

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

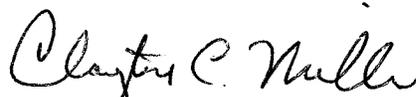
IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S)
INVESTIGATION INTO THE IMPACTS OF THE)
TAX CUTS AND JOBS ACT OF 2017 AND)
POSSIBLE RATE IMPLICATIONS) **CAUSE NO. 45032 S12**
)
RESPONDENTS: OHIO VALLEY GAS)
CORPORATION AND OHIO VALLEY GAS, INC.)

RESPONDENTS' SETTLEMENT TESTIMONY

The respondents, Ohio Valley Gas Corporation and Ohio Valley Gas, Inc., submit the attached testimony of their witness, Jerry A. Klinker, in support of and accompanied by the Stipulation and Settlement Agreement between the respondents and the Indiana Office of Utility Consumer Counselor.

Respectfully submitted,

OHIO VALLEY GAS CORPORATION and
OHIO VALLEY GAS, INC.



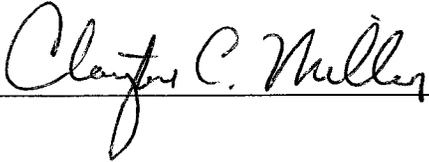
Clayton C. Miller, Att'y No. 17466-49
Stoll Keenon Ogden, PLLC
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204

Attorney for Respondents

CERTIFICATE OF SERVICE

The undersigned certifies that he has served a copy of the respondents' settlement testimony upon the Indiana Office of Utility Consumer Counselor by electronic mail at infomgt@oucc.IN.gov and lhitzbradley@oucc.IN.gov.

Dated this 15th day of November, 2018.



SETTLEMENT TESTIMONY OF JERRY A. KLINKER

on behalf of

OHIO VALLEY GAS CORPORATION and OHIO VALLEY GAS, INC.

IURC CAUSE NO. 45032 S12

1 **Q1: Please state your name.**

2 A1: My name is Jerry A. Klinker.

3 **Q2: Are you the same Jerry A. Klinker who also provided direct and rebuttal testimony in this**
4 **subdocket on behalf of respondents Ohio Valley Gas Corporation and Ohio Valley Gas, Inc.**
5 **(collectively, "OVG")?**

6 A2: Yes.

7 **Q3: What is the purpose of your settlement testimony?**

8 A3: The purpose of my settlement testimony is to sponsor and support the attached Stipulation
9 and Settlement Agreement ("Agreement") between OVG and the only other party to this
10 subdocket, the Indiana Office of Utility Consumer Counselor ("OUCC").

11 **Q4. Is the Agreement in the public interest?**

12 A4. Yes. Sorting through the implications of the reduction in OVG's federal income tax
13 expense, which took effect at the beginning of this year, has been complicated and time-
14 consuming, but I'm pleased for all concerned, including the Commission and OVG's customers,

1 that OVG and the OUCC were able to find common ground on how to calculate the amount of
2 money to be returned to OVG's customers as well as the mechanisms for doing so. Litigating
3 these issues would not been a productive use of either party's time, nor I suspect of this
4 Commission's. Our direct case as well as my rebuttal testimony already reflected a
5 considerable narrowing of the issues in this subdocket, and once it was clear how little we
6 disagreed, it didn't take much longer to resolve those differences, which related primarily to
7 timing of the return of excess accumulated deferred income taxes and whether that would be
8 done on a straight-line basis. The Agreement, reached at arm's length, speaks for itself, is in
9 the public interest and should be approved by the Commission without alteration.

10 **Q5: Does this conclude your settlement testimony.**

11 A5: Yes.

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STIPULATION AND SETTLEMENT AGREEMENT

The Indiana Utility Regulatory Commission ("Commission") initiated this subdocket by docket entry issued by the presiding officers in IURC Cause No. 45032 on May 14, 2018. The stated purpose for this subdocket is to address "the amount and amortization of normalized and non-normalized excess accumulated deferred income taxes and the regulatory accounting being used by Respondents as required by the Commission's January 3, 2018 Order" for estimated impacts resulting from the federal Tax Cuts and Jobs Act of 2017 ("TCJA"), and "the timing and method for how these benefits will be realized by customers, whether directly or indirectly."

This stipulation and settlement agreement ("Settlement Agreement") is entered into by the Indiana Office of Utility Consumer Counselor ("OUCC") and the respondents in this subdocket, Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. ("OVG"). OVG and the OUCC are collectively referred to herein as the "Parties." In the interest of administrative efficiency and in order to consider a number of issues raised in OVG's and the OUCC's respective testimony, the Parties devoted significant time to the review of data and discussion of issues, and have succeeded in reaching an agreement on all of the issues in this proceeding, and stipulate and agree to the terms and conditions set forth below. The Parties' settlement testimony and this Settlement Agreement, along with their respective direct and responsive

testimony and exhibits as well as OVG's rebuttal testimony and exhibits, will be filed in advance of the evidentiary hearing in this cause currently scheduled for November 29, 2018.

