

**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**

**VERIFIED DIRECT TESTIMONY  
of  
J.P. GHIO**

**On  
Behalf of  
Petitioner,  
WESTFIELD GAS, LLC.**

**Petitioner's Exhibit No. 1**

1 **INTRODUCTION AND BACKGROUND**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A1. My name is J.P. Ghio. My business address is 2150 Dr. Martin Luther King, Jr. Street,  
4 Indianapolis, Indiana 46202.

5 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A2. I am employed by the Board of Directors for Utilities of the Department of Public Utilities  
7 of the City of Indianapolis (the "Board"), which does business as Citizens Energy Group  
8 ("Citizens"). I serve as Vice President of Energy Operations for Citizens Energy Group  
9 and President of Citizens Gas of Westfield.

10 **Q3. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS CITIZENS ENERGY**  
11 **GROUP'S VICE PRESIDENT OF ENERGY OPERATIONS AS THEY RELATE**  
12 **TO THIS PROCEEDING?**

13 A3. Citizens Energy Group manages and controls a number of energy utilities, including the  
14 gas utility doing business as Citizens Gas of Westfield, the Petitioner in this proceeding  
15 ("Westfield Gas" or "Petitioner"). I oversee and provide leadership for the employees  
16 responsible for providing gas utility services to Westfield Gas's customers, which includes  
17 activity from field maintenance to installation of new mains and services to procuring  
18 reliable gas supplies in order to provide firm service to our retail customers at the lowest  
19 gas cost reasonably possible.

20 **Q4. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

21 A4. I hold a Bachelor of Science degree with a concentration in Mechanical Engineering from  
22 Lehigh University and a Master of Business Administration degree from Saint Joseph's  
23 University.

1 **Q5. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**  
2 **EXPERIENCE.**

3 A5. I have over 25 years of experience in the energy industry spanning products such as natural  
4 gas, propane, power, oil, steam and chilled water. Approximately half of my career has  
5 been with state regulated utilities while the other half has been with federally regulated or  
6 unregulated businesses. I have held roles of increasing responsibility in departments from  
7 engineering, marketing, supply, trading and operations through executive roles such as  
8 Vice President of Gas & Electric Supply and Vice President of Gas Supply & Customer  
9 Operations with my former companies. I joined Citizens in January 2020.

10 **Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR ANY**  
11 **OTHER STATE UTILITY COMMISSION?**

12 A6. Yes. I have testified as a witness before this Commission and the Pennsylvania Public  
13 Utility Commission in a number of cases, including cases related to gas costs and capital  
14 construction.

15 **Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A7. The purpose of my testimony is to 1) provide an overview of Westfield Gas, and 2) describe  
17 the relief requested by Petitioner in its Verified Petition.

18 **Q8. DO YOU HAVE ANY INTRODUCTORY REMARKS YOU WOULD LIKE TO**  
19 **MAKE?**

20 A8. Yes, I do. Westfield Gas received its last base rate case order over five years ago in April  
21 2017. Over these years, Westfield Gas has invested in the infrastructure serving the City  
22 of Westfield to support the growth of the community. The resulting investments have

1 increased the rate base by 79%, from \$10.8 million to \$19.3 million.<sup>1</sup> The rapid growth in  
2 rate base has been commensurate with the corresponding development throughout the City  
3 of Westfield. Through these investments, Westfield Gas has continued fulfilling its  
4 mission to serve the residents of Westfield by providing reliable and affordable energy.  
5 However, along with this growth, Westfield Gas has experienced incremental costs  
6 including both operating and maintenance costs. Some of these costs have increased due  
7 to the very nature of an expanding network, while other costs have increased due to  
8 traditional pressures over time. These combined circumstances have prompted the relief  
9 sought by Petitioner in this case.

10 **OVERVIEW OF WESTFIELD GAS**

11 **Q9. PLEASE PROVIDE AN OVERVIEW OF WESTFIELD GAS'S UTILITY**  
12 **BUSINESS.**

13 A9. Westfield Gas had approximately 6,100 customers as of the end of calendar year 2021.  
14 The customers used approximately 718,000 dekatherms of natural gas over the 12 months  
15 ending December 31, 2021. Westfield Gas receives supply transported by the Panhandle  
16 Eastern Pipeline Company. After receiving natural gas from the interstate pipeline, the  
17 natural gas is distributed to our customers through approximately 178 miles of mainline  
18 pipe. Approximately 94% is contemporary pipe made of polyethylene plastic while the  
19 remaining is contemporary pipe made of coated steel. The majority of the distribution  
20 system is operated at 30 psig. Westfield Gas operates its system in compliance with all

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<sup>1</sup> Information submitted in Westfield Gas's most recent annual report to the IURC. Rate Base growth of 79% =  $(\$19,341,832 - \$10,800,000) / \$10,800,000$ . This rate base information was obtained from Westfield Gas's Annual Report to the IURC and is not, however, reflective of Fair Value rate base used for ratemaking purposes in this proceeding.

1 applicable federal, state and local regulations. Westfield Gas has not received any notices  
2 of violation from the IURC pipeline enforcement staff from at least January 2007,  
3 demonstrating Westfield Gas's strong safety record.

4 **Q10. CAN YOU PROVIDE CONTEXT TO THE AMOUNT OF GROWTH WESTFIELD**  
5 **GAS HAS EXPERIENCED SINCE ITS LAST RATE CASE?**

6 A10. Yes. From the Indiana Census, the population in the City of Westfield has increased by  
7 68.38% from 2010 to 2021. Residential housing units have increased by over 5,000 since  
8 2017. From January 2017 through December 2021, Westfield Gas added approximately  
9 1,800 customers and 50 miles of mains. The design cold peak day demand for the winter  
10 of November 2016 through March 2017 was 7,634 dekatherms. For the winter of 2021-  
11 2022 the design cold peak day demand was estimated to be 10,010 dekatherms. The growth  
12 in demand was more than 30% in five years.

13 **RATE RELIEF REQUESTED**

14 **Q11. WHEN WAS WESTFIELD GAS'S LAST BASE RATE CASE?**

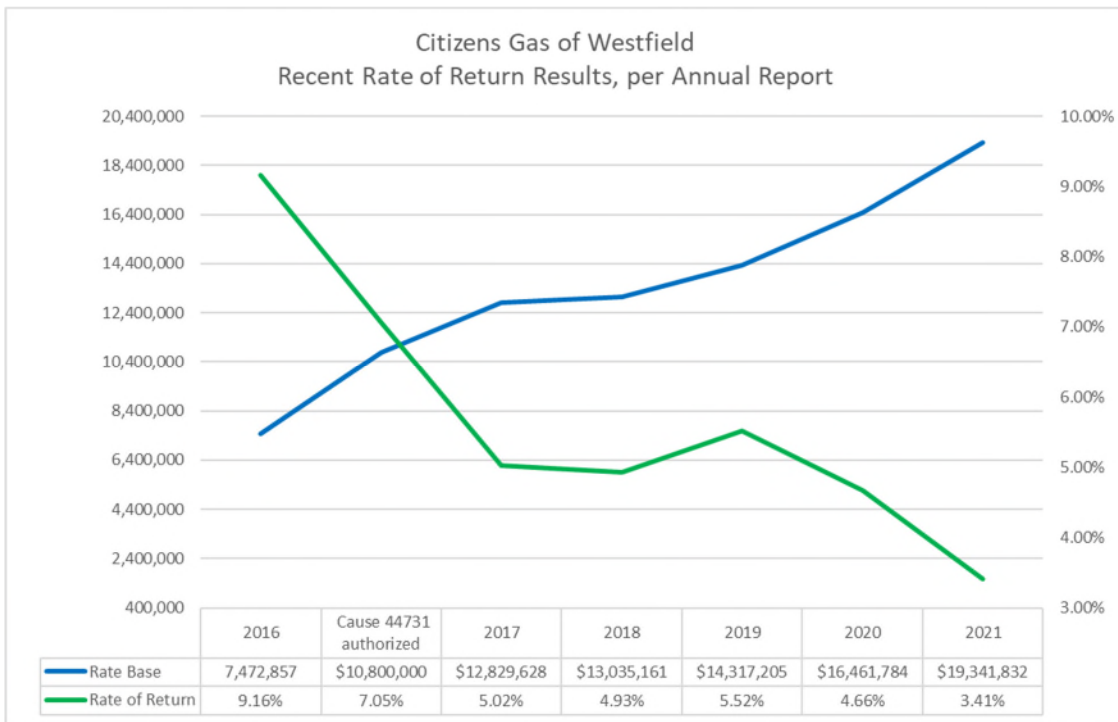
15 A11. Petitioner's last base rate case and associated charges were approved by the Commission  
16 in its April 26, 2017, Order in Cause No. 44731.

