

FILED
June 13, 2024
INDIANA UTILITY
REGULATORY COMMISSION

PETITIONER'S EXHIBIT NO. 4

CAUSE NO. 46086

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

DIRECT TESTIMONY
OF
BONNIE J. MANN

ON BEHALF OF
INDIANA UTILITIES CORPORATION

**PRE-FILED DIRECT TESTIMONY OF BONNIE J. MANN
ON BEHALF OF INDIANA UTILITIES CORPORATION**

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q1. Please state your name and business address.**

3 A. My name is Bonnie J. Mann; my business address is 1776 N. Meridian, Suite 500,
4 Indianapolis, Indiana 46202.

5 **Q2. What is your occupation?**

6 A. I am a Certified Public Accountant with LWG CPAs and Advisors (“LWG”), an
7 accounting firm which specializes in utility regulation before the Indiana Utility
8 Regulatory Commission (“Commission”).

9 **Q3. Would you please describe your educational background and professional**
10 **qualifications, which you believe might be relevant to the testimony and opinions**
11 **you offer in this Cause?**

12 A. I am a 1987 graduate of Butler University where I earned a Bachelor of Science Degree
13 in business, with a concentration in accounting. Following graduation, I was employed by
14 the international accounting firm of Peat Marwick, where I performed financial and
15 operational audits for a variety of clients. Since September 1988, I have been employed
16 by the firm now known as LWG CPAs and Advisors (“LWG”), a firm specializing in
17 various financial matters including utility regulation on behalf of not for profit utilities,
18 municipalities, investor-owned utilities, and intervenors before the Indiana Utility
19 Regulatory Commission. I am currently a Principal with LWG concentrating in the
20 utilities area.

1 **Q4. What are your relevant professional affiliations?**

2 A. I am a member of the American Institute of Certified Public Accountants (AICPA), and
3 the Indiana CPA Society (INCPAS), for which I have served as a chair of its Utilities
4 Committee.

5 **Q5. On whose behalf are you appearing in this Cause?**

6 A. I am appearing on behalf of Indiana Utilities Corporation, (“IUC”, “Company”, or
7 “Petitioner”).

8 **Q6. Ms. Mann, have you previously testified on behalf of this Petitioner before the
9 Commission?**

10 **Yes, I have testified in many cases on behalf of Petitioner.**

11 **Q7. Please summarize the scope of your work for the Petitioner in this case.**

12 A. I along with my colleagues at LWG were requested by the Petitioner to review its
13 financial records in order to form an opinion as to the appropriate level of revenues
14 required to recover the Company's current cost of service; to thereafter advise the
15 management of Petitioner on various adjustments that should be made in this base rate
16 case; and to prepare Testimony and Exhibits on the Petitioner's behalf for presentation
17 before the IURC supporting Petitioner's request to change its rates and charges.

18 **Q8. Are you sponsoring any attachments?**

19 A. Yes. I am sponsoring the following attachments, which were prepared by me or by my
20 colleagues at LWG under my direction and supervision:

1 • Attachment BJM-1, which includes the revenue requirement, rate base and cost of
2 capital calculations.

3 • Attachment BJM-2, which is the revenue proof, rate derivation schedules and
4 residential customer bill comparison.

5 **Q9. Are you providing any workpapers?**

6 A. Yes, I am providing workpapers that provide additional detail and support for the
7 schedules included in Attachment BJM-1 and BJM-2.

8 **Test Year Results and Pro Forma Revenue and Expense Adjustments**

9 **Q10. Ms. Mann, having reviewed Petitioner’s books and records for the Test Year what**
10 **conclusions did you reach?**

11 A. Petitioner is not earning a reasonable return on its rate base used to provide natural gas
12 service to its customers through its current rates.

13 **Q11. Have you reduced your conclusions to adjustments to Test Year results?**

14 A. Yes. Attachment BJM-1 are the accounting schedules which include the technical
15 exhibits and schedules supporting a change in Petitioner’s current base rates that should
16 provide Petitioner the opportunity of covering its operating expenses and recovering a
17 reasonable return.

18 **Q12. Please explain what is included in Schedules A and B of Attachment BJM-1.**

19 A. Schedules A and B show the Comparative Balance Sheets and Statements of Net Income,
20 respectively, for the Petitioner. This historical information is presented as of September
21 30, 2023 and 2022. The twelve months ended September 30, 2023, is the Test Year

1 proposed by the Petitioner initiating this Cause. The books and records of Petitioner are
2 kept in accordance with the uniform system of accounts for a gas utility. They are the
3 representations of the management of the Petitioner, and are the starting point for our
4 fixed, known and measurable accounting adjustments. Schedules A-1, B-1, and B-2 are
5 the supporting details for the major Balance Sheet and Statement of Income elements,
6 respectively.

7 **Q13. Please describe the adjustments contained in Schedule C-1 of Attachment BJM-1.**

8 A. **Adjustment Nos. 1, through 6,** are comprised of several adjustments to Operating
9 Revenues and Expenses.

10 **Adjustment No. 1,** which adjusts gas sales and consists of five (5) adjustments totaling
11 (\$1,861,116).

12 a) Decrease in gas sales to remove GCA revenue collected during the year totaling
13 (\$1,821,452).

