponsored by OUCC witnesses Larsen and Golden.  
15 The detail of Ms. Larsen's adjustments are shown on Public's Exhibit No. 2,  
16 Attachments AEL-1 through AEL-5. The detail of Mr. Golden's adjustment is  
17 shown on Public's Exhibit No. 4, Attachment LAG-1.

18 **Q: Does the fact you did not address every issue raised in Switzerland's testimony**  
19 **or revenue requirement schedules mean you agree with Switzerland's**  
20 **testimony or adjustments on those issues?**

21 A: No. Absence of an issue in the OUCC's testimony and exhibits should not be read  
22 as an endorsement of, or agreement with, Switzerland's position on such issues.

**V. OPERATING REVENUE**

1 **Q: What revenue adjustments did Petitioner propose?**

2 A: Petitioner proposed adjustments to eliminate GCA revenue included in the test year,  
3 to adjust the NOAA averages for the NTA, and to adjust revenues for the decrease  
4 in tariff rates from the settlement in Cause No. 44293.

5 **Q: Do you agree with Petitioner's proposed revenue adjustments?**

6 A: No, I do not agree with Petitioner's new NOAA averages for the NTA.

7 **Q: What adjustment did Petitioner propose as a result of new NOAA averages**  
8 **for the NTA?**

9 A: Petitioner's witness Bonnie J. Mann describes the pro forma adjustment as a  
10 "[d]ecrease in sales revenues of (\$3,619) due to use of the most recent NOAA 30-  
11 year averages in the calculation of the Normal Temperature Adjustment." (Direct  
12 Testimony of Ms. Mann, p. 5, lines 15-16.)

13 **Q: How did Petitioner calculate the proposed adjustment for new NOAA**  
14 **Averages for the NTA?**

15 A: Petitioner calculated new NOAA averages by weather normalizing test year  
16 Heating Degree Days ("HDD") using both the 1971-2000 NOAA averages and the  
17 1981-2010 NOAA averages. Petitioner used the variance between the two  
18 normalizations to find the necessary adjustment for the test year.

19 **Q: Do you agree with Petitioner's adjustment?**

20 A: No. I agree with Petitioner's methodology; however, I found errors in its  
21 calculation, which I corrected in Attachment ILG-2, p. 1. The corrections result in  
22 a lower decrease to sales revenue of (\$1,527).

1 **Q: Please explain your corrections to Petitioner's workpaper.**

2 A: Petitioner double-counted dekatherm ("Dth") sales when it calculated Dth Sales  
3 less Baseload. Petitioner also used the incorrect block rate to calculate the total  
4 revenue per class. I corrected Dth sales in the Dth Sales less Baseload calculation  
5 shown on Attachment ILG-2, p. 3. Additionally, I used Petitioner's current last  
6 block rate for residential and commercial classes (shown on Attachment ILG-2, pp.  
7 4-5) to calculate the decrease to sales revenue. My adjustment to the pro forma  
8 revenue requirements for the new NOAA averages for the NTA is a (\$1,527)  
9 decrease. (Attachment ILG-2, p. 1.)

## VI. OPERATING EXPENSES

### A. Natural Gas Purchased Adjustment

10 **Q: What natural gas purchased adjustment did Petitioner propose?**

11 A: Petitioner used test year sales of 140,026 Dth from its GCA along with its  
12 calculation of unaccounted for gas ("UAFG") percentage of 2.35% to find a pro  
13 forma purchased gas adjustment of 3,296 Dth. Petitioner calculated its anticipated  
14 cost of delivered system supply gas to be \$3.89 per Dth, based on Petitioner's actual  
15 cost of gas during the test year adjusted for Indiana utility receipts tax ("URT").  
16 Petitioner's pro forma purchased gas adjustment multiplied by the anticipated cost  
17 results in a pro forma cost of gas of \$12,815. Pro forma cost of gas less test year  
18 purchased gas results in Petitioner's decrease in natural gas purchased of  
19 (\$482,942). *See* Petitioner's Exhibit BJM-1, Schedule C-1, p. 2.

1 **Q: Do you agree with Petitioner's adjustment?**

2 A: No. While I agree with Petitioner's method of calculating its natural gas purchased  
3 adjustment, I disagree with several components of Petitioner's calculation.  
4 Petitioner's supporting workpapers indicate the UAFG was calculated using a five-  
5 year average. Petitioner's calculation relies on Schedule 11A from the following  
6 GCA filings: GCA 97, GCA 95, GCA 92, GCA 88, and GCA 68. Because  
7 Petitioner filed its most recent Schedule 11A on February 28, 2018, which is within  
8 twelve months of the end of the test year, I used the approved UAFG amounts from  
9 GCAs 88, 92, 95, 97, and 99 rather than correcting Petitioner's use of GCA 68. I  
10 calculated Petitioner's UAFG percentage to be 1.58% as shown on Attachment  
11 ILG-3, p. 1.

12 I also disagree with Petitioner's estimated cost of purchased gas.  
13 Petitioner's supplemental workpaper calculated cost of purchased gas as \$3.8295  
14 per Dth. In response to OUCC Data Request ("DR") 3.8, Petitioner stated "the  
15 difference [between the estimated cost on Petitioner's BJM-1, Schedule C-1, p. 2  
16 and on Petitioner's supplemental workpapers] is due to Utility Receipts Tax."  
17 (Attachment ILG-3, p. 2.) Indiana URT is collected by utilities on behalf of the  
18 consumer; it is not an expense Petitioner would pay on UAFG because no consumer  
19 receives those Dths. I used a cost of purchased gas of \$3.8295 as calculated by  
20 Petitioner.

21 **Q: What natural gas purchased adjustment do you propose?**

22 A: As shown on Attachment ILG-1, Schedule 6, p. 1, my final adjustment is  
23 (\$487,285).

**B. Rate Case Expense**

1 **Q: What rate case expense adjustment did Petitioner propose?**

2 A: Petitioner estimated \$230,500 of rate case expense related to this proceeding to be  
3 amortized over 5 years. Petitioner's proposed annual rate case expense would be  
4 \$46,100, however, \$10,156 of rate case expense is imbedded in Petitioner's test  
5 year expenses. Petitioner's pro forma adjustment is \$46,100 less \$10,156, which  
6 equals \$35,944 as found on Petitioner's Exhibit BJM-1, Schedule C-1, p. 3.

7 **Q: Do you agree with Petitioner's proposed adjustment?**

8 A: No. Mr. Rutter discusses his concerns regarding Petitioner's choice to file a rate  
9 case, rather than a Small-U filing. In his testimony, he proposes that the total rate  
10 case expense to be recovered from ratepayers should be \$60,000.

11 **Q: What rate case expense adjustment do you propose?**

12 A: I agree with Petitioner's amortization period of 5 years based on the average  
13 calculated in Ms. Mann's testimony on page 5, lines 16-17. Based on the above  
14 information, my annual rate case amortization is \$12,000. After accounting for the  
15 rate case expense imbedded in Petitioner's test year, my adjustment is an increase  
16 of \$1,844. (Attachment ILG-1, Schedule 6, p. 1.)

**C. IURC Fee Adjustment**

17 **Q: What IURC fee adjustment did Petitioner propose?**

18 A: Petitioner applied the IURC rate to the applicable revenues at present rates of  
19 \$1,092,795 to arrive at the pro forma IURC fee. Petitioner's adjustment is the pro  
20 forma IURC fee less test year IURC fee, resulting in an increase of \$174. *See*  
21 Petitioner's Exhibit BJM-1, Schedule C-1, p. 3.

1 **Q: Do you agree with Petitioner's adjustment?**

2 A: No. Petitioner did not remove bad debts from applicable revenue at present rates.

3 Petitioner's pro forma bad debt is \$7,054. Additionally, Petitioner did not use the

4 current IURC rate of 0.120241%, which was effective as of July 1, 2018.

5 **Q: Did you make any other changes to Petitioner's calculation?**

6 A: Yes. Based on my adjustments to the new NOAA averages for the NTA and to the

7 natural gas purchased adjustment, my calculation of the applicable revenue is

8 \$1,079,762.