17 **Q12. WHY IS WESTFIELD GAS REQUESTING AN INCREASE TO ITS BASE**  
18 **RATES AND CHARGES FOR GAS UTILITY SERVICE?**

19 A12. In concert with the considerable growth in the City of Westfield described earlier,  
20 Westfield Gas has invested over \$8.5 million in facilities and property. As the  
21 system has grown, the costs to operate and maintain the system have also grown.  
22 As a result, Westfield Gas's returns on its investments have been decreasing and  
23 do not provide a fair return. Chart I below depicts the investments (blue line)

1 increasing over time represented by rate base on the y-axis at the left of the chart.  
 2 Chart I also depicts the rate of return on rate base (green line) which has been  
 3 declining and stood below 3.5% in 2021, as reported in the Westfield Gas 2021  
 4 Annual Report filed with the IURC. Based on trends, return on equity for 2022 will  
 5 likely be lower than 3.5%. Based on these numbers, Westfield Gas has not  
 6 achieved a fair return on its investment over the past 5 years.

CHART I



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1 **Q13. IF WESTFIELD GAS HAS NOT EARNED A FAIR RATE OF RETURN FOR**  
2 **SEVERAL YEARS, WHY HAS THE UTILITY NOT SOUGHT A RATE**  
3 **INCREASE BEFORE THIS FILING?**

4 A13. Westfield Gas began assessing the possibility of filing a rate case in late 2019. As the  
5 Commission is aware, on March 26, 2020, Governor Holcomb issued Executive Order 20-  
6 02, declaring a public health emergency as a result of the COVID-19 pandemic. At the  
7 outset of the pandemic, and even before the Governor declared a public health emergency,  
8 Westfield Gas shifted its focus away from rate case planning so that, like the other Citizens  
9 regulated utilities, it could better focus on efforts to help customers. Having delayed filing  
10 for much needed rate relief for over two years, we have reached a point where further delay  
11 will materially impact Westfield Gas's financial integrity.

12 **Q14. DID THE UTILITY TAKE INTO ACCOUNT OTHER CUSTOMER**  
13 **CONSIDERATIONS REGARDING THE TIMING OF THIS FILING?**

14 A14. Yes. Westfield Gas is currently recovering a significant variance through its gas cost  
15 adjustment ("GCA") due to natural gas price spikes caused by weather and other events  
16 that disrupted the interstate natural gas market in February 2021. The February 2021 price  
17 spikes caused Westfield Gas to under recover approximately \$2.4 million of purchased gas  
18 costs creating the variance. To mitigate the impact to customers, Westfield Gas voluntarily  
19 proposed to recover the \$2.4 million variance over a 24-month period (as opposed to the  
20 normal 12-month variance period). Based on projected sales, the gas cost variance that  
21 was created as a result of the February 2021 price spikes will be recovered by May 2023.  
22 We have timed the filing of this case such that a base rate increase will likely not take effect  
23 until after May 2023.

