

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

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) APPROVED: JAN 17 2024**

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Veleta, Commissioner
Greg S. Loyd, Administrative Law Judge**

On May 17, 2023, Indiana Natural Gas Corporation (“Petitioner” or “Indiana Natural”) filed its Petition seeking authority to change its existing rates, charges, tariffs, rules, and regulations. Also on May 17, 2023, Petitioner prefiled the testimony and exhibits of David A. Osmon, President of Petitioner and a Certified Public Accountant¹; Cody M. Osmon, Controller for Petitioner; and Bonnie J. Mann, Certified Public Accountant and Principal of LWG CPAs & Advisors. Petitioner attached the Stipulation and Partial Settlement on Cost of Equity Capital, Cost of Service, and Residential Service Charge (“Partial Settlement Agreement”) agreed upon by Petitioner and the Indiana Office of the Utility Consumer Counselor (“OUCC”) (collectively the “Settling Parties”) to David A. Osmon’s testimony.

On September 29, 2023, Petitioner, on behalf of itself and the OUCC, filed the Settling Parties’ Stipulation and Settlement Agreement (“Final Settlement Agreement”).

Also on September 29, 2023, the OUCC filed the settlement testimony of Mark H. Grosskopf, Senior Utility Analyst of the OUCC’s Natural Gas Division, and Petitioner filed the settlement testimony of Cody Osmon and Bonnie Mann. Petitioner filed revisions to Cody Osmon’s settlement testimony and Bonnie Mann’s settlement testimony on October 3, 2023, and October 18, 2023, respectively.

On October 18, 2023, the Commission issued a Docket Entry requesting additional information from Petitioner, to which Indiana Natural responded on October 19, 2023. Indiana Natural filed a supplemental response to the Commission’s docket entry on October 20, 2023. On October 23, 2023, the Commission issued a second docket entry requesting additional information from Petitioner, to which Indiana Natural responded on October 24, 2023.

¹ On June 22, 2023, the proof of publication of the legal notice, as required by Ind. Code § 8-1-2-61, and a copy of the notice provided to residential customers, as required by 170 IAC 5-1-18, was late filed. As indicated in Pet. Ex. 4 at 10, Petitioner issued revised customer notices during the discussions leading to the Settlement Agreement.

The Commission held an evidentiary hearing on October 25, 2023, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC appeared at this hearing, during which their respective testimony and exhibits were admitted into the record without objection.

Based on the applicable law, and the evidence presented by the Parties, the Commission now finds:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public evidentiary hearing in this Cause was given and published as required by law. Petitioner is a public utility as defined by Indiana Code § 8-1-2-1. Pursuant to Indiana Code § 8-1-2-1 and § 8-1-2-42.7, the Commission has jurisdiction over this Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is a corporation duly organized and existing under the laws of the State of Indiana. Petitioner's principal office is located at 1080 West Hospital Road, Paoli, Indiana. Petitioner is a public utility currently providing natural gas service to approximately 8,086 customers across Bartholomew, Brown, Crawford, Dubois, Lawrence, Harrison, and Orange Counties. Petitioner owns pipelines, distribution systems, land, land rights, equipment, materials, supplies, working capital, and other property that is used and useful for the rendering of this service to its customers.

3. **Existing Rates, Test Year, and Relief Requested.** Petitioner's current base rates are those established by this Commission in Cause No. 44453 on July 30, 2014. The Presiding Officers' June 19, 2023 Docket Entry established the test year as the 12-month period ending December 31, 2022, adjusted for changes that are fixed, known, and measurable and occurring within 12 months following the end of such test year. Petitioner's cutoff date to determine the used and useful nature of its utility plant and the value of its rate base is December 31, 2022, as established in the June 19, 2023 Docket Entry. Based on its case-in-chief, Petitioner seeks to increase its current operating revenue by an additional \$1,144,537 over pro forma rate revenue as of the test year.

4. **The Parties' Evidence.**

A. **Petitioner's Direct Case-in-Chief and Partial Settlement Agreement Testimony.** David Osmon testified that Indiana Natural is proposing to increase its operating revenue by approximately 1.910%, as shown on Pet. Ex. 3, Attachment BJM-1 (Schedule C). He explained that this request is driven by Petitioner's need to cover operating costs that have increased since its last rate case in 2014, as well as to earn a reasonable return on its utility plant investment.

David Osmon explained that Petitioner and the OUCC met prior to filing this rate case to determine whether the parties could reach agreement on certain terms. He testified that conversations were conducted at arm's length between the parties, resulting in the Partial Settlement Agreement (Attachment DAO-3 to Pet. Ex. 1). He stated that the terms of the Partial Settlement Agreement included agreement on a 10.1% return on equity ("ROE"), applying any approved increase across-the-board in lieu of a new cost of service study, and an increase to Tariff

G to \$15.00 per month. He explained that the agreed-upon ROE is the same as the ROE approved in Indiana Natural's last rate case. He said there are reasons to support a higher ROE, such as a significant increase in interest rates, new business risks associated with the COVID-19 global pandemic, and risks associated with the size of Indiana Natural. He explained that maintaining the 10.1% ROE would avoid the expense of performing a cost-of-service study, the associated costs of a capital expert, and would reduce the need to litigate this issue. He stated that the agreement not to complete a new cost of service study was reasonable because Petitioner's customer mix has not materially changed since its 2012-2013 test year in its last base rate. He testified that the Partial Settlement Agreement was in the public interest and explained that addressing these issues through compromise reduces overall rate case expense, avoids the need to litigate these complex issues, and allows the parties to focus on the remaining issues in this case.

David Osmon addressed the remaining tariff service charges not addressed in the Partial Settlement Agreement. He explained the various tariff changes Petitioner recommended, including volume references on Sheet 50 to therms instead of dekatherms and an increase in the disconnect/reconnect/collection/non-sufficient funds fees.

Cody Osmon discussed changes in utility plant and operating expenses. He stated that this filing is driven by Petitioner's need to cover its increased operating costs since the last rate case in 2014 and earn a reasonable return on its utility plant investment. He highlighted two particular factors in the current Cause; namely, the nine years that have passed since the last rate case and the increase in wages needed to attract and retain qualified individuals.

Cody Osmon explained his opinion of the fair value of Petitioner's utility plant in service. He said he believes on an original cost basis only the utility plant in service should be valued at \$6,755,451. He said this filing is driven by Petitioner's need to cover its increased operating costs that have changed since the 2014 rate case, including Petitioner's utility plant investments, which includes the addition of the new ITRON Automatic Meter Reading endpoints and upgrades made to farm taps. He said these two projects alone increase the plant value by over \$600,000.

Cody Osmon explained that Indiana Natural is asking permission to move the treatment of ITRON Automatic Meter Reading endpoints to 15-year property instead of the composite rate treatment utilized for the old Neptune Automatic Meter Reading units. Neptune is exiting the natural gas market and Indiana Natural will retire the current Neptune endpoints under the composite rate. The new ITRON endpoints that replaced the Neptune units better align under 15-year property.

Finally, Cody Osmon noted some items regarding expenses. He testified that Indiana Natural had lost personnel to other utilities and other industry fields. He explained that the increase in service personnel wages became very important to retain and attract new employees. On July 1, 2022, Indiana Natural increased wages to service personnel at a level never reached before.

He also addressed recovery of energy efficiency rebates. After summarizing the history of the now abandoned Energy Efficiency Program, he indicated that Indiana Natural believes that the continuation of rebates is nowhere specifically excluded in base rate recovery and allowing recovery would be consistent with other energy efficiency mechanisms currently in use. Annual filings to the Commission resulting from Cause No. 43137 show that Petitioner has routinely exceeded the assignment amount. He said the adjustment for rebates included in its filing eliminates the amount of rebates provided customers in calendar 2022 that is in excess of the \$10,600 requested of Indiana Natural.

Bonnie Mann presented the attachments for the revenue requirement, rate base, cost of capital calculations, the revenue proof and rate derivation schedules. She further testified regarding test year results and pro forma revenue and expense adjustments. She explained that based on her analysis, Petitioner should be authorized to earn at least \$653,236 annually in net operating income, which would be an overall return of 9.64%. She further explained that the increase in operating revenue should be \$1,144,537, which is an overall increase of 1.910% over pro forma present rate revenue.

B. Final Settlement Agreement and Testimony. The Final Settlement Agreement filed September 29, 2023 (admitted as Settling Parties Joint Ex. 1), resolved all other matters in this Cause. Cody Osmon explained the Final Settlement Agreement and described, from Petitioner's perspective, why the Final Settlement Agreement is reasonable, in the public interest, and should be approved by the Commission. He explained that he was authorized by the Settling Parties to inform the Commission all Settling Parties believe that: (a) the Final Settlement Agreement as a whole represents a reasonable resolution of the issues in this Cause, (b) approval of the Final Settlement Agreement is in the public interest, and (c) all Settling Parties encourage the Commission, after considering the evidence in support of the Final Settlement Agreement, to find the Final Settlement Agreement to be reasonable and in the public interest and promptly enter an order approving the Final Settlement Agreement in its entirety. He sponsored an updated red-lined and clean tariff to reflect the terms of the Final Settlement Agreement and certain Indiana Natural responses to OUCC data requests.

Cody Osmon explained that even though the OUCC did not file testimony, the OUCC relayed its positions to Indiana Natural through data requests and informal discussions after Indiana Natural filed its case-in-chief. At a high level, the OUCC relayed concerns regarding rate base and expense items, excess accumulated deferred income taxes, tariff changes, and revised customer notices. While Indiana Natural did not agree with all of the OUCC's positions, working through this list and other issues at arm's length allowed Indiana Natural and the OUCC to reach a settlement of all issues among all parties.

Cody Osmon provided an overview of the Final Settlement Agreement and discussed its terms.

He testified that, in his opinion, Commission approval of the Final Settlement Agreement is in the overall public interest. He said the Final Settlement Agreement addresses the concerns of the OUCC through compromise, yet provides Indiana Natural with sufficient revenues to reliably operate the utility. Cody Osmon also stated the Final Settlement Agreement is supported by and

within the scope of the evidence presented by the Settling Parties. He added that the Final Settlement Agreement is the result of extensive, good faith, arm's length negotiations of the conceptual framework and details of the Settlement Agreement. Experts were involved with legal counsel and substantial time was devoted to the settlement discussions. Indiana Natural's agreement of the settlement as a whole is not to be taken as support of or agreement to a specific reason as to why one settlement term in isolation is reasonable. Cody Osmon said Indiana Natural's agreement of the settlement in its entirety is not to be taken as support of or agreement to a specific reason as to why one settlement term in isolation is reasonable. He stated that the Settlement Agreement, taken as a whole, reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause. Petitioner asks the Commission to issue an order approving the Final Settlement Agreement in its entirety.

Ms. Mann presented attachments concerning the rate derivation, revenue proof, and the residential bill impact reflecting the terms of the Settlement Agreement. The residential bill impact provided information about the difference between Petitioner's current rate and its proposed rate, as modified by the Settlement Agreement, by dollar amount and percentage for a residential customer using 5, 10, 15, 20, and 25 Dth in a monthly billing period. She testified that she reviewed the settlement schedules included with the OUCC's settlement testimony and incorporated in the Settlement Agreement and that there were no apparent discrepancies in the settlement schedules.

In his settlement testimony, Mr. Grosskopf described the Final Settlement Agreement. He testified that the Final Settlement Agreement resolves all issues between the Settling Parties in this Cause. He summarized the Settlement Agreement terms, including those related to the original cost rate base, capital structure, pro forma operating revenues, and pro forma expense adjustments. He also discussed terms of the Final Settlement Agreement related to customer service charges, rate design, and tariffs. Attached to his settlement testimony is a set of revenue requirement schedules reflecting the terms of the Final Settlement Agreement, designated as Attachment MHG-1 to Public Ex. 1. He explained that the Settling Parties agreed to certain pro forma revenues and expenses should remain as filed in Indiana Natural's case-in-chief. A comparison of pro forma present rate income statement adjustments between Petitioner's original pro forma adjustments and the pro forma adjustments agreed to in settlement are shown on Schedule 1, page 3 of Attachment MHG-1 to Public Ex. 1.

He stated that Indiana Natural initially proposed an increase to revenues of \$1,144,540, for a percentage increase of 11.38%, including gas costs. This produces a net operating income of \$653,235. He went on to explain that the Settling Parties agree that Indiana Natural's base rates will be designed to produce a \$653,068 return on rate base. The revenue requirement represents a \$727,238 increase in revenue, which is a \$417,302 decrease from the amount originally requested by Indiana Natural in its case-in-chief. He discussed the agreed to rate base, cost of equity, capital structure, proforma revenue and expenses, excess accumulated deferred income taxes, amortization of expenses, depreciation rates, rate design, and tariffs.

Mr. Grosskopf testified that the Settlement Agreement was in the public interest. He said the Settling Parties each made material concessions when they entered into the proposed agreement. The resulting agreement includes a residential customer rate that lessens the rate increase impact and prevents rate shock to captive residential customers. He said the terms of the Final Settlement Agreement demonstrate the give and take of settlement negotiations in resolving multiple contested issues in a manner acceptable to all Settling Parties. Mr. Grosskopf added that the Final Settlement Agreement also reduces the risk and expense of litigation of multiple issues. He further testified that the Final Settlement Agreement, considered in its entirety, serves the public interest and the ratepayers of Indiana Natural by guaranteeing ratepayer savings of \$417,302 annually compared to Petitioner's case as filed. He asserted the Final Settlement Agreement promotes judicial and administrative efficiency as well. Therefore, he said the OUCC considers the Final Settlement Agreement to be both reasonable and in the public interest. He also testified that the Final Settlement Agreement reflects a reasonable compromise and addresses affordability by reducing the rate increase impact, preventing rate shock to customers, and reducing rate case expense. He said the Settling Parties' testimony and exhibits provide evidence to support the Settlement Agreement and the OUCC recommends the Commission approve the Agreement.

5. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406. Furthermore, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that such agreement serves the public interest.

The Partial Settlement Agreement indicates an agreement on ROE, cost of service, and one tariff service charge. Cody Osmon explained that current circumstance would warrant a ROE above 10.1%. He also explained that Indiana Natural's customer makeup has not materially changed since its last rate proceeding. He described the benefits of the Partial Settlement Agreement, including reducing both the need for Indiana Natural and the OUCC to litigate these issues and a cost-of-service expert and cost of service study. The OUCC did not specifically testify regarding the Partial Settlement Agreement, but was a signatory and supported the Final Settlement Agreement which referenced this Partial Agreement, indicating its support thereof. In light of the evidence of record, we find that the Partial Settlement Agreement is reasonable, in the public interest, and approved.

The Final Settlement Agreement resolved all remaining issues. Although the OUCC did

not file case-in-chief testimony, the OUCC relayed its concerns to Indiana Natural through data requests and informal discussions prior to settlement discussions. Based on the evidence, the Settling Parties were able to reach compromise on all issues not addressed in the Partial Settlement Agreement.

The Settling Parties were also able to agree on an amortization period of five years for the following expenses: rate case expense and unrecovered penalties (COVID). They further agreed Indiana Natural will file a revised tariff to remove these expenses if new rates have not gone into effect. Should Petitioner seek Commission approval of new base rates and charges to be effective prior to the expiration of the five-year amortization period, Petitioner may include recovery of any remaining unamortized expense for the above items as part of that proceeding. Settling Parties also made numerous modifications to Indiana Natural’s tariffs, including the language to address the movement of transportation customers between tariffs. We find these changes, as described in the Final Settlement Agreement and shown in Pet. Ex. 4, Attachment CMO-1S, to be reasonable.

Attachment MHG-1 to Public Ex. 1, which was incorporated by reference in the Final Settlement Agreement, sets forth the revenue requirement schedules reflecting the terms of the Final Settlement Agreement. The schedules indicate that Indiana Natural’s base rates will be designed to produce a \$653,068 net operating income. The revenue requirement represents a \$727,238 increase in revenue and total original cost rate base is \$6,774,568. The following table details the calculation for the settled upon total cost rate base:

Original Cost Rate Base	
Utility Plant in Service as of December 31, 2022	\$21,816,064
Less: Meters Being Retired	(\$644,521)
Less: Accumulated Depreciation as of December 31, 2022	(\$15,060,613)
Net Utility Plant in Service	\$6,110,930
Add: Working Capital and Materials & Supplies	\$663,638
Total Original Cost Rate Base	\$6,774,568

The following table details the settled upon capital structure as of December 31, 2022:

Description	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	\$6,518,096	94.02%	10.10%	9.50%
Customer Deposits	\$160,475	2.31%	6.00%	0.14%
Deferred Income Taxes	\$199,385	2.88%	0.00%	0.00%
Excess Accumulated Deferred Income Taxes, Net of Amortization	\$55,056	0.79%	0.00%	0.00%
Total Capital	\$6,933,012	100.00%		9.64%

The following table details the settled upon revenue requirement and revenue increase:

Revenue Requirement	Amount
Total Original Cost Rate Base	\$6,774,568
Rate of Return	9.64%
Authorized Net Operating Income	\$653,068
Net Operating Income at Pro-Forma Present Rates	\$108,129
Increase in Revenues Required	\$544,939
Effective Incremental Revenue NOI Conversion Factors	133.45%
Increase in Revenue Requirement (Based on Net Original Cost Rate Base)	\$727,238

Both Cody Osmon and Mr. Grosskopf testified that the Final Settlement Agreement was the result of arm's length discussions and that the Final Settlement Agreement was in the public interest.

The Final Settlement Agreement and the Partial Settlement Agreement, which is incorporated into the Final Settlement Agreement, resolve all contested issues between the Settling Parties in this case. Based on our review of the evidence of record as described above, we believe the Partial Settlement Agreement and Final Settlement Agreement are a reasonable compromise and illustrate give and take among the Settling Parties. Further, we believe that the results of the Partial Settlement Agreement and Final Settlement Agreement should be used for purposes of authorizing an increase to Petitioner's rates as discussed in this Order.

The Settling Parties agree that the Partial Settlement Agreement and Final Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. With regard to future citation of the Partial Settlement Agreement and the Final Settlement Agreement, we find that the Partial Settlement Agreement and the Final Settlement Agreement and our approval of the agreements should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

6. Residential Bill Impact. Ms. Mann sponsored revised Attachment BJM-2S to Petitioner Ex. 5, which indicates that the bill of a residential customer using 100 therms per month will be \$94.27, which is 7.72% greater than the current monthly bill of such a customer, which is \$87.51.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Partial Settlement Agreement and Final Settlement Agreement are approved and incorporated by reference in this Order.

2. Petitioner is authorized to increase its operating revenues exclusive of the cost of gas by \$727,238; and is authorized to earn a net operating income of \$653,068 on a rate base of \$6,774,568.

3. Petitioner shall file a revised tariff if new rates have not gone into effect at the end of the five-year amortization period to remove the following expenses from Petitioner's base rates: rate case expense, and unrecovered penalties (COVID).

4. Petitioner shall file a revised tariff consistent with our findings above with the Energy Division of the Commission under this Cause. The rates and charges and terms and conditions set forth in this Order shall be effective for service rendered on and after the date of approval by the Energy Division.

5. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: JAN 17 2024

**I hereby certify that the above is a true
and correct copy of the Order as approved**

**Dana Kosco
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

STIPULATION AND PARTIAL SETTLEMENT AGREEMENT
ON COST OF EQUITY CAPITAL, COST OF SERVICE,
AND RESIDENTIAL SERVICE CHARGE

This Stipulation and Settlement Agreement (Partial Settlement Agreement) is entered into by Indiana Natural Gas Corporation (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”). The OUCC and Petitioner collectively are referred to in this Partial Settlement Agreement as “the Parties”. The Parties have discussed the appropriateness of settling the cost of equity capital and on the basis of compromise, agree 10.10% is an appropriate cost of equity capital for this Petitioner in this Cause. The Parties recognize a 10.10% cost of equity is consistent with prior Orders from the Indiana Regulatory Commission (“Commission”) in other small gas utility base rate cases, including the Commission’s Order in Midwest Natural Gas Corporation’s last litigated case, Cause No. 44880, p. 13, issued on August 16, 2017.

The Parties have also discussed the appropriateness of settling issues related to the cost of service and the resulting rate design. The Parties agree for purposes of this Partial Settlement an equal-percentage revenue increase in lieu of a new cost of service study is acceptable. The Parties believe no material changes have occurred within Petitioner’s customer classes since Cause No. 44453 that would require a new cost-of-service study. Therefore, the Parties agree any increase in Petitioner’s revenue requirement established in this Cause be allocated across the board to all rate classes such that the total revenues of each rate class are increased by the same percentage.

The Parties further agree to the increase of the monthly service charge for Tariff G to \$15.00.

The Parties agree Petitioner will prepare a revenue proof that will use the updated customer numbers from Petitioner's case-in-chief filing.

The Parties acknowledge that each will provide the Commission with testimony from their respective witnesses in support of this Partial Settlement Agreement. The Parties anticipate continuing to engage in settlement negotiations related to other issues in this Cause and will advise the Commission if additional issues are settled.

The Parties also acknowledge this Partial Settlement Agreement is conditioned upon and subject to the Commission's acceptance and use of the terms of this Partial Settlement Agreement in this Cause and in the Commission's Final Order. To the extent the Commission does not accept this Partial Settlement Agreement, or does not use the terms of this Partial Settlement Agreement in its Final Order, the Parties reserve their right to seek additional proceedings and offer additional testimony in this Cause related to these issues.

Finally, the Parties recognize this Partial Settlement Agreement is reached for purposes of this Cause only. The Parties acknowledge that neither will cite this Partial Settlement Agreement as precedent before the Commission in any other Cause beyond this proceeding. The undersigned attorneys represent that they are fully authorized to execute this Partial Settlement Agreement on behalf of their designated Party.

ACCEPTED and AGREED this 17th day of May, 2023

Indiana Natural Gas Corporation



By: _____
Jeffrey M. Peabody,
Attorney for
Indiana Natural Gas Corporation

Indiana Office of Utility Consumer Counselor



By: _____
Matthew Kappus
Counsel of Record

DMS 26291528

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)**

STIPULATION AND SETTLEMENT AGREEMENT

Indiana Natural Gas Corporation (“Petitioner” or “Indiana Natural”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), (collectively the “Settling Parties”), solely for purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”) without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

- a) Requested Relief - The Settling Parties agree that Petitioner’s proposal as set forth in its case-in-chief, including the Partial Settlement (included as Attachment DAO-3 to the Direct Testimony of David A. Osmon), shall be approved except as modified herein.
- b) Capital Structure – The Settling Parties agree to Petitioner’s proposed capital structure, reflecting an overall weighted average cost of capital of 9.64%.

- c) Rate Base – The Settling Parties agree that the 13-month average of materials and supplies should be \$303,729. The Settling Parties further agree the working capital amount should be \$359,909 due to changes in operation and maintenance expense. The resulting overall rate base as agreed to by the Settling Parties is \$6,774,568.
- d) Revenue Requirement – The Settling Parties agree to a recommended revenue increase of \$727,238, or 7.23% (including gas cost) as set forth in Table 1 below:

Table 1 - Agreed Revenue Requirement

Description	Petitioner’s Case-in Chief	Final Settlement	Difference
Original Cost Rate Base	\$6,776,338	\$6,774,568	(\$1,770)
Times: Weighted Cost of Capital	9.64%	9.64%	0%
Net Operating Income Required	\$653,235	\$653,068	(\$167)
Less: Adjusted Net Operating Income	(\$204,657)	\$108,129	\$312,786
Net Revenue Increase Required	\$857,896	\$544,939	(\$312,957)
Gross Revenue Conversion Factor	133.4124%	133.4531%	0.04%
Recommended Revenue Increase	\$1,144,540	\$727,238	(\$417,302)
Percentage Increase (Net of Gas Cost)	29.40%	18.68%	-10.72%
Percentage Increase (Including Gas Cost)	11.38%	7.23%	-4.15%

Additional detail regarding the derivation of the agreed revenue requirement is provided in the settlement schedules, included with the Settlement Testimony as Attachment MHG-1, a copy of which is attached hereto and incorporated herein, by reference.

- e) Excess Accumulated Deferred Income Taxes (“EADIT”) – Petitioner did not make an adjustment to its base rates to reflect the refund of EADIT required by the Tax Cuts and Jobs Act of 2017. The Settling Parties agree that the refund of EADIT to customers will be addressed through a separate tariff rider, the “Tax Cuts and Jobs Act of 2017 Temporary Adjustment Mechanism”, rather than through an adjustment to base rates. The total amount to be refunded to customers each year is

\$6,168, which is the \$514 in monthly amortization required as part of Cause No. 45032 S9. A copy of the new tariff sheet will be included in Petitioner's red-lined and clean tariff filed with the Commission.

- f) Amortization Expense - The Settling Parties agree Petitioner should file a revised tariff if new rates have not gone into effect at the end of the 5-year amortization period to remove the following expenses from the cost of service used to establish Petitioner's base rates in this proceeding: (1) rate case expense; and (2) unrecovered penalties (COVID). Should Petitioner seek Commission approval of new base rates and charges to be effective prior to the expiration of the 5-year amortization period, Petitioner may include recovery of any remaining unamortized expense for the above items as part of that proceeding.
- g) Depreciation Rates – The Settling Parties agree to a 20-year depreciation life for new ITRON endpoints, reflecting a depreciation rate for ITRON endpoints of 5.0%.
- h) Customer Service Charges – The customer service charges shall be approved as set forth in the Partial Settlement and Petitioner's case-in-chief, as follows:
 - a. Tariff G: \$15.00/month
 - b. Tariff C: \$30.00/month
 - c. Tariff STS: \$30.00/month
 - d. Tariff T: \$550.00/month
- i) Allocation of Rate Increase – The Settling Parties agree Attachment BJM-2, Schedule A will be updated to allocate the increase in revenue requirement across the board to all rate classes such that the total revenues of each rate class are increased by the same percentage. (In the original Attachment BJM-2, Schedule A filed with Petitioner's case-in-chief, each rate class has a different percentage

increase. The increase to each customer class should be the same percentage to match the Partial Settlement Agreement.)

j) Tariff Changes – Petitioner will provide the OUCC and Commission with a final revenue proof and updated, redlined tariff that includes all tariff changes approved in the Commission’s final order. The Settling Parties agree to the following tariff changes:

- a. The removal of Tariff TM.
- b. The removal of Appendix D: Energy Efficiency Rider.
- c. As discussed in Section I.e) above, the Tax Cuts and Jobs Act of 2017 Temporary Adjustment Mechanism tariff sheet will be used to refund the EADIT of \$6,168 to customers instead of being removed.
- d. The Reconnection Charge language on Sheet No. 7 will be changed to \$35.
- e. The Non-Sufficient Funds Charge language on Sheet No. 8 will be changed to \$31.
- f. The Tariff C Availability language on Sheet No. 21 will reference meter sizes of 750 or greater.
- g. The Tariff C Availability language on Sheet No. 22 will reference therms to be consistent with all other language changes in the tariff.
- h. The Tariff STS language on Sheet No. 31 will reference meter sizes of 750 or less.
- i. Appendix A for Gas Cost Adjustment on Sheet No. 51 will be converted to an amount per therms to be consistent with all other language changes in the tariff.
- j. Appendix B for Base Rate Cost of Gas on Sheet No. 52 will be converted to an amount per therm to be consistent with all other language changes in the tariff.
- k. The Normal Degree Days (NDD) for Appendix C on Sheet No. 60, pages 2 and 3 will be updated with new information for the new 30-year normal degree days.

k) Tariff T Language – The Settling Parties agree Petitioner’s current transportation tariff does not preclude customers from moving to a GCA tariff and switching back to a transportation tariff within one month. This causes under-or over-collections from the transportation customers that switch to a normal GCA tariff rate during the year and then switch back to a transportation tariff that are not being charged to

those specific customers once they switch back to the transportation tariff. The Settling Parties agree the following language will be added to the transportation tariff to help alleviate the possibility of leaving GCA customers with large variances when these customers switch back to the transportation tariff:

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

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

- 1) Cost of Service Study – The Settling Parties agree Petitioner will file a cost of service study as part of its next rate case. Petitioner may seek recovery of the costs of the cost of service study as part of that proceeding.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement.

2. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement to consider the input of the other Settling Party. Such evidence, together with the evidence previously prefiled in this Cause, will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other's

witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or approves it with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear this with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

3. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

4. The Parties acknowledge a significant motivation for Petitioner to enter into this Settlement is the expectation that a final order will be issued promptly by the Commission authorizing increases in its rates and charges as reflected by this Settlement and the accepted positions of the Parties as reflected by the evidence in this Cause. The Parties have spent significant time and effort to resolve the issues raised in this case.

5. The Parties believe the Parties' direct testimony and exhibits and the Parties' settlement testimony and exhibits, along with this Settlement, constitute substantial evidence sufficient to support this Settlement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this Settlement.

III. SETTLEMENT EFFECT, SCOPE, AND APPROVAL

1. The Parties acknowledge and agree as follows:
 - a) The Settlement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without change or condition that is unacceptable to either Petitioner or the OUCC. Each term of the Settlement is in consideration and support of each and every other term.
 - b) The Settlement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement is not accepted by the Commission. The Parties hereto shall not use this Stipulation or the Order provided by this Stipulation as precedent or offer the same as an admission in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms. In the event this Stipulation or resulting Order is offered for any purpose prohibited by this Agreement, the Parties agree that objections by the non-offering party are proper.
 - c) The communications and discussions among the Parties, along with the materials produced and exchanged during the negotiation of this Settlement, relate to offers of settlement and compromise, and as such, all are privileged and confidential. Such material cannot be used in this or any other proceeding without the agreement of the Parties herein.

- d) The undersigned represent and agree that they are fully authorized to execute this Settlement on behalf of their designated clients who will thereafter be bound by this Settlement.
- e) The Parties hereto will either support; or not oppose on rehearing, reconsideration, and/or appeal; an IURC order accepting and approving this Settlement in accordance with its terms.

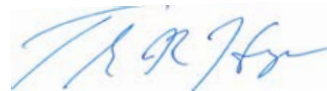
ACCEPTED and AGREED this 29 day of September, 2023

Indiana Natural Gas Corporation



By: _____
Lauren Aguilar,
Counsel of Record

Indiana Office of Utility Consumer Counselor



By: _____
Counsel of Record

DMS: 27358798.4