14 b) Increase in operating revenue to reflect the impact of changing the Normal
15 Temperature Adjustment (NTA) to reflect the most recent NOAA Heating Degree
16 Averages netting to \$27,213.

17 c) Decrease in revenue for the loss of a Large Customer with multiple meters for
18 (\$248,186).

19 d) Increase in revenues for expected new customers for completion of the Lanesville
20 expansion area for \$218,346. This revenue is the expected total revenue for that
21 expansion after it is completed and all customers hooked-up which could take as long
22 as 6 years but the Petitioner is adding all the revenue in this proceeding. To the extent

1 there are other adjustments that are made which may be questionable this adjustment
2 should be offset.

3 e) Decrease in revenues for the 30-day filing made in the first quarter of 2024 of
4 (\$37,038).

5 **Q14. Ms. Mann, please explain the purchased gas adjustment.**

6 A. **Adjustment No. 2** adjusts the natural gas purchased to remove the cost of gas from base
7 rates and is a decrease of (\$1,837,970) in Natural Gas Purchased. The unaccounted for
8 percentage used in this adjustment is based on the test year unaccounted for gas which
9 was slightly negative and was set to 0%. The volume of gas was based on test year sales
10 less the loss of a transportation customer and the addition of the expected new customers
11 in the Lanesville area. The cost of gas used in pricing the unaccounted for gas was based
12 on estimated cost of gas within the 12 months following the test year recognizing
13 Petitioner’s estimated sales and fixed gas purchases.

14 **Q15. Please describe the pro forma adjustments to operating expenses.**

15 A. Those adjustments are as follows:

16 **Adjustment No. 4** adjusts “Operation and Maintenance” expense and consists of ten (10)
17 adjustments totaling \$101,817 as follows:

18 (a) Amortization of estimated rate case expense resulting in an increase of
19 \$38,000 to test year rate case expense. Petitioner is estimating the cost of rate
20 case expense based upon discussions with outside contractors and its
21 experience during its last rate proceeding.

22 (b) Increase of \$2,909 to reflect the current IURC fee on the applicable Pro-

1 Forma Present Rate Revenues.

2 (c) Increase of \$5,060 to adjust bad debt expense to the most recent 5 year
3 average.

4 (d) A decrease for the elimination of energy efficiency rebates to customers under
5 the NTA agreement of (\$7,600). This is the amount of rebates ordered by the
6 IURC in Cause No. 43108.

7 (e) Increase in payroll expenses of \$24,557, which reflects the cost of salaries and
8 wages for Petitioner's employees included in operations and maintenance
9 expenses. The pro forma payroll was calculated by applying the expected
10 2024-pay rate increase for all employees. The adjustment also accounts for a
11 senior employee who has left the utility. The pro forma payroll was compared
12 to test year payroll and adjusted for Petitioner's payroll capitalization.

13 (f) Increase in retirement contribution made on behalf of employees of \$70,526.
14 This is based on the Pro Forma salaries calculated for the payroll adjustment,
15 as described above.

16 (g) Decrease of (\$4,907) changes in the cost of property and workers'
17 compensation insurance.

18 (h) A decrease of (\$4,861) to remove the cost of employee focused gifts and
19 events.

20 (i) Increase of \$3,133 for increases in the cost of changes in the cost of health
21 insurance provided to employees.

22 (j) Decrease of (\$25,000) to remove the cost of severance pay for a senior
23 employee who left the Utility.

1 **Q16. Are there any other pro forma adjustments to operating expenses?**

2 A. Yes. Those adjustments are as follows:

3 **Adjustment 4** reflects the decrease in the Pro-Forma depreciation and amortization
4 expense. Utility Plant in Service (“UPIS”) at September 30, 2023, has been decreased by
5 the cost of fully depreciated assets still on the Petitioner’s books and increased by the
6 additions to plant added through the end of the test year. This adjustment uses 3.0%
7 depreciation for distribution and transmission plant; 20% for transportation and computer
8 assets and 5% depreciation for all other equipment. These are the same depreciation rates
9 approved in the Petitioner’s last rate proceeding. This results in a decrease in depreciation
10 and amortization expense of (\$42,586).

11 **Adjustment 5** adjusts “Taxes Other Than Income Taxes” expense and consists of two (2)
12 different adjustments totaling \$11,915 as follows:

13 (a) Increase of \$2,539 for changes in payroll taxes due to changes in the payroll
14 adjustment.

15 (b) Increase of \$9,376 for changes in property taxes based on changes in rate base. This
16 calculation was made by taking the property taxes paid during 2023 for the year 2022
17 and dividing them by utility plant in service for 2022 to create a marginal tax rate.
18 This marginal tax rate was then applied to the utility plant in service as of the end of
19 the test year to arrive at the pro forma estimated property taxes...

20 **Adjustment 6** adjusts income tax expense and consists of two (2) different adjustments
21 totaling (\$230,411) as follows:

22 (a) Decrease in State Income Taxes of (\$36,617) using the appropriate State Income Tax
23 rate of 4.9%.

1 (b) Decrease in Federal Income Taxes by (\$193,794).

2 **Q17. Please describe the adjustments presented in Schedule C-2 and Schedule C-3 of**
3 **Attachment BJM-1.**

4 A. Those adjustments are as follows:

5 **Schedule C-2** reflects adjustments that are correlated with the increase in revenues as
6 proposed by Petitioner, and includes four (4) adjustments:

7 **Adjustment A** of Schedule C-2, reflects the projected proposed increase in annual
8 revenue of \$1,093,408.