9 **Q: Please explain your IURC adjustment.**

10 A: I applied the current IURC rate, pro forma bad debt expense, and OUCC revenue

11 numbers to Petitioner's calculation, resulting in an adjustment of \$9. (Attachment

12 ILG-1, Schedule 6, p. 2.)

**D. Miscellaneous Expense Adjustment**

13 **Q: Did Petitioner make an adjustment for miscellaneous expense?**

14 A: No.

15 **Q: Do you believe Petitioner should have made a miscellaneous expense**  
16 **adjustment?**

17 A: Yes. In the test year, Petitioner included several expenses that should not be

18 recovered in rates. The unrecoverable expenses include advertising, donations, and

19 gifts. Advertising expenses are not included in allowable expenses for recovery in

20 base rates under 170 Ind. Admin. Code 1-3-3, "Allowable expenditures; includable

21 costs." Petitioner provided no evidence the included advertisements met the

22 exception outlined in 170 I.A.C. 1-3-3. The exception states, "No advertising

23 expenditure of a public utility shall be taken into consideration by the Commission

1 for the purposes of establishing rates unless such advertising will produce a material  
2 benefit for the ratepayers.” Therefore the advertising expenses should be  
3 disallowed. In addition, donations and gifts are expenditures which Petitioner has  
4 chosen to make, but are not necessary to the provision of natural gas utility service  
5 and do not benefit ratepayers. As such, it is inappropriate for Petitioner to recover  
6 these expenses from ratepayers. I have removed these expenses from Petitioner’s  
7 operating expense as part of my miscellaneous expense adjustment.

8 Petitioner also included outside service expense related to the current  
9 proceeding. Rate case expenses should be deferred and included in Petitioner’s rate  
10 case expense adjustment; they should not be included in general outside service  
11 expense. I have also removed these expenses from Petitioner’s operating expense  
12 as part of my miscellaneous adjustment.

13 **Q: What is your miscellaneous expense adjustment?**

14 A: In Attachment ILG-4, pp. 1-2, I have shown the disallowed miscellaneous expenses  
15 by Petitioner’s general ledger account number. My final adjustment is a (\$5,562)  
16 decrease to miscellaneous expense, which I have represented on Attachment ILG-  
17 4, p. 2.

#### **E. Utility Receipts Tax**

18 **Q: Please discuss your adjustment to Petitioner’s proposed Indiana URT.**

19 A: I do not dispute Petitioner’s methodology in calculating the Indiana URT. I verified  
20 the general methodology is consistent with Indiana URT calculations previously  
21 approved by the Commission. Changes to Petitioner’s Indiana URT calculation  
22 reflected in my schedules are a result of my changes to pro forma revenue.

**VII. INCOME TAXES**

1 **Q: What is your adjustment to state and federal income taxes?**

2 A: My calculation uses the complete weighted cost of debt, out four decimal points,  
3 resulting in a revised synchronized interest expense deduction of \$4,486.  
4 (Attachment ILG-1, Schedule 8.) I do not dispute Petitioner's methodology in  
5 calculating the pro forma federal and state income tax adjustments based on pro  
6 forma present rates. I verified the methodology is consistent with income tax  
7 calculations previously approved by the Commission. However, my income tax  
8 adjustment reflects a revised synchronized interest expense deduction. Petitioner  
9 calculated synchronized interest using a truncated 1.34% weighted cost of debt  
10 capital. *See* Petitioner's Exhibit BJM-1, Calculation of Synchronized Interest. All  
11 other changes to Switzerland's federal and state income tax calculations are a result  
12 of changes to other pro forma proposed revenue requirements.

13 **Q: Did Petitioner use current income tax rates in its pro forma income tax**  
14 **calculation?**

15 A: Yes. Petitioner used the new 21% federal income tax rate resulting from the passage  
16 of the Tax Cuts and Jobs Act to calculate its pro forma federal income tax  
17 adjustment. Petitioner used the new 5.75% Indiana state income tax rate, which  
18 became effective on July 1, 2018, to calculate its pro forma state income tax  
19 adjustment.

## **VIII. CAPITAL STRUCTURE**

### **A. Date of Capital Structure**

1 **Q: At what date did Petitioner propose to set the capital structure?**

2 A: Petitioner proposed a capital structure as of December 31, 2017.

3 **Q: What date did Petitioner propose for rate base and the test year end?**

4 A: Petitioner's test year end was September 30, 2017 and its rate base cut-off was the  
5 same date.

6 **Q: Do you agree with Petitioner's proposed date of the capital structure?**

7 A: No. The capital structure's purpose is to fund rate base. Therefore, the appropriate  
8 date of the capital structure is the date of Petitioner's rate base cut-off. In response  
9 to OUCC DR 1.34, Petitioner acknowledged it was unaware of any precedent for  
10 differing rate base and capital structure dates. (Attachment ILG-5, p. 1.) Using a  
11 capital structure as of December 31, 2017 does not reflect the connection between  
12 Petitioner's capital and rate base.

13 **Q: Please explain the adjustment you propose.**

14 A: I moved the capital structure date to September 30, 2017. Petitioner's balance sheet  
15 filed as BJM-1, Exhibit A is dated September 31, 2017 (*sic*). I used Petitioner's  
16 balance sheet amounts for common equity, customer deposits, and deferred taxes.

17 **Q: The amount of long term debt on Attachment ILG-1, Schedule 8 differs from  
18 the long term debt included in Petitioner's balance sheet. Please explain.**

19 A: Petitioner proposed long term debt as of December 31, 2017, which included a note  
20 valued at \$25,000 for a service truck dated September 22, 2017. In response to  
21 OUCC DR 3.7 (Attachment ILG-5, p. 2.), Petitioner provided the loan documents  
22 for this note (Attachment ILG-5, pp. 3-4.) Petitioner provided its trial balance as of

1 December 31, 2017 in response to OUCC DR 6.7. (Attachment ILG-5, pp. 5-7.) On  
2 its December 31, 2017 trial balance, the note signed September 22, 2017 appears  
3 in account 231.11 and is labeled "2017 Truck Loan." Account 231.11 does not  
4 appear on Petitioner's September 30, 2017 trial balance despite the fact the note  
5 was signed prior to September 30, 2017. Further, the two long term notes appearing  
6 in accounts 231.10 and 231.50 have terms from 2014 to 2019 and 2013 to 2023  
7 respectively. (Attachment ILG-5, pp. 8-9.) Based on the evidence, Petitioner had  
8 three long term notes at September 30, 2017, only two of which were accounted for  
9 in Petitioner's BJM-1, Exhibit A. I have added \$25,000 to Petitioner's long term  
10 debt excluding the Belterra Note Payable.

11 **Q: On Attachment ILG-1, Schedule 8 the Belterra Note Payable is set forth**  
12 **separately from Petitioner's other long term debt. Please explain.**

13 A: Petitioner did not include the Belterra Note Payable in its proposed capital structure.  
14 As a result, the value of Petitioner's rate base was greater than the amount of capital  
15 used to fund that rate base. Excluding the Belterra Note Payable provides an  
16 incomplete picture of the funding available to Petitioner, and is inappropriate  
17 considering the immense value provided to Petitioner from the Belterra note.

18 According the Petitioner's loan agreement with Belterra, provided in  
19 response to OUCC DR 6.5, the note carries no interest. (Attachment ILG-5, p. 10.)  
20 I have included the Belterra Note Payable at 0.00% cost on Attachment ILG-1,  
21 Schedule 8.

1 **Q: What is your total adjustment to the capital structure?**

2 A: The capital structure I propose is found on Attachment ILG-1, Schedule 8 with a  
3 final weighted average cost of capital of 2.63%. My adjustment includes the cost  
4 of common equity of 9.10% as discussed by OUCC witness Lorton in his testimony.

5 **Q: Do you have any other concerns related to the capital structure?**

6 A: Yes. 170 I.A.C. 5-1-15(b) states, "Each new applicant for residential gas service  
7 shall be deemed creditworthy and shall not be required to make a deposit as a  
8 condition of receiving service if the applicant satisfies the following criteria."  
9 Petitioner stated in response to OUCC DR 1.26 that "new customers are required  
10 to deposit \$100 to initiate service." Petitioner did not include any qualifications to  
11 its statement which would allow for the creditworthiness of a customer. Petitioner  
12 does not appear to account for any of the criteria of customer creditworthiness  
13 required in 170 I.A.C. 5-1-15(b) when providing service to new customers.

14 170 I.A.C. 5-1-15(c)(2)(A) states, "If a deposit is greater than seventy  
15 dollars (\$70), the utility shall advise the applicant or customer simultaneously with  
16 making a demand for a deposit that the applicant or customer may pay the deposit  
17 in equal installment payments over a period of no less than eight weeks." Petitioner  
18 requires \$100 deposits from its customers, but in response to OUCC DR 6.2,  
19 provided no indication it allows customers to make installment payments  
20 (Attachment ILG-5, pp. 11-12.).

