ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF FOUNTAINTOWN GAS COMPANY, INC., FOR AUTHORITY TO INCREASE RATES AND CHARGES THROUGH THE SMALL UTILITY PROCEDURE PURSUANT TO IND CODE § 8-1-2-61.5 AND 170 IAC 14-1-1 ET SEQ.	)	**CAUSE NO. 45802 U** **APPROVED: MAY 03 2023**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Carol Sparks Drake, Senior Administrative Law Judge

On November 7, 2022, Fountaintown Gas Company, Inc. ("Fountaintown" or "Applicant") filed a Small Utility Rate Application ("Application") with the Indiana Utility Regulatory Commission ("Commission") under Ind. Code § 8-1-2-61.5 and 170 IAC 14-1. On November 22, 2022, Applicant late-filed certain information in compliance with the small utility rate application procedures, including proofs of publication. Additional proof was filed on November 28, 2022, showing the required notice of the Application was published.

On November 23, 2022, the Commission's Energy Division issued a Memorandum finding the Application was complete.

On January 20, 2023, the Indiana Office of Utility Consumer Counselor ("OUCC") filed an agreed motion to extend the time within which to file the OUCC's report on the Application from February 6, 2023, to March 2, 2023, to afford Fountaintown time to compile additional accounting information through November 30, 2022. The requested extension was granted in a docket entry issued on January 24, 2023.

On February 6, 2023, Fountaintown filed updated financial information reflecting revisions Applicant made in the Application after responding to the OUCC's data requests. As revised, Fountaintown requests a revenue increase of $603,607, equating to a 31.60% increase over pro forma present rate non-gas cost revenues.

On March 2, 2023, as required by 170 IAC 14-1-4(a), the OUCC filed its report on the Application and related consumer comments the OUCC had received.

Under Ind. Code § 8-1-2-61.5, a formal public hearing is not required in rate cases involving small utilities with fewer than 8,000 customers unless requested by at least 10 customers, a public or municipal corporation, or the OUCC. The Commission did not receive such a request for a hearing; accordingly, no hearing was held.

Based on applicable law and the evidence presented, the Commission finds as follows:

1. **Commission Jurisdiction and Notice.** Fountaintown is a public utility as defined in Ind. Code § 8-1-2-1(a) and qualifies for treatment as a small utility under Ind. Code § 8-1-2-61.5. The Commission has authority to approve rates for utility service under Ind. Code §§ 8-1-2-42 and -61. Fountaintown published legal notice of filing this small utility rate case as required by 170 IAC 14-1-2(b); therefore, the Commission finds notice of this Cause was given and published as required by law. The Commission also finds the Application satisfies the requirements of Ind. Code § 8-1-2-61.5 and 170 14-1. Accordingly, the Commission has jurisdiction over Fountaintown and the subject matter of this proceeding and may issue an Order in this Cause based upon the information filed as provided by 170 IAC 14-1-6.

2. **Applicant's Characteristics.** Fountaintown is a corporation organized and existing under Indiana law with its principal office located in Morristown, Indiana. Applicant renders natural gas utility service to the public in Decatur, Hancock, Henry, Rush, and Shelby Counties and owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service. Fountaintown has approximately 3,592 total customers, with the residential rate class comprising approximately 91% (3,272) of Applicant's meters.

3. **Existing Rates and Relief Requested.** The Commission approved Fountaintown's current rates and charges on May 15, 2013, in Cause No. 44292, with the approved rates modified in August 2017 through a compliance filing to remove rate case expense recovery. Fountaintown's base rates were also modified through 30-Day Filing No. 50384 in January 2021 to remove energy efficiency costs and 30-Day Filing No. 50553 on June 1, 2022, to remove the utility receipts tax due to its repeal. In the Application, Fountaintown requests authority to increase its rates across-the-board approximately 31.63% to produce an additional $604,097 of operating revenue.

4. **Test Period.** Applicant's updated test period for determining revenues and expenses reasonably incurred in providing gas utility services is the 12 months ending November 30, 2022. With adjustments for changes that are fixed, known, and measurable, the Commission finds this test period is sufficiently representative of Fountaintown's normal operations to provide reliable data for ratemaking purposes.

5. **OUCC Report.** Mark Grosskopf prepared the OUCC report filed on March 2, 2023. In response to the Application, this report reflects the OUCC calculated a 30.01% rate increase is appropriate, producing an annual revenue increase of $560,865. This is $42,742 less than Fountaintown proposed in its February 6, 2023, revised filing.

In its report, the OUCC accepted many of Fountaintown's pro forma adjustments, including Applicant's pro forma adjustments to gas cost revenue, gas cost expense, payroll expense, pension expense, 401-K contributions, health insurance expense, rate case expense, FICA tax, and gross receipts tax. The OUCC also agreed with Applicant's cost of equity, but the OUCC proposed several adjustments, as discussed below, to Fountaintown's revenue requirement, ultimately recommending a 30.01% increase net of gas cost revenue.

Per the OUCC, based on the Application and the revised schedules Fountaintown filed on February 6, 2023, Fountaintown added $800,048 in plant between July 1, 2022, and November 30, 2022, but Applicant failed to include an additional $1,730 in Distribution Meters and $7,873 in Tools, Shop, and Garage Equipment added during this time period that should have also been included in rate base, resulting in the OUCC calculating a total of $809,651 in additional rate base between July 1, 2022, and November 30, 2022. The OUCC applied Applicant's depreciation rates to these rate base additions, resulting in increased depreciation expense of $24,841 as opposed to Applicant's increase of $24,002. The OUCC states Applicant also failed to update its accumulated depreciation to account for additional accumulated depreciation between July 1, 2022, and November 30, 2022, that the OUCC calculated to be $107,563. Additionally, Fountaintown did not update its gas storage underground or its materials and supplies, although the OUCC states these should represent a 13-month average using the updated November 30, 2022, cut-off date. Per the OUCC, the 13-month average as of November 30, 2022, for gas storage underground is $631,637, and for materials and supplies is $157,064. In addition, due to changes the OUCC proposed in operation and maintenance expenses, the OUCC recalculated working capital to be $214,262. After incorporating the OUCC's rate base changes, the OUCC computed Fountaintown's overall rate base as of November 30, 2022, is $6,992,537.

The OUCC's report reflects agreement with Applicant's capital structure as of November 30, 2022, with the weighted cost of capital resulting from Applicant's capital structure being 8.85%; however, per the OUCC, Fountaintown erroneously used a weighted cost of capital of 8.87% when calculating the pro forma net operating income and requested revenue increase. The OUCC provided a corrected revenue requirement calculation using an 8.85% weighted cost of capital.

The OUCC also agreed with Fountaintown's proposed 10.0% cost of equity, advising that 10.0% will allow Applicant to maintain its financial integrity and reflects a fair rate of return for Applicant's level of investment risk. The OUCC noted a 10.0% cost of equity is the same cost of equity percentage recently agreed upon for Westfield Gas in Cause No. 45761 and is close to the 10.1% included in the settlement the Commission approved for Community Natural Gas on October 12, 2022. According to the OUCC, Westfield Gas, Community Natural Gas, and Fountaintown are similarly positioned small gas utilities with mostly residential customers, similar financial risk profiles, and at least 75% equity in the capital structure.

The OUCC recommended a revised Calculation of Synchronized Interest because Fountaintown's Calculation of Synchronized Interest shows a 0% cost of debt. Per the OUCC, interest on customer deposits is a tax-deductible interest expense and is typically included in the synchronized interest calculation; therefore, the OUCC included customer deposits in its synchronized interest calculation, yielding a weighted cost of debt of 0.20%. When applied to the total original cost rate base, the 0.20% weighted cost of debt results in synchronized interest expense of $14,167.

In its report, the OUCC recognized that Fountaintown utilized a Normal Temperature Adjustment ("NTA") Mechanism, as approved on December 6, 2006, in Cause No. 43110, but the OUCC recommended Applicant use the National Oceanic Atmospheric Administration's ("NOAA") most current 30-year average of heating degree days covering 1991 to 2020 instead of NOAA's 30-year average from 1971 to 2000. The OUCC explained that total degree days during the NTA October through April period using the 30-year average from 1971 to 2000 was 5,281, while the total heating degree days during October through April using the 30-year average from 1991 to 2020 was 5,045; therefore, there are 236 less heating degree days using NOAA's updated 30-year average. If this reduction is applied to Applicant's sales during October 2021 to April 2022, the OUCC's report reflects this results in 16,561 less Dth included in the NTA calculation, ultimately yielding a revenue reduction of $40,674. The OUCC recommended Fountaintown update its Normal Degree Days in Appendix D of its tariff to show the new 30-year heating degree day averages.

Per the OUCC's report, Fountaintown's adjustment to federal income tax reflects two adjustments pertaining to Accumulated Deferred Income Tax ("ADIT") amortization. The OUCC stated the Tax Cuts and Jobs Act of 2017 necessitated a regulatory liability to give back excess deferred income taxes through lower rates. Applicant, however, erroneously booked ADIT amortization of $28,510 annually as an increase to revenues, prompting Fountaintown to make an adjustment reducing revenue by $28,510 to correct this error. The OUCC agreed with Applicant's treatment of ADIT.

Fountaintown proposed amortizing its rate case expense for this matter over three years. The OUCC did not object to this proposal, but the OUCC recommended Fountaintown file a revised tariff at the end of the three-year amortization period to remove rate case expense from Fountaintown's base rates if new base rates have not gone into effect before that time. The OUCC also supported making this adjustment, if required, on an across-the-board basis. If Fountaintown has new base rates in effect before the end of the three-year amortization, the OUCC agreed any unamortized rate case expenses remaining at the time of Applicant's next rate case order may be included in that proceeding.

Applicant included a $9,796 adjustment for insurance expenses. When the OUCC inquired about the $4,058 for vehicle insurance in this adjustment, Fountaintown advised the amount was incorrect and should be $16,859. Applicant also explained insurance is purchased for Fountaintown and South Eastern Gas Company in the aggregate, with two-thirds of the insurance cost attributed to Fountaintown. This allocation between utilities was not included in Applicant's original filing. Fountaintown provided the OUCC with a revised pro forma adjustment increasing insurance expenses by $2,822.

During the test year, Fountaintown paid Greater Heights Services Corporation $183,013 for Interim General Manager services. On February 10, 2023, the OUCC was advised this Interim General Manager was no longer with Fountaintown. The OUCC explained that a decision has not been made whether these services will prospectively be performed by Ohio Valley Gas or Greater Heights Services Corporation personnel and billed to Fountaintown or how the General Manager position will be handled. Fountaintown is now under the corporate ownership of Ohio Valley Gas, and per the OUCC, it is possible Ohio Valley Gas could absorb Applicant's General Manager functions without replacing the contract services Greater Heights Services Corporation performed. The OUCC states Applicant admitted some of the General Manager services will be performed by Ohio Valley Gas, but a decision has not been made upon how the General Manager position will be handled. The OUCC recommended that to the extent Ohio Valley Gas absorbs Applicant's General Manager functions, Fountaintown's requested base rate increase be adjusted to recognize any cost savings from consolidating all or some of the General Manager functions into Ohio Valley Gas' corporate structure. Alternatively, if a new General Manager is brought on at a lesser salary, the OUCC urged the salary savings be recognized.

The OUCC's report also reflects Applicant incurred $13,750 in outside services costs for a litigated settlement payment made to an engineering firm, Amereco, that Fountaintown hired to complete a natural gas evaluation related to certain Pipeline Safety Division findings. Applicant also incurred $1,696 in legal fees related to this settlement. The OUCC asserts these engineering and legal expenses were not an ordinary business expense that happens each year, but rather, were non-recurring in nature and should not be recoverable; therefore, the OUCC decreased Fountaintown's outside services by $15,446.

Per the OUCC's report, Applicant incurred $1,842 in Indiana Energy Association ("IEA") dues during the test year that Fountaintown recorded to miscellaneous expense; however, the IEA invoices indicate 15% of these dues are allocable to lobbying. The OUCC states lobbying expenses are non-deductible for income tax purposes and are typically excluded from a utility's revenue requirements; consequently, the OUCC removed $276 for lobbying expenses from Applicant's test year miscellaneous expense.

The OUCC took issue with Applicant including $17,258 in other income and expenses in its test year present rates and pro forma proposed rates. The OUCC states these items represent Interest and Dividend Income, Miscellaneous Non-Operating Income, Miscellaneous Income Deductions, and other Interest Expense, all of which are non-operating income or expenses and should not be included in Fountaintown's revenue requirement. The OUCC provided a pro forma adjustment removing these income and expense items from the revenue requirement calculation.

Based on the OUCC's report, Applicant's property tax adjustment uses plant additions between July 1, 2022, and November 30, 2022, but in its depreciation expenses, as discussed above, Fountaintown did not include all the plant additions shown in its updated schedules filed on February 6, 2023. The OUCC, therefore, recalculated Applicant's property tax expense using the full $809,651 in plant additions between July 1, 2022, and November 30, 2022, and the OUCC's adjustment for property tax is $11,205 as opposed to Fountaintown's $11,149 increase.

In its report, the OUCC corrected the IURC fee rate in the Gross Revenue Conversion Factor and in the IURC fee expense adjustment. The OUCC noted Applicant failed to deduct bad debt expense from gross revenues at present rates in its IURC fee expense adjustment, prompting the OUCC to deduct bad debt expense from Pro Forma Present Rate Revenue in the IURC fee expense adjustment.

The OUCC states that Applicant used an incorrect Net Operating Income Before Income Taxes ("NOIBI") amount in adjusting state and federal income taxes. Per the OUCC, the correct pro forma income tax adjustment should start with a pro forma NOIBIT inclusive of all other pro forma adjustments to revenue requirements, with the OUCC's pro forma NOIBIT derived from adjusted pro forma revenues and expenses in the Pro Forma at Present Rates column of Attachment OUCC-1, Schedule 4. The OUCC states these pro forma adjusted amounts are reflected in the Income Tax Expense Adjustment. Additionally, the OUCC's recommended income tax expense calculation includes a synchronized interest deduction from NOIBIT to determine state and federal taxable income.

The OUCC took issue with Fountaintown's proposed rate increase being designed to achieve an across-the-board 31.6% margin increase, but Applicant's updated tariff not reflecting an increase to the Rate D monthly customer charge. The OUCC acknowledged Fountaintown currently has no customers using Rate D, but the OUCC asserts the across-the-board increase should apply to all the rates in Fountaintown's tariff, including Rate D. Additionally, Applicant's last cost of service study ("COSS") was performed in 1996. In the Order approved on May 13, 2013, in Cause No. 44292, the Commission ordered Fountaintown to file a COSS in its next base rate case. No COSS was filed in this matter. The OUCC was satisfied with no COSS being performed because Applicant used the Small Utility Rate Application, which is intended to reduce consulting and rate case expenses, and Applicant's residential rate class makes up approximately 91% of all customer meters. The OUCC recommended Fountaintown file a revenue proof and a complete red-lined and clean copy of the tariff after the Commission issues an Order in this Cause.

6. **<u>Fountaintown's Responsive Filing</u>.** In responding to the OUCC's report, after noting the OUCC updated Applicant's schedules to reflect actual rate base additions placed in service from the end of the test year until the cut-off period ending November 30, 2022, updated all rate base additions, adjusted for accumulated depreciation, adjusted gas storage underground, adjusted Applicant's materials and supplies, and updated Fountaintown's working capital calculation, Fountaintown stated the OUCC calculated Fountaintown's overall rate base as of November 30, 2022, at $6,992,537. Fountaintown agreed with this rate base total.

With respect to Fountaintown's capital structure, Applicant agreed with the OUCC's recommendation to use the capital structure as of November 30, 2022, in its final rate calculation. Fountaintown also agreed with the OUCC's recommended revised calculation of synchronized interest to include customer deposits, yielding a weighted cost of debt of 0.20%.

Fountaintown also agreed with the OUCC's recommendation that the NOAA 30-year heating degree day average be updated in this filing, resulting in a revenue reduction adjustment of $40,674, and agreed Applicant should update its Normal Degree Days to reflect the new 30-year heating degree day averages.

Applicant noted the OUCC did not object to Fountaintown's proposed rate case expense or proposed three-year amortization of this expense, but the OUCC recommended Fountaintown file a revised tariff if new base rates have not gone into effect before the end of the three-year amortization period to remove rate case expense from Fountaintown's base rates. Additionally, if Fountaintown has new base rates that will be effective before the end of the three-year amortization period, the OUCC recommended any unamortized rate case expenses remaining at that time may be included in that rate case. Fountaintown agreed with these recommendations.

Fountaintown acknowledged that the OUCC's discovery revealed corrections were needed in Applicant's vehicle insurance cost as well as a split in the insurance costs. With these corrections, Fountaintown's insurance expense adjustment was reduced by $6,974 to $2,822. Fountaintown agreed with the adjustment the OUCC recommended.

Fountaintown took issue with adjusting Applicant's revenue requirement because of the departure of the Interim General Manager who was an employee of Greater Heights Services Corporation. Fountaintown claims there is insufficient information to support the OUCC's assumption that the expenses relative to the General Manager position will decrease prospectively. Applicant explained that the prior owners of Fountaintown charged more for General Manager services than Applicant's current customers were charged for the Interim General Manager's services; consequently, any presumption that there will be an immediate costs savings is not supported by prior experience. Since the Interim General Manager's departure, Applicant stated the duties he was performing are being executed by a number of employees and contractors, and Fountaintown has no information yet supporting the assumption that spreading the General Manager's work over several Ohio Valley Gas employees will result in savings for Fountaintown's customers. According to Applicant, Ohio Valley Gas is performing a full review of this position description and its duties to ensure the replacement position anticipates Applicant's current business needs, and until that work is completed, it is unknown whether the services the Interim General Manager formerly provided will continue to be performed by a new General Manager and at what cost; therefore, Fountaintown contends the cost of the General Manager position that Fountaintown included in rates should not be changed as it reflects the cost incurred for the services this position provided and may render going forward.

Fountaintown also disagreed with the OUCC's adjustment removing $15,446 from Outside Services Expense relative to engineering services Amereco provided ($13,750) and legal fees ($1,696) incurred due to a settlement related to the work Amereco performed. Applicant stated the OUCC viewed these expenses as non-recurring in nature and not recoverable on an ongoing basis from ratepayers, but Fountaintown views the engineering services Amereco performed as typical of the ongoing engineering services a utility such as Fountaintown will need to secure and the legal expense, likewise, as a routine cost of doing business for an entity like Fountaintown, with the amount certainly reasonable. Applicant stated this legal expense also resulted in a savings for Fountaintown and its customers. Accordingly, Fountaintown asserts the $15,446 in engineering and legal expenses should remain recoverable.

Fountaintown agreed with the OUCC removing $276 for lobbying expense included in Applicant's IEA dues and agreed with the OUCC eliminating $17,258 the OUCC deemed to be "Below the Line" income and expenses from Fountaintown's pro forma proposed rates. Consistent with its agreement with the OUCC's adjustment of rate base to include plant additions of $809,651 placed in service from July 1, 2022, through November 30, 2022, Fountaintown also agreed with the OUCC's depreciation expense adjustment of $24,841 made for those rate base additions.

Additionally, Fountaintown agreed with the OUCC's property tax adjustment of $11,205, the OUCC's correction of the IURC fee rate, and the OUCC's deduction of bad debt expense at present rates in its IURC fee expense adjustment. Fountaintown also agreed with the OUCC's adjustments to state and federal taxes to the extent these were made for other adjustments Applicant agreed upon.

Fountaintown agreed the monthly customer charge for Rate D will be updated despite there being no customers currently on this rate and confirmed this change has been made. Fountaintown further agreed to apply an across-the-board rate design using the Commission's approved rate increase for this Cause. Fountaintown also committed to file a complete red-lined and clean copy of its tariff after the Order is issued, but stated since the increase is being applied across-the board, Fountaintown feels a revenue proof is unnecessary and recommends a revenue proof not be required.

In summary, as reflected above, Fountaintown agreed with all the OUCC's recommendations except the OUCC's conditional recommendation concerning the General Manager position, the OUCC's reduction of $15,446 for Outside Services, and the need to file a revenue proof. As a result, Fountaintown proposes an 8.85% weighted cost of capital be applied to an original rate base of $6,992,537, and Fountaintown's response, with adjustments, shows a rate increase for Applicant of $576,415 or an overall increase of 30.84%.

7. Commission Discussion and Findings.

A. Applicant's Rates and Revenue Requirement. In responding to the OUCC's report, Fountaintown agreed with all the OUCC's adjustments except for the adjustment prompted by the Interim General Manager's departure and the OUCC's removal of $15,446 from Applicant's outside service expense associated with a settlement payment made to Amereco ($13,750), an engineering firm Applicant retained to complete a natural gas system evaluation, and related legal expenses ($1,696). Fountaintown and the OUCC agree Applicant should earn a rate of return of 8.85% on an original cost rate base of $6,992,537, which includes a 10.00% return on equity. The differences in their recommended revenue increase are tied to how two adjustments Fountaintown disagreed with are resolved. The table below provides a comparison of the OUCC's proposed revenue requirements and Fountaintown's proposed revenue requirements following Applicant's March 14, 2023, filing.

	OUCC	Applicant
Rate Base	$6,992,537	$6,992,537
Times: WACC	8.85%	8.85%
Return on Rate Base	$619,056	$619,056
Less: Adjusted NOI	$200,498	$188,894
Increase in NOI	$418,558	$430,162
Gross Revenue Conversion Factor	133.9995%	133.9995%
Recommended Revenue Increase	$560,865	$576,415
Percentage Increase (Net of Gas Cost Revenue)	30.01%	30.84%

In arriving at their recommended revenue increases, Fountaintown agreed with the OUCC's recommendation that Fountaintown update its Normal Degree Days in Appendix D of its rate tariff to incorporate NOAA's new 30-year heating degree day averages from 1991 to 2020 into its NTA rate calculations. The Commission finds the use of the new NOAA 30-year heating degree day averages more accurately reflects Applicant's heating degree days and is appropriate.

As indicated above, in arriving at Fountaintown's revenue requirements, Fountaintown disagreed with two of the OUCC's adjustments, the first of which was an adjustment related to the Interim General Manager's departure. The record shows Fountaintown paid Greater Heights Services Corporation $183,013 for Interim General Manager services during the test year. On February 10, 2023, Fountaintown notified the OUCC that the Interim General Manager was no longer with Fountaintown. He has not been replaced. Applicant advises that for now, the services the Interim General Manager performed are being performed by Applicant's corporate owner, Ohio Valley Gas, or Greater Heights Services Corporation personnel, and Fountaintown will be billed in a manner similar to how the Interim General Manager's salary and payroll costs were billed. A decision has not been made upon how the services the Interim General Manager performed will prospectively be provided. In the interim, the job duties and position description are being reviewed to ensure the position prospectively meets Applicant's business needs. Per Fountaintown, the services the Interim General Manager provided still need to be performed, and when these services were provided by Fountaintown's prior owners, the charges exceeded what customers were charged for the Interim General Manager's services, so based on this history, an immediate cost savings in replacing this position should not be presumed. Indeed, the Commission finds that given the ongoing assessment of this position, insufficient information was provided from which to know how the General Manager position and/or duties will be addressed or may change and the resulting cost. The Commission concurs with the prudence of analyzing this position before making this key corporate decision. Given the costs Fountaintown incurred under its prior owners for General Manager services and during the test year, the Commission finds the cost Applicant included for performing the General Manager's responsibilities is reasonable, although Fountaintown is encouraged to achieve future cost reductions.

Fountaintown and the OUCC also disagree upon the propriety of reducing Fountaintown's outside services by $15,446. The OUCC asserts that Applicant's $13,750 payment to Amereco, an engineering firm hired to complete a natural gas system evaluation related to Pipeline Safety Division findings, and a $1,696 payment for related legal fees are non-recurring in nature and should not be included in Fountaintown's revenue requirement as recoverable on an ongoing basis; therefore, the OUCC removed $15,446 from Applicant's outside services. Fountaintown disagrees with this adjustment, contending the engineering services Amereco performed are typical of the ongoing engineering services a utility like Fountaintown needs. Also, Applicant states the legal expense resulted in a lower price being paid and is, likewise, a routine cost of doing business for Fountaintown, with the amount certainly reasonable. Based on the record, the Commission finds that while the particular engineering costs and legal expenses at issue may not reoccur, Applicant showed that for a small utility like Fountaintown operating a natural gas pipeline system, outside engineering and legal expenses are routinely secured in doing business, and the costs Fountaintown included for such services are reasonable; consequently, the inclusion of $15,446 for these outside services is approved.

Given Fountaintown and the OUCC's agreement upon the OUCC's other adjustments and the Commission's resolution of Applicant's General Manager and outside services revenue requirements, the Commission finds Fountaintown should be authorized to increase its base rates and charges across-the-board to produce an additional $576,415 in annual revenue consistent with the table above. This represents an overall increase of 30.84%.

The OUCC did not object to the rate case expense Fountaintown included in this filing or Applicant's proposed three-year amortization period, but the OUCC recommended Fountaintown file a revised tariff if new base rates have not gone into effect before the three-year amortization ends to remove rate case expense from Fountaintown's base rates. If such an adjustment is required, the OUCC supported adjusting Applicant's rates and charges across-the-board. If Fountaintown, however, has new base rates in effect before the three-year amortization period ends, the OUCC agreed any unamortized rate case expenses remaining at the time of Fountaintown's next rate case Order may be included in that proceeding. The Commission finds the three-year rate case expense amortization period, revised tariff filing if new base rates have not become effective before this amortization period ends, and the related process the OUCC proposed were not opposed and are approved, with Applicant's rates and charges adjusted across-the-board as the OUCC proposed.

The OUCC also recommended Fountaintown be required to provide a revenue proof to substantiate its revenue increase, update its tariff to show the rate increase approved in this Cause is applicable to Applicant's monthly customer charge for Rate D, and file a complete red-lined and clean copy of its tariff after the Order is issued. Fountaintown agreed to implement these recommendations except Applicant believes the proposed revenue proof is unnecessary. The Commission, however, finds Fountaintown has not persuaded us that it should be excluded from providing a revenue proof to substantiate its revenue increase approved in this Order. The Commission further finds this should be relatively simple to complete with an across-the-board increase and that providing a revenue proof is consistent with what other public utilities providing gas service typically provide in compliance filings. Fountaintown shall also provide a complete red-lined and clean copy of the tariff, as the OUCC requested and Applicant agreed, after this Order is approved.

Finally, the Commission would be remiss if we did not also address Fountaintown filing no COSS in this matter. Per the OUCC's report, Fountaintown's last COSS was performed in 1996. Fountaintown was ordered in Cause No. 44292 to file a COSS in its next base rate case. As discussed above, the OUCC was satisfied with no COSS being performed in this Cause because: (a) Fountaintown used the Small Utility Rate Application process instead of filing a typical base rate case; (b) small U proceedings are designed to reduce consulting and rate case expenses, and (c) Applicant's residential rate class continues to make up approximately 91% of all customer meters in Fountaintown's customer base. Given Fountaintown's use of the small U filing process and the OUCC's position, the Commission finds the absence of a COSS in this matter was reasonable, but because Ordering Paragraph 6 of the Commission's Order in Cause No. 44292 (the "44292 Order") stated, "Petitioner [Fountaintown] shall file a cost of service study in its next base rate case," the better approach would have been for Fountaintown and/or Fountaintown and the OUCC jointly to have filed for relief from the 44292 Order, explaining why a COSS is not necessary, as opposed to not complying with this Order. It was anticipated Fountaintown's costs in preparing this filing would have been higher if a COSS remained required, making the small U process less advantageous in helping control Applicant's rate case expenses. Nonetheless, relief from the 44942 Order should have been requested, affording all parties an opportunity to weigh in at the outset. Since Fountaintown did not seek to be relieved from the 44292 Order directive to file a COSS, the Commission finds Fountaintown shall file a COSS study in its next base rate case, provided, that if the small U process is used for such rate case, Applicant shall file a COSS or shall file for relief from this requirement at the outset if Applicant believes a COSS is unnecessary.

8. **<u>Effect on Rates</u>.** Under the approved rate increase, a residential customer's monthly service charge will increase from $10.45 to approximately $ 13.67.

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

1. Fountaintown is authorized to increase its rates and charges across-the-board by 30.84% to generate additional revenues of $576,415.

2. Fountaintown shall update its Normal Degree Days in Appendix D of its rate tariff to incorporate the new NOAA 30-year heating degree day averages into its NTA rate calculations, consistent with Finding No. 7 above.

3. Prior to implementing the rates and charges authorized in this Order, Fountaintown shall file new rate schedules under this Cause for approval by the Commission's Energy Division, including a complete red-lined and clean copy of its tariff and a revenue proof to substantiate the approved revenue increase. Such rates shall be effective on and after the Order date, subject to the Division's review and agreement with the amounts reflected.

4. Fountaintown shall file a cost of service study in its next base rate case or if Applicant uses the small U process for its next base rate case, Fountaintown shall file a cost of service study or file for relief from this requirement at the outset of that filing, consistent with Finding No. 7 above.

5. If not addressed by an intervening base rate case order before the approved three-year amortization period for rate case expense expires, Fountaintown shall promptly file a revised tariff removing the annual amortization portion of rate case expense from Applicant's approved base rates, and if such an adjustment is required, Fountaintown may adjust its rates and charges on an across-the-board basis. Any unamortized rate case expenses remaining at the time new base rates become effective for Fountaintown may be included in that proceeding.

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

<u>HUSTON, FREEMAN, VELETA, AND ZIEGNER CONCUR</u>:

APPROVED: MAY 03 2023

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

Dana Kosco
Digitally signed by Dana Kosco
Date: 2023.05.03 10:26:03 -04'00'

Dana Kosco
Secretary of the Commission