

STATE OF INDIANA

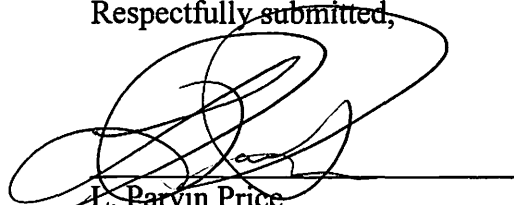
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR AUTHORITY TO CHANGE)
ITS RATES, CHARGES, TARIFFS, RULES, AND) CAUSE NO. 45215
REGULATIONS)

SETTLEMENT AGREEMENT ON ALL ISSUES

Comes now Boonville Natural Gas Corporation. ("Petitioner") by counsel, and on behalf of the Petitioner and the Office of Utility Consumer Counselor ("OUCC"), files the attached Stipulation and Settlement Agreement On All Issues (Settlement Agreement) in this Cause. Petitioner and the OUCC are also separately filing supportive testimony related to this Settlement Agreement in this Cause.

Respectfully submitted,



E. Parvin Price

Attorney No. 5827-49
Barnes & Thornburg LLP
11 S. Meridian Street
Indianapolis, IN 46204
Telephone: (317) 231-7721
Facsimile: (317) 231-7433
parvin.price@btlaw.com
Counsel for Petitioner,
Boonville Natural Gas Corporation

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR AUTHORITY TO CHANGE)
ITS RATES, CHARGES, TARIFFS, RULES, AND) CAUSE NO. 45215
REGULATIONS)**

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into by Boonville Natural Gas Corporation (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”). The OUCC and Petitioner collectively are referred to in this Settlement Agreement as “the Parties.” On March 28, 2019, the Parties filed their Partial Settlement Agreement reflecting agreement on 10.10% cost of equity capital. The Parties agree that such Partial Settlement Agreement terms should continue to be accepted in this Settlement Agreement.

Based on the Petitioner’s direct case-in-chief, the OUCC’s direct case-in-chief, and Petitioner’s rebuttal case, a number of issues in this rate case have been resolved. The Parties have agreed to Petitioner’s proposals to the following: reduction in revenue for the tariff adjustment required by Phase 1 of Cause No. 45032; adjustment to revenue in order to reflect recent changes in the reconnect/disconnect fee; adjustment for changes of certain payroll; property and casualty insurance; removal of Energy Efficiency refunds from the Normal Temperature Adjustment (“NTA”) Agreement; removal of charitable contributions; pro forma bad debt expense; amortization for Contributions in Aid of Construction; cost of service study; and the flow through methodology of various pro forma adjustments including those related to pension and FICA. The Parties have also agreed to the OUCC’s adjustments to the following: IURC fee, updated for the most recent IURC fee rate; recognition that the Parties agree on the methodology for calculating

the utility receipts tax; recognition that the Parties agree on the methodology to calculate income tax; changes in GCA revenue; reduction in revenue for the tariff adjustment related to Cause No. 44129; reduction in revenue for the new NOAA average for NTA Revenue; changes in natural gas purchased; elimination of expenses related to employee gatherings; adjustment for health insurance expense to reflect updated information; adjustments for leased employees and a new replacement employee; adjustments to depreciation expense and accumulated depreciation; recognition that the Parties agree on the methodology of calculating working capital; adjustments to materials and supplies in Petitioner's rate base; and recognition that the Parties agree to Petitioner's total original cost rate base once the various methodologies associated with the rate base are applied. Unlike the above issues, which were resolved through the prefiling testimony, following extensive negotiation, the Parties have agreed to resolve all remaining issues related to the excess accumulated deferred income tax ("EADIT"); invoice detail associated with rate case expense and the cost of the Tax Cuts and Jobs Act ("TCJA") investigation; sales reconciliation component ("SRC"); energy efficiency funding component ("EEFC"); administrative costs of the Energy Efficiency Program; Appendix F; property tax expense; amounts included in the capital structure; and the monthly customer charge for residential customers ; either directly in this case; or through further discussions among the Petitioner, the OUCC, and the other Petitioning small gas utilities in Cause No. 43995. The Parties agreement on these issues not resolved directly through the Parties' prefilings are set forth below.