This Settlement Agreement follows the initial filings of OVG's case-in-chief, the OUCC's responsive testimony and exhibits, and OVG's rebuttal, all filed in advance of the evidentiary hearing to be conducted by the Commission. Those filings have framed the discussions between the Parties and formed the basis for the Parties' agreement on the terms reflected in this Settlement Agreement.

Each Party has agreed to certain terms and conditions to which each may not have otherwise agreed but for the overall result produced by this Settlement Agreement. As set forth below and in the attached Exhibit SA-1, the Parties have resolved all issues related to the amounts of two separate categories of customer refunds as well as the method for providing those refunds to OVG's customers. With few exceptions described herein, the agreed-upon terms reflect either the testimonial positions of OVG or the OUCC, and they are thus grounded upon documented positions that are recorded in this proceeding. The terms of the Settlement Agreement are as follows:

1. Excess Accumulated Deferred Federal Income Taxes. OVG and the OUCC had reached slightly different values for the amount of OVG's normalized and non-normalized excess accumulated deferred federal income taxes resulting from the TCJA. For purposes of this settlement, they agree the amount to be paid to OVG's customers totals \$4,012,142.

2. Schedule for Paying Excess Deferred Federal Income Taxes to Customers. The Parties have agreed that OVG should pay the excess accumulated deferred amount of \$4,012,142 to its customers over 34.25 years based on the average rate assumption method ("ARAM"). The first such refund payments will be reflected on customer bills starting January 1, 2019. Consistent with ARAM, the amount of the annual payment will vary each year and be implemented through a separate adjustment to OVG's volumetric rates for utility service ("EDIT Tracker") based on customer allocations and rate design approved in OVG's most recent base

rate case. The baseline EDIT Tracker for each of the next 35 calendar years is shown on the attached Exhibit A titled "EDIT Annual Amounts to be Returned." These baseline trackers will be further adjusted by February 15 of each year after 2019 to true-up the amounts returned the previous year in comparison to the target amount on which the EDIT Tracker for that previous year was based.

3. Refund of 2018 Over-Collection to OVG's Ratepayers. OVG's rates for its gas utility service between January 1, 2018 and April 30, 2018 were set in its most recent base rate case and reflected the then-prevailing federal income tax rate at the time of that rate case. In Phase 1 of Cause No. 454032, OVG adjusted its rates for gas utility service to reflect the reduction in its federal income tax expense due to the TCJA, which reduction was effective May 1, 2018 (30-Day Filing #50136). OVG has agreed to refund to its customers the difference between what it collected from them between January 1, 2018 and April 30, 2018 and what it would have collected for the same service if the rates which went into effect on May 1, 2018 had instead gone into effect on January 1, 2018. The Parties agree this difference is \$727,451.

4. Schedule for Refunding 2018 Over-Collections to Customers in 2019. The Parties agree that OVG will establish specific volumetric rate factors ("Refund Tracker") for each rate class to be applied as a reduction to its base rates for gas service provided beginning January 1, 2019. The Refund Trackers for January 2019 are \$80,476 for OVG's Rate Class 1x, \$114,187 for OVG's Rate Class 4x, and \$33,099 for OVG's Rate Class 9x. Together, these rate reductions are intended to return a total of \$227,762 during that month. The baseline Refund Trackers for February 2019 are, respectively, \$76,762, \$111,270 and \$33,213 which are intended to return a total of \$221,245 during that month; \$59,385, \$77,573 and \$23,948 for March 2019 which are intended to return \$160,906 during that month; and \$43,008, \$56,698 and \$17,832 for April, 2019, which are intended to return \$117,538 during that month. The Refund Tracker after January 2019 will be further adjusted based on the difference between the amounts refunded as a result of the Refund Tracker the previous month and the amount

actually over-collected during that same month in 2018. A more detailed list specifying the target dollar amounts and rate adjustments by rate class for each of the four months January through April, 2019, is shown on the attached Exhibit B, "Monthly Overpayment Return Targets." A final Refund Tracker will then be established for May 2019 to true-up any remaining difference after refunds paid through April 2019.

5. Sufficient Evidence to Support Settlement Agreement. The Parties intend that this Settlement Agreement will be filed with the Commission in this subdocket along with settlement testimony exhibits. The Parties agree that, together with their prefiled direct and rebuttal evidence, the settlement testimony and exhibits constitute substantial evidence forming a sufficient basis for the Commission to accept the Parties' Settlement Agreement and to enter findings of fact and conclusions of law necessary for the Commission to issue an order adopting and approving this Settlement Agreement. The Parties further agree that the Settlement is in the public interest, resolving their dispute, lessening the regulatory risk of an uncertain outcome and reducing litigation costs. The Parties have calculated the amount to be returned to OVG's customers and propose that such refunds begin in January, 2019, providing customers with an immediate benefit to reduce bills during the winter heating season.