9 **Adjustment B** reflects the application of the current IURC fee to the increase in annual
10 revenue resulting in an adjustment of \$1,600.

11 **Adjustment C** applies the bad debt rate used in Schedule C-1 to the increased annual
12 revenue reflecting an adjustment of \$3,165.

13 **Adjustment D** adjusts income taxes to the increase in annual revenue and consists of two
14 (2) different adjustments totaling \$270,757 as follows:

15 a) State Income Taxes of \$53,344.

16 b) Federal Income Taxes of \$217,413.

17 **Q18. What is shown in Schedule C-3 of Attachment BJM-1?**

18 A. **Schedule C-3** is the calculation of total revenues on which the proposed rate increase is
19 based. GCA revenue has been added to present rate revenue to calculate the pro forma
20 rate increase on average.

Rate Base

1 **Q19. What is Schedule D of Attachment BJM-1?**

2 A. Schedule D is the calculation of Original Cost Rate Base. It is comprised of several
3 components.

4 **Q20. What are those components?**

5 A. The major component is UPIS as of September 30, 2023. The original cost is offset by a
6 Contribution in Aid of Construction received for the Lanesville Extension project and the
7 total accumulated depreciation on UPIS as of September 30, 2023. This results in the Net
8 UPIS of \$9,666,416. To the Net UPIS, working capital in the amount of \$218,994 is
9 added using the FERC 45-day working capital formula, which has been accepted for gas
10 utilities the size of Petitioner in lieu of performing a cash lead-lag study, the 13-month
11 average of the cost of materials and supplies held by the Petitioner of \$33,573. The total
12 original cost rate base included in these exhibits is \$9,918,983.

13 **Q21. Please describe Schedule E of Attachment BJM-1.**

14 A. **Schedule E** reflects the capital structure of the Petitioner as of the end of the test year,
15 September 30, 2023. Petitioner's capital structure includes common equity, customer
16 deposits, and deferred taxes include the remaining excess accumulated deferred income
17 taxes ("EADIT") from Cause No. 45032 S10.

18 **Q22. Ms. Mann, on the basis of your analysis, what net operating income should this**
19 **Petitioner be authorized an opportunity to earn?**

20 A. I believe this Petitioner should be authorized the opportunity to earn at least \$863,943
21 annually in net operating income.

1 **Q23. If this Commission authorized a net operating income of \$863,943, what would be**
2 **the overall rate of return on Petitioner's used and useful plant?**

3 A. This would be an overall return of 8.71%. The components comprising the overall return
4 are detailed on Schedule E.

5 **Q24. In your opinion, what increase in revenue should the Commission authorize for the**
6 **Petitioner?**

7 A. Based upon Schedule C, the increase in operating revenue should be \$1,093,408 which is
8 an overall increase of 18.41% over pro forma present rate revenue as reflected on my
9 Attachment BJM-1 (Schedule C).

10 **Q25. How did you allocated the proposed revenue requirement?**

11 A. As explained by Company witness Czeschin, Petitioner decided to allocate on an across
12 the board basis with an increase to most monthly customer service charges. As shown in
13 the revenue proof, Exhibit BJM-2, Schedule 1, the total operating revenue increase is
14 18.41% and was applied across the board. To further explain the revenue proof, some rate
15 classes share the same tariff, such as residential and small commercial and industrial and
16 general transport customers, but these customers do not use the same volumes. To keep
17 the tariffs the same the increase was calculated across the entire shared tariff. Each rate
18 group, got an across the board increase but due to differences in volumes those increases
19 become volumetric.

20 **Q26. Does this conclude your direct testimony?**

21 A. Yes, it does.

VERIFICATION

I affirm under the penalties of perjury that the foregoing is true to the best of my knowledge, information and belief as of the date here filed.