I. EADIT

The Parties acknowledge that the EADIT issues initially separating them involved: the amount of EADIT to be refunded to ratepayers; the proposed inclusion of EADIT in Petitioner's capital structure; and the proposed adjustment of existing operating revenues through an EADIT

adjustment. The Parties have now resolved all EADIT related issues. The Parties agree to the OUCC's proposed EADIT dollar amount to be refunded to ratepayers of \$729,280, which is Petitioner's EADIT balance as of December 31, 2017. The Parties agree that the EADIT dollar amount to be refunded should not be included in the capital structure. The Parties agree that there is no need for a revenue adjustment to Petitioner's existing revenue related to EADIT. The Parties acknowledge that they are in agreement that the \$729,280 of EADIT should be amortized through Petitioner's rates to all customer classes, over 14.59 years. This annual refund will be accounted for in the same manner as presented in the OUCC's case-in-chief as a reduction to expenses.

II. EADIT Remainder – Deferred Taxes

Associated with the EADIT adjustments described above is a remainder of \$185,324 included in the OUCC's proposed EADIT adjustment and recommended to be added back to Petitioner's capital structure as additional deferred taxes. The OUCC's adjustment was based on its interpretation of a regulatory liability entry on Petitioner's books and records at June 30, 2018, the test year in this Cause. The Parties have exchanged information, and now agree that this remainder of a regulatory liability is not deferred taxes and will not be included in Petitioner's capital structure. The Parties acknowledge that the regulatory liability created on Petitioner's books was an original estimate of potential EADIT refund and agree that the actual EADIT refund is \$729,280.

With the agreements here, the Parties believe that all EADIT related issues are now resolved.

III. Rate Case Expense

The Parties agreed to the initially estimated amount of rate case expense of \$233,075 based on the pre-filing of testimony in this Cause. However, the OUCC proposed to reduce such rate case

expense by (\$1,500) related to its opinion on the lack of detail associated with some of those invoices. The OUCC also proposed to amortize the recovery of rate case expense over a 6 year period as opposed to the 5 year period initially proposed by the Petitioner. Following an exchange of information and further discussion, the Parties agree that the amount of rate case expense to be recovered is \$231,575. The Parties further agree that the amortization period that should be used for such recovery is 5 years as originally proposed by the Petitioner.

IV. TCJA Invoices

The OUCC proposed to reduce the recovery of Petitioner's TCJA incurred expense by (\$7,299) related to the OUCC's opinion of the lack of detail in certain invoices. Based on the settlement of other terms here, the Petitioner has agreed to such reduction.

V. Amortization of Rate Case Expense and TCJA Expense

The Parties now agree that the Petitioner should use a 5 year period for purposes of amortizing both rate case expense and TCJA expense. The Parties also agree that the Petitioner should file a new tariff to remove the amortization of rate case expense and TCJA expense identified in this Cause if Petitioner has not filed for new rates by the end of the 5-year amortization period.

VI. SRC/EEFC

The Parties agree that the issues on the amounts associated with the SRC and the EEFC both associated with Petitioner's Energy Efficiency Program created in Cause No. 43995 should be removed from this rate case and addressed in another proceeding. The Parties also agree that the time periods for any refund of dollars associated with the SRC and EEFC should also be removed from this rate case. Finally the Parties agree that the issue on the cutoff date associated with determining administrative costs related to the Energy Efficiency Program should also be