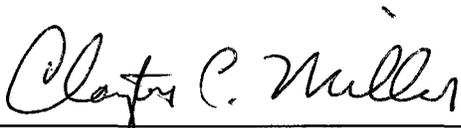
6. Stipulation, Effect, Scope and Approval. The Parties acknowledge and agree that (i) this Settlement Agreement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to either party; (ii) each term of this Settlement Agreement is the result of negotiation in the settlement process and the agreement to any particular term shall not constitute an admission or waiver by any party in any other proceeding; (iii) the Settlement Agreement shall not be used as a precedent in any other proceeding or for any other purposes except to the extent provided for herein or to the extent necessary to implement or enforce its terms; (iv) the communications and discussions of materials produced and exchanged during negotiation of the Settlement Agreement relate to the offers of settlement and are privileged, confidential, and inadmissible.

7. Parties Authorized to Execute Settlement agreement. The undersigned represent and agree that each is fully-authorized to execute this Settlement Agreement on behalf of their designated clients, who will be bound thereby.

ACCEPTED AND AGREED this 15th day of November, 2018.

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



Clayton C. Miller, Att'y No. 17466-49
Stoll Keenon Ogden, PLLC
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204
Attorney for Ohio Valley Gas

Lorraine Hitz-Bradley, Att'y No. 18006-29
Deputy Consumer Counselor
Indiana Ofc. of Utility Consumer Counselor

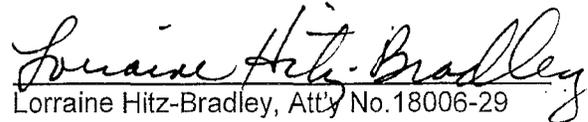
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Stoll Keenon Ogden, PLLC
201 N. Illinois St., Suite 1225
Indianapolis, IN 46204
Attorney for Ohio Valley Gas


Lorraine Hitz-Bradley, Att'y No. 18006-29
Deputy Consumer Counselor
Indiana Ofc. of Utility Consumer Counselor

EDIT Annual Amounts to be Returned

Cause No. 45032 S12 Stipulation and Settlement Agreement

Exhibit A

Return Year Amount	Return Year Amount	Return Year Amount	Return Year Amount
2019 \$ 3,749	2029 \$ 102,318	2039 \$ 84,911	2049 \$ 104,369
2020 \$ 24,258	2030 \$ 95,193	2040 \$ 118,460	2050 \$ 212,618
2021 \$ 29,692	2031 \$ 112,506	2041 \$ 54,046	2051 \$ 143,061
2022 \$ 37,460	2032 \$ 118,320	2042 \$ 91,083	2052 \$ 299,650
2023 \$ 33,801	2033 \$ 74,917	2043 \$ 124,521	2053 \$ 154,658
2024 \$ 41,765	2034 \$ 92,994	2044 \$ 232,730	
2025 \$ 87,413	2035 \$ 226,990	2045 \$ 127,204	
2026 \$ 47,921	2036 \$ 67,647	2046 \$ 320,344	
2027 \$ 69,483	2037 \$ 226,838	2047 \$ 136,902	
2028 \$ 109,476	2038 \$ 66,584	2048 \$ 138,262	

Monthly Overpayment Return Targets

Cause No. 45032 S12 Stipulation and Settlement Agreement

Exhibit B

Rate Class	Current	January		February		March		April		Total	
	Rate / Therm	Adjustment	Target Amount (\$)		Amount						
11	0.4145	-0.0331	72,269	TBD	70,566	TBD	52,756	TBD	37,055	\$ 232,646	
12	0.1630	-0.0112	652	TBD	433	TBD	462	TBD	310	\$ 1,857	
14	0.3410	-0.0316	8	TBD	13	TBD	4	TBD	17	\$ 42	
15	0.0360	-0.0025	1,557	TBD	1,149	TBD	1,244	TBD	1,176	\$ 5,126	
16	0.1630	-0.0112	3,656	TBD	3,166	TBD	3,400	TBD	3,428	\$ 13,650	
18	0.3234	-0.0191	2,335	TBD	1,435	TBD	1,519	TBD	1,021	\$ 6,310	
41	0.4700	-0.0376	103,053	TBD	103,033	TBD	68,839	TBD	49,699	\$ 324,624	
42	0.1630	-0.0112	409	TBD	252	TBD	253	TBD	118	\$ 1,032	
44	0.3410	-0.0316	28	TBD	6	TBD	1	TBD	3	\$ 38	
45	0.0634	-0.0045	4,055	TBD	2,724	TBD	2,766	TBD	2,366	\$ 11,911	
46	0.1630	-0.0112	3,990	TBD	3,669	TBD	4,099	TBD	3,451	\$ 15,209	
48	0.3423	-0.0202	2,651	TBD	1,586	TBD	1,614	TBD	1,062	\$ 6,913	
91	0.4422	-0.0354	29,787	TBD	30,169	TBD	20,721	TBD	14,767	\$ 95,444	
92	0.1415	-0.0097	-	TBD	-	TBD	-	TBD	-	\$ -	
94	0.1580	-0.0146	79	TBD	43	TBD	17	TBD	132	\$ 271	
95	0.0501	-0.0035	1,217	TBD	575	TBD	669	TBD	636	\$ 3,097	
96	0.1415	-0.0097	748	TBD	1,613	TBD	1,788	TBD	1,738	\$ 5,887	
98	0.3423	-0.0202	1,268	TBD	813	TBD	754	TBD	559	\$ 3,394	
			227,762			221,245			160,906	117,538	727,451