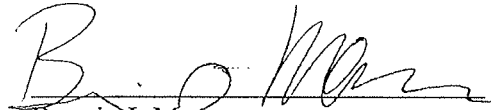

Bonnie J. Mann

Exhibit A

INDIANA UTILITIES CORPORATION

Corydon, Indiana

**BALANCE SHEETS
September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
UTILITY PLANT IN SERVICE		
Gas plant in service	\$ 16,814,561	\$ 15,548,829
General plant	3,772,698	3,603,709
Accumulated depreciation	<u>(9,908,843)</u>	<u>(9,273,814)</u>
Net Utility Plant In Service	<u>10,678,416</u>	<u>9,878,724</u>
INVESTMENTS	<u>5,262,895</u>	<u>4,230,917</u>
CURRENT ASSETS		
Cash	613,213	516,389
Accounts receivable	60,011	78,561
Materials & supplies	33,862	33,549
Recoverable gas costs	181	153,317
Prepaid expenses and other current assets	<u>68,569</u>	<u>86,755</u>
Total current Assets	<u>775,836</u>	<u>868,571</u>
Total Assets	<u>\$ 16,717,147</u>	<u>\$ 14,978,212</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Stockholder's' EQUITY		
Capital Stock - Class A	\$ 106,160	\$ 106,160
Capital Stock - Class B	955,440	955,440
Unrealized Gain on marketable securities	-	-
Retained Earnings	12,145,368	11,651,460
Additional Paid-in capital	<u>-</u>	<u>-</u>
Total Shareholders' Equity	<u>13,206,968</u>	<u>12,713,060</u>
CURRENT LIABILITIES		
Accounts Payable	303,232	268,072
Customer deposits	53,390	52,525
Accrued expenses	46,143	87,934
Contributions in aid of construction	1,012,000	-
Other Deferred credits	<u>284,940</u>	<u>320,511</u>
Total current Liabilities	<u>1,699,705</u>	<u>729,042</u>
DEFERRED INCOME TAXES	<u>1,810,474</u>	<u>1,536,110</u>
Total Liabilities and Shareholders' Equity	<u>\$ 16,717,147</u>	<u>\$ 14,978,212</u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF UTILITY PLANT-IN-SERVICE
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Utility Plant in Service</u>		
<u>Distribution Plant</u>		
Mains - Distribution	\$ 10,427,738	\$ 9,473,251
Mains - Transmission	1,158,226	1,137,688
Reg. stations equipment	226,528	212,376
Services	2,493,010	2,342,825
Meters	1,656,411	1,553,402
Automated Meter Reading	323,034	318,595
New meter installations	424,765	406,302
Land and Right of Ways	104,849	104,390
	<u>16,814,561</u>	<u>15,548,829</u>
Total Distribution Plant	<u>\$ 16,814,561</u>	<u>\$ 15,548,829</u>
 <u>General Plant</u>		
Structures and improvements	\$ 776,605	\$ 776,471
Office furniture and equipment	82,615	81,759
Transportation equipment	627,590	549,625
Tools & shop equipment	266,921	262,722
Power operated equipment	1,106,022	1,066,098
Communication equipment	24,952	24,952
Computer equipment	887,993	842,082
	<u>3,772,698</u>	<u>3,603,709</u>
Total General Plant	<u>3,772,698</u>	<u>3,603,709</u>
Total Utility Plant in Service	<u><u>\$ 20,587,259</u></u>	<u><u>\$ 19,152,538</u></u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

**COMPARATIVE STATEMENTS OF NET INCOME
For the Twelve Months Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues</u>		
Gas sales	\$ 4,497,158	\$ 4,440,672
Other gas revenues	18,553	20,086
Total Operating Revenues	<u>4,515,711</u>	<u>4,460,758</u>
<u>Operating Expenses</u>		
Natural gas purchased	1,837,970	1,602,939
Distribution expense	397,812	321,872
Customer accounts expense	59,548	27,948
Administrative and general expense	1,192,774	1,135,079
Depreciation	712,527	719,296
Taxes other than income taxes	160,140	212,724
Income taxes	245,002	(172,734)
Total Operating Expenses	<u>4,605,773</u>	<u>3,847,124</u>
Net Operating Income	<u>(90,062)</u>	<u>613,634</u>
<u>Other Income and Expense - Net</u>		
Interest income	34,769	31,245
Dividend income	130,202	138,285
Gain (loss) on sale of assets	581,973	(1,112,712)
Interest expense	(3,289)	(3,095)
All other income, net	(448)	25,894
Total Other Income and Expense - Net	<u>743,207</u>	<u>(920,383)</u>
Net Income	<u>\$ 653,145</u>	<u>\$ (306,749)</u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

**COMPARATIVE DETAIL OF OPERATING REVENUES
For the Twelve Months Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues</u>		
<u>Gas sales</u>		
Residential	\$ 1,819,356	\$ 1,750,752
Commercial	2,067,211	1,999,372
Industrial	388,053	426,573
Transportation	<u>222,538</u>	<u>263,975</u>
Total gas sales	<u>4,497,158</u>	<u>4,440,672</u>
 <u>Other gas revenues</u>		
Other utility revenue	<u>18,553</u>	<u>20,086</u>
Total operating revenues	<u>\$ 4,515,711</u>	<u>\$ 4,460,758</u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

**COMPARATIVE DETAIL OF OPERATING EXPENSES
For the Twelve Months Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>Operating Expenses</u>		
<u>Natural gas purchased</u>		
Natural gas purchases	\$ 1,861,542	\$ 1,635,403
Natural gas purchases, other	12,000	12,000
Natural gas purchases, GCA	<u>(35,572)</u>	<u>(44,464)</u>
Total natural gas purchased	<u>1,837,970</u>	<u>1,602,939</u>
<u>Operations and maintenance expense</u>		
Operation of mains	218,952	186,201
Mains & service expense	57,891	46,242
Meter & regulator expense	46,313	30,264
Customer premises expense	61,945	59,165
Public Awareness expense	<u>12,711</u>	<u>-</u>
Total distribution expense	<u>397,812</u>	<u>321,872</u>
<u>Customer accounts expenses</u>		
Meter reading labor	10,764	9,578
Accounting/collection labor	1,106	1,088
Bad debt expense	2,571	2,237
Marketing expense	45,107	13,550
Advertising	<u>-</u>	<u>1,495</u>
Total customer accounts expenses	<u>\$ 59,548</u>	<u>\$ 27,948</u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

**COMPARATIVE DETAIL OF OPERATING EXPENSES
For the Twelve Months Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Expenses (Con't)		
<u>Administrative & general expenses</u>		
Administrative & general salaries	\$ 128,250	\$ 133,938
Office salaries	146,360	139,316
Office supplies expense	78,794	72,781
Building expenses	20,240	22,065
Outside services - auditing	28,465	30,550
Outside services - legal	12,963	16,118
Outside services - miscellaneous	3,600	3,600
Insurance expense	83,831	74,132
Employee benefits/pension	586,076	560,193
Duplicate charge credit	(3,660)	(3,686)
Dues	2,469	1,545
Regulatory Commission expense	35,387	34,691
Directors fees	12,000	12,000
Building & misc. equip maintenance	28,000	22,269
Transportation expense	29,999	15,567
	<u>1,192,774</u>	<u>1,135,079</u>
Depreciation expense		
Depreciation	<u>712,527</u>	<u>719,296</u>
	<u>712,527</u>	<u>719,296</u>
Taxes other than income taxes		
Property taxes	77,067	72,160
Utility receipts tax	-	55,632
FICA & unemployment taxes	<u>83,073</u>	<u>84,932</u>
	<u>160,140</u>	<u>212,724</u>
Income Taxes		
Federal income taxes	(47,917)	178,314
Indiana supplemental tax	18,555	50,972
Deferred income taxes	<u>274,364</u>	<u>(402,020)</u>
	<u>245,002</u>	<u>(172,734)</u>
Total Operating Expenses	<u><u>\$ 4,605,773</u></u>	<u><u>\$ 3,847,124</u></u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

**Pro-Forma Operating Income Statement
At Pro-Forma Present and Proposed Rates
For the 12 Months Ended September 30, 2023**

Increase Required: **18.41%**

	<u>September, 30</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>	<u>Adjustments</u>	<u>Ref</u>	<u>Pro-Forma</u>
	<u>2023</u>			<u>Present</u>			<u>Proposed</u>
				<u>Rates</u>			<u>Rates</u>
<u>Operating Expenses</u>							
Gas Sales	\$ 4,497,158	\$ (1,861,116)	(1)	\$ 2,636,042	\$1,093,408	(A)	\$ 3,729,450
Other Gas Revenues	18,553			18,553			18,553
	<u>4,515,711</u>	<u>(1,861,116)</u>		<u>2,654,595</u>	<u>1,093,408</u>		<u>3,748,003</u>
Total Operating Revenues							
<u>Operating Expenses</u>							
Natural Gas Purchased	1,837,970	(1,837,970)	(2)	-			-
Other Operation & Maintenananc	1,650,134	101,817	(3)	1,751,951	4,765	(B & C)	1,756,716
Depreciation & Amortization	712,527	(42,586)	(4)	669,941			669,941
Taxes Other Than Income Tax	160,140	11,915	(5)	172,055			172,055
Income Taxes	245,002	(230,411)	(6)	14,591	270,756	(D)	285,347
	<u>4,605,773</u>	<u>(1,997,235)</u>		<u>2,608,538</u>	<u>275,522</u>		<u>2,884,060</u>
Total Operating Expenses							
Net Operating Income	<u>\$ (90,062)</u>	<u>\$ 136,119</u>		<u>\$ 46,057</u>	<u>\$ 817,886</u>		<u>\$ 863,943</u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(1) REVENUE ADJUSTMENT

	(a)	
Decrease in "operating revenue from the elimination of GCA revenue included in the test year.		<u>\$ (1,821,452)</u>
	(b)	
Adjustment to operating revenue for move from 1981-2010 weather averages to the 1991-2020 averages		<u>\$ 27,213</u>
	(c)	
Reduction of operating revenue for loss of a large customer.		<u>\$ (248,186)</u>
	(d)	
Increase in operating revenue for additional customers added from expansion area.		<u>\$ 218,346</u>
	(e)	
Decrease in operating revenue related to change in tariffs make after the end of the test year.		<u>\$ (37,038)</u>
Increase / (Decrease) in operating revenue		<u>\$ (1,861,116)</u>

(2) NATURAL GAS PURCHASED ADJUSTMENT

	(a)	
To adjust natural gas purchased to set the cost of gas in base rates at the level of unaccounted for gas.		
Test Year Sales - DTH		409,657
Unaccounted for Gas Percentage-Test Year		<u>0.00000%</u>
Pro-Forma Purchased Gas - DTH		-
Anticipated Cost of Delivered System Supply Gas - Per DTH		<u>\$ 3.58</u>
Pro-Forma Cost of Gas		\$ -
Less: Test Year Purchased Gas		<u>1,837,970</u>
Increase / (Decrease) in natural gas purchased		<u>\$ (1,837,970)</u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATING EXPENSE ADJUSTMENTS

(a)

To adjust operating expenses for the amortization of rate case expenses

Estimated Cost of Rate Case	\$	190,000
Amortization period - years		<u>5</u>
Annual Rate Case Expense		38,000
Less: Amount included in Test Year		<u>-</u>
Adjustment - Increase / (Decrease)	\$	<u><u>38,000</u></u>

(b)

To adjust operating expenses to reflect the current IURC fee

Applicable Revenues at Present Rates. (Including GCA Revenue)	\$	5,939,380
Bad debts		<u>2,237</u>
Revenues at present rates less bad debts	\$	5,937,143
Current IURC Rate		<u>0.1467603%</u>
Pro-Forma IURC Fee at Present Rates		8,713
Less: Test Year IURC Fee		<u>5,804</u>
Adjustment - Increase / (Decrease)	\$	<u><u>2,909</u></u>

(c)

To adjust operating expenses for changes in bad debt expenses

Bad Debt write-offs by year		
2023	4,486.59	
2022	7,057.35	
2021	10,683.33	
2020	6,256.00	
2019	<u>9,672.36</u>	
Average	\$	7,631
Test year		<u>2,571</u>
Adjustment - Increase / (Decrease)	\$	<u><u>5,060</u></u>

(d)

To Adjust "Administrative & General" expense for energy efficiency from NTA order

\$ (7,600)

(e)

To Adjust "Administrative & General" expense to increase payroll expenses services related to decoupling

Proforma Payroll	\$	1,131,321
Test Year Payroll		<u>1,098,136</u>
Increase in Total Payroll		33,185
Labor expense % from test year		<u>74%</u>
Adjustment - Increase / (Decrease)	\$	<u><u>24,557</u></u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(3) OPERATING EXPENSE ADJUSTMENTS (CONTINUED)

(f)			
To Adjust "Administrative & General" expense to match retirement costs to the related payroll costs			
Proforma Payroll	\$ 1,131,321		
Pension contribution expense	<u>25%</u>		
Proforma retirement contribution		282,830	
Test Year retirement contribution		<u>212,304</u>	
Adjustment - Increase / (Decrease)			<u>\$ 70,526</u>
(g)			
To Adjust "Operating Expense" for the change in Property and Worker's Comp			
Proforma insurance cost		\$ 78,924	
Test Year expense		<u>83,831</u>	
To Adjust "Operating Expenses" to annualize property and worker's compensation insurance			<u>\$ (4,907)</u>
(h)			
To Adjust "Operating Expenses" to remove miscellaneous expenses relating to employee gifts and celebrations.			
			<u>\$ (4,861)</u>
(i)			
To Adjust "Operating Expense" for the change in Employee Health Insurance.			
Proforma insurance cost		\$ 235,243	
Test Year expense		<u>232,110</u>	
To Adjust "Operating Expenses" to annualize property and worker's compensation insurance			<u>\$ 3,133</u>
(j)			
To Adjust "Operating Expenses" to remove employee severance pay in the test year.			
			<u>\$ (25,000)</u>
Total Adjustment to "Administrative & General" Expense - Increase / (Decrease)			<u>\$ 101,817</u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(4) DEPRECIATION EXPENSE ADJUSTMENT

To adjust "Depreciation Expense" to reflect current plant in service

Total Utility Plant in Service @ 09/30/2023	\$ 20,587,259	
Less: Transportation, Computers, Other General and Non-Deprecial	(3,100,942)	
Less: Fully Depreciated	<u>(1,942,244)</u>	
Sub Total	<u>15,544,073</u>	
Depreciation Rate	<u>3%</u>	
	\$	466,322
Transportation and Computer Equipment @ 09/30/2023	1,515,583	
Less: Fully Depreciated	<u>(787,646)</u>	
Sub Total	<u>727,937</u>	
Depreciation Rate	<u>20%</u>	
		145,587
All Other General Plant @ 09/30/2017	1,480,510	
Less: Fully Depreciated	<u>(319,863)</u>	
Sub Total	<u>1,160,647</u>	
Depreciation Rate	<u>5%</u>	
		<u>58,032</u>
Total Pro-Forma Depreciation Expense		669,941
Less: Test Year Depreciation Expense		<u>712,527</u>
Adjustment - Increase / (Decrease) in Depreciation Expense		<u>\$ (42,586)</u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(5) TAXES OTHER THAN INCOME TAX ADJUSTMENTS

(a)

To adjust "Taxes Other Than Income Tax" for increase
in FICA Taxes due to payroll increase

FICA Taxes:

Payroll Wage Increase Subject To FICA Limits	\$ 33,185	
FICA Tax Rate	<u>7.65%</u>	
Increase / (Decrease) in FICA Taxes		<u>\$ 2,539</u>

(b)

To adjust "Taxes Other Than Income Tax" for Increased
cost of property taxes for 2011

Property Tax:

Property taxes paid 2023 for 2022	\$ 79,969	
Net Utility Plant in Service 9/30/2022	<u>9,878,724</u>	
Effective tax rate		0.8095086%
Net Utility Plant in Service 9/30/2023		<u>10,678,416</u>
Anticipated property taxes		86,443
Test year property taxes		<u>77,067</u>
Increase / (Decrease) in Property Tax Expense		<u>\$ 9,376</u>

Total Adjustment to taxes other than income tax expense - Increase / (Decrease)		<u>\$ 11,915</u>
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INDIANA UTILITIES CORPORATION
Corydon, Indiana

DETAIL OF PRO-FORMA PRESENT RATE ADJUSTMENTS

(6) INCOME TAX ADJUSTMENTS

(a)

State Income Tax:

State Taxable Income	\$	60,648	
Less: Synchronized Interest		(1,984)	
		58,664	
Applicable State Income Tax Rate		4.90%	
Pro-Forma at Present Rates	\$	2,875	
Less: Test Year Expense		39,492	
Adjustment - Increase / (Decrease) in State Income Tax Expense			\$ (36,617)

(b)

Federal Income Tax:

Net Operating Income before Federal Tax and State Income Tax	\$	60,648	
Less:			
Adjusted State Income Tax (Adj. 7a)		(2,875)	
Synchronized Interest		(1,984)	
Federal Taxable Income		55,789	
Federal Taxable Rate		21%	
Adjusted Federal Income Tax Expense	\$	11,716	
Less: Test Year Federal Income Tax		205,510	
Adjustment - Increase / (Decrease) in Federal Income Tax Expense			\$ (193,794)
Adjustment - Increase / (Decrease) Income Taxes			\$ (230,411)

INDIANA UTILITIES CORPORATION

Corydon, Indiana

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(A)

To adjust "Operating Revenues" to reflect proposed revenue increase.

