

FILED
September 29, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA NATURAL GAS)
CORPORATION FOR AUTHORITY TO CHANGE)
ITS RATES, CHARGES, TARIFFS, RULES, AND)
REGULATIONS)**

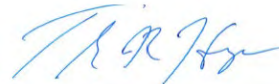
CAUSE NO. 45889

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

**PUBLIC'S EXHIBIT NO. 1 – SETTLEMENT TESTIMONY OF OUCC
WITNESS MARK H. GROSSKOPF**

September 29, 2023

Respectfully submitted,



Thomas R. Harper
Attorney No 16735-53
Deputy Consumer Counselor

**INDIANA NATURAL GAS CORPORATION
CAUSE NO. 45889
SETTLEMENT TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF**

I. INTRODUCTION

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

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as
6 a Senior Utility Analyst. For a summary of my educational and professional
7 experience and my preparation for this case, please see Appendix MHG-1 attached
8 to my testimony.

9 **Q: What is the purpose of your settlement testimony?**

10 A: My settlement testimony supports the Settlement Agreement (“Agreement”)
11 between the Parties in this Cause: Indiana Natural Gas Corporation (“Indiana
12 Natural” or “Petitioner”) and the OUCC (collectively, the “Parties” or “Settling
13 Parties”). The Agreement resolves all issues between the Settling Parties in this
14 Cause. I discuss the pertinent matters agreed to in the Agreement, such as the
15 original cost rate base, capital structure, pro forma operating revenues, and pro
16 forma expense adjustments. I discuss terms of the Agreement related to customer
17 service charges, rate design, and tariffs. Attached to my settlement testimony is a
18 set of revenue requirement schedules reflecting the terms of the Agreement,
19 designated as Attachment MHG-1.

1 **Q: Do the revenue requirement schedules in Attachment MHG-1 contain all pro**
2 **forma adjustments agreed to in the Settlement Agreement?**

3 A: Yes. The Settling Parties agreed certain pro forma revenues and expenses should
4 remain as filed in Indiana Natural's case-in-chief. In the schedule reference column
5 of Attachment MHG-1, Schedule 4, a designation of "Pet." indicates the adjustment
6 remains as originally proposed by Petitioner. Likewise, in the schedule reference
7 column of Attachment MHG-1, Schedule 4, adjustments agreed to in settlement
8 show a schedule reference for Schedule 5 or Schedule 6, contained within
9 Attachment MHG-1. A comparison of pro forma present rate income statement
10 adjustments between Petitioner's original pro forma adjustments and the pro forma
11 adjustments agreed to in settlement are shown on Schedule 1, page 3 of Attachment
12 MHG-1.

13 **Q: Is the Agreement a product of arms-length negotiations between the Settling**
14 **Parties?**

15 A: Yes. The Agreement represents a compromise reached in the settlement negotiation
16 process, with give and take by the Settling Parties. The Settling Parties devoted
17 considerable time and effort to fairly balance Indiana Natural's interests and those
18 of Indiana Natural's customers.

II. REVENUE REQUIREMENT AND NET OPERATING INCOME

19 **Q: What revenue requirement and net operating income did Indiana Natural**
20 **propose in this case?**

21 A: Indiana Natural proposed an increase to revenues of \$1,144,540, for a percentage
22 increase of 11.38% including gas costs. This produces a net operating income of
23 \$653,235.

1 **Q: What revenue requirement and net operating income did the Settling Parties**
2 **agree to in this case?**

3 A: The Settling Parties agree that Indiana Natural's base rates will be designed to
4 produce a \$653,068 return on rate base. The revenue requirement represents a
5 \$727,238 increase in revenue, which is a \$417,302 decrease, or 4.15%, from the
6 amount originally requested by Indiana Natural in its case-in-chief.

III. RATE BASE

7 **Q: What value did the Settling Parties assign to rate base in this Cause?**

8 A: The Settling Parties agree to an original cost rate base of \$6,774,568. Due to an
9 error in the calculation of the 13-month average of materials and supplies, the
10 Settling Parties agree the 13-month average should be \$303,729. The original cost
11 rate base also reflects a change to working capital to reflect other changes in
12 operation and maintenance expenses noted below.

IV. COST OF EQUITY AND CAPITAL STRUCTURE

13 **Q: What cost of equity did Indiana Natural and the OUCC agree to in this Cause?**

14 A: Indiana Natural and the OUCC agreed to a cost of equity of 10.10% as part of the
15 Stipulation and Partial Settlement Agreement on Cost of Equity Capital, Cost of
16 Service, and Residential Service Charge ("Partial Settlement Agreement") filed
17 with Petitioner witness Dave Osmon's direct testimony.

18 **Q: What Weighted Average Cost of Capital ("WACC") have the Settling Parties**
19 **agreed to?**

20 A: The Settling Parties agreed to the same WACC as requested in Indiana Natural's
21 case-in-chief, which was 9.64%.

V. PRO FORMA REVENUES

1 **Q: What revenue adjustments do the Settling Parties agree to in this Cause?**

2 A: The Settling Parties agree Indiana Natural's pro forma revenues for the following
3 items should be those as stated in Indiana Natural's case-in-chief:

- 4 • Elimination of GCA Revenue: (\$6,165,657);
- 5 • Reclassification of Sales Customers to Transport: (\$81,974);
- 6 • Collection, Reconnection, Disconnection and After-Hours Charges: \$5,220;
7 and
- 8 • Return Payment Fees: \$155.

9 The Settling Parties agree to the following revenue adjustments that are different
10 than the amounts proposed in Indiana Natural's case-in-chief:

- 11 • New HDD Normals: Due to removing the month of May and changing the
12 number of days for February, the Settling Parties agree to an adjustment of
13 \$31,508.
- 14 • Annualize customers added in test year: Due to an inaccurate number of
15 customer instances, the Settling Parties agree to an adjustment of \$25,828.

VI. PRO FORMA EXPENSES

16 **Q: What expense adjustments do the Settling Parties agree to in this Cause?**

17 A: The Settling Parties agree Indiana Natural's pro forma expenses for the following
18 items should be those as stated in Indiana Natural's case-in-chief:

- 19 • Bad Debt Expense: \$860;
- 20 • Director's Fees: \$2,250;
- 21 • Contractor Fees: \$46,910;
- 22 • Unrecovered Customer Penalties (COVID): \$1,063;

1 • Fines for Missed Locates: (\$3,000); and

2 • Property Taxes: (\$18,870).

3 The Settling Parties agree to the following expense adjustments that are different
4 than the amounts proposed in Indiana Natural's case-in-chief:

5 • Natural Gas Purchased: Due to an inaccurate number of test year sales (therms
6 vs. Dth), the Settling Parties agree to an adjustment of (\$6,216,187).

7 • Rate Case Expense: A reduction of \$30,000 in accounting fees and \$43,000 in
8 legal fees results in total rate case expense of \$112,000. The Settling Parties
9 agree to a 5-year amortization period, for a total annual adjustment of \$22,400.

10 • IURC Fee: Due to an incorrect revenue amount, removal of pro forma forfeited
11 discounts and bad debt expense, an update to the most current IURC fee rate,
12 and a correction to the test year amount, the Settling Parties agree to an
13 adjustment of \$5,028.

14 • Energy Efficiency Contribution for NTA: The Settling Parties agree to reduce
15 the energy efficiency contribution expenses for the NTA by the amount required
16 to be paid by the utility in the NTA proceeding, resulting in an adjustment of
17 (\$10,600).

18 • Payroll Expense: Due to an employee not receiving the correct payroll increase
19 in the twelve months following the test year, the Settling Parties agree to an
20 adjustment of \$161,337.

21 • Retirement Contributions: Due to the changes in pay rate for the employee
22 noted above, the matching amount for the new employee not being correct, and
23 the test year amount being incorrect, the Settling Parties agree to an adjustment
24 of \$18,344.

25 • Property Insurance: Due to a math error in Petitioner's calculation, the Settling
26 Parties agree to an adjustment of \$3,996.

27 • Health Insurance: Due to an error in the test year amount and removal of MASA
28 fees, the Settling Parties agree to an adjustment of \$37,698.

29 • Employee Events and Gifts: Due to additional items found that should not be
30 recovered from ratepayers, the Settling Parties agree to an adjustment of
31 (\$11,433).

- 1 • Lobbying Fees: Due to additional non-deductible expenses, the Settling Parties
2 agree to an adjustment of (\$780).

- 3 • IT Services: Due to an incorrect allocation of costs between Midwest Gas and
4 Indiana Natural Gas, the Settling Parties agree to an adjustment of (\$16,008).

- 5 • Outside Services: The Settling Parties agree to an adjustment of (\$1,431) for
6 outside services that should not have been charged to Petitioner.

- 7 • Depreciation Expense: Due to a math error in Petitioner's calculation and
8 moving new ITRON meter endpoints to a 20-year life, the Settling Parties agree
9 to an adjustment of \$55,342.

- 10 • Utility Receipts Tax: Due to an error in Petitioner's test year amount, the
11 Settling Parties agree to an adjustment of (\$85,076).

- 12 • Payroll Taxes: Due to the changes to payroll above, the Settling Parties agree
13 to an adjustment of \$13,904.

- 14 • Federal and State Income Tax: Due to a rounding error in the calculation of
15 synchronized interest, and the adjustments to revenue and expenses noted
16 above, the Settling Parties agree to a federal income tax adjustment of (\$29,889)
17 and a state income tax adjustment of \$3,324.

VII. EXCESS ACCUMULATED DEFERRED INCOME TAX ("EADIT")

18 **Q: Did Indiana Natural make an adjustment for the refund of EADIT as required**
19 **by the Tax Cuts and Jobs Act of 2017?**

20 A: No. Indiana Natural did not include an adjustment in its case-in-chief for the refund
21 of EADIT.

22 **Q: What have the Settling Parties agreed to regarding EADIT?**

23 A: The Settling Parties agree base rates will be set for the rate case, and all refunds for
24 EADIT will be passed back to customers as a credit using the Tax Cuts and Jobs
25 Act of 2017 Temporary Adjustment Mechanism tariff sheet outside of setting rates
26 in this Cause. The total amount to be refunded to customers each year is \$6,168,
27 which equates to \$514 in monthly amortization required as part of Cause No. 45032

1 S9. A copy of the new tariff language will be included in Petitioner's red-lined and
2 clean tariff filed with the Commission.

VIII. AMORTIZATION OF EXPENSES

3 **Q: What have the Settling Parties agreed to regarding amortization of expenses?**

4 A: The Settling Parties agree Petitioner should file a revised tariff if new rates have
5 not gone into effect at the end of the 5-year amortization period to remove the
6 following expenses from Petitioner's base rates:

- 7 • Rate Case Expense; and
- 8 • Unrecovered Penalties (COVID).

9 In the event Petitioner has new base rates that go into effect before the end of the
10 5-year amortization period, any remaining expenses above not amortized at the time
11 of Petitioner's next rate case order may be included for recovery in that proceeding.

IX. DEPRECIATION RATES

12 **Q: What depreciation rates have the Settling Parties agreed on?**

13 A: The Settling Parties agree to a 20-year depreciation life for new ITRON meter
14 endpoints, for a depreciation rate on ITRON meter endpoints of 5%.

X. RATE DESIGN

15 **Q: What customer service charges have the Settling Parties agreed on?**

16 A: The Settling Parties agree to the following customer service charges, as proposed
17 in Indiana Natural's case-in-chief.

- 18 • Tariff G: \$15.00;
- 19 • Tariff C: \$30.00;
- 20 • Tariff STS: \$30.00; and

- 1 • Tariff T: \$550.00.

2 **Q: How will the increase in revenue requirements be spread across rate classes?**

3 A: The Settling Parties agree Attachment BJM-2, Schedule A, originally filed with
4 Petitioner's witness Bonnie Mann's testimony, will be updated to allocate the
5 increase in revenue requirement across the board to all rate classes such that the
6 total revenues of each rate class are increased by the same percentage. (In the
7 original Attachment BJM-2, Schedule A filed with Indiana Natural's case-in-chief,
8 each rate class has a different percentage increase. The increase to each customer
9 class should be the same percentage to match the Partial Settlement Agreement.)

10 The Settling Parties also agree Petitioner will provide the OUCC and
11 Commission with a final revenue proof and updated, red-lined tariff that includes
12 all tariff changes approved in the Commission's Final Order.

13 **Q: What did the Parties agree to regarding a cost-of-service study?**

14 A: Prior to the case being filed, the Parties agreed no cost-of-service study would be
15 filed in this case. (Stipulation and Partial Settlement Agreement on Cost of Equity
16 Capital, Cost of Service, and Residential Service Charges attached to the Direct
17 Testimony of Petitioner's witness David A. Osmon.) Petitioner's last cost-of-
18 service study was performed in 2008 in Cause No. 43434. If the proposed rates in
19 this Cause last 5 years, when Petitioner files its next rate case it will have been 20
20 years since the last cost of service study was completed. The Settling Parties agree
21 Petitioner will file a cost-of-service study in its next rate case to ensure rates and
22 charges are correctly allocated to customer classes, and class subsidies are properly
23 reviewed.

XI. TARIFFS

1 **Q: What have the Settling Parties agreed to regarding the tariffs?**

2 A: The Settling Parties agree to the following related to tariffs:

- 3 • The removal of Tariff TM.
- 4 • The removal of Appendix D: Energy Efficiency Rider.
- 5 • As discussed above, the Tax Cuts and Jobs Act of 2017 Temporary Adjustment
6 Mechanism tariff sheet will be used to refund the EADIT of \$6,168 to
7 customers instead of being removed, as proposed in Petitioner's case-in-chief.
- 8 • The Reconnection Charge language on Sheet No. 7 will be changed to \$35.
- 9 • The Non-Sufficient Funds Charge language on Sheet No. 8 will be changed to
10 \$31.
- 11 • The Tariff C Availability language on Sheet No. 21 will reference meter sizes
12 of 750 or greater.
- 13 • The Tariff C Availability language on Sheet No. 22 will reference therms to be
14 consistent with other language changes in the tariff.
- 15 • The Tariff STS language on Sheet No. 31 will reference meter sizes of 750 or
16 less.
- 17 • Appendix A for Gas Cost Adjustment on Sheet No. 51 will be converted to an
18 amount per therms to be consistent with all other language changes in the tariff.
- 19 • Appendix B for Base Rate Cost of Gas on Sheet No. 52 will be converted to an
20 amount per therm to be consistent with all other language changes in the tariff.
- 21 • The Normal Degree Days (NDD) for Appendix C on Sheet No. 60, pages 2 and
22 3 will be updated with new information for the new 30-year normal degree days.

23 Additionally, the Settling Parties agree Petitioner's current transportation tariff
24 does not preclude customers from moving to a GCA tariff and switching back to a
25 transportation tariff within one month. This causes under-or over-collections from
26 the transportation customers that switch to a normal GCA tariff rate during the year

1 and then switch back to a transportation tariff that are not being charged to those
2 specific customers once they switch back to the transportation tariff. The Settling
3 Parties agree the following language will be added to the transportation tariff to
4 help alleviate the possibility of leaving GCA customers with large variances when
5 these customers switch back to the transportation tariff.

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

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

XII. PUBLIC INTEREST

19 **Q: Is the Agreement in the public interest?**

20 A: Yes. The Settling Parties each made material concessions when they entered into
21 the proposed Agreement. The resulting Agreement includes a residential customer
22 rate that lessens the rate increase impact and prevents rate shock to captive
23 residential customers. The terms of the Agreement demonstrate the give and take
24 of settlement negotiations in resolving multiple contested issues in a manner
25 acceptable to all Settling Parties. The Agreement also reduces the risk and expense
26 of litigation of multiple issues. The Agreement, considered in its entirety, serves

1 the public interest and the ratepayers of Indiana Natural by guaranteeing ratepayer
2 savings of \$417,302 annually compared to Petitioner's case as initially filed. The
3 Agreement promotes judicial and administrative efficiency. Therefore, the OUCC
4 considers the Agreement to be both reasonable and in the public interest.

5 **Q: Does the Agreement protect affordability?**

6 A: Yes. The Agreement reflects a reasonable compromise and addresses affordability
7 by reducing the rate increase impact, preventing rate shock to customers, and
8 reducing rate case expense.

XIII. CONCLUSION

9 **Q: Does the OUCC recommend approval of the Agreement?**

10 A: Yes. The Settling Parties' testimony and exhibits provide evidence to support the
11 Agreement, and the OUCC recommends the Commission approve the Agreement.

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

13 A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS MARK H. GROSSKOPF

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

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of Science
3 degree in business with a major in accounting. I worked in auditing and accounting
4 positions at various companies from 1980 to 1995. I joined the OUCC in April of
5 1995 and have worked as a member of the OUCC's Natural Gas Division since
6 June of 1999. I became a Certified Public Accountant in November of 1998. I also
7 completed both weeks of the National Association of Regulatory Utility
8 Commissioners Annual Regulatory Studies program at Michigan State University.
9 I completed an additional week of the Advanced Regulatory Studies Program
10 hosted by the Institute of Public Utilities Regulatory Research and Education at
11 Michigan State University.

12 **Q: Have you previously testified before the Commission?**

13 A: Yes. I have testified as an accounting witness in various causes involving water,
14 wastewater, electric, and gas utilities, including but not limited to, base rate cases,
15 Transmission, Distribution, and Storage System Improvement Charge ("TDSIC")
16 Plan and tracker cases, Federally Mandated Cost Adjustment Mechanism
17 ("FMCA") tracker cases, pipeline safety adjustment cases, energy efficiency and
18 revenue decoupling cases, and Gas Cost Adjustment ("GCA") cases.

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

21 A: I analyzed Petitioner's testimony, exhibits, and workpapers. I analyzed Petitioner's
22 responses to discovery requests from the OUCC along with other supporting

1 documentation provided by Petitioner. I also participated in settlement negotiations
2 with Petitioner for this Cause.

**Indiana Natural Gas Corporation
CAUSE NUMBER 45889**

**Comparison of Petitioner's and Settlement
Revenue Requirements**

	<u>Per Petitioner's Case-in-Chief</u>	<u>Per Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>
Original Cost Rate Base	\$ 6,776,338	\$ 6,774,568	7	\$ (1,770)
Times: Weighted Cost of Capital	9.64%	9.64%	8	0.00%
Net Operating Income Required for Return on Original Cost Rate Base	653,235	653,068		(167)
Less: Adjusted Net Operating Income	(204,657)	108,129	4	312,786
Net Revenue Increase Required	857,896	544,939		(312,957)
Gross Revenue Conversion Factor	133.4124%	133.4531%	1	0.04%
Recommended Revenue Increase	<u>\$ 1,144,540</u>	<u>\$ 727,238</u>		<u>\$ (417,302)</u>
Percentage Increase (Net of Gas Cost Revenue)	<u>29.40%</u>	<u>18.68%</u>		<u>-10.72%</u>
Percentage Increase (Including Gas Cost Revenue)	<u>11.38%</u>	<u>7.23%</u>		<u>-4.15%</u>

**Indiana Natural Gas Corporation
CAUSE NUMBER 45889**

Gross Revenue Conversion Factor

	<u>Per Petitioner's Case-in-Chief</u>	<u>Per Settlement</u>	
1 Gross Revenue Change	100.0000%	100.0000%	\$ 727,238
2 Less: Bad Debt Rate	<u>0.114550%</u>	<u>0.114550%</u>	833
3 Sub-total	99.8855%	99.8855%	
4 Less: IURC Fee	<u>0.116337%</u>	<u>0.146760%</u>	1,067
5 Income Before State Income Taxes	99.769113%	99.738690%	
6 Less: State Income Tax (4.9% of Line 5)	4.888687%	4.887196%	35,542
7 Utility Receipts Tax (0.00% of Line 3)	<u>0.000000%</u>	<u>0.000000%</u>	0
8 Income Before Federal Income Taxes	94.880426%	94.851494%	
9 Less: Federal Income Tax (21% of Line 8)	<u>19.924889%</u>	<u>19.918814%</u>	<u>144,858</u>
10 Change in Operating Income	<u>74.955537%</u>	<u>74.932680%</u>	<u>\$ 544,938</u>
11 Gross Revenue Conversion Factor	<u>133.4124%</u>	<u>133.4531%</u>	

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Comparison of Net Operating Income Statement Adjustments
Pro Forma Present Rates

	Petitioner's Pro Forma Adjustments	Settlement Pro Forma Adjustments	Difference Increase/ (Decrease)
Gas Sales			
Eliminate GCA Revenue	(\$6,165,657)	(\$6,165,657)	\$0
Weather Normalization	\$32,026	31,508	(518)
Annualize Customers	\$25,437	25,828	391
Reclassify Sales Customers to Transport	(\$81,974)	(81,974)	0
Other Gas Revenues			
Collection, Reconnection, Disconnection and Returned Payment Fees	5,220 155	5,220 155	0 0
Total Revenue	<u>(\$6,184,793)</u>	<u>(\$6,184,920)</u>	<u>(\$127)</u>
Natural Gas Purchased			
Natural Gas Purchased	<u>(\$5,902,715)</u>	<u>(\$6,216,187)</u>	<u>(\$313,472)</u>
Total Natural Gas Purchased	<u>(\$5,902,715)</u>	<u>(\$6,216,187)</u>	<u>(\$313,472)</u>
Operation and Maintenance Expense			
Rate Case Expense	\$37,000	\$22,400	(\$14,600)
IURC Fee	(6,940)	5,028	11,968
Energy Efficiency Contribution for NTA	(2,950)	(10,600)	(7,650)
Payroll Expense	160,025	161,337	1,312
Retirement Contribution	4,908	18,344	13,436
Bad Debt Expense	860	860	0
Property Insurance	(6,103)	3,996	10,099
Health Insurance	56,163	37,698	(18,465)
Employee Gifts and Events	(10,772)	(11,433)	(661)
Lobbying Fees	(382)	(780)	(398)
Director Fees	2,250	2,250	0
Contractor Fees	46,910	46,910	0
Unrecovered Penalties	1,063	1,063	0
IT Services	(15,600)	(16,008)	(408)
Fines for Missed Locates	(3,000)	(3,000)	0
Outside Services	0	(1,431)	(1,431)
Total O&M Expense Adjustments	<u>\$263,432</u>	<u>\$256,634</u>	<u>(\$6,798)</u>
Depreciation Expense			
Depreciation Expense	<u>\$153,978</u>	<u>\$55,342</u>	<u>(\$98,636)</u>
Total Depreciation Expense Adjustment	<u>\$153,978</u>	<u>\$55,342</u>	<u>(\$98,636)</u>
Taxes Other Than Income Taxes			
Utility Receipts Tax	(\$86,076)	(\$85,076)	\$1,000
Payroll Taxes	13,784	13,904	120
Property Taxes	(18,870)	(18,870)	0
Total Other Tax Adjustments	<u>(\$91,162)</u>	<u>(\$90,042)</u>	<u>\$1,120</u>
Federal and State Income Tax Expense			
State Income Tax	(\$17,338)	\$3,324	\$20,662
Federal Income Tax	(114,100)	(29,889)	84,211
Excess Accumulated Deferred Income Tax	0	0	-
Deferred Income Tax	0	0	0
Total Income Tax Adjustments	<u>(\$131,438)</u>	<u>(\$26,565)</u>	<u>\$104,873</u>
Total Operating Expense Adjustments	<u>(\$5,707,905)</u>	<u>(\$6,020,818)</u>	<u>(\$312,913)</u>
Net Operating Income	<u>(\$476,888)</u>	<u>(\$164,102)</u>	<u>\$312,786</u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

BALANCE SHEET
As of December 31, 2022

ASSETS

UTILITY PLANT IN SERVICE	
Total Utility Plant in Service	\$21,816,064
Construction Work in Progress	0
Accumulated Depreciation	(15,060,613)
Net Utility Plant in Service	<u>6,755,451</u>
INVESTMENTS	369,083
REGULATORY ASSET	57,455
CURRENT ASSETS	
Cash	96,013
Accounts Receivable	1,821,325
Notes Receivable	0
Materials and Supplies	252,883
Prepaid Expenses	90,621
Total Current Assets	<u>2,260,842</u>
Total Assets	<u><u>\$9,442,831</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITALIZATION	
Common Stock Issued	\$507,235
Other Paid-In Capital	168,605
Treasury Stock	(2,817,823)
Retained Earnings	8,660,079
Total Shareholders' Equity	<u>6,518,096</u>
OTHER LONG-TERM DEBT	<u>-</u>
DEFERRED INCOME TAXES	<u>199,385</u>
REGULATORY LIABILITY	<u>55,056</u>
CURRENT LIABILITIES	
Short-Term Debt	700,000
Accounts Payable	1,585,294
Customer Deposits	162,271
Accrued Expenses	455,267
Refundable Gas Cost	(232,538)
Total Current Liabilities	<u>2,670,294</u>
Total Liabilities and Shareholders' Equity	<u><u>\$9,442,831</u></u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

INCOME STATEMENT
Twelve Months Ended December 31, 2022

OPERATING REVENUES

Gas Sales	\$10,083,762
Other Gas Revenues	55,930
Total Operating Revenues	<u>10,139,692</u>

OPERATING EXPENSES

Natural Gas Purchased	6,251,017
Transmission Expense	127,237
Distribution Expense	776,968
Maintenance Expense	174,342
Customer Accounts Expense	350,793
Administrative and General Expense	1,193,298
Depreciation	592,810
Taxes Other Than Income Taxes	314,328
Income Taxes	86,668
Total Operating Expenses	<u>9,867,461</u>

Net Operating Income:	<u>272,231</u>
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OTHER INCOME AND EXPENSE - Net

Interest and Dividend Income	47,408
Interest Expense	(17,844)
All Other Income, Net	18,551
Total Other Income and Expense - Net	<u>48,115</u>

Net Income	<u><u>\$320,346</u></u>
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Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Pro Forma Net Operating Income Statement

	Test Year Unadjusted	Pro Forma Adjustments	Sch Ref	Pro Forma at Present Rates	Increase / (Decrease)	Sch Ref	Pro Forma at Proposed Rates
OPERATING REVENUES							
Gas Sales	\$ 10,083,762			\$ 3,893,467	\$ 727,238		\$ 4,620,705
Eliminate GCA Revenue		(6,165,657)	Pet.				
Weather Normalization		31,508	5-1(a)				
Annualize Customers		25,828	5-1(b)				
Reclassify Sales Customers to Transport		(81,974)	Pet.				
Other Gas Revenues	55,930			61,305			61,305
Collection, Reconnection, Disconnection and After Hour Fees		5,220	Pet.				
Returned Payment Fees		155	Pet.				
Total Revenue	10,139,692	(6,184,920)		3,954,772	727,238	1	4,682,010
OPERATING EXPENSES							
Natural Gas Purchased	6,251,017	(6,216,187)	6-1(a)	34,830			34,830
Other Operations and Maintenance Expenses	2,622,638			2,879,272			2,881,172
Rate Case Expense		22,400	6-1(b)				
IURC Fee		5,028	6-4		1,067	1	
Energy Efficiency Contribution for NTA		(10,600)	6-1(c)				
Payroll Expense		161,337	6-1(d)				
Retirement Contribution		18,344	6-1(e)				
Bad Debt Expense		860	Pet.		833	1	
Property Insurance		3,996	6-1(f)				
Health Insurance		37,698	6-1(g)				
Employee Gifts and Events		(11,433)	6-1(h)				
Lobbying Fees		(780)	6-1(i)				
Director Fees		2,250	Pet.				
Contractor Fees		46,910	Pet.				
Unrecovered Penalties		1,063	Pet.				
IT Services		(16,008)	6-1(j)				
Fines for Missed Locates		(3,000)	Pet.				
Outside Services		(1,431)	6-1(k)				
Depreciation Expense	592,810	55,342	6-2	648,152			648,152
Taxes Other Than Income Taxes	309,644			219,602			219,602
Utility Receipts Tax		(85,076)	6-3(a)		0	1	
Payroll Taxes		13,904	6-3(b)				
Property Taxes		(18,870)	Pet.				
Income Taxes							
State Income Tax	4,684	3,324	6-5	8,008	35,542	1	43,550
Federal Income Tax	62,528	(29,889)	6-5	32,639	144,858	1	177,497
Refund of Excess Accumulated Deferred Income Tax	-	-	Pet.	0	0		0
Deferred Income Tax	24,140	-	Pet.	24,140			24,140
Total Operating Expenses	9,867,461	(6,020,818)		3,846,643	182,300		4,028,943
Net Operating Income	\$ 272,231	\$ (164,102)		\$ 108,129	\$ 544,938		\$ 653,067

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Settlement Revenue Adjustments

(1)
Revenue Adjustments

(a) New HDD Normals	Adjustment Increase (Decrease)	<u>\$ 31,508</u>
(b) Annualization of New Customers		

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Settlement Expense Adjustments

(1)

Operation and Maintenance Expenses

(a) Natural Gas Purchased	Adjustment Increase (Decrease)	<u>\$ (6,216,187)</u>
(b) Rate Case Expense	Adjustment Increase (Decrease)	<u>\$ 22,400</u>
(c) Energy Efficiency Contribution for NTA	Adjustment Increase (Decrease)	<u>\$ (10,600)</u>
(d) Payroll Expense	Adjustment Increase (Decrease)	<u>\$ 161,337</u>
(e) Retirement Contributions	Adjustment Increase (Decrease)	<u>\$ 18,344</u>
(f) Property Insurance	Adjustment Increase (Decrease)	<u>\$ 3,996</u>
(g) Health Insurance	Adjustment Increase (Decrease)	<u>\$ 37,698</u>
(h) Employee Gifts and Events	Adjustment Increase (Decrease)	<u>\$ (11,433)</u>
(i) Lobbying Fees	Adjustment Increase (Decrease)	<u>\$ (780)</u>

**Indiana Natural Gas Corporation
CAUSE NUMBER 45889**

Settlement Expense Adjustments

(1)

Operation and Maintenance Expenses (cont'd)

(j) IT Services	Adjustment Increase (Decrease)	<u>\$ (16,008)</u>
(k) Outside Services	Adjustment Increase (Decrease)	<u>\$ (1,431)</u>

(2)

Depreciation Expense

(a) Depreciation Expense	Adjustment Increase (Decrease)	<u>\$ 55,342</u>
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(3)

Taxes Other Than Income Taxes

(a) Utility Receipts Tax	Adjustment Increase (Decrease)	<u>\$ (85,076)</u>
(b) Payroll Tax	Adjustment Increase (Decrease)	<u>\$ 13,904</u>

(4)

IURC Fee

Estimated Revenue (incl. gas costs) per Petitioner's Exhibit BJM-1, Sch. C-3	\$ 9,593,074	
Less: Forfeited Discounts	27,694	
Less: Bad Debt Expense	4,460	
	<u>9,560,920</u>	
Pro Forma Revenues Subject to IURC Fee	0.1467603%	
Times: 2020-2021 IURC Fee	<u>14,032</u>	
Pro Forma IURC Fee	9,004	
Less: Test Year IURC Fee	<u>5,028</u>	
Adjustment Increase (Decrease)		<u>5,028</u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Settlement Expense Adjustments

(5)
Income Tax Expense

	<u>Federal</u>	<u>State</u>
Operating Revenue	\$ 3,954,772	\$ 3,954,772
Purchased Gas Expense	34,830	34,830
O&M Expenses	2,879,272	2,879,272
Depreciation Expense	648,152	648,152
Taxes Other Than Income Taxes	219,602	219,602
State Income Tax	8,008	
Subtotal	<u>164,908</u>	<u>172,916</u>
Less: Synchronized interest	<u>(9,484)</u>	<u>(9,484)</u>
State Taxable Income		163,432
Taxable Income	155,424	
Taxes Rate	<u>21.0%</u>	<u>4.9%</u>
Tax at Present Rate	<u>32,639</u>	<u>8,008</u>
Less Test Period Expense	<u>62,528</u>	<u>4,684</u>
Income Tax Adjustments	<u><u>\$ (29,889)</u></u>	<u><u>\$ 3,324</u></u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Calculation of Pro Forma Original Cost Rate Base

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Utility Plant in Service as of December 31, 2022	\$ 21,816,064	\$ 21,816,064	\$ 0
Less: Meters Being Retired	(644,521)	(644,521)	0
Less: Accumulated Depreciation as of December 31, 2022	<u>(15,060,613)</u>	<u>(15,060,613)</u>	<u>0</u>
Net Utility Plant in Service	6,110,930	6,110,930	0
Add: Working Capital	360,759	359,909	(850)
Materials & Supplies	<u>304,649</u>	<u>303,729</u>	<u>(920)</u>
Total Original Cost Rate Base	<u>\$ 6,776,338</u>	<u>\$ 6,774,568</u>	<u>\$ (1,770)</u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Pro forma Capital Structure
As of December 31, 2022

	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
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 Amort:	55,056	0.79%	0.00%	0.00%
Total Capital	<u>\$ 6,933,012</u>	<u>100.00%</u>		<u>9.64%</u>

Synchronized Interest Calculation

Customer Deposits	2.31%	6.00%	0.14%
Total			<u>0.14%</u>
Total Original Cost Rate Base			<u>\$ 6,774,568</u>
Synchronized Interest Expense			<u>\$ 9,484</u>

Indiana Natural Gas Corporation
CAUSE NUMBER 45889

Current and Proposed Monthly Service Charges

	<u>Current</u>	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>More (Less)</u>
Tariff G	\$ 11.83	\$ 15.00	\$ 15.00	\$ 0.00
Tariff C	\$ 23.66	\$ 60.00	\$ 60.00	\$ 0.00
Tariff STS	\$ 23.66	\$ 60.00	\$ 60.00	\$ 0.00
Tariff T	\$ 517.65	\$ 550.00	\$ 550.00	\$ 0.00

AFFIRMATION

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

Mark H. Grosskopf

Mark H. Grosskopf
Senior Utility Analyst
Indiana Office of
Utility Consumer Counselor
Cause No. 45889
Indiana Natural Gas Corporation

09/29/2023

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic service on September 29, 2023.

Jeffrey M. Peabody
Lauren Aguilar
Barnes & Thornburg LLP
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Aguilar Email: laguilar@btlaw.com



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