21 Compliance with the Commission's rules regarding customer deposits is an  
22 important issue, and the OUCC recommends the Commission conduct its own  
23 review to ensure Petitioner is evaluating customer creditworthiness and

1 communicating pertinent information to its customers. A reasonable review would  
2 include requiring Petitioner to evaluate each customer's creditworthiness and to  
3 establish and provide the Commission a consistent list of items to share with new  
4 customers at the time of service initiation, including information about deposit  
5 installment payments. I recommend this information be provided to the  
6 Commission within forty-five (45) days of a Final Order in this Cause.

### IX. OUCC RECOMMENDATIONS

7 **Q: Please summarize your recommendations regarding adjustments to**  
8 **Petitioner's operating revenues, operating expenses, and capital structure.**

9 A: I recommend the Commission:

- 10 • Adjust the decrease for the new NOAA averages for the NTA to (\$1,527)  
11 (Attachment ILG-2, p. 1).
- 12 • Adjust the decrease for natural gas purchased to (\$487,285) (Attachment ILG-  
13 1, Schedule 6, p. 1).
- 14 • Adjust the increase for rate case expense to \$1,844 (Attachment ILG-1,  
15 Schedule 6, p. 1).
- 16 • Adjust the increase for the IURC fee to \$9 (Attachment ILG-1, Schedule 6, p.2).
- 17 • Adjust the increase for the IURC fee to \$9 (Attachment ILG-1, Schedule 6, p.2).
- 18 • Decrease operating expenses by \$5,562 for miscellaneous expenses  
19 (Attachment ILG-4, p. 2).
- 20 • Adjust Petitioner's capital structure to the following as of September 30, 2017  
21 (Attachment ILG-1, Schedule 8):

22	Common Equity	\$531,385
23	Long Term Debt	\$104,106
24	Belterra Note Payable	\$1,190,412
25	Customer Deposits	\$9,895
26	Deferred Income Tax	\$196,409

1 I also recommend the Commission require Petitioner to evaluate individual  
2 customers' creditworthiness and provide information regarding deposit installment  
3 plans at the time service is initiated and the deposit is required.

4 **Q: Please summarize the OUCC's recommendations related to operating revenue**  
5 **and expenses.**

6 A: As shown on Schedules 1 and 5 of Attachment ILG-1, the OUCC's adjustments to  
7 revenue, operating expenses, and taxes result in a non-gas cost revenue percentage  
8 increase of 3.33%, for a total recommended revenue increase of \$18,306.

9 **Q: Please summarize the OUCC's recommendations regarding a return on rate**  
10 **base.**

11 A: The OUCC's revenue requirements are based on an original cost rate base of  
12 \$1,805,494. The OUCC's capital structure yields a weighted cost of capital of  
13 2.63%. The resulting return on original cost rate base is \$47,484.

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

15 A: Yes.

**AFFIRMATION**

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

Isabelle Gordon

Isabelle L. Gordon  
Utility Analyst I  
Indiana Office of Utility Consumer Counsel  
Cause No. 45117  
Switzerland County Natural Gas Company,  
Inc.

11/2/18

Date

**APPENDIX ILG-1 TO TESTIMONY OF  
OUCC WITNESS ISABELLE L. GORDON**

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from the School of Business at Bob Jones University in Greenville,  
3 South Carolina in May 2017 with a Bachelor of Science Degree in Accounting. In  
4 July 2017, I began working at the OUCC as a Utility Analyst I in the Natural Gas  
5 Division. I attended the National Association of Regulatory Utility Commissioners  
6 (“NARUC”) 46<sup>th</sup> Annual Utility Rate School in October 2018.

7 **Q: Have you previously testified before the Indiana Utility Regulatory  
8 Commission?**

9 A: Yes, I have testified in Gas Cost Adjustment (“GCA”) cases, Gas Demand Side  
10 Management (“GDSM”) cases, special contract cases, and base rate cases.

11 **Q: Please describe the review and analysis you conducted in order to prepare  
12 your testimony.**

13 A: I reviewed Petitioner’s prefiled testimony, exhibits, and supporting documentation.  
14 I analyzed Petitioner’s responses to OUCC discovery requests. I participated in an  
15 on-site review, August 15-16, 2018, at Switzerland County Gas Co., with  
16 Petitioner’s representatives to gain further insight into the relief requested in  
17 Petitioner’s testimony, exhibits, and supporting documentation.

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Comparison of Petitioner's and the OUCC's  
Revenue Requirement

Description	Per Petitioner	Per OUCC	Sch Ref
Rate Base	\$908,098	\$1,805,494	4
Times: Rate Of Return	7.42%	2.63%	8
Net Operating Income	67,381	47,484	
Less: Adjusted Net Operating Income	6,485	34,164	5
Increase In Net Operating Income	60,896	13,321	
Times: Revenue Conversion Factor	1.3745	1.3743	1
Recommended Revenue Increase	\$83,699	\$18,306	
Overall Percentage Increase (Decrease)	15.26%	3.33%	

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Comparison of Income Statement Adjustments  
Test Year Ending September 30, 2017

Adjustment	Per Petitioner	Per OUCC	OUCC More/Less
<u>Operating Revenues</u>			
Gas Sales			
GCA Revenue	(\$476,626)	(\$476,626)	\$0
NOAA Average for NTA Revenue	(3,619)	(1,527)	2,092
Tariff Rate Decrease	(19,930)	(19,930)	0
Other Operating Revenues	0	0	0
Total Operating Revenues	(\$500,175)	(\$498,083)	\$2,092
<u>Operating Expenses</u>			
Natural Gas Purchased	(\$482,942)	(\$487,285)	(\$4,343)
Operation & Maintenance:			
Payroll Expense	5,835	2,184	(3,651)
Retirement Contribution Expense	583	218	(365)
Rate Case Expense	35,944	1,844	(34,100)
IURC Fee	174	9	(165)
Property Insurance Expense	1,874	1,874	0
Health Insurance Expense	1,162	712	(450)
Bad Debts	2,241	2,241	0
Tariff Change Expense	(5,457)	(5,457)	0
Outside Services	714	714	0
Miscellaneous Expenses	0	(5,562)	(5,562)
Taxes - General			
FICA and Unemployment Taxes	446	167	(279)
Utility Receipt Tax	1,233	1,262	29
Property Tax	(7,447)	321	7,768
Taxes - Income - State	115	2,755	2,640
Taxes - Income - Federal	(18,467)	(10,578)	7,889
Provision for Deferred Inc. Tax	0	0	0
Depreciation and Amortization	(5,518)	(518)	5,000
Total Operating Expenses	(\$469,510)	(\$495,098)	(\$25,588)

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Revenue Conversion Factor

Description	Per Petitioner		Per OUCC
Gross Revenue Change	100.0000%	1	100.0000%
Less: Bad Debt (at 0.6772%)	0.6772%	2	0.6772%
Subtotal	100.0000%	3	100.0000%
Less: IURC Fee (0.1202%)	0.1331%	4	0.1202%
Subtotal	99.3228%		99.3228%
Less: Utility Receipts Tax (at 1.40%)	1.3905%		1.3905%
Subtotal	99.1897%	5	99.2026%
Less: State Adj. Gross Inc. Tax (at 5.75%)	5.7034%	6	5.7041%
Subtotal	92.0958%	7	92.1079%
Less: Federal Income Tax (at 21%)	19.3401%	8	19.3427%
Change In Net Operating Income	72.7557%		72.7652%
Revenue Conversion Factor	1.3745		1.3743

Formula Notes:

Line 5 equals (100% minus Line 2)

Line 7 equals (Line 5 minus Line 6 minus Line 4)

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Balance Sheet as of September 30, 2017

ASSETS

Utility Plant in Service	
Gas Plant in Service	\$2,908,801
General Plant	510,659
Accumulated Depreciation	<u>(1,659,298)</u>
Net Utility Plant in Service	<u>1,760,162</u>
Current Assets	
Cash	224,971
Accounts Receivable	36,873
Recoverable Gas Costs	0
Deferred Assets	82,548
Prepaid Expenses and Other Current Assets	<u>27,873</u>
Total Current Assets	<u>372,265</u>
Total Assets	<u><u>\$2,132,427</u></u>

LIABILITIES AND STOCKHOLDERS EQUITY

Stockholders Equity:	
Common Stock	\$1,000
Retained Earnings	<u>530,835</u>
Total Shareholders' Equity	<u>531,835</u>
Current Liabilities	
Accounts Payable	56,043
Customer Deposits	9,895
Accrued Expenses	43,727
Current Portion of Note Payable	<u>55,214</u>
Total Current Liabilities	<u>164,879</u>
Note Payable - Less Current Portion	<u>1,239,304</u>
Deferred Income Taxes	<u>196,409</u>
Total Liabilities and Stockholders Equity	<u><u>\$2,132,427</u></u>

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Income Statement For The Twelve Months Ended September 30, 2017