1 **Q15. PLEASE PROVIDE AN OVERVIEW OF THE REQUESTED RATE INCREASE?**

2 A15. Westfield Gas requests approval to increase total annual revenues by \$1.29 million based  
3 on normal weather. For a typical residential heating customer consuming 735 therms per  
4 year, the increase is approximately \$165 per year or 18%.

5 **Q16. SINCE YOU MENTIONED A PART OF THE REQUESTED RATE RELIEF IS**  
6 **DUE TO INCREASED COSTS, CAN YOU PROVIDE AN EXAMPLE OF COST**  
7 **PRESSURES TO O&M EXPENSES FOR WESTFIELD GAS?**

8 A16. Yes. One example of increased cost pressures relates to public safety. In Indiana, as in  
9 most states, utilities are required by law to mark or locate their underground facilities when  
10 someone calls 811 prior to excavating. Over time, the amount of locates required by  
11 Westfield Gas has been increasing. The increase likely relates to a combination of factors  
12 including the growing size of the Westfield Gas distribution system, increased construction  
13 activity in the City of Westfield, and general awareness of the Indiana 811 law. For  
14 calendar year 2019, Westfield Gas received 7,744 locate tickets. In 2020, this ticket  
15 number had increased to 10,395. By the end of 2021, the ticket count was over 13,000.  
16 The sheer number of tickets increases the cost of locating and that alone will more than  
17 double the overall locate costs between 2019 and 2022. In addition, the cost to complete  
18 each ticket is also increasing. The work involved in locating underground facilities  
19 requires field workers to physically visit the proposed construction site and paint markings  
20 on the ground. The more competitive labor market for qualified field workers to complete  
21 an increasing number of locates, as well as increasing O&M costs such as fuel to travel to  
22 locate sites and the cost of paint for markings, have all added significant pressure on  
23 operating costs for Westfield Gas. The increased number of tickets plus these cost



1 pressures are causing the projected cost of locating to increase by \$260,000 or 195% from  
2 2019 to 2022.

3 **Q17. DOES PETITIONER HAVE A CONTRACTUAL ARRANGEMENT IN PLACE**  
4 **WITH A THIRD-PARTY LOCATOR?**

5 A17. Yes, Westfield Gas has had an agreement in place with SAMCO, Inc., for line locate  
6 services. During preparation for this filing, Westfield Gas was negotiating a new 3-year  
7 service agreement with SAMCO, including updated fees, with an effective date of July 1,  
8 2022.

9 **Q18. SINCE YOU WERE NEGOTIATING A NEW SERVICE AGREEMENT FOR**  
10 **LOCATES WITH AN EFFECTIVE DATE OF JULY 1, 2022, WHICH WAS AFTER**  
11 **THE TEST YEAR, DID WESTFIELD GAS MAKE A PRO FORMA**  
12 **ADJUSTMENT?**

13 A18. Yes. Locate costs were updated based on an updated offer in June 2022 and a  
14 corresponding pro forma adjustment was made which is explained by Witness Sabine E.  
15 Karner.

16 **Q19. WERE OTHER PRO FORMA ADJUSTMENTS MADE?**

17 A19. Yes. Additional pro forma adjustments will be discussed by Witnesses Camela Johnson  
18 and Debi Bardhan-Akala.

19 **Q20. HAVE THERE BEEN COST PRESSURES ON CAPITAL PROJECTS?**

20 A20. Yes, Cost increases have also impacted capital projects. For example, plastic pipe is a  
21 derivative of petroleum and is impacted by higher oil prices and transportation costs. In  
22 2017, 1" polyethylene pipe cost \$0.26 per foot. In 2022, the cost had increased to \$0.55  
23 per foot. As another reference, a typical residential meter cost \$73.21 in 2017 and \$127.89

1 in 2022. In addition, labor costs have continued to increase impacting the installation cost  
2 of capital projects. Costs for fleet and equipment have also been increasing likely due to  
3 supply chain issues. All of these cost pressures raise capital requirements for the business.

