

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF WESTFIELD GAS, LLC,)
D/B/A CITIZENS GAS OF WESTFIELD FOR (1))
AUTHORITY TO INCREASE RATES AND)
CHARGES FOR GAS UTILITY SERVICE AND)
APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES; (2) APPROVAL OF CERTAIN)
REVISIONS TO ITS TERMS AND CONDITIONS)
APPLICABLE TO GAS UTILITY SERVICE; AND)
(3) APPROVAL PURSUANT TO INDIANA CODE)
SECTION 8-1-2.5-6 OF AN ALTERNATIVE)
REGULATORY PLAN UNDER WHICH IT)
WOULD CONTINUE ITS ENERGY EFFICIENCY)
PROGRAM PORTFOLIO AND ENERGY)
EFFICIENCY RIDER)

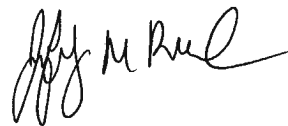
CAUSE NO. 45761

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

PUBLIC'S EXHIBIT NO. 3: PUBLIC REDACTED TESTIMONY OF
OUCC WITNESS LACRESHA N. VAULX

December 2, 2022

Respectfully submitted,



Jeffrey M. Reed
Attorney No 11651-49
Deputy Consumer Counselor

**WESTFIELD GAS, LLC, D/B/A CITIZEN'S GAS OF WESTFIELD
CAUSE NO. 45761
PUBLIC (REDACTED) TESTIMONY OF
OUCC WITNESS LACRESHA N. VAULX**

I. INTRODUCTION

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

2 A: My name is LaCresha Vaulx, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 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 a
6 Gas Utility Analyst II. I have worked as a member of the OUCC's Natural Gas
7 Division since January 2022. For a summary of my educational and professional
8 experience, as well as my preparation for this case, please see the Appendix LNV-
9 1 attached to my testimony.

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

11 A: I provide my analysis of Westfield Gas, LLC's, d/b/a Citizens Gas of Westfield
12 ("Westfield Gas" or "Petitioner") original cost rate base. I also discuss why
13 Petitioner's rate case expense should be reduced and amortization period should
14 be increased.

15 **Q: What are your recommendations?**

16 A: I recommend approval of Petitioner's original cost rate base, as proposed in its
17 case-in-chief. I also recommend rate case expense be capped at \$212,750 and
18 amortized over 5 years for an annual amount of \$42,550. I recommend Petitioner
19 file a revised tariff if new rates have not gone into effect at the end of the 5-year

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

5 **Q: Are you sponsoring any attachments?**

6 A: Yes. I am sponsoring the following attachments:

7 1. Attachment LNV-1 related to original cost rate base.

8 2. Attachment LNV-2 related to rate case expense.

9 **Q: To the extent you do not address a specific item in this Cause, should that be**
10 **construed to mean you agree with Westfield Gas' proposal?**

11 A: No. Not addressing a specific item or adjustment Westfield Gas proposes does not
12 indicate my agreement or approval. Rather, the scope of my testimony is limited
13 to the specific items addressed herein.

II. ORIGNIAL COST RATE BASE

14 **Q: What is Petitioner's proposed original cost rate base?**

15 A: Westfield Gas' original cost rate base for the twelve months ending December 31,
16 2021 is \$13,877,485. (Attachment LNV-1, page 1; Petitioner's Exhibit No. 2,
17 Attachment CLJ-1, line 18.)

18 **Q: Do you agree with Petitioner's proposed original cost rate base?**

19 A: Yes. I traced the original cost rate base plant in service and accumulated
20 depreciation to the Westfield Gas general ledger, provided to the OUCC through
21 discovery. I traced the Shared Services plant in service and accumulated
22 depreciation to the Shared Services general ledger, provided to the OUCC through

1 discovery. I also verified the Shared Services percentage allocated to Westfield
2 Gas.

3 Westfield Gas had storage inventory with Exelon during the months of
4 December 2020 through February 2021, and with Citizens Gas during the month
5 of December 2021. (Petitioners' Exhibit No. 2, Attachment CLJ-1.) There were
6 no storage contracts in place during March 2021 through November 2021. I traced
7 the amounts for storage inventory to the Westfield Gas general ledger, provided to
8 the OUCC through discovery, and verified the 13-month average of inventory was
9 calculated correctly.

III. RATE CASE EXPENSE

10 **Q: What amount did Petitioner propose for rate case expense?**

11 A: Petitioner proposed \$425,500 in rate case expense, plus a 10% contingency, for a
12 total rate case expense of \$468,050. The \$425,500 consists of various items,
13 including \$50,000 for a valuation consultant, \$90,000 for a cost-of-service
14 consultant, \$65,000 for a rate of return consultant, \$500 for legal notices, and
15 \$220,000 for outside legal costs. (Attachment LNV-2, page 2; Petitioner's
16 workpaper S640-1.)

17 **Q: Do you agree with Petitioner's proposed rate case expense amount?**

18 A: No. Petitioner proposed a 10% contingency of \$42,550 to its rate case expense.
19 (Attachment LNV-2, page 2; Petitioner's workpaper S640-1.) Westfield Gas has
20 not provided any testimony supporting this 10% contingency. Additionally,
21 Petitioner provided consultant contracts totaling \$425,000. (Confidential
22 Attachment LNV-2, pages 3-17; Petitioner's Response to OUCC Data Request

1 (“DR”) 4-7.) When asked why a contingency was needed, Petitioner indicated
2 contingency was included to allow for rate case costs that are higher than the
3 amounts included in the cost estimates provided by the consultants and outside
4 counsel. (Attachment LNV-2, page 18; Petitioner’s Response to OUCC DR 4.8.)
5 However, since each contract has a specified amount, there should be no
6 contingency.

7 **Q: What are your recommendations relating to the amount of rate case expense**
8 **to be recovered?**

9 A: I recommend the 10% contingency of \$42,550 for rate case expense be
10 disallowed. OUCC Witness Courter recommends an equal sharing of rate case
11 expense between Westfield Gas’ shareholder and its customers. Therefore, I
12 recommend Westfield Gas’ customers’ portion of rate case expenses be capped at
13 \$212,750. (Attachment LNV-2, page 1.) I arrived at this amount by excluding the
14 10% contingency of \$42,550 and deducting 50% of rate case expense from
15 Petitioner’s proposed sub-total rate case expense of \$425,500.

16 **Q: Do you agree with Petitioner’s proposed three-year amortization period for**
17 **rate case expense?**

18 A: No. I do not agree with the three-year amortization period Petitioner used to
19 determine the ratemaking expense for the twelve months ended December 31,
20 2021.

21 **Q: Why is a three-year amortization period unreasonable?**

22 A: Petitioner’s current base rates were filed on December 30, 2015 and approved by
23 the Commission in Cause No. 44731 on April 26, 2017. Petitioner’s previous rate
24 case, Cause No. 43624, was filed December 31, 2008 and approved by the
25 Commission on March 10, 2010. So, Petitioner’s rates approved in Cause No.

1 43624 were in effect for approximately 7 years (March 2010 – April 2017). This
2 pending case was filed on August 26, 2022, and a final order is expected around
3 June 1, 2023 (300 days after the case was filed). Petitioner's rates approved in
4 Cause No. 44731 will be in effect for approximately 6 years and 2 months (April
5 2017 through May 2023). For the last 2 rate cases, the average amount of time
6 Westfield Gas' rates have been in effect is over 6 years. Westfield Gas' customers
7 shouldn't bear the burden of an expedited recovery of these costs when these rates
8 will likely be in effect for a longer period than 3 years.

9 **Q: What amortization period do you recommend?**

10 A: For the reasons stated above, I recommend rate case expense be amortized over
11 five years.

12 **Q: What rate case expense adjustment do you recommend?**

13 A: I recommend an annual rate case expense of \$42,550. (Attachment LNV-2 page
14 1.) This amortization amount of \$42,550 was calculated by removing the 10%
15 contingency and deducting 50% of rate case expense to arrive at \$212,750.
16 Dividing this amount by 5 years results in rate case expense of \$42,550.

17 **Q: Does the OUCC propose Westfield Gas adjust its base rates after the five-**
18 **year amortization period has passed?**

19 A: Yes. I recommend Petitioner file a revised tariff if new rates have not gone into
20 effect at the end of the 5-year amortization period to remove rate case expense
21 from Petitioner's base rates. In the event Petitioner has new base rates that go into
22 effect before the end of the 5-year amortization period, any remaining rate case
23 expenses not amortized at the time of the Petitioner's next rate case order may be
24 included in that proceeding.

IV. RECOMMENDATIONS

1 **Q: What is your recommendation relating to original cost rate base?**

2 A: I recommend approval of Petitioner's original cost rate base of \$13,877,485, as
3 proposed in its case-in-chief.

4 **Q: What is your recommendation relating to rate case expense?**

5 A: I recommend rate case expense be capped at \$212,750 and amortized over 5 years
6 for an annual amount of \$42,550. I recommend Petitioner file a revised tariff if
7 new rates have not gone into effect at the end of the 5-year amortization period to
8 remove rate case expense from Petitioner's base rates. In the event Petitioner has
9 new base rates that go into effect before the end of the 5-year amortization period,
10 any remaining rate case expenses not amortized at the time of the Petitioner's next
11 rate case order may be included in that proceeding.

12 **Q: Does this conclude your testimony?**

13 A: Yes.

APPENDIX TO TESTIMONY OF
OUCW WITNESS LACRESHA N. VAULX

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Western Governors University in Salt Lake City, Utah with a
3 Bachelor of Accounting in June 2015, and a Master of Accountancy in April
4 2018. From September 2014 through January 2022, I worked for Myers and
5 Stauffer, LC, a Certified Public Accounting and Consulting Firm in Indianapolis,
6 Indiana, as a Staff Accountant Analyst. I audited and conducted eligibility
7 reviews for states by identifying problematic areas with state Medicaid eligibility
8 systems. In January 2022, I began my employment with the OUCC as a Utility
9 Analyst II. My current responsibilities include reviewing and analyzing rate cases
10 filed by Indiana natural gas utilities with the Commission. I also review gas
11 utilities' Gas Cost Adjustment ("GCA") cases, Federally Mandated Cost
12 Adjustment tracker cases, Transmission, Distribution, and Storage System
13 Improvement Charge tracker cases, and special contracts.

14 **Q: Have you previously testified before the Indiana Utility Regulatory**
15 **Commission?**

16 A: Yes. I have testified in GCA's, rate cases, and special contract cases involving gas
17 utilities.

18 **Q: Please describe the review and analysis you conducted in order to prepare**
19 **your testimony.**

20 A: I reviewed the petition, testimony, exhibits, and supporting documentation
21 submitted in this Cause. I reviewed Westfield Gas' responses to discovery from
22 the OUCC.

**Citizens Gas of Westfield
Rate Base, Cost of Capital and Return**

Attachment CLJ-1

Line No.		Average Inventory:								
		164150 - Gas Stored Underground - Panhandle Contracted ¹	164155 - Gas Stored Underground - CEG Contracted ²	Month End Balance						
1	Dec-20	239,294		\$ 239,294						
2	Jan-21	143,248		143,248						
3	Feb-21	64,280		64,280						
4	Mar-21								no storage contracts in place	
5	Apr-21								no storage contracts in place	
6	May-21								no storage contracts in place	
7	Jun-21								no storage contracts in place	
8	Jul-21								no storage contracts in place	
9	Aug-21								no storage contracts in place	
10	Sep-21								no storage contracts in place	
11	Oct-21								no storage contracts in place	
12	Nov-21								no storage contracts in place	
13	Dec-21		1,157,672	1,157,672						
14	Dec. 2020 - Dec. 2021 Average			\$ 401,124						
				Amount						
15	Fair Value Rate Base	Testimony of Scott Miller		\$ 21,672,471						
16	13 Mo. Avg. Inventory	Line 14		401,124						
17	Total			\$ 22,073,595						
				Amount						
18	Original Cost Rate Base	Testimony of Camela Johnson		\$ 13,877,485						
				Amount	Percent of Total	Cost of Capital	Weighted Cost of Capital	Inflation Adjustment	FV Cost of Capital	Adjusted FV Weighted Cost of Capital
19	Common Equity	Attachment SEK-1, page 1, Line 17		\$ 15,109,326	75.00%	10.90% ³	8.175%	-2.3000% ³	8.6000%	6.450%
20	Short and Long-Term Debt	Attachment SEK-1, page 1, Line 18 + Line 2:		5,000,000	24.82%	3.59% ⁴	0.891%		3.5880%	0.891%
21	Customer Deposits	Attachment SEK-1, page 1, Line 24		36,500	0.18%	0.50% ^b	0.001%		0.5000%	0.001%
22	Total Capitalization			\$ 20,145,826	100.00%		9.066%			7.341%
				Original Cost		Fair Value Increment	Total Fair Value			
23	Total Rate Base	Line 20 (Original Cost); Line 17 (Fair Value)		\$ 13,877,485		\$ 8,196,110	\$ 22,073,595			
24	Weighted Cost of Capital	Line 22		9.066%		7.341%	8.426%			
25	Return	Line 23 * Line 24		\$ 1,258,187		\$ 601,709	\$ 1,859,896			

¹ Storage Contract with Panhandle ended in March 2021

² Storage Contract with CEG began in December 2021

³ Testimony of Adrien McKenzie

⁴ Attachment CLJ-2, Line 14

^b IURC GAO 2021-04

Citizens Gas of Westfield
Cause No. 45761
Rate Case Expense

Westfield Gas Valuation Consultant	\$50,000
Westfield Gas Cost of Service Consultant	90,000
Westfield Cost of Rate of Return Consultant	65,000
Legal Notice	500
Outside Legal Costs	220,000
Total 10% Contingency	<u>0</u>
Subtotal	\$425,500
Removal of 50%:	<u>50%</u>
OUCG Total Rate Case Expense	<u><u>\$212,750</u></u>
5-Year Amortization	<u><u>\$42,550</u></u>

WESTFIELD GAS, LLC
Amortization of Rate Case Expenses

<u>Line No.</u>	<u>Description</u>	<u>A</u>	<u>B</u>	<u>Reference</u>
1	TY Amortization Rate Case Expense		\$ -	Income Statement acct 928040
2	Westfield Gas Valuation Consultant	\$ 50,000		
3	Westfield Gas Cost of Service Consultant	\$ 90,000		
4	Westfield Cost of Rate of Return Consultant	\$ 65,000		
5	Legal Notice	\$ 500		
5	Outside Legal Costs	<u>\$ 220,000</u>		
6	Sub-Total	\$ 425,500		Sum of ln 2 to ln 5
7	10% Contingency	<u>\$ 42,550</u>		ln 6 * 10%
8	Total Rate Case Expense	\$ 468,050		ln 6 + ln 7
9	3-Year Amortization	<u>3</u>		
10	Total Proforma Rate Case Expense		<u>\$ 156,017</u>	ln 8 / ln 9
11	Amortization Rate Case Expense Adjustment		<u><u>\$ 156,017</u></u>	ln 10 - ln 1

DATA REQUEST NO. 7:

In relation to rate case expense of \$425,500 as referenced on workpaper S640-1, please provide copies of all contracts or quotes obtained in relation to the following:

- a. Valuation Consultant
- b. Cost of Service Consultant
- c. Rate of Return Consultant
- d. Outside Legal Costs

RESPONSE:

Please see the confidential document identified as OUCC DR 4.7 - Confidential for copies of contracts or quotes obtained for rate case expenses.

WITNESS:

Debi Bardhan-Akala

Note: Attachment LNV-2, Page 4 is Confidential.

Note: Attachment LNV-2, Page 5 is Confidential.

Note: Attachment LNV-2, Page 6 is Confidential.

Note: Attachment LNV-2, Page 7 is Confidential.

Note: Attachment LNV-2, Page 8 is Confidential.

Note: Attachment LNV-2, Page 9 is Confidential.

Note: Attachment LNV-2, Page 10 is Confidential.

Note: Attachment LNV-2, Page 11 is Confidential.

Note: Attachment LNV-2, Page 12 is Confidential.

Note: Attachment LNV-2, Page 13 is Confidential.

Note: Attachment LNV-2, Page 14 is Confidential.

Note: Attachment LNV-2, Page 15 is Confidential.

Note: Attachment LNV-2, Page 16 is Confidential.

Note: Attachment LNV-2, Page 17 is Confidential.

DATA REQUEST NO. 8:

Referring to workpaper S640-1, please explain the purpose of the 10% contingency valued at \$42,500.

RESPONSE:

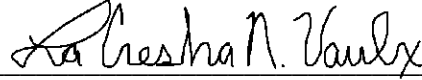
The contingency was included to allow for rate case costs that are higher than the amounts included in the cost estimates provided by the consultants and outside counsel.

WITNESS:

Debi Bardhan-Akala

AFFIRMATION

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



LaCresha N. Vaultx
Utility Analyst II
Indiana Office of
Utility Consumer Counselor
Cause No. 45761
Citizens Gas of Westfield, LLC

12/02/2022

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 December 2, 2022.

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