Operating Revenues

Gas Sales	\$1,041,615
Other Gas Revenues	7,018
	<hr/>
Total Operating Revenues	1,048,633

Operating Expenses

Natural Gas Purchased	495,757
Distribution Expense	8,778
Customer Accounts Expense	4,813
Administrative and General Expense	350,286
Depreciation	97,912
Taxes - Other Than Income Taxes	35,471
Income Taxes	18,467
	<hr/>
Total Operating Expenses	1,011,484

Net Operating Income	37,149
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Other Income and Expenses - Net

Interest Expense	306
Interest Income	(2,810)
All Other Income - Net	1,626
	<hr/>
Total Other Income and Expenses - Net	(878)

Net Income	\$36,271
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SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Original Cost Rate Base at September 30, 2017

Utility Plant In Service at September 30, 2017	\$ 3,419,460
Less: Accumulated Depreciation	<u>(1,659,298)</u>
Net Utility Plant In Service	1,760,162
Plus:	
Working Capital	<u>45,332</u>
Total Original Cost Rate Base	<u><u>\$1,805,494</u></u>

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Pro Forma Net Operating Income Statement

Description	Twelve Mos. Ending 9/30/2017	Adjustments	Sch. Ref.	Pro Forma Present Rates	Adjustments	Sch. Ref.	Pro Forma Proposed Rates
<b>Operating Revenues</b>							
Gas Sales	\$1,041,615			\$543,532	\$18,306	7-1	\$561,838
GCA Revenue		(\$476,626)	Pet.				
NOAA Average for NTA Revenue		(1,527)	6-1				
Tariff Rate Decrease		(19,930)	Pet.				
Other Gas Revenues	7,018			7,018			7,018
<b>Total Operating Revenues</b>	<b>1,048,633</b>	<b>(498,083)</b>		<b>550,550</b>	<b>18,306</b>		<b>568,856</b>
<b>Operating Expenses</b>							
Purchased Gas	495,757	(487,285)	6-2	8,472			8,472
Operation & Maintenance:	363,877			362,654			362,800
Payroll Expense		2,184	6-3				
Retirement Contribution Expense		218	6-4				
Rate Case Expense		1,844	6-5				
IURC Fee		9	6-6		22	7-3	
Property Insurance Expense		1,874	Pet.				
Health Insurance Expense		712	6-7				
Bad Debts		2,241	Pet.		124	7-2	
Tariff Change Expense		(5,457)	Pet.				
Outside Services		714	Pet.				
Miscellaneous Expenses		(5,562)	6-8				
Taxes - General							
FICA and Unemployment Taxes	12,487	167	6-9	12,654			12,654
Utility Receipt Tax	6,333	1,262	6-12	7,595	255	7-4	7,849
Property Tax	16,651	321	6-10	16,972			16,972
Taxes - Income - State	0	2,755	6-13	2,755	1,044	7-5	3,799
Taxes - Income - Federal	0	(10,578)	6-13	(10,578)	3,541	7-6	(7,037)
Provision for Deferred Inc. Tax	18,467			18,467			18,467
Depreciation and Amortization	97,912	(518)	6-11	97,394			97,394
<b>Total Operating Expenses</b>	<b>1,011,484</b>	<b>(495,098)</b>		<b>516,386</b>	<b>4,986</b>		<b>521,372</b>
<b>Net Operating Income</b>	<b>\$37,149</b>	<b>(\$2,985)</b>		<b>\$34,164</b>	<b>\$13,321</b>		<b>\$47,484</b>

Federal Tax Proof:

Net Operating Income	\$47,484	
Add: Federal Income Tax	(7,037)	
Add: Federal Income Tax Deferred	18,467	
Less: Synchronized Interest	<u>(4,486)</u>	
Federal Taxable Income	54,428	
Tax Rate	<u>21.00%</u>	
Pro Forma Federal Income Tax	<u>\$11,430</u>	11,430
		0

State Tax Proof:

Federal Taxable Income	\$54,428	
Add: State Income Tax	3,799	
Add: Utility Receipts Tax	<u>7,849</u>	
State Taxable Income	66,077	
Tax Rate	<u>5.75%</u>	
Pro Forma State Income Tax	<u>\$3,799</u>	3,799
		0

Utility Receipts Tax Proof:

Total Operating Revenues	\$568,856	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debt	<u>(7,178)</u>	
Taxable Gross Receipts	560,678	
Tax Rate	<u>1.40%</u>	
Pro Forma Utility Receipts Tax	<u>\$7,849</u>	7,849
		0

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Adjustments

(1)

NOAA Averages for the NTA.

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 1, Attachment ILG-2, p. 1	<u><u>(\$1,527)</u></u>
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(2)

Natrual Gas Purchased

Test Year Sales - Dth	140,026	
Unaccounted For Gas Percentage	<u>1.58%</u>	
Pro forma Purchased Gas	2,212	
Estimated Cost of Purchased Gas	<u>\$3.83</u>	
Pro forma Cost of Gas	\$8,472	
Less: Test Year Purchased Gas	<u>495,757</u>	
OUCC Adjustment - Increase/(Decrease)		<u><u>(\$487,285)</u></u>

(3)

Payroll Expense

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 2, Attachment AEL-1, p. 4	<u><u>\$2,184</u></u>
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(4)

Retirement Contributions

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 2, Attachment AEL-2, p. 1	<u><u>\$218</u></u>
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(5)

Rate Case Expense

OUCC Total Rate Case Expense	\$60,000	
Amortization Period (Years)	<u>5</u>	
Annual Rate Case Expense	12,000	
Less: Rate Case Expense Imbedded in Test Year Expenses	<u>10,156</u>	
OUCC Adjustment - Increase/(Decrease)		<u><u>\$1,844</u></u>

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117  
Adjustments

(6)

IURC Fee

Applicable Revenues at Present Rates Including GCA Revenue	\$1,079,762	
Less: Bad Debts	7,054	<u>          </u>
Revenues at Present Rates Less Bad Debts	\$1,072,708	
Current IURC Fee	0.1202041%	<u>          </u>
Pro forma IURC Fee at Present Rates	\$1,289	
Less: Test Year IURC Fee	1,280	<u>          </u>
OUCC Adjustment - Increase/(Decrease)		<u>                          </u> \$9

(7)

Health Insurance

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 2, Attachment AEL-3, p. 1	<u>                          </u> \$712
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(8)

Miscellaneous Expenses

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 1, Attachment ILG-4, p. 2	<u>                          </u> (\$5,562)
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(9)

Payroll Taxes

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 2, Attachment AEL-4, p. 1	<u>                          </u> \$167
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(10)

Property Taxes

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 2, Attachment AEL-5, p. 1	<u>                          </u> \$321
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(11)

Depreciation Expense

OUCC Adjustment - Increase/(Decrease) - Public's Exhibit No. 4, Attachment LAG-1	<u>                          </u> (\$518)
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SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Adjustments

(12)

Indiana Utility Gross Receipts Tax

Gross Receipts	\$550,550	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debts	(7,054)	
		<u>          </u>
Utility Gross Receipts Subject to Gross Receipts Tax	542,496	
Utility Gross Receipts Tax Rate	1.40%	
		<u>          </u>
Pro Forma Utility Gross Receipts Tax at Present Rates	7,595	
Less: Utility Receipts Tax Per Books at Septeber 30, 2017	(6,333)	
		<u>          </u>
Utility Gross Receipts Tax Adjustment - Increase/(Decrease)		<u><u>          </u></u> \$1,262

(13)

State and Federal Income Tax

	<u>Federal</u> <u>Income Tax</u>	<u>State</u> <u>Income Tax</u>
Pro Forma Present Rate Operating Revenue Increase	\$550,550	\$550,550
Less: Operations and Maintenance	(371,127)	(371,127)
Depreciation	(97,394)	(97,394)
Taxes Other Than Income	(37,221)	(37,221)
State Income Tax	(2,755)	
Synchronized Interest	(4,486)	(4,486)
Add Back:		
Utility Receipts Tax		7,595
		<u>          </u>
Taxable Income	37,567	47,917
Multiply by: Federal Income Tax Rate	21.00%	
Multiply by: State Income Tax Rate		5.75%
		<u>          </u>
Pro Forma State Income Tax Expense		2,755
Pro Forma Federal Income Tax Expense	7,889	
Less: Test Year Expense	18,467	0
	<u>          </u>	<u>          </u>
Adjustment - Increase/(Decrease)	<u><u>          </u></u> (\$10,578)	<u><u>          </u></u> \$2,755

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Pro Forma Proposed Adjustments

(1)

Proposed Rate Increase

Pro Forma Present Rate Sales	\$550,550
Times: Rate Increase	<u>3.3251%</u>
Adjustment - Increase	<u>\$18,306</u>

(2)

Proposed Bad Debt Adjustment

Proposed Rate Increase	\$18,306
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.6772%</u>
Adjustment - Increase	<u>\$124</u>

(3)

Proposed IURC Fee

Proposed Rate Increase	\$18,306
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.1202%</u>
Adjustment - Increase	<u>\$22</u>

(4)

Proposed Utility Gross Receipts Tax

Proposed Rate Increase	\$18,306
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>1.3905%</u>
Adjustment - Increase	<u>\$255</u>

(5)

Proposed Adjusted Gross Income Tax

Proposed Rate Increase	\$18,306
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>5.7041%</u>
Adjustment - Increase	<u>\$1,044</u>

(6)

Proposed Federal Income Tax

Proposed Rate Increase	\$18,306
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>19.3427%</u>
Adjustment - Increase	<u>\$3,541</u>

SWITZERLAND COUNTY NATURAL GAS COMPANY  
CAUSE NO. 45117

Capital Structure  
as of September 30, 2017

Description	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	\$531,385	26.15%	9.10%	2.38%
Long Term Debt	104,106	5.12%	4.28%	0.22%
Belterra Note Payable	1,190,412	58.58%	0.00%	0.00%
Customer Deposits	9,895	0.49%	6.00%	0.03%
Deferred Taxes	196,409	9.66%	0.00%	0.00%
Total	<u>\$2,032,207</u>	<u>100.00%</u>		<u>2.63%</u>

Calculation of Synchronized Interest  
as of September 30, 2017

Description	Amount	Percent of Total	Cost	Weighted Cost	Weighted Cost of Debt
Common Equity	\$531,385	26.15%	9.10%	2.38%	
Long Term Debt	104,106	5.12%	4.28%	0.22%	0.2193%
Belterra Note Payable	1,190,412	58.58%	0.00%	0.00%	0.0000%
Customer Deposits	9,895	0.49%	6.00%	0.03%	0.0292%
Deferred Taxes	196,409	9.66%	0.00%	0.00%	
Total	<u>\$2,032,207</u>	<u>100.00%</u>		<u>2.63%</u>	<u>0.2485%</u>

Rate Base \$1,805,494

Weighted Cost of Debt 0.2485%

Synchronized Interest \$4,486

Switzerland Co. Natural Gas  
Cause No. 45117  
New NOAA Averages for the NTA

	<b>Residential</b>	<b>Commercial</b>
October	(9)	(1)
November	(100)	(34)
December	34	13
January	(194)	(74)
February	(80)	(30)
March	(21)	(8)
April	(25)	(7)
May	0	0
June	0	0
July	0	0
August	0	0
September	0	0
	(395)	(141)
<b>RATE</b>	<b>2,8451</b>	<b>2,8451</b>
	(\$1,125)	(\$402)
<b>Adjustment</b>		<b>\$ (1,527)</b>

Switzerland Co. Natural Gas  
Cause No. 45117  
New NOAA Averages for the NTA

**NTA ADJUSTMENT  
NOAA AVERAGE 1971-2000**

<b>Cincinnati</b>	<b>MONTH</b>	<b>ACTUAL NOAA DAYS</b>	<b>30-YEAR AVERAGE</b>	<b>VARIANCE</b>	<b>% VARIANCE</b>
	October	150	319	169	0.5298
	November	511	626	115	0.1837
	December	971	953	-18	-0.0189
	January	845	1110	265	0.2387
	February	588	881	293	0.3326
	March	627	670	43	0.0642
	April	172	368	196	0.5326
	May	0	0	0	0
	June	0	0	0	0
	July	0	0	0	0
	August	0	0	0	0
	September	0	0	0	0
	<b>TOTAL</b>	<b>3,864</b>	<b>4,927</b>	<b>1,063</b>	

**NTA ADJUSTMENT  
NOAA AVERAGE 1981-2010**

<b>Cincinnati</b>	<b>MONTH</b>	<b>ACTUAL NOAA DAYS</b>	<b>30-YEAR AVERAGE</b>	<b>VARIANCE</b>	<b>% VARIANCE</b>
	October	150	304	154	0.5066
	November	511	598	87	0.1455
	December	971	958	-13	-0.0136
	January	845	1058	213	0.2013
	February	588	855	267	0.3123
	March	627	666	39	0.0586
	April	172	341	169	0.4956
	May	0	0	0	0
	June	0	0	0	0
	July	0	0	0	0
	August	0	0	0	0
	September	0	0	0	0
	<b>TOTAL</b>	<b>3,864</b>	<b>4,780</b>	<b>916</b>	

Switzerland Co. Natural Gas  
Cause No. 45117  
New NOAA Averages for the NTA

	Residential	Commercial	Residential	Commercial
October	212	33	202	32
November	483	166	382	131
December	-123	-46	-88	-33
January	1,237	473	1,043	398
February	1,314	488	1,234	458
March	243	89	222	82
April	360	97	335	90
May	0	0	0	0
June	0	0	0	0
July	0	0	0	0
August	0	0	0	0
September	0	0	0	0

Dth Sales less Basload		Baseload	
	Residential	Commercial	
October	400	63	363
November	2,629	902	388
December	6,503	2,453	751
January	5,181	1,980	375.5
February	3,951	1,468	193.5
March	3,782	1,393	
April	677	182	
May	412	119	
June	45	29	
July	-13	7	
August	13	-7	
September	169	45	
<b>Total</b>			<b>387</b>
<b>Monthly Average</b>			<b>193.5</b>

Switzerland County Natural Gas Co., Inc.  
Vevay, Indiana  
Tariff for Gas Service

## RATE 1R RESIDENTIAL SERVICE

### AVAILABILITY

Available for general natural gas service to residential customers.

### CHARACTER OF SERVICE

This Rate Schedule applies to the provision of natural gas sales service having a heating value of approximately 1000 BTU per cubic foot.

### RATES AND CHARGES

The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

**Customer Charge:**

\$10.86 per meter

**Commodity Charge:**

First 102.5 therms per month @ \$0.33693 per therm

Over 102.5 therms per month @ \$0.28451 per therm

**Gas Cost Charge:**

The Gas Cost Charge shall be as set forth on Appendix A, Gas Cost Adjustment, for each therm of Company-supplied gas.

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Charge.

**Other Charges, Terms and Conditions:**

The Other Charges, Terms and Conditions set forth in the Tariff for Gas Service shall be charged to Customer, if applicable.

**Late Payment Charge:**

Bills shall be rendered and due monthly. If Customer does not pay a bill for gas service on or before the gross payment date, Customer shall be charged a Late Payment Charge as follows:

On the first \$3.00 or less of net billing	10%
On the amount in excess of \$3.00	3%

Effective: August 29, 2017

Switzerland County Natural Gas Co., Inc.  
Vevay, Indiana  
Tariff for Gas Service

**RATE 1G**  
**GENERAL SERVICE**

**AVAILABILITY**

Available for general natural gas service to commercial and small industrial customers.

**CHARACTER OF SERVICE**

This Rate Schedule applies to the provision of natural gas sales service having a heating value of approximately 1000 BTU per cubic foot.

**RATES AND CHARGES**

The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

**Customer Charge:**

\$10.86 per meter

**Commodity Charge:**

First 102.5 therms per month @ \$0.33693 per therm  
Over 102.5 therms per month @ \$0.28451 per therm

**Gas Cost Charge:**

The Gas Cost Charge shall be as set forth on Appendix A, Gas Cost Adjustment, for each therm of Company-supplied gas.

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Charge.

**Other Charges, Terms and Conditions:**

The Other Charges, Terms and Conditions set forth in the Tariff for Gas Service shall be charged to Customer, if applicable.

**Late Payment Charge:**

Bills shall be rendered and due monthly. If Customer does not pay a bill for gas service on or before the gross payment date, Customer shall be charged a Late Payment Charge as follows:

On the first \$3.00 or less of net billing	10%
On the amount in excess of \$3.00	3%

Effective: August 29, 2017

Switzerland County Natural Gas Co., Inc.  
Cause No. 45117  
Unaccounted for Gas Percentage

	GCA	Volume of Unaccounted for Gas	Total Volume Available	Percent Unaccounted for Gas
8/16-7/17	99	(331)	147,230	-0.22%
	97	1,747	146,225	1.19%
	95	2,419	168,333	1.44%
	92	6,013	173,002	3.48%
8/12-7/13	88	<u>2,829</u>	<u>166,531</u>	<u>1.70%</u>
		12,677	801,321	<u><u>1.58%</u></u>

- Q 3.8:** Please explain the reason the estimated cost of purchased gas used in the Natural Gas Purchased Adjustment on BJM-1, Schedule C-1, p. 2 does not match the calculation of the cost of gas provided in Petitioner's workpapers. Please confirm these amounts should agree. If not, please explain the reasons they differ and provide supporting documentation for the estimated cost of purchased gas on Schedule C-1, p. 2.
- A. The difference is due to Utility Receipt Taxes on the amount included in the workpapers.