removed from this rate case. The Parties acknowledge that all of the above issues relate to the adjustments proposed by the OUCC in this rate case. The Parties are in agreement that those issues removed from this rate case should form the basis of further discussion among these Parties and the remaining small gas utilities who were Joint Petitioners in Cause No. 43995. Such remaining small gas utilities include Midwest Natural Gas Corporation; Indiana Utilities Corporation; South Eastern Indiana Natural Gas Company, Inc.; Fountaintown Gas Company, Inc.; Community Natural Gas Co., Inc.; Indiana Natural Gas Corporation; and Switzerland County Natural Gas Company, Inc. The Parties acknowledge that none of the remaining small gas utilities are Parties to this case. Therefore sufficient time must be provided such that the remaining small gas utilities can be contacted and invited to participate in the discussions between the Petitioner and the OUCC related to the SRC, EEFC, and the administrative costs associated with the Energy Efficiency Program. The Parties believe that they should be permitted up to November 27, 2019 for purposes of initiating and completing such discussions. To the extent that such discussions do not resolve the issues related to the SRC, EEFC, and the cutoff date for administrative costs associated with the Energy Efficiency Program described above, then either Party may petition the Commission for the creation of a sub docket in Cause No. 43995 which would include these Parties, and potentially the remaining small gas utilities. The Parties agree not to oppose the establishment of a sub docket in Cause No. 43995, including the establishment of a procedural schedule with technical conference. The Parties agree that this process as outlined here will provide them with a reasonable opportunity of reaching a global settlement relative to the SRC, the EEFC, and the administrative costs associated with the Energy Efficiency Program for all of the small gas utilities including this Petitioner.

While the Parties have agreed to remove certain issues related to the SRC and EEFC from this rate case and transfer those issues into a discussion among all of the small gas utilities; the Parties agree that neither the SRC nor the EEFC should be considered as capital and therefore should not be used for the establishment of the capital structure for the Petitioner in this proceeding.

VII. Appendix F

Appendix F is associated with the Energy Efficiency Program created by Cause No. 43995. In light of the Parties agreement above on the SRC, the EEFC, and the administrative costs associated with the Energy Efficiency Program, the Parties now agree that Appendix F should stay in place in Petitioner's filed tariffs until such time as the SRC, the EEFC, and the administrative costs associated with the Energy Efficiency Program have been resolved by way of the process described above. The Parties further acknowledge that any discussions between the Parties or among these Parties and the other small gas utilities, will include a discussion on the inclusion of Appendix F and similar tariff schedules.

VIII. Property Tax Expense

The OUCC and Petitioner suggested different property tax expense amounts in their case-in-chiefs. Using updated information, the Parties now agree to an amount of property tax expense of \$81,202, resulting in an adjustment of (\$1,347).

IX. Residential Monthly Customer Charge

The Parties agreed on the results of Petitioner's cost of service study, but disagreed on the monthly customer charge for Petitioner's residential customer class. Petitioner proposed to increase the monthly customer charge to \$14. The OUCC proposed that such charge should be increased to either the lesser of \$14 or the overall margin increase granted to the Petitioner in this

base rate case. In light of the settlement of all of the other issues as described above, the Parties now agree that the monthly customer charge for all customer classes should be as proposed by the Petitioner including increasing the charge for residential customers to \$14 per month.

X. Request for Prompt Approval by the Commission

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. However, the Parties also recognize the insufficiency of Petitioner's current rates. Under these circumstances, Petitioner requests prompt approval of this Settlement by way of a final order of the Commission.

XI. Sufficiency of the Evidence

The Parties believe Petitioner's direct testimony and exhibits, the OUCC's direct testimony and exhibits, Petitioner's rebuttal testimony, 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.

XII. Settlement Effect, Scope, and Approval

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.

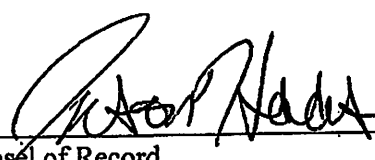
- b) The Settlement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement is not accepted by the Commission. Consistent with the Commission's decision in *Richmond Power and Light*, 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. 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 16th day of September, 2019

Boonville Natural Gas Corporation

Indiana Office of Utility Consumer Counselor

By: 
Counsel of Record

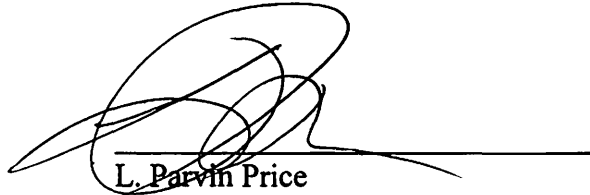
By: 
Counsel of Record

14977810v3

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following counsel of record by electronic delivery the 16th day of September, 2019:

Jason Haas
Indiana Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500S
Indianapolis, IN 46204
jhaas@oucc.in.gov
infomgt@oucc.in.gov



L. Parvin Price