Proforma Sales of Gas at present rates - Schedule C-3	\$ 5,939,380	
Requested rate increase	<u>18.41%</u>	
Adjustment - Increase / (Decrease)		<u>\$ 1,093,408</u>

(B)

To adjust "Other Operation and Maintenance" expense to reflect increase in IURC fee.

Proposed Revenue Increase less bad debts	\$ 1,090,243	
Current effective IURC fee rate	<u>0.14676030%</u>	
Adjustment - Increase / (Decrease)		<u>\$ 1,600</u>

(C)

To adjust "Administrative and General Expense" to reflect increase in bad debts

Increase in Revenue Requested	\$ 1,093,408	
Current Effective Rate	<u>0.002895</u>	
Adjustment - Increase / (Decrease)		<u>3,165</u>

Total Increase in Other Operation and Maintenance		<u>\$ 4,765</u>
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INDIANA UTILITIES CORPORATION

Corydon, Indiana

DETAIL OF PRO-FORMA PROPOSED RATE ADJUSTMENTS

(D)

To adjust "Income Taxes" to reflect pro-forma changes in revenues and expenses.

State Income Tax:

Proposed Revenue Increase	\$ 1,093,408	
Less: Increase in IURC Fee	(1,600)	
Increase in Bad Debts	(3,165)	
	<u> </u>	
Taxable Increase	1,088,643	
Applicable Income Tax Rate	4.90%	
	<u> </u>	
Adjustment - Increase		<u><u>\$ 53,344</u></u>

Federal Income Tax:

Proposed Revenue Increase	\$ 1,093,408	
Less: Increase in IURC Fee	(1,600)	
Increase in Bad Debts	(3,165)	
Increase in State Income Tax	(53,344)	
	<u> </u>	
Federal taxable income increase	1,035,299	
Applicable tax rate	21%	
	<u> </u>	
Adjustment-Increase		<u><u>\$ 217,413</u></u>
Total Increase / (Decrease) to Income Tax		<u><u>\$ 270,757</u></u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

TOTAL BILLED REVENUE CALCULATION

Estimated Volume of Gas Purchased - DTH	409,657
Estimated Cost of Gas	<u>\$ 3.58</u>
Estimated Cost of Gas To Be Included in Revenues	3,303,338
Pro-Forma Present Rate Gas Sales Revenue	<u>2,636,042</u>
Total Revenue Including Gas Costs	5,939,380
Requested Percentage Increase	<u>18.41%</u>
Revenue Adjustment Requested	<u><u>\$1,093,408</u></u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

ORIGINAL COST RATE BASE

Utility Plant In Service As Of September 30, 2023		\$ 20,587,259
Less: Contribution in Aid of Construction		(1,012,000)
Less: Accumulated Depreciation		<u>(9,908,843)</u>
Net Utility Plant in Service		9,666,416
Plus:		
Working Capital	\$ 1,751,951 /8	218,994
Materials and Supplies		<u>33,573</u>
Total Original Cost Rate Base		<u><u>\$ 9,918,983</u></u>

INDIANA UTILITIES CORPORATION
Corydon, Indiana

CAPITAL STRUCTURE
As of September 30, 2023

<u>Description</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
Common Equity	\$ 13,206,968	86.01%	10.10%	8.69%
Customer Deposits	53,390	0.35%	6.00%	0.02%
Deferred Tax	1,810,474	11.79%	0.00%	0.00%
Regulatory Liabilities from Cause No. 45032-S10	<u>284,940</u>	<u>1.86%</u>	0.00%	<u>0.00%</u>
Total	<u>\$ 15,355,772</u>	<u>100.00%</u>		<u>8.71%</u>

INDIANA UTILITIES CORPORATION

Corydon, Indiana

REVENUE PROOF

	Number of Bills (1)	Billing Quantities (therms) (2)	Present Rates (\$/therm) (3)	Margins at Present Rates (4)	Proposed Effective Rates (\$/therm) (5)	Margins at Proposed Rates (6)	Increase (Decrease) Amount (7)	Percent (8)
Residential Gas Service								
Service Charge	36,993		\$ 13.13	\$ 485,718	\$ 18.00	\$ 665,874	\$ 180,156	37.1%
First 100 therms		1,084,090	\$ 0.50177	\$ 543,964	\$ 0.72284	\$ 783,624	\$ 239,660	44.06%
Over 100 therms		147,000	\$ 0.41185	\$ 60,542	\$ 0.59331	\$ 87,217	\$ 26,675	44.06%
Total Therms and Margins	36,993	1,231,090		\$ 1,090,224		\$ 1,536,715	\$ 446,491	40.95%
Small Commercial/General Gas Service								
Service Charge	6,823		\$ 13.13	\$ 89,586	\$ 18.00	\$ 122,814	\$ 33,228	37.1%
First 100 therms		255,594	\$ 0.50177	\$ 128,249	\$ 0.72284	\$ 184,754	\$ 56,505	44.06%
Over 100 therms		597,107	\$ 0.41185	\$ 245,919	\$ 0.59331	\$ 354,270	\$ 108,351	44.06%
Total Therms and Margins	6,823	852,701		\$ 463,754		\$ 661,838	\$ 198,084	42.71%
Large Commercial Gas Service								
Service Charge	1,416		\$ 70.05	\$ 99,191	\$ 80.00	\$ 113,280	\$ 14,089	14.20%
All therms		1,587,915	\$ 0.38515	\$ 611,585	\$ 0.56195	\$ 892,329	\$ 280,744	45.90%
Total Therms and Margins	1,416	1,587,915		\$ 710,776		\$ 1,005,609	\$ 294,833	41.48%
Industrial Gas Service								
Service Charge	36		\$ 510.83	\$ 18,390	\$ 600.00	\$ 21,600	\$ 3,210	17.5%
All therms		424,864	\$ 0.19857	\$ 84,365	\$ 0.28369	\$ 120,530	\$ 36,165	42.87%
Total Therms and Margins	36	424,864		\$ 102,755		\$ 142,130	\$ 39,375	38.32%
General Transportation Service								
Service Charge	13		\$ 510.83	\$ 6,641	\$ 600.00	\$ 7,800	\$ 1,159	17.5%
All therms		1,753,834	\$ 0.19857	\$ 348,259	\$ 0.28369	\$ 497,545	\$ 149,286	42.87%
Total Therms and Margins	13	1,753,834		\$ 354,900		\$ 505,345	\$ 150,445	42.39%
Large Transportation Service								
Service Charge	-		\$ 973.01	\$ -	\$ 1,250.00	\$ -	\$ -	0.0%
All therms		-	\$ 0.08400	\$ -	\$ 0.11884	\$ -	\$ -	0.00%
Total Therms and Margins	-	-		\$ -		\$ -	\$ -	0.00%
School Transportation Service								
Service Charge	-		\$ 132.33	\$ -	\$ 80.00	\$ -	\$ -	0.0%
All therms		-	\$ 0.38566	\$ -	\$ 0.56195	\$ -	\$ -	0.00%
Total Therms and Margins	-	-		\$ -		\$ -	\$ -	0.00%
TOTAL THERMS AND MARGIN	45,281	5,850,404		2,722,409		3,851,637	1,129,228	41.48%

INDIANA UTILITIES CORPORATION
Corydon, Indiana

RATE DERIVATION

	Total	Residential	Sm Commercial	Lg Commercial	Industrial	Gen Transport	Lg Transport	School Transport
Present service charge		\$ 13.13	\$ 13.13	\$ 70.05	\$ 510.83	\$ 510.83	\$ 973.01	\$ 132.33
Revenues Collected through present service charge	\$ 700,631.09	\$485,718.09	\$ 89,585.99	\$ 99,191.00	\$18,389.88	\$ 6,640.79	\$ 973.01	\$ 132.33
Proposed service charge		\$ 18.00	\$ 18.00	\$ 80.00	\$ 600.00	\$ 600.00	\$ 1,025.00	\$ 80.00
Revenues collected through proposed service charge	\$ 931,368.00	\$665,874.00	\$ 122,814.00	\$ 113,280.00	\$21,600.00	\$ 7,800.00	\$ -	\$ -
Increase in revenue collected through service charges	\$ 230,736.91							
Total Revenue Increase Required	\$1,093,408							
Increase in revenue collection through distribution charges	\$ 862,671.09							
Current revenue recovered through distribution charges	\$ 2,022,883.00							
Percentage increase in distribution charges	42.646%							

Schedule 3

INDIANA UTILITIES CORPORATION
Corydon, Indiana

Residential Bill Impacts

LEVEL OF USAGE	CURRENT BILL	PROPOSED BILL	DOLLAR INCREASE	PERCENT INCREASE	GAS COST RECOVERY	TOTAL CURRENT BILL	TOTAL PROPOSED BILL	PERCENT INCREASE
(A)	(B)	(C)	(C-B)	(D/B)	(F)	(B+F)	(C-F)	(H-G)/G
(Therms)	(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(\$)	(%)
50	\$ 38.22	\$ 54.14	\$ 15.92	41.65%	\$ 1.79	\$ 40.01	\$ 55.93	39.79%
100	\$ 63.31	\$ 90.28	\$ 26.97	42.60%	\$ 3.58	\$ 66.89	\$ 93.86	40.32%
150	\$ 83.90	\$ 119.95	\$ 36.05	42.97%	\$ 5.37	\$ 89.27	\$ 125.32	40.38%
200	\$ 104.49	\$ 149.62	\$ 45.13	43.19%	\$ 7.15	\$ 111.64	\$ 156.77	40.42%
250	\$ 125.08	\$ 179.28	\$ 54.20	43.33%	\$ 8.94	\$ 134.02	\$ 188.22	40.44%