

FILED
September 29, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF MIDWEST NATURAL GAS
CORPORATION FOR AUTHORITY TO CHANGE
ITS RATES, CHARGES, TARIFFS, RULES, AND
REGULATIONS.**

CAUSE NO. 45888

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

**PUBLIC'S EXHIBIT NO. 1 – SETTLEMENT TESTIMONY OF OUCC
WITNESS HEATHER R. POOLE**

September 29, 2023

Respectfully submitted,



Thomas R. Harper
Attorney No 16735-53
Deputy Consumer Counselor

**MIDWEST NATURAL GAS CORPORATION
CAUSE NO. 45888
SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE**

I. INTRODUCTION

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

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

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

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

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

11 A: My settlement testimony supports the Settlement Agreement (“Agreement”)
12 between the Parties in this Cause: Midwest Natural Gas Corporation (“Midwest”
13 or “Petitioner”) and the OUCC (collectively, the “Parties” or “Settling Parties”).
14 The Agreement resolves all issues between the Settling Parties in this Cause. I
15 discuss the pertinent matters agreed to in the Agreement, such as the original cost
16 rate base, capital structure, pro forma operating revenues, and pro forma expense
17 adjustments. I discuss terms of the Agreement related to customer service charges,
18 rate design, and tariffs. Attached to my settlement testimony is a set of revenue
19 requirement schedules reflecting the terms of the Agreement, designated as

1 Attachment HRP-1.

2 **Q: Do the revenue requirement schedules in Attachment HRP-1 contain all pro**
3 **forma adjustments agreed to in the Settlement Agreement?**

4 A: Yes. The Settling Parties agreed certain pro forma revenues and expenses should
5 remain as filed in Midwest's case-in-chief. In the schedule reference column of
6 Attachment HRP-1, Schedule 4, a designation of "Pet." indicates the adjustment
7 remains as originally proposed by Petitioner. Likewise, in the schedule reference
8 column of Attachment HRP-1, Schedule 4, adjustments agreed to in settlement
9 show a schedule reference for Schedule 5 or Schedule 6, contained within
10 Attachment HRP-1. A comparison of pro forma present rate income statement
11 adjustments between Petitioner's original pro forma adjustments and the pro forma
12 adjustments agreed to in settlement are shown on Schedule 1, page 3 of Attachment
13 HRP-1.

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

16 A: Yes. The Agreement represents a compromise reached in the settlement negotiation
17 process, with give and take by the Settling Parties. The Settling Parties devoted
18 considerable time and effort to fairly balance Midwest's interests and those of
19 Midwest's customers.

II. REVENUE REQUIREMENT AND NET OPERATING INCOME

20 **Q: What revenue requirement and net operating income did Midwest propose in**
21 **this case?**

22 A: Midwest proposed an increase to revenues of \$1,989,993, for a percentage increase
23 of 9.08% including gas costs. This produces a net operating income of \$1,825,793.

1 **Q: What revenue requirement and net operating income did the Settling Parties**
2 **agree to in this case?**

3 A: The Settling Parties agree that Midwest's base rates will be designed to produce a
4 \$1,816,020 return on rate base. The revenue requirement represents a \$1,847,190
5 increase in revenue, which is a \$142,803 decrease from the amount originally
6 requested by Midwest in its case-in-chief.

III. RATE BASE

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

8 A: The Settling Parties agree to an original cost rate base of \$22,282,455. This reflects
9 a \$116,741 reduction in utility plant in service for the removal of the cost of one
10 vehicle, and a change to working capital to reflect other changes in operation and
11 maintenance expenses noted below.

IV. COST OF EQUITY AND CAPITAL STRUCTURE

12 **Q: What cost of equity did Midwest and the OUCC agree to in this Cause?**

13 A: Midwest and the OUCC agreed to a cost of equity of 10.10% as part of the
14 Stipulation and Partial Settlement Agreement on Cost of Equity Capital, Cost of
15 Service, and Residential Service Charge ("Partial Settlement Agreement") filed
16 with Petitioner's witness Dave Osmon's direct testimony.

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

19 A: The Settling Parties agreed to the same WACC as requested in Midwest's case-in-
20 chief, which was 8.15%.

V. PRO FORMA REVENUES

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

2 A: The Settling Parties agree Midwest's pro forma revenues for the following items
3 should be those as stated in Midwest's case-in-chief:

- 4 • Elimination of GCA Revenue: (\$13,697,424);
- 5 • Cause No. 43995 S-1 Refunds: \$41,409;
- 6 • Decrease in TDSIC Revenue: (\$212,659);
- 7 • New Large Public Authority Customer: \$130,218;
- 8 • Collection, Reconnection, Disconnection and After-Hours Charges: \$10,105;
- 9 and
- 10 • Return Payment Fees: \$600.