4 **Q21. HOW DOES THE MANAGEMENT OF WESTFIELD GAS HELP MITIGATE**  
5 **COST PRESSURES?**

6 A21. Westfield Gas benefits from the size of Citizens Gas and the associated staff required to  
7 operate and maintain the Citizens Gas transmission and distribution network within the  
8 City of Indianapolis. For example, Citizens has a full staff responsible for engineering,  
9 pipeline integrity, safety, training including operator qualifications and leak survey along  
10 with a complement of operations, maintenance, and construction employees. For  
11 administrative functions, Citizens has employees in areas including accounting, legal,  
12 purchasing and regulatory. Through a services agreement between Citizens and Westfield  
13 Gas, Westfield Gas has access to the expertise of Citizens staff and only pays for the portion  
14 of the services it receives. Paying for services at cost is more efficient than Westfield Gas  
15 hiring its own employees or contracting these services with third parties which would likely  
16 charge both a cost to provide the service and a margin or profit on top of the cost.

17 **Q22. DOES THE MANAGEMENT OF WESTFIELD GAS HAVE FORMAL**  
18 **PROGRAMS IN PLACE TO CONTAIN COSTS?**

19 A22. Citizens, and by extension Westfield Gas, has a formal continuous improvement program  
20 called Citizens Lean and Six Sigma ("CLASS"). This program employs a number of tools  
21 and a team of experts who train the workforce in a range of skills including: 1) continuous  
22 improvement; 2) knowledge sharing; 3) process improvement; 4) project management;  
23 and, 5) root cause analysis. Each of these areas has numerous lessons and skills that

1 promote efficiency and drive towards cost containment. For example, under continuous  
2 improvement, Citizens' employees use lean tools including Gemba walks, Just Do It  
3 projects, waste identification and evaluation of insourcing or outsourcing. These  
4 comprehensive programs coupled with a strong commitment from senior leadership  
5 ensures employees are cost conscious and continuously seeking opportunities to control  
6 costs for our customers.

7 **Q23. CAN YOU PROVIDE A SPECIFIC EXAMPLE WHERE CLASS WAS USED TO**  
8 **LOWER COSTS OR REDUCE THE IMPACT OF COST INCREASES,**  
9 **SPECIFICALLY FOR PURPOSES OF GAS OPERATIONS?**

10 A23. For some years preceding 2021, Westfield Gas surveyed its pipelines for leaks with a  
11 mixture of employees and services provided by a third-party vendor. Through CLASS, the  
12 leak survey work was reviewed for cost and quality improvement opportunities. After a  
13 thorough evaluation through a process which was overseen by Citizens' quality department  
14 as an independent check, Westfield Gas decided to insource all leak survey work. The  
15 insourcing was projected to lower costs by \$2,000 annually. The cost savings came from  
16 a more efficient use of existing employees. For example, a program was launched whereby  
17 leak survey employees begin and end their day from their home instead of starting and  
18 ending the day at Citizens' operations hub. As another example, Westfield Gas added high  
19 occupancy building survey information to the mapping system used for the normal cycle  
20 surveys. This added data allows employees to perform a leak survey on both types of  
21 facilities when the surveys are geographically in close proximity. Prior to the changes, two  
22 trips would have been made to the same general location which consumed time, resources,  
23 and money. These types of efficiencies benefit the customers of Westfield Gas.

