

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA NATURAL GAS)
CORPORATION FOR AUTHORITY TO) CAUSE NO.: 45889
CHANGE ITS RATES, CHARGES, TARIFFS,)
RULES, AND REGULATIONS)**

**PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF
CODY M. OSMON**

Indiana Natural Gas Corporation, ("ING", "Company", or "Petitioner"), by counsel, hereby submits the direct testimony and attachments of Cody M. Osmon.

Respectfully submitted,



Jeffrey M. Peabody, Atty. No. 28000-53
Lauren Aguilar, Atty. No. 33943-49
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, IN 46204
Peabody Telephone: (317) 231-6465
Aguilar Telephone: (317) 231-6474
Facsimile: (317) 231-7433
Peabody Email: jpeabody@btlaw.com
Aguilar Email: laguilar@btlaw.com

Counsel for Petitioner,
Indiana Natural Gas Corporation

**INDIANA NATURAL GAS CORPORATION
DIRECT TESTIMONY OF CODY M. OSMON**

1 **Introduction**

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

3 A1. My name is Cody M. Osmon and my business address is 101 S.E. Third Street, Washington,
4 Indiana 47501.

5 **Q2. What is your position with Indiana Natural Gas Corporation(“ING”, “Company”, or
6 “Petitioner”)?**

7 A2. I am the Controller of ING, who is the Petitioner in this Cause. In that role, I have general
8 administrative, financial and regulatory responsibilities for the Petitioner.

9 **Q3. What are your educational and professional qualifications, which you believe are
10 relevant to the matters you describe in this cause?**

11 A3. I am a graduate of Hanover College with a B.A. degree in communication, with a
12 concentration in business. I also hold a certificate in accounting from the University of
13 Southern Indiana.

14 **Q4. Have you previously testified before this Commission on behalf of this Petitioner?**

15 A4. Yes. I have offered testimony in gas cost adjustment proceedings. Also, have provided
16 workpapers on various matters including base rate case, service area necessity certificates,
17 long-term debt filings and TDSIC causes.

18 **Q5. What is the purpose of your testimony?**

1 A5. My testimony is designed to sponsor and support ING's request for authority to change its
2 rates, charges, tariffs, rules, and regulations. Specifically, I will discuss changes in utility
3 plant and important changes in operating expenses. In general, Indiana Natural Gas is
4 proposing to change its rates and charges to increase our operating revenue by
5 approximately 1.992% as shown on witness Mann's Exhibit BJM-1 (Schedule C). This
6 filing is driven by Petitioner's need to cover its increased operating costs since the last rate
7 case in 2014 and earn a reasonable return on its utility plant investment. However, the
8 drivers for this rate case is the time between the Petitioner's last rate case and the current
9 one being filed and also the increase in wages needed to attract/retain qualified individuals.

10 **Rate Base and Utility Plant in Service ("UPIS")**

11 **Q6. Mr. Osmon, are you familiar with Petitioner's utility plant in service?**

12 A6. Yes, I am. I have been involved with many of the projects which have been constructed and
13 are now included in Petitioner's utility plant in service. I am also involved with the additions
14 to rate base through the cutoff date. I participate in a monthly operations meeting that
15 discusses projects that affect utility plant.

16 **Q7. Is the utility plant used and useful in providing natural gas service to Petitioner's**
17 **customers?**

18 A7. Yes, it is.

19 **Q8. Do you have an opinion as to the value of Petitioner's utility plant in service?**

20 A8. Yes, I do.

21 **Q9. Please explain that opinion.**

1 A9. Examining the utility plant in service on an original cost basis only, I believe the utility plant
2 in service should be valued at \$6,755,451.

3 **Q10. How did you arrive at your opinion as to the value of the utility plant based upon**
4 **original cost?**

5 A10. My opinion as to original cost comes directly from my review of the books and records. In
6 my opinion, the books and records are accurate and in turn, I believe original cost value of
7 the utility plant in service reflected is Attachment BJM-1 (Schedule D) is based on those
8 books and records that flows from those books and records is correct.

9 **Q11. Is there anything included in utility plant you believe should be pointed out to the**
10 **Commission?**

11 A11. A lot of things have changed since the prior rate case was approved nine years ago and the
12 Petitioner has added to its utility plant investment over this timeframe. Two utility plant
13 investments to point out would be the addition of the new ITRON endpoints and the
14 upgrades made to farm taps. Considering these two projects alone the increase to plant was
15 over \$ 600,000. The endpoint project was necessary since Neptune is exiting the natural gas
16 market.

17 **Q12. Any special items to consider related to depreciation?**

18 A12. Yes, ING is asking permission to move the treatment of ITRON Automatic Meter Reading
19 (“AMR”) endpoints to 15- year property instead of the composite rate treatment that the old
20 AMR units were under. ING will retire the current Neptune endpoints under the composite
21 rate. The new ITRON endpoints that replaced the Neptune units better align under 15-year

1 property. The previous supplier (Neptune) has ended its sales of natural gas endpoints and
2 their failure rate was well before the 15-year mark in a lot of cases. Midwest Natural Gas
3 Corporation (“Midwest”) will also be asking for this same treatment in their rate case.
4 Midwest will look to transition to these units in the near future and would like to be
5 consistent with the treatment of this product between the companies if the Commission
6 allows.

7 **Q13. Are there any items to note regarding expenses?**

8 A13. Overall, all operating expenses has increased due to the amount of time that has passed since
9 the last base rate case nine years ago. The most important matter related to expenses is the
10 increase in service personnel wages. Typically, we review wages mid-year and make
11 adjustments on or about July 1. As many businesses experienced during the recent period
12 of labor shortages, wages became very important to retaining and attracting new employees.
13 We increased wages on July 1, 2022 to service personnel at a level we had never done
14 before. I personally had conversations with representatives of the Commission and OUCC
15 in mid-2022 on the matter and believe there was general agreement on the necessity of
16 actions to help with retention of qualified individuals. We had lost personnel to other utilities
17 and other industry fields. A loss in personnel can cause our utility to fall behind quickly as
18 institutional knowledge of our operations and divisions of duties for efficiency is extremely
19 important. All of our field personnel are operator qualified on several tasks. The total of all
20 tasks is 63. Many of these tasks have various modules that bring that number closer to 90
21 tasks. We no longer qualify every person on every task. The amount of time needed to meet
22 that level is incredibly difficult to find. In certain instances, it could take over a year to go

1 through all the necessary training and qualification to develop someone to step into the
2 entry-level Utility Service position. Taking that amount of time, and then losing them
3 shortly thereafter due to a higher wage somewhere else is extremely frustrating and wastes
4 a good deal of valuable time. It is more than just losing more recent hires. Service personnel
5 with many years of experience have also left pursuing a higher wage. The need to find ways
6 to retain qualified personnel has never been more important. Wages is where it starts, but
7 other things in the way of benefits are important as well.

8 **Q14. Other expenses to note?**

9 A14. The remaining expense adjustments are fairly common to rate case item, with the exception
10 of one. Cause No. 43107 approved the use of a Normal Temperature Adjustment (“NTA”)
11 for ING. In that Cause, nine small utilities were consolidated and worked through the
12 process of how to implement an NTA mechanism. Part of that process included the nine
13 companies to provide rebates to customers for energy efficiency appliances. Petitioner and
14 the other eight companies have provided those rebates since implementation dating back to
15 the approval in 2006. It is Petitioner’s contention that those rebates were a condition of the
16 mechanism approval. Energy efficiency models of other companies in Indiana currently in
17 place allow recovery of these efforts from customers. In fact, a subsequent filing by the
18 majority of those same nine companies to implement a more complete Energy Efficiency
19 Program included recovery of program expenses, including rebates. While the Energy
20 Efficiency Program has been abandoned, the rebates resulting from Cause No. 43137
21 remain. The Order from Cause No. 43137, or the Supplemental Order dated December 2,
22 2009, do not address whether the rebates are recoverable in base rates. Other base rate filings

1 since the beginning of the NTA have been largely been silent on treatment of rebates, in that
2 it seemed to be an assumption that they were not recoverable. Petitioner believes that the
3 continuation of rebates is nowhere specifically excluded in base rate recovery, and allowing
4 recovery would be consistent with other energy efficiency mechanism currently in use.
5 Annual filings to the Commission resulting from Cause No. 43137 show that Petitioner has
6 routinely exceeded the assignment amount. The adjustment for rebates included in its filing
7 eliminates the amount of rebates provided customers in calendar 2022 that is in excess of
8 the \$10,600 requested of ING.

9 **Q15. Does this conclude your prefiled direct testimony in this proceeding?**

10 A15. 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 this 17th day of May, 2023.

INDIANA NATURAL GAS CORPORATION



Cody M. Osmon

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record electronically this 17th day of May, 2023:

Thomas Harper
Matthew Kappus
Heather Poole
Indiana Office of Utility Consumer Counselor
PNC Center
115 West Washington Street, Suite 1500
South
Indianapolis, Indiana 46204
ThHarper@oucc.IN.gov
MKappus@oucc.IN.gov
hpoole@oucc.in.gov
infomgt@oucc.in.gov



Jeffrey M. Peabody

Jeffrey M. Peabody, Atty. No. 28000-53
Lauren Aguilar, Atty. No. 33943-49
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, IN 46204
Peabody Telephone: (317) 231-6465
Aguilar Telephone: (317) 231-6474
Facsimile: (317) 231-7433
Peabody Email: jpeabody@btlaw.com
Aguilar Email: laguilar@btlaw.com

Counsel for Petitioner,
Indiana Natural Gas Corporation