

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF FOUNTAINTOWN GAS COMPANY, INC.)
FOR AUTHORITY TO CHANGE ITS RATES,)
CHARGES, TARIFFS, RULES, AND REGULATIONS;)
AND APPROVAL OF AN ALTERNATIVE)
REGULATORY PLAN PURSUANT TO INDIANA CODE)
8-1-2.5-6 FOR PURPOSES OF IMPLEMENTING AN)
ENERGY EFFICIENCY PROGRAM, ASSOCIATED)
FUNDING AND DECOUPLING MECHANISMS, AND)
CHANGES TO PETITIONER'S CALCULATION OF)
COSTS FOR EXTENSION OF DISTRIBUTION MAINS)

CAUSE NO. 44292

SETTLEMENT TESTIMONY OF

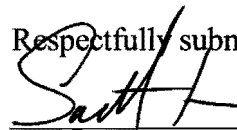
OUCW WITNESS HEATHER R. POOLE

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

FEBRUARY 28, 2013

Respectfully submitted,



Scott Franson
Attorney No. 27839-49
Deputy Consumer Counselor

SETTLEMENT TESTIMONY OF OUCC WITNESS HEATHER R. POOLE
CAUSE NO. 44292
FOUNTAIN TOWN GAS COMPANY

I. INTRODUCTION

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

2 A: My name is Heather R. Poole, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Senior Utility Analyst. I have worked as a member of the OUCC's Natural
7 Gas Division since December of 2010.

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

9 A: I graduated from the School of Business at Ball State University in Muncie,
10 Indiana with a Bachelor of Science Degree in Accounting in May 2001 and a
11 Master of Science Degree in Accounting in May 2002. From September 2002
12 through September 2010, I worked for London Witte Group, LLC, a CPA firm in
13 Indianapolis, Indiana, as a Senior Staff Accountant. I prepared and reviewed
14 individual, corporate, not-for-profit, property and payroll tax returns; prepared
15 compilations, reviews and audit reports in compliance with GAAP for a variety of
16 utility companies and not-for-profit organizations; and prepared depreciation
17 schedules and guided clients through year-end accounting processes, including
18 preparation and review of adjusting entries. I prepared and reviewed Gas Cost

1 Adjustment (“GCA”) petitions, as well as annual reports filed with the Indiana
2 Utility Regulatory Commission (“Commission”) for natural gas companies within
3 the State of Indiana. I also prepared rate case exhibits and schedules filed with
4 the Commission on behalf of various gas utility clients.

5 In December 2010, I began my employment with the OUCC as a Utility
6 Analyst II. In October 2012, I was promoted to Senior Utility Analyst. My
7 current responsibilities include reviewing and analyzing GCA petitions and rate
8 cases filed by Indiana natural gas utilities with the Commission. I also review
9 certificate of public necessity, pipeline safety adjustment and alternative
10 regulatory plan cases. While employed at the OUCC, I completed NARUC’s
11 Utility Rate School hosted by the Institute of Public Utilities at Michigan State
12 University and the Institute of Public Utilities Advanced Regulatory Studies
13 Program at Michigan State University. I am also a member of the Indiana CPA
14 Society.

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

16 A: Yes, I have testified in GCAs and rate cases involving gas utilities.

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

18 A: The purpose of my testimony is to support and recommend approval of the
19 Settlement Agreement between Fountaintown Gas Company (“Petitioner”) and
20 the OUCC (collectively, “the Parties”). I will discuss the effect of the Settlement
21 Agreement on revenue requirements, including pro forma operating expenses,
22 taxes, rate base and capital structure. I will also discuss the effect of the
23 Settlement Agreement on Petitioner’s rate design and tariffs.

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

3 A: I reviewed Petitioner's testimony, exhibits and supporting documentation, and
4 analyzed Petitioner's responses to OUCC discovery requests. I also participated
5 in numerous meetings with other OUCC staff members and Petitioner's
6 representatives to identify and address the issues in this Cause.