1 **Q24. HAS WESTFIELD GAS TAKEN ANY OTHER STEPS TO MITIGATE OVERALL**  
2 **BILLS AND COSTS TO CUSTOMERS?**

3 A24. Yes. As mentioned previously, Westfield Gas receives natural gas transported via  
4 Panhandle Eastern Pipeline Company, an interstate pipeline traversing Texas through  
5 Michigan. Westfield Gas is directly impacted by changes in market conditions for the  
6 supply basins feeding the Panhandle Eastern Pipeline. In February 2021, the market prices  
7 for gas via Panhandle had increased significantly, on some days consisting of a 100-fold  
8 increase, due to a combination of weather and imbalances between supply and demand.  
9 During this period, the Citizens supply department used the resources available to both  
10 Citizens and Westfield Gas to mitigate some of the price volatility. More details about this  
11 event were submitted in my testimony in Cause No. 45577.

12 **Q25. WHAT ACTIONS HAVE BEEN TAKEN TO PROVIDE LONGER TERM PRICE**  
13 **VOLATILITY PROTECTION TO WESTFIELD GAS?**

14 A25. On December 1, 2021, Westfield Gas began receiving storage services from Citizens.

15 **Q26. HOW SPECIFICALLY DO THE CUSTOMERS OF WESTFIELD GAS BENEFIT**  
16 **FROM THE STORAGE SERVICE FROM CITIZENS?**

17 A26. Westfield Gas mitigates the vast majority of exposure to increases in daily winter prices by  
18 using the storage service from Citizens. The storage service allows Westfield Gas to  
19 purchase approximately 60 percent of its winter supply during the summer when there is  
20 less demand for natural gas. During the winter, Westfield Gas can withdraw the summer-  
21 priced storage gas to meet changing demand requirements for its customers. Storage thus  
22 provides Westfield Gas with daily flexibility and fixed prices.

23 **Q27. IS PETITIONER REQUESTING ANY OTHER RELIEF IN THIS PROCEEDING?**

1 A27. Yes. Westfield Gas is seeking to continue its existing energy efficiency program. The  
2 program is the same as the one approved in Cause No. 44731. In addition, Petitioner is  
3 seeking certain revisions to its terms and conditions applicable to its gas utility service  
4 ("Terms and Conditions"). The reauthorization of the energy efficiency program and  
5 revisions to the Terms and Conditions will be described in further detail by Witness Debi  
6 Bardhan-Akala.

7 **Q28. IS WESTFIELD GAS PROPOSING ANY CHANGES TO ITS MONTHLY**  
8 **CUSTOMER CHARGE?**

9 A28. Westfield Gas has a modified fixed variable rate structure. A modified fixed variable rate  
10 structure allows Westfield Gas to recover some of its fixed costs in the form of a fixed  
11 monthly customer charge. At the same time, a portion of the fixed costs are recovered in  
12 a variable charge based on the quantity of energy used by customers which can vary based  
13 on a number of factors. Westfield Gas is requesting an increase in the monthly customer  
14 charges in order to better align revenue with the recovery of fixed costs. The proposed  
15 changes will be discussed further in the testimony of Witness Debi Bardhan-Akala.

16 **CONCLUSION**

17 **Q29. PLEASE SUMMARIZE YOUR TESTIMONY.**

18 A29. Westfield Gas received its last base rate case order over five years ago in April 2017. From  
19 this point of time, Westfield Gas continued to invest in infrastructure to serve the rapidly  
20 growing community of Westfield. Over time, the expanded asset base coupled with  
21 escalating costs caused the rate of return for Westfield Gas to fall significantly below an  
22 acceptable rate of return. For 2021, the rate of return was 3.4%. While we are never

1           pleased to request a rate increase, we have delayed filing a rate case for over two years.  
2           We also have timed the filing of this case with consideration to a variance currently being  
3           recovered through the GCA. Any further delay will materially impact Westfield Gas's  
4           financial integrity. Therefore, Westfield Gas is seeking \$1.29 million of rate relief which  
5           translates to an approximate 18% increase for the average residential customer.

6   **Q30. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7   A30. Yes, at this time.

**VERIFICATION**

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
J.P. Ghio