11 The Settling Parties agree to the following revenue adjustments that are different
12 than the amounts proposed in Midwest's case-in-chief:

- 13 • New HDD Normals: Due to an inversion of the test year and pro forma amounts,
14 the Settling Parties agree to an adjustment of \$55,486.
- 15 • Annualize customers added in test year: Due to an inaccurate number of
16 customer instances, the Settling Parties agree to an adjustment of \$30,491.
- 17 • Reclassify Sales Customers to Transport: Due to inaccurate volumetric rates
18 applied and volumes in the adjustment, the Settling Parties agree to an
19 adjustment of (\$222,653).

VI. PRO FORMA EXPENSES

20 **Q: What expense adjustments do the Settling Parties agree to in this Cause?**

21 A: The Settling Parties agree Midwest's pro forma expenses for the following items
22 should be those as stated in Midwest's case-in-chief:

- 23 • Natural Gas Purchased: (\$13,558,505);

- 1 • Payroll Expense: \$202,581;
- 2 • Bad Debt Expense: (\$16,597);
- 3 • Director's Fees: \$2,250;
- 4 • Property Insurance: \$3,363;
- 5 • Unrecovered Customer Penalties (COVID): \$3,193;
- 6 • Fines for Missed Locates: (\$3,000);
- 7 • Depreciation Expense: (\$272);
- 8 • Deferred TDSIC Depreciation Expense: \$2,518;
- 9 • Utility Receipts Tax: (\$182,760); and
- 10 • Deferred TDSIC Property Taxes: \$483.

11 The Settling Parties agree to the following expense adjustments that are different
12 than the amounts proposed in Midwest's case-in-chief:

- 13 • Rate Case Expense: A reduction of \$30,000 in accounting fees and \$52,500 in
14 legal fees results in total rate case expense of \$127,500. The Settling Parties
15 agree to a 5-year amortization period, for a total annual adjustment of \$25,500.
- 16 • IURC Fee: Due to an incorrect revenue amount, removal of pro forma forfeited
17 discounts and bad debt expense, an update to the most current IURC fee rate,
18 and a correction to the test year amount, the Settling Parties agree to an
19 adjustment of \$7,412.
- 20 • Energy Efficiency Contribution for NTA: The Settling Parties agree to reduce
21 the energy efficiency contribution expenses for the NTA by the amount required
22 to be paid by the utility in the NTA proceeding, resulting in an adjustment of
23 (\$25,000).
- 24 • Pension Expense: The Settling Parties agree to use the 2023 actuarial report to
25 calculate pro forma pension expense, resulting in an adjustment of (\$18,111).
- 26 • Contractor Fees: Due to incorrect hourly rates applied in Petitioner's
27 workpaper, the Settling Parties agree to an adjustment of \$17,513.

- 1 • ESOP Expense: The Settling Parties agree to an adjustment of \$37,639, which
2 was misclassified by Petitioner as pension expense.
- 3 • Health Insurance: Due to an employee changing health insurance plans within
4 the twelve months following the test year and removal of MASA fees, the
5 Settling Parties agree to an adjustment of \$65,459.
- 6 • Employee Events and Gifts: Due to additional items found that should not be
7 recovered from ratepayers, the Settling Parties agree to an adjustment of
8 (\$39,871).
- 9 • Lobbying Fees: Due to additional non-deductible expenses, the Settling Parties
10 agree to an adjustment of (\$1,409).
- 11 • IT Services: Due to an incorrect allocation of costs between Midwest Gas and
12 Indiana Natural Gas, the Settling Parties agree to an adjustment of (\$56,670).
- 13 • Outside Services: The Settling Parties agree to an adjustment of (\$4,772) for
14 non-recurring legal fees.
- 15 • Deferred TDSIC Revenue Requirement: The Settling Parties agree to include
16 the 20% deferred revenue requirement from the TDSIC proceeding in Cause
17 No. 44942. The total 20% deferral is \$47,890, amortized over 5 years, which
18 results in an adjustment of \$9,578.
- 19 • Payroll Taxes: Due to one employee's pro forma payroll adjustment being
20 above the FICA tax limit, the Settling Parties agree to an adjustment of \$14,517.
- 21 • Property Taxes: Due to removing the cost of the CEO's vehicle from property
22 tax expense, the Settling Parties agree to an adjustment of \$45,092.
- 23 • Federal and State Income Tax: Due to a rounding error in the calculation of
24 synchronized interest, and the adjustments to revenue and expenses noted
25 above, the Settling Parties agree to a federal income tax adjustment of (\$63,710)
26 and a state income tax adjustment of (\$25,902).

VII. EXCESS ACCUMULATED DEFERRED INCOME TAX ("EADIT")

1 **Q: Did Midwest make an adjustment for the refund of EADIT as required by the**
2 **Tax Cuts and Jobs Act of 2017?**

3 A: No. Midwest did not include an adjustment in its case-in-chief for the refund of
4 EADIT.

5 **Q: What have the Settling Parties agreed to regarding EADIT?**

6 A: The Settling Parties agree base rates will be set for the rate case, and all refunds for
7 EADIT will be passed back to customers as a credit using the Tax Cuts and Jobs
8 Act of 2017 Temporary Adjustment Mechanism tariff sheet outside of setting rates
9 in this Cause. The total amount to be refunded to customers each year is \$35,076,
10 which equates to \$2,923 in monthly amortization required as part of Cause No.
11 45032 S11. A copy of the new tariff language will be included in Petitioner's red-
12 lined and clean tariff filed with the Commission.

VIII. AMORTIZATION OF EXPENSES

13 **Q: What have the Settling Parties agreed to regarding amortization of expenses?**

14 A: The Settling Parties agree Petitioner should file a revised tariff if new rates have
15 not gone into effect at the end of the 5-year amortization period to remove the
16 following expenses from Petitioner's base rates:

- 17 • Rate Case Expense;
- 18 • Deferred TDSIC Revenue Requirement;
- 19 • Deferred TDSIC Depreciation;
- 20 • Deferred TDSIC Property Tax; and
- 21 • Unrecovered Penalties (COVID).

1 In the event Petitioner has new base rates that go into effect before the end of the
2 5-year amortization period, any remaining expenses above not amortized at the time
3 of Petitioner's next rate case order may be included for recovery in that proceeding.

IX. DEPRECIATION RATES

4 **Q: What depreciation rates have the Settling Parties agreed on?**

5 A: The Settling Parties agree to a 2.50% composite depreciation rate compared to the
6 2.75% composite depreciation rate currently in place. Additionally, the Settling
7 Parties agree to a 20-year depreciation life for new ITRON meter endpoints, for a
8 depreciation rate on ITRON meter endpoints of 5%.

X. RATE DESIGN

9 **Q: What customer service charges have the Settling Parties agreed on?**

10 A: The Settling Parties agree to the following customer service charges, as proposed
11 in Midwest's case-in-chief.

- 12 • Tariff A: \$15.00;
- 13 • Tariff B: \$30.00;
- 14 • Tariff C: \$180.00; and
- 15 • Tariff E: \$550.00.

16 **Q: How will the increase in revenue requirements be spread across rate classes?**

17 A: The Settling Parties agree Attachment BJM-2, Schedule A, originally filed with
18 Petitioner's witness Bonnie Mann's testimony, will be updated to allocate the
19 increase in revenue requirement across the board to all rate classes such that the
20 total revenues of each rate class are increased by the same percentage. (In the
21 original Attachment BJM-2, Schedule A filed with Midwest's case-in-chief, each
22 rate class has a different percentage increase. The increase to each customer class

1 should be the same percentage to match the Partial Settlement Agreement.)

2 The Settling Parties also agree Petitioner will provide the OUCC and
3 Commission with a final revenue proof and updated, red-lined tariff that includes
4 all tariff changes approved in the Commission's Final Order.

XI. TARIFFS

5 **Q: What have the Settling Parties agreed to regarding the tariffs?**

6 **A:** The Settling Parties agree to the following related to tariffs:

- 7 • The removal of the Energy Efficiency Rider.
- 8 • As discussed above, the Tax Cuts and Jobs Act of 2017 Temporary Adjustment
9 Mechanism tariff sheet will be used to refund the EADIT of \$35,076 to
10 customers instead of being removed, as proposed in Petitioner's case-in-chief.
- 11 • The Non-Sufficient Funds Charge language on Sheet No. 8 will be changed to
12 \$31.
- 13 • The General Terms and Conditions under Curtailment and Interruption, Part
14 C.2. on Sheet No. 10 will reference therms to be consistent with all other
15 language changes in the tariff.
- 16 • Tariff A Availability language on Sheet No. 20 will reference all customers
17 with meter sizes of less than 750.
- 18 • Tariff B Availability language on Sheet No. 22 will reference meter sizes of
19 750 or greater.
- 20 • Tariff E Availability language on Sheet No. 22 will reference therms to be
21 consistent with all other language changes in the tariff.
- 22 • Tariff STS Rate language on Sheet No. 33 will reference meter sizes of 750 or
23 less.
- 24 • The Rate Tracking Factor Adjustment on Sheet No. 51 will be converted to an
25 amount per therms to be consistent with all other language changes in the tariff.
- 26 • The Base Rate Cost of Gas on Sheet No. 52 will be converted to an amount per
27 term to be consistent with all other language changes in the tariff.

- 1 • The Normal Temperature Adjustment on Sheet No. 60, pages 2 and 3 will be
2 updated with new information for the new 30-year normal degree days.

3 Additionally, the Settling Parties agree Petitioner's current transportation tariff
4 does not preclude customers from moving to a GCA tariff and switching back to a
5 transportation tariff within one month. This causes under-or over-collections from
6 the transportation customers that switch to a normal GCA tariff rate during the year
7 and then switch back to a transportation tariff that are not being charged to those
8 specific customers once they switch back to the transportation tariff. The Settling
9 Parties agree the following language will be added to the transportation tariff to
10 help alleviate the possibility of leaving GCA customers with large variances when
11 these customers switch back to the transportation tariff.

12 Where more than one rate schedule (or tariff) is available for the
13 class of service requested, the Transportation Customer shall
14 designate the desired rate schedule from those available for the class
15 of service. A Transportation Customer may change to another
16 applicable tariff rate at any time thereafter by giving written notice
17 to the Utility, provided each successive change shall continue for
18 not less than a fifteen-month period.

19 A Transportation Customer that has changed to a Sales Service
20 Tariff may change back from the Sales Service Tariff to the
21 Transportation Tariff before the fifteen-month period has been
22 completed if the Customer assumes the liability for its share of all
23 remaining under collections of gas cost resulting from its purchase,
24 consumption, or use while on the Sales Service Tariff.

XII. PUBLIC INTEREST

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

2 A: Yes. The Settling Parties each made material concessions when they entered into
3 the proposed Agreement. The resulting Agreement includes a residential customer
4 rate that lessens the rate increase impact and prevents rate shock to captive
5 residential customers. The terms of the Agreement demonstrate the give and take
6 of settlement negotiations in resolving multiple contested issues in a manner
7 acceptable to all Settling Parties. The Agreement also reduces the risk and expense
8 of litigation of multiple issues. The Agreement, considered in its entirety, serves
9 the public interest and the ratepayers of Midwest by guaranteeing ratepayer savings
10 of \$142,803 annually compared to Petitioner's case as filed. The Agreement
11 promotes judicial and administrative efficiency. Therefore, the OUCC considers
12 the Agreement to be both reasonable and in the public interest.

13 **Q: Does the Agreement protect affordability?**

14 A: Yes. The Agreement reflects a reasonable compromise and addresses affordability
15 by reducing the rate increase impact, preventing rate shock to customers, and
16 reducing rate case expense.

XIII. CONCLUSION

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

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

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

21 A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS HEATHER R. POOLE

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

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

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

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

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

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

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

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

19 A: I reviewed the petition, Petitioner’s testimony, exhibits, and supporting
20 documentation submitted in this Cause. I analyzed Petitioner’s responses to
21 discovery requests from the OUCC. I participated in a pre-filing meeting with
22 Petitioner’s representatives to discuss this case and participated in an on-site review
23 at Petitioner’s offices on May 22-26, 2023. I also participated in settlement
24 negotiations with Petitioner for this Cause.

Midwest Natural Gas Corporation
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Comparison of Petitioner's and Settlement
Revenue Requirements

	<u>Per</u> <u>Petitioner</u>	<u>Per</u> <u>Settlement</u>	<u>Sch</u> <u>Ref</u>	<u>Settlement</u> <u>More (Less)</u>
Original Cost Rate Base	\$ 22,402,413	\$ 22,282,455	7	\$ (119,958)
Times: Weighted Cost of Capital	8.15%	8.15%	8	0.00%
Net Operating Income Required for Return on Original Cost Rate Base	1,825,793	1,816,020		(9,773)
Less: Adjusted Net Operating Income	342,890	439,961	4	97,071
Net Revenue Increase Required	1,482,907	1,376,059		(106,848)
Gross Revenue Conversion Factor	134.1965%	134.2377%	1	0.04%
Recommended Revenue Increase	<u>\$ 1,989,993</u>	<u>\$ 1,847,190</u>		<u>\$ (142,803)</u>
Percentage Increase (Net of Gas Cost Revenue)	<u>24.22%</u>	<u>22.21%</u>		<u>-2.01%</u>
Percentage Increase (Including Gas Cost Revenue)	<u>9.08%</u>	<u>8.39%</u>		<u>-0.69%</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Gross Revenue Conversion Factor

	<u>Per Petitioner</u>	<u>Per Settlement</u>	
1 Gross Revenue Change	100.0000%	100.0000%	\$ 1,847,190
2 Less: Bad Debt Rate	<u>0.697500%</u>	<u>0.697500%</u>	12,884
3 Sub-total	99.3025%	99.3025%	
4 Less: IURC Fee	<u>0.116337%</u>	<u>0.146760%</u>	2,711
5 Income Before State Income Taxes	99.186163%	99.155740%	
6 Less: State Income Tax (4.9% of Line 5)	4.860122%	4.858631%	89,748
7 Utility Receipts Tax (0.00% of Line 3)	<u>0.000000%</u>	<u>0.000000%</u>	0
8 Income Before Federal Income Taxes	94.326041%	94.297109%	
9 Less: Federal Income Tax (21% of Line 8)	<u>19.808469%</u>	<u>19.802393%</u>	<u>365,789</u>
10 Change in Operating Income	<u>74.517572%</u>	<u>74.494716%</u>	<u>\$ 1,376,058</u>
11 Gross Revenue Conversion Factor	<u>134.1965%</u>	<u>134.2377%</u>	

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	Settlement Pro Forma Adjustments	Difference Increase/ (Decrease)
Retail Sales			
Eliminate GCA Revenue	(\$13,697,424)	(\$13,697,424)	\$0
Weather Normalization	(55,486)	55,486	110,972
Cause No. 43995-S1 Refunds	41,409	41,409	0
Decrease in TDSIC Revenue	(212,659)	(212,659)	0
Annualize Customers	34,858	30,491	(4,367)
New Large Public Authority Customer	130,218	130,218	0
Reclassify Sales Customers to Transport	(216,570)	(222,653)	(6,083)
Other Gas Revenues			
Collection, Reconnection, Disconnection and .	10,105	10,105	0
Returned Payment Fees	600	600	0
Total Revenue	<u>(13,964,949)</u>	<u>(13,864,427)</u>	<u>100,522</u>
Natural Gas Purchased			
Natural Gas Purchased	<u>(13,558,505)</u>	<u>(13,558,505)</u>	<u>0</u>
Total Natural Gas Purchased	<u>(13,558,505)</u>	<u>(13,558,505)</u>	<u>0</u>
Operation and Maintenance Expense			
Rate Case Expense	42,000	25,500	(16,500)
IURC Fee	(34,859)	7,412	42,271
Energy Efficiency Contribution for NTA	(13,275)	(25,000)	(11,725)
Payroll Expense	202,581	202,581	0
Pension Expense	37,639	(18,111)	(55,750)
Bad Debt Expense	(16,597)	(16,597)	0
Director's Fees	2,250	2,250	0
Contractor Fees	22,115	17,513	(4,602)
Property Insurance	3,363	3,363	0
Health Insurance	84,942	65,459	(19,483)
Employee Gifts and Events	(38,794)	(39,871)	(1,077)
Lobbying Fees	(691)	(1,409)	(718)
Unrecovered Penalties	3,193	3,193	0
IT Services	(56,073)	(56,670)	(597)
Fines for Missed Locates	(3,000)	(3,000)	0
Deferred TDSIC Expenses	0	9,578	9,578
ESOP Expense	0	37,639	37,639
Outside Services	0	(4,772)	(4,772)
Total O&M Expense Adjustments	<u>234,794</u>	<u>209,058</u>	<u>(25,736)</u>
Depreciation Expense			
Depreciation Expense	(272)	(272)	0
TDSIC Depreciation	2,518	2,518	0
Total Depreciation Expense Adjustment	<u>2,246</u>	<u>2,246</u>	<u>0</u>

Midwest Natural Gas Corporation
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Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	Settlement Pro Forma Adjustments	Difference Increase/ (Decrease)
Taxes Other Than Income Taxes			
Utility Receipts Tax	(182,760)	(182,760)	0
Payroll Taxes	15,490	14,517	(973)
Property Taxes	46,680	45,092	(1,588)
TDSIC Property Taxes	483	483	0
Total Other Tax Adjustments	<u>(120,107)</u>	<u>(122,668)</u>	<u>(2,561)</u>
Federal and State Income Tax Expense			
State Income Tax	(32,157)	(25,902)	6,255
Federal Income Tax	(89,202)	(63,710)	25,492
Federal Income Tax - EADIT	0	0	-
Total Income Tax Adjustments	<u>(121,359)</u>	<u>(89,612)</u>	<u>31,747</u>
Total Operating Expense Adjustments	<u>(13,562,931)</u>	<u>(13,559,481)</u>	<u>3,450</u>
Net Operating Income	<u>\$ (402,018)</u>	<u>\$ (304,946)</u>	<u>\$ 97,072</u>

Midwest Natural Gas Corporation
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BALANCE SHEET
As of December 31, 2022

ASSETS

UTILITY PLANT IN SERVICE	
Total Utility Plant in Service	\$51,639,129
Construction Work in Progress	23,020
Accumulated Depreciation	(28,923,631)
Net Utility Plant in Service	<u>22,738,518</u>
NON-UTILITY PROPERTY	<u>364,026</u>
INVESTMENTS	<u>5,668,800</u>
NOTES RECEIVABLE	<u>112,166</u>
DEFERRED INCOME TAXES	<u>290,022</u>
REGULATORY ASSET	<u>486,461</u>
CURRENT ASSETS	
Cash	93,886
Accounts Receivable	4,009,553
Materials and Supplies	1,259,669
Prepaid Expenses	141,567
Total Current Assets	<u>5,504,675</u>
Total Assets	<u>\$35,164,668</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITALIZATION	
Common Stock Issued	\$723,341
Other Paid-In Capital	259,331
Retained Earnings	36,797,664
Accumulated Other Comprehensive Income	(1,153,428)
Treasury Stock	(19,572,399)
Total Shareholders' Equity	<u>17,054,509</u>
LONG-TERM DEBT	<u>3,931,511</u>
DEFERRED INCOME TAXES	<u>1,773,659</u>
REGULATORY LIABILITY	<u>496,714</u>
CURRENT LIABILITIES	
Short-Term Debt	2,808,928
Accounts Payable	3,890,556
Customer Deposits	162,055
Accrued Expenses	2,104,057
Refundable Gas Cost	193,172
Construction Advance	2,428,355
Current Portion of Long Term Debt	321,152
Total Current Liabilities	<u>11,908,275</u>
Total Liabilities and Shareholders' Equity	<u>\$35,164,668</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

INCOME STATEMENT
Twelve Months Ended December 31, 2022

OPERATING REVENUES

Gas Sales	\$22,192,946
Other Gas Revenues	135,781
Total Operating Revenues	<u>22,328,727</u>

OPERATING EXPENSES

Natural Gas Purchased	13,558,505
Transmission Expense	330,210
Distribution Expense	1,791,043
Maintenance Expense	269,038
Customer Accounts Expense	885,600
Administrative and General Expense	2,519,203
Depreciation	1,407,977
Taxes Other Than Income Taxes	652,636
Income Taxes	169,608
Total Operating Expenses	<u>21,583,820</u>

Net Operating Income:	<u>744,907</u>
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OTHER INCOME AND EXPENSE - Net

Interest and Dividend Income	5,953,257
Interest Expense	(213,263)
Other Income, Net	47,659
Total Other Income and Expense - Net	<u>5,787,653</u>

Net Income	<u><u>\$6,532,560</u></u>
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Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
OPERATING REVENUES							
Retail Sales	\$ 22,192,946			\$ 8,317,814	\$ 1,847,190		\$ 10,165,004
Eliminate GCA Revenue		(13,697,424)	Pet.				
Weather Normalization		55,486	5-1(a)				
Cause No. 43995-S1 Refunds		41,409	Pet.				
Decrease in TDSIC Revenue		(212,659)	Pet.				
Annualize Customers		30,491	5-1(b)				
New Large Public Authority Customer		130,218	Pet.				
Reclassify Sales Customers to Transport		(222,653)	5-1(c)				
Other Gas Revenues	135,781			146,486			146,486
Collection, Reconnection, Disconnection and After Hour Fees		10,105	Pet.				
Returned Payment Fees		600	Pet.				
Total Revenue	22,328,727	(13,864,427)		8,464,300	1,847,190	1	10,311,490
OPERATING EXPENSES							
Natural Gas Purchased	13,558,505	(13,558,505)	Pet.	0			0
Other Operations and Maintenance Expenses	5,795,094			6,004,152			6,019,747
Rate Case Expense		25,500	6-1(a)				
IURC Fee		7,412	6-3		2,711	1	
Energy Efficiency Contribution for NTA		(25,000)	6-1(b)				
Payroll Expense		202,581	Pet.				
Pension Expense		(18,111)	6-1(c)				
Bad Debt Expense		(16,597)	Pet.		12,884	1	
Director's Fees		2,250	Pet.				
Contractor Fees		17,513	6-1(d)				
Property Insurance		3,363	Pet.				
Health Insurance		65,459	6-1(f)				
Employee Gifts and Events		(39,871)	6-1(g)				
Lobbying Fees		(1,409)	6-1(h)				
Unrecovered Penalties		3,193	Pet.				
IT Services		(56,670)	6-1(i)				
Fines for Missed Locates		(3,000)	Pet.				
Deferred TDSIC Expenses		9,578	6-1(k)				
ESOP Expense		37,639	6-1(e)				
Outside Services		(4,772)	6-1(j)				
Depreciation Expense	1,407,977			1,410,223			1,410,223
Depreciation Expense		(272)	Pet.				
TDSIC Depreciation		2,518	Pet.				
Taxes Other Than Income Taxes	652,636			529,968			529,968
Utility Receipts Tax		(182,760)	Pet.		0	1	
Payroll Taxes		14,517	6-2(a)				
Property Taxes		45,092	6-2(b)				
TDSIC Property Taxes		483	Pet.				
Income Taxes							
State Income Tax	41,663	(25,902)	6-4	15,761	89,748	1	105,509
Federal Income Tax	127,945	(63,710)	6-4	64,235	365,789	1	430,024
Federal Income Tax - EADIT	-	-	Pet.	0			0
Total Operating Expenses	21,583,820	(13,559,481)		8,024,339	471,132		8,495,471
Net Operating Income	\$ 744,907	\$ (304,946)		\$ 439,961	\$ 1,376,058		\$ 1,816,019

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Settlement Revenue Adjustments

(1)
Revenue Adjustments

(a) New HDD Normals	Adjustment Increase (Decrease)	<u>\$ 55,486</u>
(b) Annualize Customers Added in Test Year	Adjustment Increase (Decrease)	<u>\$ 30,491</u>
(c) Reclassify Sales Customers to Transport	Adjustment Increase (Decrease)	<u>\$ (222,653)</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Settlement Expense Adjustments

(1)

Operation and Maintenance Expenses

(a) Rate Case Expense	Adjustment Increase (Decrease)	<u>\$ 25,500</u>
(b) Energy Efficiency Contribution from NTA	Adjustment Increase (Decrease)	<u>\$ (25,000)</u>
(c) Pension Expense	Adjustment Increase (Decrease)	<u>\$ (18,111)</u>
(d) Contractor Fees	Adjustment Increase (Decrease)	<u>\$ 17,513</u>
(e) ESOP Expense	Adjustment Increase (Decrease)	<u>\$ 37,639</u>
(f) Health Insurance	Adjustment Increase (Decrease)	<u>\$ 65,459</u>
(g) Employee Gifts and Events	Adjustment Increase (Decrease)	<u>\$ (39,871)</u>
(h) Lobbying Fees	Adjustment Increase (Decrease)	<u>\$ (1,409)</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Settlement Expense Adjustments

(1)

Operation and Maintenance Expenses (cont'd)

(i) IT Services	Adjustment Increase (Decrease)	<u>\$ (56,670)</u>
(j) Outside Services	Adjustment Increase (Decrease)	<u>\$ (4,772)</u>
(k) Deferred TDSIC Revenue Requirement	Adjustment Increase (Decrease)	<u>\$ 9,578</u>

(2)

Taxes Other Than Income Taxes

(a) Payroll Tax	Adjustment Increase (Decrease)	<u>\$ 14,517</u>
(b) Property Tax	Adjustment Increase (Decrease)	<u>\$ 45,092</u>

(3)

IURC Fee

Estimated Revenue (incl. gas costs) per Petitioner's Exhibit BJM-1, Sch. C-3	\$ 17,279,742	
Less: Forfeited Discounts	75,510	
Less: Bad Debt Expense	<u>57,315</u>	
Pro Forma Revenues Subject to IURC Fee	17,146,917	
Times: 2020-2021 IURC Fee	<u>0.1467603%</u>	
Pro Forma IURC Fee	25,165	
Less: Test Year IURC Fee	<u>17,753</u>	
Adjustment Increase (Decrease)		<u>7,412</u>

Midwest Natural Gas Corporation
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Settlement Expense Adjustments

(4)
Income Tax Expense

	<u>Federal</u>	<u>State</u>
Operating Revenue	\$ 8,464,300	\$ 8,464,300
O&M Expenses	6,004,152	6,004,152
Depreciation Expense	1,410,223	1,410,223
Taxes Other Than Income Taxes	529,968	529,968
State Income Tax	15,761	
Subtotal	<u>504,196</u>	<u>519,957</u>
Less: Synchronized interest	<u>(198,314)</u>	<u>(198,314)</u>
State Taxable Income		321,643
Taxable Income	305,882	
Taxes Rate	21.0%	4.9%
Tax at Present Rate	<u>64,235</u>	<u>15,761</u>
Less Test Period Expense	<u>127,945</u>	<u>41,663</u>
Income Tax Adjustments	<u><u>\$ (63,710)</u></u>	<u><u>\$ (25,902)</u></u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Calculation of Pro Forma Original Cost Rate Base

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Utility Plant in Service as of December 31, 2022	\$ 51,639,129	\$ 51,639,129	\$ 0
Less: CEO Vehicle	0	(116,741)	(116,741)
Less: Customer Advances	(2,428,355)	(2,428,355)	0
Less: Accumulated Depreciation as of December 31, 2022	<u>(28,923,631)</u>	<u>(28,923,631)</u>	<u>0</u>
Net Utility Plant in Service	20,287,143	20,170,402	(116,741)
Add: Working Capital	753,736	750,519	(3,217)
Materials & Supplies	<u>1,361,534</u>	<u>1,361,534</u>	<u>0</u>
Total Original Cost Rate Base	<u>\$ 22,402,413</u>	<u>\$ 22,282,455</u>	<u>\$ (119,958)</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Pro forma Capital Structure
As of December 31, 2022

	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common Equity	\$ 17,054,509	71.84%	10.10%	7.26%
Long Term Debt	4,252,663	17.91%	4.75%	0.85%
Customer Deposits	162,055	0.68%	6.00%	0.04%
Deferred Income Taxes	1,773,659	7.47%	0.00%	0.00%
Excess Accumulated Deferred Income Taxes, Net of Amort:	496,714	2.09%	0.00%	0.00%
Total Capital	<u>\$ 23,739,600</u>	<u>100.00%</u>		<u>8.15%</u>

Synchronized Interest Calculation

Long Term Debt	17.91%	4.75%	0.85%
Customer Deposits	0.68%	6.00%	0.04%
Total			<u>0.89%</u>
Total Original Cost Rate Base			<u>\$ 22,282,455</u>
Synchronized Interest Expense			<u>\$ 198,314</u>

Midwest Natural Gas Corporation
CAUSE NUMBER 45888

Current and Proposed Monthly Service Charges

	<u>Current</u>	<u>Midwest Proposed</u>	<u>Settlement</u>	<u>More (Less)</u>
Tariff A	\$ 11.83	\$ 15.00	\$ 15.00	\$ 0.00
Tariff B	\$ 25.64	\$ 30.00	\$ 30.00	\$ 0.00
Tariff C	\$ 162.69	\$ 180.00	\$ 180.00	\$ 0.00
Tariff E	\$ 453.56	\$ 550.00	\$ 550.00	\$ 0.00

AFFIRMATION

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

Heather R. Poole

Heather R. Poole
Director-Natural Gas Division
Indiana Office of
Utility Consumer Counselor
Cause No. 45888
Midwest Natural Gas Corporation

September 29, 2023

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic service on September 29, 2023.

Jeffrey M. Peabody
Lauren Aguilar
Barnes & Thornburg LLP
Peabody Email: jpeabody@btlaw.com
Aguilar Email: laguilar@btlaw.com



Thomas R. Harper
Attorney No 16735-53
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Telephone
317/232-5923 – Facsimile