7 **Q: Have you submitted schedules related to the settlement testimony?**

8 A: No. Petitioner is sponsoring the schedules to be included with its testimony.

9 **Q: What overall rate increase does Petitioner propose?**

10 A: Petitioner proposes a revenue increase of \$25,173, which equates to an overall
11 rate increase of 1.22%.

II. REVENUE REQUIREMENT ADJUSTMENTS

A. Revenue Requirement Adjustments

12 **Q: Why have the Parties agreed to adjust the revenue requirements?**

13 A: Since income taxes and the IURC fee will ultimately be affected by the other
14 operating expense adjustments in this Cause, the Parties agreed it is proper and
15 consistent to also adjust the tax effect on the currently approved revenue
16 requirements, based on the most current tax and fee rates. The two tax and fee
17 rates that have changed since the prior rate case include the IURC fee and the
18 state income tax rate.

19 **Q: What IURC fee now applies?**

20 A: The Parties updated the IURC fee used in the last rate case (Cause No. 43753-U)
21 to the most current IURC fee. Applying the current IURC rate to net revenue
22 from Cause No. 43753-U results in an increase in the IURC Fee of \$654.

1 **Q: What revenue requirement adjustment was made to state income taxes?**

2 A: Effective July 1, 2012, the state income tax rate was reduced from 8.5% to 8.0%.

3 The state income tax revenue requirement adjustment accounts for this reduction
4 in the state tax rate.

5 **Q: How does the state income tax adjustment affect the federal income tax**
6 **amount?**

7 A: The state income tax is deducted from net operating income to arrive at federal
8 taxable income. Therefore, any adjustment in the state tax rate will also affect the
9 federal income tax amount.

10 **Q: Were any other changes made to the federal income tax calculation?**

11 A: The Parties also agreed to remove the amortization of the investment tax credit
12 from the federal income tax calculation. This tax credit has been fully amortized
13 and is no longer applicable to Petitioner's tax calculation. The fully amortized
14 investment tax credit also has an effect on the capital structure, and will be
15 described later in my testimony.

B. Pro-Forma Present Rate Adjustments

16 **Q: What Alternative Regulatory Plan ("ARP") cost recovery adjustment have**
17 **the Parties agreed to in this Cause?**

18 A: The Parties agreed to use the total amount of \$24,600 billed to Petitioner, for
19 participation in Cause No. 43995, as the total ARP cost to be recovered through
20 rates. The Parties agreed to use a three-year amortization period for these costs,
21 consistent with the Commission's decision in Cause Nos. 44062, 44063, 44128
22 and 44129 involving other participants in Cause No. 43995.

23 **Q: What decoupling expense have the Parties agreed to in this Cause?**

1 A: The Parties agreed that consistent with information obtained in Cause Nos. 44062
2 and 44063, \$42,500 is an appropriate amount to determine the total anticipated
3 cost applicable to Petitioner for reporting and other regulatory requirements of the
4 energy efficiency order in Cause No. 43995. Applying the same percentage
5 (8.26%) to Petitioner as that approved in Cause No. 43995 results in an annual
6 decoupling expense adjustment of \$3,511.

7 **Q: What rate case expense have the Parties agreed to in this Cause?**

8 A: The Parties agreed to a total rate case expense of \$60,000 amortized over four (4)
9 years, for an annual revenue requirement of \$15,000. The four-year amortization
10 period for these costs is consistent with the Commission's decision in Cause Nos.
11 44062 and 44063. Petitioner also agreed to change its rates in the future to
12 eliminate annual rate case expense recovery of \$15,000 if it has not initiated a
13 new rate case following four full years of the rate case expense recovery included
14 in this Settlement.

15 **Q: Did the Parties agree to reduce the revenue requirements for the Normal**
16 **Temperature Adjustment ("NTA") rebate program?**

17 A: Yes. In Petitioner's last rate case, Cause No. 43753-U, an amount of \$10,800 was
18 allocated for the NTA rebate program. This amount will now be recovered
19 through the energy efficiency funding rider, and therefore, should be removed
20 from the revenue requirements.