Switzerland County Natural Gas  
Cause No. 45117  
Miscellaneous Expense Adjustment

Acc. 923.1	Outside Services	
7/5/2017	Rate Case Review	\$ 21
7/27/2017	Rate Case Proposal	45
7/27/2017	Rate Case Preparation	21
8/1/2017	Rate Case Preparation	43
8/2/2017	Rate Case Preparation	191
8/3/2017	Rate Case Preparation	149
8/17/2017	Rate Case Preparation	21
		<hr/>
		\$ 491
		<hr/>
Acc. 930	Advertising	
10/20/2016	Switzerland County High School	\$ 40
3/28/2017	Indiana Child Safety Council	75
1/26/2017	Vevay Media Group	46
3/15/2017	Vevay Media Group	27
4/6/2017	Vevay Media Group	65
5/24/2017	Vevay Media Group	35
6/27/2017	Vevay Media Group	27
7/20/2017	Vevay Media Group	30
8/28/2017	Vevay Media Group	39
		<hr/>
		\$ 384
		<hr/>
Acc. 975	Donations	
10/25/2016	Switzerland Co. Elementary Schools PTA	\$ 100
11/23/2016	Angle Tree	500
3/28/2017	Kiwanis Club	2,000
5/5/2017	Business Professionals of America	500
7/12/2017	Switzerland Co. Lions Club	200
7/18/2017	4-H Livestock Auction	770
9/1/2017	YMCA	500
		<hr/>
		\$ 4,570
		<hr/>

Switzerland County Natural Gas  
Cause No. 45117  
Miscellaneous Expense Adjustment

Acc. 933	Miscellaneous	
8/18/2017	Edelweiss Floral	<u>\$ 118</u>
		<u>\$ 118</u>
		<u>\$ 5,562</u>

- Q 1.34:** Please confirm Petitioner is requesting a different date for rate base purposes (September 30, 2017 per Exhibit D) and capital structure (December 31, 2017 per Exhibit E). If confirmed, please provide a listing of all Cause numbers known to Petitioner in which the Commission approved a rate base cut-off date that differed from the capital structure date.
- A. Petitioner confirms. Petitioner has not attempted to do any legal research on prior Commission Orders on rate base cut off dates being different from capital structure dates. If the OUCC believes Petitioner's approach on using different dates is inappropriate please advise.

**Q 3.7:** Please provide loan agreement documents for the \$75,133 of long-term debt included in Petitioner's capital structure. Please include the original loan amount, loan term, and interest rate.

A. The long term debt reflected flows from three different notes. See the attached original documents as requested. The 2013 note was to refinance the borrowing used to construct Petitioner's building. The 2014 note was for the purchase of a service truck. The 2017 note was for the purchase of a service truck.

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$25,000.00	09-22-2017	10-06-2022	17002297	410 / 01		MLT	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Switzerland County Natural Gas Company, Inc.  
105 E Seminary St  
Vevay, IN 47043-1220

**Lender:** MainSource Bank  
Loan Operations  
201 N Broadway Street  
PO Box 87  
Greensburg, IN 47240  
(800) 713-6083

**Principal Amount: \$25,000.00**

**Date of Note: September 22, 2017**

**PROMISE TO PAY.** Switzerland County Natural Gas Company, Inc. ("Borrower") promises to pay to MainSource Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-five Thousand & 00/100 Dollars (\$25,000.00), together with interest on the unpaid principal balance from September 22, 2017, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.690%, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in 59 payments of \$458.18 each payment and an irregular last payment estimated at \$457.91. Borrower's first payment is due November 6, 2017, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on October 6, 2022, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied to the Borrower's obligations under this Note in such order as determined by the Lender. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT PENALTY.** Upon prepayment of this Note, Lender is entitled to the following prepayment penalty: Payment of all unpaid principal, accrued and unpaid interest and all other fees then outstanding as a result of prepayment will result in a penalty that shall be equal to: \$300.00 for the first 36 months. Except for the foregoing, Borrower may pay all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: MainSource Bank, 201 N Broadway, PO Box 87 Greensburg, IN 47240.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$100.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 5.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**PROMISSORY NOTE  
(Continued)**

Loan No: 17002297

Page 2

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount. Under all circumstances, the indebtedness will be repaid without relief from any Indiana or other valuation and appraisal laws.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including without limitation all attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Indiana without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Indiana.

**CHOICE OF VENUE.** If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Switzerland County, State of Indiana.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Note is secured by the following collateral described in the security instrument listed herein: a motor vehicle described in a Commercial Security Agreement dated September 22, 2017.

**EFFECTIVE DATE.** Notwithstanding the date of execution, this Note is effective as of September 22, 2017.

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

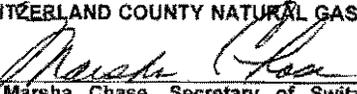
**GENERAL PROVISIONS.** If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

**PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER:**

**SWITZERLAND COUNTY NATURAL GAS COMPANY, INC.**

By: 

Marsha Chase, Secretary of Switzerland County  
Natural Gas Company, Inc.

Client: **9507-001 - Switzerland County Natural Gas Company**  
Engagement: **Audit 2017**  
Period Ending: **12/31/2017**  
Trial Balance: **IV-01-01 - TB**

Account	Description	FINAL 12/31/2017
102.02	Structures and improvements	195,889.56
102.04	Land and land rights	73,087.50
102.06	Mains	528,978.64
102.07	Mains-Belterra	1,700,592.00
102.08	Reg stations equipment	99,759.01
102.10	Services	244,123.69
102.12	Meters	228,837.60
102.14	Meter installations	67,919.31
102.16	House regulators	47,438.55
102.18	House regulators install	4,423.60
103.06	Office furniture and fixtures	40,700.70
103.08	Transportation equipment	79,608.88
103.20	Miscellaneous equipment	98,569.39
119.10	A/D - plant	(1,687,294.71)
131.10	Checking account	100,550.10
131.11	Money market account	126,230.00
142.00	Accounts receivable	204,914.76
142.05	Allowance for Doubtful Accounts	0.00
142.20	Accounts receivable other	0.00
142.30	Accounts receivable other - state	1,272.00
144.00	Allowance for doubtful accounts	(10,325.62)
166.00	Prepaid insurance	20,448.93
168.00	Prepaid Rate Case	13,507.24
182.00	Deferred Charge - Current	7,166.00
186.10	Deferred rate case	2,844.79
186.20	Deferred tax asset	94,104.00
186.30	Valuation allowance - contributions	0.00
186.50	Stranded Deferred Taxes	32,148.00
187.00	Deferred ARP	0.00
201.00	Common stock	(1,000.00)
216.00	Retained earnings	(509,189.31)
218.00	Dividends	0.00
231.00	Friendship State Bank Loan	0.00
231.10	Truck Loan	(840.92)
231.11	2017 Truck Loan	(19,593.64)

Blank Trial Balance

231.20	Belterra Note Payable	(1,147,897.26)
231.50	Building loan	(33,272.25)
231.75	Current Portion of Long-Term Debt	(8,133.48)
231.76	Current Portion of Truck Loan	(8,611.59)
231.77	Current portion 2017 truck loan	(4,681.17)
231.80	Current Portion of Long-Term Debt - Belterra	(42,515.00)
231.85	Current Portion of Long-Term Debt- Friendship	0.00
231.90	Line of Credit	0.00
232.00	Accounts payable	(100,532.07)
232.10	Accounts payable	0.00
232.20	Accounts payable - contractor	0.00
232.30	Accounts payable - gas storage	(54,389.19)
235.00	Customer deposits	(7,460.00)
235.10	Customer Deposits- Unkown Addresses	(3,185.00)
236.10	Accrued revenue	0.00
236.11	Federal payroll taxes	(1,576.90)
236.12	FICA payroll taxes	(1,330.97)
236.14	State payroll taxes	(506.70)
236.16	Switzerland county payroll taxes	(149.15)
236.18	Other Insurance- Pretax	0.00
236.40	Accrued Indiana gross tax	0.44
236.60	Sales tax payable	(10,363.44)
236.70	Accrued property taxes	(15,537.14)
236.80	Accrued Indiana utility receipts tax	(3,736.58)
237.10	Accrued payroll	(9,375.01)
237.20	Accrued pension	(16,401.31)
238.10	Accrued audit fee	(11,500.00)
238.50	Accrued donations	(9.01)
239.00	Income Tax Payable	0.00
253.10	Deferred credits	(4,829.00)
253.20	Deferred credits - variance	0.00
255.00	Deferred income taxes	(254,342.00)
415.00	Non-utility revenue	0.00
416.00	Non-utility expense	4,682.94
480.00	Residential sales	(318,692.50)
481.00	Commercial sales	(110,771.03)
482.00	Industrial sales	(669,984.86)
483.00	Energy Efficiency Funding	0.00
484.00	Gas cost adjustment	(27,220.00)
486.00	Checking account interest	(23.78)
487.00	Customer penalties	(4,486.30)
489.00	Money market interest	(296.69)
490.00	Miscellaneous	(10,598.30)
491.00	Connect fees	(1,890.00)
492.00	Reconnect fees	(840.00)
493.00	Return check fees	(68.00)

Blank Trial Balance

494.00	Furnace Cleaning	(179.85)
495.00	Gain on sale of assets	0.00
499.00	Deferred Income Taxes	0.00
730.00	Natural gas purchases	588,610.73
762.00	Mains services and supplies	7,455.62
904.00	Uncollectible accounts	3,500.00
904.10	Recovery bad debt	(1,050.32)
920.00	Administrative salaries	164,196.90
921.00	Office supplies and expense	901.82
921.01	Mail/postage	3,622.43
921.02	Telephone	4,095.60
921.03	Utilities	2,504.24
921.04	Membership dues	30.00
923.00	Outside services employed	11,824.12
923.10	Outside services-legal/accounting	38,268.50
924.00	Property insurance	16,500.00
926.00	Pension expense	16,401.31
926.10	Employee Health Ins	9,562.50
926.15	Employee Short Term Disability	2,386.80
928.00	Directors fees	41,000.00
928.10	IN Utility Regulatory Commission	1,279.66
928.15	Def Charge Amort	0.00
928.20	Rate Case Amortization	6,914.58
930.00	Advertising expense	1,303.50
930.10	Broadcasting expense	2,640.00
930.20	Marketing Exp	3,000.00
931.00	Rent expense	0.00
933.00	Miscellaneous expense	7,862.54
942.00	Depreciation - plant	94,596.80
950.00	Personal property	17,150.00
950.10	Other taxes	333.65
950.20	Sales tax/purchases	4.41
950.30	Indiana utility receipts tax	15,400.00
952.00	Payroll taxes	12,292.78
954.00	Federal unemployment	43.33
956.00	State unemployment	158.69
962.00	Federal income tax	0.00
968.00	IN Supplemental Tax	0.00
972.00	Interest expense	2,853.54
973.00	Bank charges	3,509.37
974.00	Deferred income taxes	12,679.00
975.00	Contributions/donations	4,000.00
975.10	Scholarship Fund	0.00
976.00	Accrued Bonuses	0.00
<b>Total</b>		<b>0.00</b>

**Net (Income) Loss (44,536.27)**

COMMERCIAL PROMISSORY NOTE

MainSource Bank  
201 N Broadway, PO Box 87  
Greensburg, Indiana 47240  
(800)713-6083  
www.mainsourcebank.com  
callcenter@mainsourcebank.com

LOAN NUMBER	NOTE DATE	PRINCIPAL AMOUNT	LOAN TERM	MATURITY DATE
14076067	April 1, 2014	\$35,000.00	60 months	April 1, 2019
LOAN PURPOSE: 09-Purchase Auto - New				

**BORROWER INFORMATION**

Switzerland County Natural Gas Co., Inc.  
105 East Seminary Street  
Vevay, IN 47043

**NOTE.** This Commercial Promissory Note will be referred to in this document as the "Note."

**LENDER.** "Lender" means MainSource Bank whose address is 201 N Broadway, PO Box 87, Greensburg, Indiana 47240, its successors and assigns.

**BORROWER.** "Borrower" means each person or legal entity who signs this Note.

**PROMISE TO PAY.** For value received, receipt of which is hereby acknowledged, on or before the Maturity Date, the Borrower promises to pay the principal amount of **Thirty-five Thousand and 00/100 Dollars (\$35,000.00)** and all interest on the outstanding principal balance and any other charges, including service charges, to the order of Lender at its office at the address noted above or at such other place as Lender may designate in writing. The Borrower will make all payments in lawful money of the United States of America.

**PAYMENT SCHEDULE.** This Note will be paid according to the following schedule: **59** consecutive payments of principal and interest in the amount of **\$649.55** beginning on **May 1, 2014** and continuing on the same day of each month thereafter. This will be followed by **1** payment of principal and interest in the amount of **\$649.35** on **April 1, 2019**. The unpaid principal balance of this Note, together with all accrued interest and charges owing in connection therewith, shall be due and payable on the Maturity Date. All payments received by the Lender from the Borrower for application to this Note may be applied to the Borrower's obligations under this Note in such order as determined by the Lender.

**INTEREST RATE AND SCHEDULED PAYMENT CHANGES.** The interest will begin to accrue on the Funding Date. The interest rate on this Note will be fixed at **4.250%** per annum.

Nothing contained herein shall be construed as to require the Borrower to pay interest at a greater rate than the maximum allowed by law. If, however, from any circumstances, Borrower pays interest at a greater rate than the maximum allowed by law, the obligation to be fulfilled will be reduced to an amount computed at the highest rate of interest permissible under applicable law and if, for any reason whatsoever, Lender ever receives interest in an amount which would be deemed unlawful under applicable law, such interest shall be automatically applied to amounts owed, in Lender's sole discretion, or as otherwise allowed by applicable law. Interest on this Note is calculated on an **Actual/360** day basis. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Note. The unpaid balance of this loan shall, while any Event of Default exists under this Note or any other agreement related to the loan, be subject to a Default Rate of interest equal to **18.000%** per annum, and after Maturity, whether by acceleration or otherwise, shall be subject to a post-maturity rate of interest equal to **18.000%** per annum.

**LATE PAYMENT CHARGE.** If any required payment is more than **10** days late, then at Lender's option, Lender will assess a late payment charge of **\$50.00**.

**PREPAYMENT PENALTY.** This Note is subject to a prepayment penalty. Payment of all unpaid principal, accrued and unpaid interest and all other fees then outstanding **asa result of prepayment within first 36 months of term** will result in a penalty that shall be equal to: **\$250.00**.

**SECURITY TO NOTE.** Security (the "Collateral") for this Note is granted pursuant to the following security document(s):

- Security Agreement dated **April 1, 2014**, executed by **Switzerland County Natural Gas Co., Inc.**, evidencing security interest in **2014 Chevrolet Silverado 2500 HD - ID#1GB1KVCGOEF130289**.

**RIGHT OF SET-OFF.** To the extent permitted by law, Borrower agrees that Lender has the right to set-off any amount due and payable under this Note, whether matured or unmatured, against any amount owing by Lender to Borrower including any or all of Borrower's accounts with Lender. This shall include all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. Such right of set-off may be exercised by Lender against Borrower or against any assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of Borrower, or against anyone else claiming through or against Borrower or such assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off has not been exercised by Lender prior to the making, filing or issuance or service upon Lender of, or of notice of, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena or order or warrant. Lender will not be liable for the dishonor of any check when the dishonor occurs because Lender set-off a debt against Borrower's account. Borrower agrees to hold Lender harmless from any claim arising as a result of Lender exercising Lender's right to set-off.

**COMMERCIAL PROMISSORY NOTE**

MainSource Bank  
201 N Broadway, PO Box 87  
Greensburg, Indiana 47240  
(800)713-6083  
www.mainsourcebank.com  
callcenter@mainsourcebank.com

LOAN NUMBER	NOTE DATE	PRINCIPAL AMOUNT	LOAN TERM	MATURITY DATE
13070227	October 22, 2013	\$64,818.86	120 months	October 22, 2023
LOAN PURPOSE: 33-Refinance Commercial Real Estate (Non-Resident)				

**BORROWER INFORMATION**

Switzerland County Natural Gas Company, Inc.  
105 E. Seminary Street  
Vevay, IN 47043

**NOTE.** This Commercial Promissory Note will be referred to in this document as the "Note."

**LENDER.** "Lender" means MainSource Bank whose address is 201 N Broadway, PO Box 87, Greensburg, Indiana 47240, its successors and assigns.

**BORROWER.** "Borrower" means each person or legal entity who signs this Note.

**PROMISE TO PAY.** For value received, receipt of which is hereby acknowledged, on or before the Maturity Date, the Borrower promises to pay the principal amount of Sixty-four Thousand Eight Hundred Eighteen and 86/100 Dollars (\$64,818.86) and all interest on the outstanding principal balance and any other charges, including service charges, to the order of Lender at its office at the address noted above or at such other place as Lender may designate in writing. The Borrower will make all payments in lawful money of the United States of America.

**PAYMENT SCHEDULE.** This Note will be paid according to the following schedule: 119 consecutive payments of principal and interest in the amount of \$677.79 beginning on November 22, 2013 and continuing on the same day of each month thereafter. This will be followed by 1 payment of principal and interest in the amount of \$676.61 on October 22, 2023. The unpaid principal balance of this Note, together with all accrued interest and charges owing in connection therewith, shall be due and payable on the Maturity Date. All payments received by the Lender from the Borrower for application to this Note may be applied to the Borrower's obligations under this Note in such order as determined by the Lender.

**INTEREST RATE AND SCHEDULED PAYMENT CHANGES.** The interest rate on this Note will be fixed at 4.625% per annum. The interest will begin to accrue on the Funding Date.

Nothing contained herein shall be construed as to require the Borrower to pay interest at a greater rate than the maximum allowed by law. If, however, from any circumstances, Borrower pays interest at a greater rate than the maximum allowed by law, the obligation to be fulfilled will be reduced to an amount computed at the highest rate of interest permissible under applicable law and if, for any reason whatsoever, Lender ever receives interest in an amount which would be deemed unlawful under applicable law, such interest shall be automatically applied to amounts owed, in Lender's sole discretion, or as otherwise allowed by applicable law. Interest on this Note is calculated on an Actual/360 day basis. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Note. The unpaid balance of this loan shall, while any Event of Default exists under this Note or any other agreement related to the loan, be subject to a Default Rate of interest equal to 18.000% per annum, and after Maturity, whether by acceleration or otherwise, shall be subject to a post-maturity rate of interest equal to 18.000% per annum.

**LATE PAYMENT CHARGE.** If any required payment is more than 10 days late, then at Lender's option, Lender will assess a late payment charge of \$50.00.

**PREPAYMENT PENALTY.** This Note is subject to a prepayment penalty. Payment of all unpaid principal, accrued and unpaid interest and all other fees then outstanding as a result of prepayment within will result in a penalty that shall be equal to: 5% in year 1; 4% in year 2; 3% in year 3; 2% in year 4; 1% in year 5.

**SECURITY TO NOTE.** Security (the "Collateral") for this Note is granted pursuant to the following security document(s):

- Security Instrument (Mortgage/Deed of Trust/Security Deed) in the amount of \$64,818.86, dated October 22, 2013, executed by Switzerland County Natural Gas Company, Inc., evidencing a lien on the property located at 105 E. Seminary Street Vevay IN 47043.

**RIGHT OF SET-OFF.** To the extent permitted by law, Borrower agrees that Lender has the right to set-off any amount due and payable under this Note, whether matured or unmatured, against any amount owing by Lender to Borrower including any or all of Borrower's accounts with Lender. This shall include all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. Such right of set-off may be exercised by Lender against Borrower or against any assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of Borrower, or against anyone else claiming through or against Borrower or such assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off has not been exercised by Lender prior to the making, filing or issuance or service upon Lender of, or of notice of, assignment for the benefit of creditors, appointment or

## PROMISSORY NOTE

U.S. \$1,700,592.00

Dated: \_\_\_\_\_, 2005

FOR VALUE RECEIVED as described in the Gas Service Contract between the parties dated February 24, 2000, on or before March 31, 2045, (the "Maturity Date"), SWITZERLAND COUNTY NATURAL GAS CO. ("Maker") unconditionally promises to pay to the order of BELTERRA RESORT INDIANA, INC. ("Holder"), at 777 Belterra Drive, Belterra, IN 47020-9402, its resort in Switzerland County, Indiana, or at such other place as the Holder may direct in writing, the principal sum of One Million Seven Hundred Thousand Five Hundred Ninety-Two and 00/100 Dollars (\$1,700,592.00), without interest. Such Promissory Note is a replacement for the credit mechanism of such Gas Service Contract as agreed by the Maker and the Holder here as described in a Stipulation and Settlement Agreement of July \_\_, 2005, to which the Maker and Holder are parties, and filed with and approved by the Indiana Utility Regulatory Commission in Cause No. 42844. All amounts payable under this Note shall be payable without relief from valuation and appraisal laws.

The principal of this Note shall be payable in forty (40) consecutive annual installments, each in the amount of \$42,515.00, which shall be due and payable on the 31<sup>st</sup> day of March, beginning March 31, 2006. On the Maturity Date, the unpaid principal balance shall be due and payable in full. The principal of this Note may be prepaid in whole or in part at any time without premium or penalty. All partial prepayments of principal shall be applied to the installments of principal due under this Note in the inverse of the order in which such installments are due.

All payments of principal shall be made in lawful money of the United States of America and in immediately available funds. If any payment falls due on a day on which the Holder is not generally open for the conduct of its business, the due date thereof shall be extended to the next succeeding day on which the Holder is so open for business.

Upon default in the payment of any installment of principal due under this Note, which default shall remain uncured for a period of sixty (60) days from the date such installment is due, or at any time thereafter during the continuance of such default, the Holder shall be entitled by written notice to Maker to declare the entire unpaid balance of principal of the Note to be immediately due and payable, whereupon the same shall become and be immediately due and payable.

Maker and endorser(s), jointly and severally, waive demand and presentment for payment, protest, notice of protest and notice of nonpayment or dishonor of this Note and each of them consents to all extensions of the time of payment thereof. The Maker's obligations under this Note may be assigned only with the Holder's written consent. This Note shall be governed by the laws of the State of Indiana.

Signed and delivered as of the \_\_\_\_ day of \_\_\_\_\_, 2005.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND )  
COUNTY NATURAL GAS COMPANY, )  
INC. FOR AUTHORITY TO ISSUE ) CAUSE NO. 45117  
LONG TERM DEBT AND CHANGES TO )  
ITS RATES, CHARGES AND TARIFF )

**PETITIONER'S ADDITIONAL RESPONSE TO THE OUCC'S SIXTH SET OF DATA REQUESTS**

Comes now Switzerland County Natural Gas Company, Inc., by counsel, and submits to the Indiana Office of the Utility Consumer Counselor ("OUCC") its additional responses to the OUCC's Question 6.2:

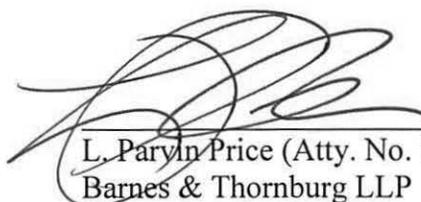
**II. Data Request.**

**Q 6.2:** Please provide a sample of standard information provided to a new customer, including all information related to customer deposits.

A. Petitioner previously responded to this question by indicating it would prepare a sample of standard information provided to a new customer of Switzco. Because Switzco is a small utility serving an area in and around the small community of Vevay, the majority of information provided to new customers is provided orally when new customers come to the office asking about setting up natural gas service. Assuming that the natural gas service line and meter are still in place, the information provided is focused on billing for natural gas used and safety. With respect to billing, Switzco advises when bills are mailed, indicates the time period for payment before the bill would be deemed late, describes the various ways that payment for bills can be made, describes Switzco's current energy efficiency rebates, and describes customer deposits, which would be returned within 12 months or if the customer moves will be used for the last monthly bill with the remainder returned. With respect to issues with safety, Switzco describes the call before you dig requirement and its importance, explains what the customer should do if the customer smells natural gas within a home, and provides the new customer with various telephone numbers to be used for further questions or emergencies. Attached please find various images to the pamphlets and calendar also handed to a new customer. To the extent that a new customer asks for information on rates and charges, Switzco provides a copy of its current rates, explains how the rates are applied, and describes the various charges

that may apply including the minimum monthly customer charge, late payment charges, bank charges for returned checks, and reconnection charges both during regular working hours and after hours.

To the extent that the new customer is intending on constructing a new residence or a new commercial establishment, then Switzco describes its extension of gas facilities as reflected in its tariff.



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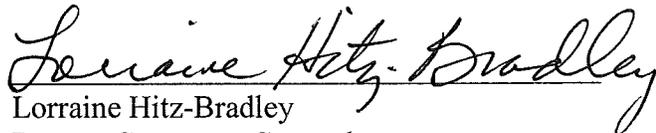
Counsel for Petitioner,

Switzerland County Natural Gas Company

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Public's Exhibit No. 1 Testimony of OUCC Witness Isabelle L. Gordon* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 2, 2018.

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