21 **Q: What other pro-forma present rate adjustments have the Parties agreed to in**
22 **this Cause?**

23 A: The state and federal income taxes have been adjusted to reflect the expense
24 adjustments mentioned above.

C. Pro-Forma Proposed Rate Adjustments

1 **Q: Please explain the pro-forma proposed rate adjustments the Parties have**
2 **agreed to in this Cause.**

3 A: The pro-forma proposed rate adjustments shown in Petitioner's schedules reflect
4 the proposed revenue increase agreed upon in settlement, and the appropriate
5 gross up to bad debt expense, the IURC fee, utility receipts tax, and state and
6 federal income taxes.

D. Other Adjustments

7 **Q: Were any adjustments made to Petitioner's rate base calculation?**

8 A: Yes. While no changes were made to utility plant in service, accumulated
9 depreciation or materials and supplies, a change was made to the working capital
10 portion of the rate base calculation. This change was made as a result of
11 adjustments to operating expenses discussed previously in my testimony. The
12 Parties agree the change to working capital is the only change that should be made
13 to Petitioner's rate base.

14 **Q: Were any adjustments made to Petitioner's capital structure?**

15 A: Yes. As described above, the investment tax credit has been fully amortized by
16 Petitioner. Therefore, the Parties agreed to take the investment tax credit out of
17 the capital structure. No other changes to the capital structure were made.

III. RATE DESIGN

18 **Q: What rate design have the Parties agreed to in this Cause?**

19 A: Through discussions outlined in the Settlement Agreement, the Parties agreed to
20 separate the current Rate A general service class into two rate classes, a

1 residential class and a non-residential general service class. The Parties also
2 agreed to increase the current monthly customer charge and the distribution
3 charge for all customers on an across the board basis.

4 **Q: Have the Parties agreed to changes in Petitioner's tariffs regarding energy**
5 **efficiency?**

6 A: Yes. Consistent with Cause Nos. 44062, 44063, 44128 and 44129, the Parties
7 have agreed to implement an Energy Efficiency Funding Component and a Sales
8 Reconciliation Component for all residential customers. Both of these
9 components are a result of the Commission's Order in Cause No. 43995.

10 **Q: Have the Parties agreed to general changes in Petitioner's tariff?**

11 A: Yes. The Parties agreed Petitioner's current tariff should be changed in order to
12 mirror the existing tariff of South Eastern Indiana Natural Gas Company, Inc.,
13 Petitioner's sister company.

14 **Q: Have the Parties agreed to change Petitioner's main extension policy?**

15 A: Yes. The Parties agreed to change the calculation for main extensions from one
16 involving gross revenue to one involving margin revenue. This change coincides
17 with the Parties' agreement to change the applicable test period for estimated
18 revenue from new customers from three years to six years of estimated revenue.

IV. CONCLUSION

19 **Q: Does the OUCC consider the terms agreed upon to be reasonable and**
20 **otherwise in the public interest?**

21 A: Yes. The OUCC recommends the Commission approve the settlement, which the
22 OUCC considers to be in the public interest. All the participating small utilities in
23 Cause No. 43995, excluding Petitioner and one other utility, were required to file
24 a full base rate case proceeding before implementation of the Energy Efficiency

1 Program ("EEP"). Because Petitioner's previous rate case was fairly recent,
2 Petitioner was authorized to implement the EEP through an abbreviated filing.
3 The Parties in this proceeding worked together before this case was filed to
4 determine the appropriate expenses to be recovered in this abbreviated filing.

5 The terms of the Settlement Agreement demonstrate the give and take of
6 settlement negotiations in resolving issues in a manner acceptable to all Parties.
7 This settlement will allow Petitioner to move forward without delay to introduce
8 energy efficiency programs which were approved on a pilot basis in Cause No.
9 43995. Those programs should help reduce monthly usage, with the potential to
10 reduce ratepayers' future monthly gas utility bills.

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

12 **A: Yes.**

AFFIRMATION

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

Heather R Poole

Heather R. Poole
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No. 44292
Fountaintown Gas Company

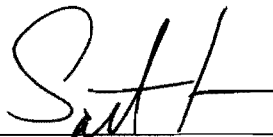
February 28, 2013

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S SETTLEMENT TESTIMONY* has been served upon the following counsel of record in the captioned proceeding by electronic service on February 28, 2013.

L. Parvin Price
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
pprice@boselaw.com



Scott Franson
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile