STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF WESTFIELD GAS CORPORATION, D/B/A CITIZENS GAS OF WESTFIELD FOR (1) AUTHORITY TO INCREASE RATES AND CHARGES FOR GAS UTILITY SERVICE AND APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES AND TERMS AND CONDITIONS APPLICABLE TO GAS UTILITY SERVICE, INCLUDING APPROVAL PURSUANT TO RULE 5-1-27(F) OF THE COMMISSION'S RULES OF A FIVE-YEAR NON-GAS REVENUE TEST TO DETERMINE WHEN DEPOSITS ARE REQUIRED FOR FACILITIES EXTENSIONS; (2) APPROVAL PURSUANT TO INDIANA CODE SECTION 8-1-2.5-6 OF AN ALTERNATIVE REGULATORY PLAN AND AUTHORITY TO IMPLEMENT AN ENERGY EFFICIENCY ADJUSTMENT RIDER; (3) APPROVAL TO AMORTIZE AND RECOVER CERTAIN DEFERRED ENERGY EFFICIENCY REBATE COSTS; (4) AUTHORITY TO RECOVER UNACCOUNTED FOR GAS COSTS AND A PORTION OF THE GAS COST COMPONENT OF NET-WRITE OFFS THROUGH PETITIONER'S GAS COST ADJUSTMENT CHARGE; (5) APPROVAL OF NEW DEPRECIATION ACCRUAL RATES; AND (6) APPROVAL OF A SERVICE LEVEL AGREEMENT BETWEEN PETITIONER AND CITIZENS ENERGY GROUP.	)	CAUSE NO. 43624

FILED
MAY 29 2009
INDIANA UTILITY
REGULATORY COMMISSION

PREFILED TESTIMONY OF

MARK H. GROSSKOPF – PUBLIC'S EXHIBIT MHG-1

ON BEHALF OF

THE INDIANA OFFICE OF

UTILITY CONSUMER COUNSELOR

May 29, 2009

TESTIMONY OF WITNESS MARK H. GROSSKOPF
CAUSE NO. 43624
WESTFIELD GAS CORPORATION

Introduction

Q: Please state your name and business address.

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

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

A: I am employed by the Indiana Office of Utility Consumer Counselor (OUCC) as a Utility Analyst. I have worked as a member of the OUCC's Natural Gas Division since June of 1999.

Q: Please describe your background and experience.

A: I graduated from Indiana University in May 1980, receiving a Bachelor of Science degree in business with a major in accounting. I was employed as an Internal Auditor with Stokely-Van Camp, Inc. from July 1980 to October 1983. I was then employed as an Accountant with Shaffstall Corporation from 1984 to 1991; as Accounting Manager with J.M. Mallon, Inc. from 1991 to 1993; and as Controller with Perfection Property Services, Inc. and The Holding Company, Inc., both under the same ownership, from 1994 to 1995. I joined the OUCC in April of 1995. I became a Certified Public Accountant in November of 1998. I have completed both week 1 and week 2 of the NARUC Annual Regulatory Studies program at Michigan State University.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: Yes, I have testified as an accounting witness in various causes involving water, wastewater, electric, and gas utilities.

Q: What is the purpose of your testimony?

A: I will address certain elements in Petitioner's request for a rate increase, including adjustments to Petitioner's pro forma operating expenses, rate base, and cost of equity, as explained in more detail by other OUCC witnesses, as well as address the overall need for a rate increase. I will sponsor accounting schedules to support pro forma operating expense adjustments described in my testimony and the testimony of OUCC witness Sherry Beaumont, and to reflect the rate base and cost of equity capital recommended by OUCC witness Bradley Lorton. These schedules incorporate all OUCC adjustments to calculate the total revenue requirements and the resulting recommended rate increase.

Q: What have you done to prepare for your presentation of testimony in this proceeding?

A: I have reviewed Westfield Gas Corporation's ("Petitioner" or "Westfield") prefiled testimony and exhibits and analyzed supporting documentation and responses to various OUCC discovery requests provided by Petitioner. I participated in an audit of Petitioner's books and records at the offices of Petitioner's parent company, Citizens Energy Group. I reviewed Petitioner's Annual Reports filed with the Indiana Utility Regulatory Commission. I also participated in informal discussions with Petitioner's representatives and OUCC

staff members in developing issues in this Cause.

Q: With respect to revenue requirements, what is indicated by the OUCC's review of Petitioner's testimony, exhibits, discovery, and books and records?

A: A traditional review and calculation of Petitioner's revenue requirements, per its books, records, and documentation, indicates a revenue shortfall of 9.96%, suggesting an appropriate increase in revenues of $527,543.

Q: What schedules have you submitted that show pertinent calculations related to the OUCC's testimony?

A: I am sponsoring the following Schedules as Public's Exhibit MHG-2:

Schedule 1: Comparison of Petitioner's and the OUCC's Calculation of Revenue Requirements, and Comparison of Income Statement Adjustments.

Schedule 2: Petitioner's Balance Sheet as of March 31, 2008.

Schedule 3: Petitioner's Income Statement for the Twelve Months Ended March 31, 2008.

Schedule 4: Original Cost Rate Base at March 31, 2008.

Schedule 5: Pro Forma Net Operating Income Statement.

Schedule 6: Pro Forma Present Rate Expense Adjustments.

Schedule 7: Pro Forma Proposed Adjustments.

Schedule 8: Petitioner's Capital Structure as of March 31, 2008.

Q: What adjustments does the OUCC recommend to Petitioner's pro forma operating expenses and other components of the revenue requirements?

A: My schedules reflect adjustments to various operating expenses and other

1 components of the revenue requirements. I will address adjustments to
2 Petitioner's proposed revenue increase, Indiana utility receipts tax, state income
3 tax, federal income tax, and rate base. I also made a correction to Petitioner's Pro
4 Forma Net Operating Income Statement. OUCC witness Sherry Beaumont
5 discusses adjustments to Petitioner's pro forma rate case expense and charitable
6 contributions included in the test year. OUCC witness Bradley Lorton addresses
7 Petitioner's proposed fair value rate base and acquisition adjustment, and
8 Petitioner's inclusion of "Economic Less Book Depreciation." Also, Schedule 8
9 reflects a cost of equity capital of 9.75% as supported in the testimony of OUCC
10 witness Bradley Lorton.

11 **Other Issues**

12 **Q: Are there other components to Petitioner's case-in-chief besides the**
13 **components of revenue requirements mentioned previously in your**
14 **testimony?**

15 A: Yes. In addition to authority to increase rates and charges and approval of a new
16 schedule of rates and charges and terms and conditions applicable to gas utility
17 service, Petitioner is also requesting: (1) approval of a five-year non-gas revenue
18 test to determine when deposits are required for facilities extensions; (2) approval
19 of an Alternative Regulatory Plan and authority to implement an Energy
20 Efficiency Adjustment Rider; (3) approval to amortize and recover certain
21 deferred energy efficiency rebate costs; (4) authority to recover unaccounted for
22 gas costs and a portion of the gas cost component of net write-offs through
23 Petitioner's gas cost adjustment (GCA) charge; (5) approval of new depreciation

accrual rates; and (6) approval of a Service Level Agreement between Petitioner and Citizens Energy Group. The OUCC has analyzed each of these requests, and agrees that each should be approved as set forth in Petitioner's testimony, with two exceptions.

Q: Please describe the OUCC's proposed exceptions to these other components Petitioner included in this Cause.

A: The OUCC recommends Petitioner's tariff be amended to include transportation rates for commercial and industrial customers. The OUCC is also recommending an amendment to Petitioner's Energy Efficiency Surcharge. OUCC witness Mitchell Van Cleave addresses these issues in his testimony in this Cause.

Rate Base and Return on Rate Base

Q: Please explain Schedule 4 in Public's Exhibit MHG-2.

A: Schedule 4 calculates total rate base using original cost of Utility Plant in Service of $6,942,611 and Accumulated Depreciation of ($1,460,238) at March 31, 2008, as shown on Petitioner's Exhibit JRB-2. Petitioner has proposed a fair value Utility Plant in Service of $9,248,151 as shown on Petitioner's Exhibit JRB-13, whereas the original cost depreciated Utility Plant in Service at March 31, 2008 is $5,482,373, a difference of $3,765,778. As shown on Public's Exhibit MHG-2, Schedule 1, Petitioner proposed a total fair value rate base of $9,755,084 and the OUCC proposes an original cost rate base of $5,989,306, a difference of $3,765,778 in total rate base. See the Direct Testimony of OUCC witness Bradley Lorton for further discussion on Petitioner's proposed fair value rate

base.

Q: Do Petitioner's financial statements show an acquisition adjustment booked in Utility Plant Assets?

A: Yes, the Balance Sheet attached to the Minutes of the Meeting of the Board of Directors of the Westfield Gas Corporation Held October 8, 2004 indicates Goodwill in the amount of $3,705,804. (See Public's Exhibit MHG-3, page 1.) This amount was also shown as Utility Plant Acquisition Adjustments in the Comparative Balance Sheet included in the Annual Report to the Indiana Utility Regulatory Commission for the Year Ended 12/31/2004 (See Public's Exhibit MHG-3, page 2.) The closing date of the purchase of Westfield Gas was completed in September 2004, and no goodwill or acquisition adjustment was on the utility books prior to that period. Subsequent to the year of acquisition and consistently in each year thereafter through March 31, 2008, Petitioner has booked an acquisition adjustment of $3,629,021 as shown on Petitioner's Exhibit JRB-2. For additional discussion on the acquisition adjustment, see the Direct Testimony of OUCC witness Bradley Lorton.

Q: In response to Petitioner's Witness Scott Miller, Mr. Lorton discusses the Lawrenceburg Gas rate case, Cause No. 43090, in his direct testimony. Was a fair value rate base used in this Lawrenceburg Gas rate case?

A: No. I too was involved in the Lawrenceburg Gas rate case as an analyst and witness. Lawrenceburg rates were proposed and subsequently approved using an original cost depreciated rate base. I concur with Mr. Lorton's discussion and the figures he cited regarding the Lawrenceburg Gas rate case, Cause No. 43090, as related to Petitioner's proposed fair value rate treatment in this proceeding.

Q: Is there a fundamental difference between Petitioner's and the OUCC's calculation of return on rate base?

A: Yes. As shown on Schedule 1 of Public's Exhibit MHG-2, the OUCC has eliminated "Economic Less Book Depreciation" from the calculation of return on rate base, as supported in the Direct Testimony of OUCC witness Bradley Lorton.

Rate of Return

Q: What rate of return is used to calculate net operating income, or return on rate base in Public's Exhibit MHG-2?

A: The testimony of OUCC witness Bradley Lorton supports a cost of equity of 9.75%. Using a cost of equity of 9.75% in the Capital Structure shown on Schedule 8 of Public's Exhibit MHG-2, the total weighted cost of capital calculates to be 9.65%. Thus, 9.65% is the rate of return used on Schedule 1 to calculate the proposed net operating income in this Cause.

Operating Expenses

Q: Please explain the adjustments made to Petitioner's pro forma operating expenses.

A: Please reference the Direct Testimony of OUCC witness Sherry Beaumont. I have incorporated the adjustments from witness Beaumont into Schedule 5 of Public's Exhibit MHG-2, as referenced on Schedule 6 of this Exhibit. Witness Beaumont explains the adjustment to Rate Case Expense (Schedule Reference 6-1), and an adjustment for charitable contributions reflected in Miscellaneous expense (Schedule Reference 6-2).

1 **Pro Forma Income Statement**

2 **Q: Have you made a correction to Petitioner's Schedule of Pro Forma**
3 **Operating Revenue and Operation & Maintenance Expenses shown as**
4 **Petitioner's Exhibit OWK-9?**

5 A: Yes. Petitioner's Exhibit OWK-9, page 1 of 10, contains a mathematical error.
6 The test year Regulatory Commission expense amount of $9,074, plus a $75
7 adjustment, does not equal the pro forma present rate amount of $6,393 shown on
8 Petitioner's Exhibit. I have accepted Petitioner's correction as explained in
9 response to the OUCC's Fifteenth Set of Data Requests, Q-74, as shown in
10 Public's Exhibit MHG-3, page 3. The OUCC's Pro Forma Net Operating Income
11 Statement, Schedule 5 in Public's Exhibit MHG-2, corrects Petitioner's error and
12 reflects a ($2,681) pro forma adjustment and includes a Pro Forma Present Rate
13 Regulatory Commission expense of $6,393.

14 **Utility Receipts Tax**

15 **Q: Please explain your adjustment to Petitioner's Pro Forma Utility Receipts**
16 **Tax calculation.**

17 A: I am in general agreement with Petitioner's method of calculating the pro forma
18 utility receipts tax adjustment based on pro forma present rates, except Petitioner
19 failed to include the $1,000 exemption in its calculation. My utility receipts tax
20 calculation includes the $1,000 exemption.

21 **Federal and State Income Taxes**

22 **Q: Please explain your adjustment to Petitioner's federal and state income tax**
23 **calculations.**

24 A: I do not dispute Petitioner's federal and state income tax calculations. All

1 changes to Petitioner's federal and state income tax calculations are a result of
2 changes to pro forma proposed revenue requirements described in my testimony.

3 **Revenue Increase**

4 **Q: Please explain the OUCC's recommended revenue increase reflected on**
5 **Schedule 5 of Public's Exhibit MHG-2.**

6 A: The total recommended revenue increase is calculated and shown on Schedule 1
7 of Public's Exhibit MHG-2. On Schedule 5, the total increase is split between gas
8 sales revenue and other revenue. The increase in other revenue relates to late
9 payment charges. A late payment charge factor was calculated based on test year
10 gas sales revenue and test year late payment charge revenue. The increase in
11 other revenue is based on the relationship of late payment charges to the OUCC's
12 total pro forma proposed rates, consistent with Petitioner's calculation.

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

14 A: Yes, at this time.

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Comparison of Petitioner's and the OUCC's
Revenue Requirement

Description	Per Petitioner	Per OUCC	Sch Ref
Rate Base	$9,755,084	$5,989,306	4
Times: Rate Of Return	7.96%	9.65%	8
Net Operating Income	776,505	578,197	
Economic Less Book Depreciation	79,753	0	
Return on Rate Base	856,258	578,197	
Less: Adjusted Net Operating Income	256,572	265,874	5
Increase In Net Operating Income	599,686	312,323	
Times: Revenue Conversion Factor	1.6869	1.6891	1
Recommended Revenue Increase	$1,011,636	$527,543	
Overall Percentage Increase (Decrease)	18.99%	9.96%	

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Comparison of Income Statement Adjustments
Test Year Ending March 31, 2008

Adjustment	Per Petitioner	Per OUCC	OUCC More/Less
Operating Revenues			
Gas Sales Revenues			
Weather Normalization	$48,498	$48,498	$0
Uncollectible Accounts - Gas Costs	12,555	12,555	0
Other Revenues			
Bad Check Charge	(80)	(80)	0
Reconnect/Disconnect Charge	1,784	1,784	0
Total Operating Revenues	62,757	62,757	0
Operating Expenses			
Production and Supply			
Weather Normalization	48,498	48,498	0
Uncollectible Accounts - Gas Cost	12,555	12,555	0
Distribution			
Miscellaneous	(2,400)	(2,400)	0
Customer Accounts			
Uncollectible Accounts - Non-Gas	(18,711)	(18,711)	0
Administrative and General			
Office Supplies and Other	(2,472)	(2,472)	0
Rate Case Expense	51,315	30,131	(21,184)
Regulatory Commission	75	(2,681)	(2,756)
CSS	6,554	6,554	0
Taxes - General			
FICA	0	0	0
Utility Receipt Tax	3,567	3,553	(14)
Property Tax	0	0	0
Taxes - Income - State	40,918	49,132	8,214
Taxes - Income - Federal	65,223	70,015	4,792
Depreciation and Amortization	(98,963)	(98,963)	0
Total Operating Expenses	$106,159	$95,211	($10,948)

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
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Revenue Conversion Factor

Description	Per Petitioner	Per OUCC	Line No.
Gross Revenue Change	100.0000%	100.0000%	1
Less: Bad Debt Adj. Factor (at .0032)	0.0032	0.0032	2
Subtotal	100.0000%	99.6800%	3
Less: IURC Fee 2009 (.001203993)	0.1200%	0.1200%	4
Subtotal	100.0000%	99.6800%	5
Less: Utility Gross Receipts Tax (at 1.4%)	0.014	0.0139552	6
Subtotal	98.1600%	99.5600%	7
Less: State Adj. Gross Inc. Tax (at 8.5%)	8.3436%	8.4626%	8
Subtotal	89.8164%	89.7019%	9
Less: Federal Income Tax (at 34%)	30.5376%	30.4986%	10
Change In Net Operating Income	59.2788%	59.2032%	
Revenue Conversion Factor	1.6869	1.6891	

Formula Notes:

Line 3 equals Line 1 minus Line 2

Line 5 equals Line 1 minus Line 2

Line 7 equals Line 1 minus Line 2 minus Line 4

Line 9 equals Line 7 minus Line 8 minus Line 6

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Balance Sheet as of March 31, 2008

ASSETS

Utility Plant:	
Utility Plant in Service	$6,942,611
Gas Plant Acquisition Adjustment	3,629,021
Less: Accumulated Depreciation	(1,460,238)
Less: Accumulated Amortization	(386,132)
Net Utility Plant In Service	8,725,262
Construction Work In Progress	84,960
Total Utility Plant	8,810,222
Current Assets:	
Cash and Temporary Investments	1,386,878
Accounts Receivable - net	555,352
Accrued Utility Revenue	475,273
Natural Gas in Storage	0
Prepayments and Deposits	76,449
Total Current Assets	2,493,952
Deferred Charges:	
Clearing Accounts	144,216
Total Deferred Charges	144,216
Total Assets	$11,448,390

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Balance Sheet as of March 31, 2008

LIABILITIES AND STOCKHOLDERS EQUITY

Stockholders Equity:	
Common Stock and Additional Paid-In Capital	$6,957,469
Retained Earnings	2,232,824
Total Stockholders Equity	9,190,293
Long Term Debt	0
Current Liabilities:	
Current Portion of Long Term Debt	0
Accounts Payable	1,667,462
Sales Tax Payable	39,954
Accrued Taxes	340,203
Customer Deposits	116,606
Refundable Gas Cost	61,715
Other Current Assets	10,858
Total Current Liabilities	2,236,798
Deferred Credits:	
Unclaimed property	4,071
Accumulated Deferred State Income Taxes	2,172
Accumulated Deferred Federal Income Taxes	15,056
Total Deferred Credits	21,299
Total Stockholders Equity and Liabilities	$11,448,390

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Income Statement For The Twelve Months Ended March 31, 2008

Operating Revenues	
Gas Sales	$5,236,528
Other Operating Revenue	28,099
Total Operating Revenues	5,264,627
Operating Expenses	
Cost of Gas Delivered	3,874,950
Transmission	8,455
Distribution	128,752
Customer Accounts	50,166
Administrative and General	250,549
Depreciation and Amortization	346,814
Taxes - Utility Receipts	70,778
Taxes - Property	174,799
Taxes - Income	62,146
Total Operating Expenses	4,967,409
Net Utility Operating Income	297,218
Other Income/Expense	
Interest on Investments	0
Interest Expense	(4,249)
Penalties	0
Other Income/(Expense) - Net	(6,474)
Total Other Income and Deductions	(10,723)
Net Income	$286,495

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Original Cost Rate Base at March 31, 2008

Original Cost of Utility Plant In Service at 3/31/08	$6,942,611
Less: Accumulated Depreciation	(1,460,238)
Net Utility Plant in Service	5,482,373
13 Month Average Inventory	506,933
Total Original Cost Rate Base	$5,989,306

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Pro Forma Net Operating Income Statement

Description	Twelve Mos. Ending 3/31/2008	Adjustments	Sch. Ref.	Pro Forma Present Rates	Adjustments	Sch. Ref.	Pro Forma Proposed Rates
Operating Revenues							
Gas Sales Revenues	$5,236,528			$5,297,581	$524,592		$5,822,173
Weather Normalization		$48,498	Pet.				
Uncollectible Accounts - Gas Costs		12,555	Pet.				
Other Revenues	28,099			29,803	2,951		32,754
Bad Check Charge		(80)	Pet.				
Reconnect/Disconnect Charge		1,784	Pet.				
Total Operating Revenues	5,264,627	62,757		5,327,384	527,543	7-1	5,854,927
Operating Expenses							
Production and Supply				3,936,003			3,936,003
System Supply Purchases	3,716,295						
Purchased Gas Cost Adjustment	(46,590)						
Storage Gas Withdrawn/(Delivered)	1,306,737						
Gas Injected to Storage	(1,101,492)						
Weather Normalization	-	48,498	Pet.				
Uncollectible Accounts - Gas Cost	-	12,555	Pet.				
Transmission				8,455			449,554
Salaries and Wages	4,142						
Maintenance of Mains	4,313						
Distribution				126,352			
Salaries and Wages	34,493						
Mains and Services	64,942						
Maintenance and Repair	7,355						
Measuring and Regulating	9,820						
Miscellaneous	12,142	(2,400)	Pet.				
Customer Accounts				31,455			
Salaries and Wages	19,978						
Remittance Processing	4,965						
Uncollectible Accounts - Non-Gas	23,163	(18,711)	Pet.		1,688	7-3	
Service and Information	2,060						
Administrative and General				280,971			
Administrative and General Salaries	952						
Employee Pensions and Benefits	22,789						
Office Supplies and Other	3,982	(2,472)	Pet.				
Legal Services	4,300						
Rate Case Expense	-	30,131	6-1				
Regulatory Commission	9,074	(2,681)	MHG-3		633	7-2	
Property Insurance	36,236						
Miscellaneous	326	(1,110)	6-2				
CSS	172,890	6,554	Pet.				
Taxes - General							
FICA	-			0			0
Utility Receipt Tax	70,778	3,553	6-3	74,331	7,362	7-4	81,693
Property Tax	174,799			174,799			174,799
Taxes - Income - State	(4,805)	49,132	6-4	44,327	44,644	7-5	88,971
Taxes - Income - Federal	66,951	70,015	6-4	136,966	160,893	7-6	297,859
Depreciation and Amortization	346,814	(98,963)	Pet.	247,851			247,851
Total Operating Expenses	4,967,409	94,101		5,061,510	215,221		5,276,730
Net Operating Income	$297,218	($31,344)		$265,874	$312,323		$578,197

Federal Tax Proof:

Net Operating Income	$578,197	
Add: Federal Income Tax	297,859	
Add: Federal Income Tax Deferred	0	
Less:		
Federal Taxable Income	876,056	
Tax Rate	34.00%	
Gross Federal Income Tax	297,859	
Less: Investment Tax Credit	0	
Pro Forma Federal Income Tax	$297,859	297,859
		0

State Tax Proof:

Federal Taxable Income	$876,056	
Add: State Income Tax	88,971	
Add: Utility Receipts Tax	81,693	
Add:		
State Taxable Income	1,046,720	
Tax Rate	8.50%	
Pro Forma State Income Tax	$88,971	88,971
		0

Utility Receipts Tax Proof:

Total Operating Revenues	$5,854,927	
Less: Wholesale Customer Receipts	0	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debt	(18,695)	
Taxable Gross Receipts	5,835,232	
Tax Rate	1.40%	
Pro Forma Utility Receipts Tax	$81,693	81,693
		1

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
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Adjustments

(1)

Rate Case Expense

Adjustment to Petitioner's Rate Case Expense per Public's Exhibit SLB - No. 2 (p. 6 of 9)	$30,131
Adjustment - Increase/(Decrease)	$30,131

(2)

Charitable Contributions

Test Year Cost of Charitable Contributions per Public's Exhibit SLB - No. 2 (p. 1 of 9)	($1,110)
Adjustment - Increase/(Decrease)	($1,110)

(3)

Indiana Utility Receipts Tax

Gross Receipts	$5,327,384	
Less: Exemption	(1,000)	
Less: Pro Forma Bad Debts	(17,048)	
Utility Gross Receipts Subject to Gross Receipts Tax	5,309,336	
Utility Gross Receipts Tax Rate	1.40%	
Pro Forma Utility Gross Receipts Tax at Present Rates	74,331	
Less: Utility Receipts Tax Per Books at 3/31/08	(70,778)	
Utility Receipts Tax Adjustment - Increase/(Decrease)		3,553

(4)

State and Federal Income Tax

	Federal Income Tax	State Income Tax
Pro Forma Present Rate Operating Revenue Increase	$5,327,384	$5,327,384
Less: Operations and Maintenance	(4,383,236)	(4,383,236)
Depreciation	(247,851)	(247,851)
Taxes Other Than Income	(249,130)	(249,130)
State Income Tax	(44,327)	
Add Back:		
Utility Receipts Tax		74,331
Taxable Income	402,840	521,498
Multiply by: Federal Income Tax Rate	34.00%	
Multiply by: State Adjusted Gross Income Tax Rate		8.50%
Pro Forma State Income Tax Expense		44,327
Pro Forma Federal Income Tax Expense	136,966	
Less: Test Year Expense	66,951	(4,805)
Adjustment - Increase/(Decrease)	$70,015	$49,132

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
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Pro Forma Proposed Adjustments

(1)
Proposed Rate Increase

Pro Forma Present Rate Sales	$5,297,581
Times: Rate Increase	9.96%
Adjustment - Increase	$527,543

(2)
Proposed IURC Fee

Proposed Rate Increase	$527,543
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	0.1200%
Adjustment - Increase	$633

(3)
Proposed Bad Debt Adjustment

Proposed Rate Increase	$527,543
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	0.3200%
Adjustment - Increase	$1,688

(4)
Proposed Utility Receipts Tax

Proposed Rate Increase	$527,543
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	1.3955%
Adjustment - Increase	$7,362

(5)
Proposed State Adjusted Gross Income Tax

Proposed Rate Increase	$527,543
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	8.4626%
Adjustment - Increase	$44,644

(6)
Proposed Federal Income Tax

Proposed Rate Increase	$527,543
Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	30.4986%
Adjustment - Increase	$160,893

WESTFIELD GAS CORPORATION
D/B/A CITIZENS GAS OF WESTFIELD
CAUSE NO. 43624

Capital Structure
as of March 31, 2008

Description	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	$9,190,293	98.56%	9.75%	9.61%
Long Term Debt	0	0.00%	0.00%	0.00%
Customer Deposits	116,606	1.25%	3.50%	0.04%
Deferred Income Taxes	17,228	0.18%	0.00%	0.00%
Total	$9,324,127	100.00%		9.65%

Citizens Gas of Westfield
Balance Sheet

Assets

	September 30, 2004	September 30, 2003
Property and Equipment		
Gas Plant in Service	$ 3,273,936	$ 3,108,188
Less: Accum. Prov. For Depr.	(914,495)	(922,141)
Net Utility Plant in Service	2,359,440	2,186,047
Construction Work in Progress	11,269	-
Total Property and Equipment	2,370,710	2,186,047
Other Property and Investments		
Goodwill	3,705,804	-
Escrow	241,251	-
Other	-	82,151
Total Goodwill	3,947,055	82,151
Current Assets		
Cash	346,138	185,047
Customer Accounts Receivable	(53,339)	33,529
Accrued Utility Revenue/Unbilled	79,628	-
Other Accounts Receivable	29,278	-
Accumulated Provision for Uncollectible	(26,035)	-
Material & Supplies Inventory	11,050	17,592
Contracted Gas Storage	268,143	-
Prepaid Taxes	13,140	13,955
Total Current Assets	668,003	250,123
Deferred Charges		
Unamortized Rate Case Expense	3,510	5,656
GCA Variance	(289,416)	6,990
Total Deferred Charges	(285,905)	12,646
Total Assets	$ 6,699,863	$ 2,530,966

Capitalization and Liabilities

	September 30, 2004	September 30, 2003
Capitalization		
Common Stock Issued	$ 25,000	$ 25,000
Miscellaneous Paid-In Capital	4,432,469	-
Appropriated Retained Earnings	1,214,221	291,747
Unappropriated Retained Earnings	(9,470)	902,606
Long-Term Debt (excluding current maturities)	-	847,000
Total Capitalization	5,662,220	2,066,353
Current Liabilities		
Accounts Payable	397,349	54,556
Customer Deposits	47,394	40,852
Sales Tax	2,828	2,626
Accrued Taxes	128,058	-
Misc. Current & Accrued Liabilities	242,721	125,355
Customer Advances for Construction	114,211	136,143
Total Current Liabilities	932,561	359,533
Deferred Credits		
Deferred State Income Tax	105,081	4,984
Deferred Federal Income Tax	-	100,098
Total Deferred Credits	105,081	105,081
Total Capitalization and Liabilities	$ 6,699,863	$ 2,530,966

WESTFIELD GAS CORPORATION dba CITIZENS GAS OF WESTFIELD

YEAR OF REPORT
December 31, 2004

Public's Exhibit MHG -3
Cause No. 43624
Page 2 of 3

COMPARATIVE BALANCE SHEET - ASSETS AND OTHER DEBITS

ACCT. NO.	ACCOUNT NAME	REF. PAGE	CURRENT YEAR	PREVIOUS YEAR
	UTILITY PLANT			
101	Utility Plant in Service	5 - 8	$ 3,304,402	$ 3,189,354
102	Utility Plant Purchased or Sold		-	-
103	Utility Plant in Process of Reclassification		-	-
104	Utility Plant Leased to Others		-	-
105	Property Held for Future Use		-	-
107	Construction Work in Progress		312,749	-
108	Utility Plant Acquisition Adjustments		3,705,804	-
	Total Utility Plant		$ 7,322,955	$ 3,189,354
110	Accum. Prov. For Depre. Amort. & Deple. of Utility Plant	9	(939,549)	(946,538)
	Net Plant.		$ 6,383,406	$ 2,242,816
109	Other Utility Plant Adjustments		-	-
	Total		$ 6,383,406	$ 2,242,816
	OTHER PROPERTY AND INVESTMENTS			
121	Nonutility Property		$ -	$ -
122	Less: Accumulated Depreciation and Amortization of Nonutility Property		-	-
124	Other Investments		-	82,150
128	Special Funds		241,724	-
	Total Other Property & Investments		$ 241,724	$ 82,150
	CURRENT AND ACCRUED ASSETS			
131	Cash		367,113	129,294
132	Temporary Cash Investments		-	-
141	Notes Receivable	10	-	-
142	Accounts Receivable	10	77,833	380,287
143	Other Accounts Receivable	10	-	-
144	Accumulated Provision for Uncollectible Accounts- Cr.		(25,815)	-
145	Note Receivables from Associated Companies		-	-
146	Account Receivables from Associated Companies		-	-
150	Materials and Supplies Inventory		-	14,569
164	Gas Stored Underground - Current		418,206	-
165	Liquefied Natural Gas Stored		-	-
166	Prepayments		21,765	6,073
170	Other Advance Payments for gas			-
173	Accrued Utility Revenues		373,710	-
	Total		$ 1,232,812	$ 530,223
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense		-	$ -
182.1	Extraordinary Property Losses.		-	-
182.2	Unrecovered Plant and Regulatory Study Costs		2,891	5,070
186	Other Deferred Debits			-
191	Unrecovered Purchased Gas Costs		(278,367)	-
	Total Deferred Debits		$ (275,476)	$ 5,070
	TOTAL ASSETS AND OTHER DEBITS		$ 7,582,466	$ 2,860,259

RESPONSES

Reference Petitioner's Exhibit OWK-9, Page 1 of 10, line Regulatory Commission:

Q-74. Regulatory Commission expense shows a balance of $9,074 as of 3/31/08, with an Adjustment of $75, for a total Pro Forma Present Rate expense of $6,393. Please explain why this line does not add across to equal $9,149.

Response: The adjustment of an increase of $75 reflected on Petitioner's Exhibit OWK-9, Page 1 of 10, line Regulatory Commission is incorrect. The adjustment should reflect a reduction of $2,681, which is the Pro Forma Regulatory Commission amount of $6,393 less the 03/31/08 Regulatory Commission amount of $9,074. In addition, the referenced footnote on this line also is incorrect. The footnote should be as follows:

(6) Regulatory Commission Charges

Pro Forma Rates	$5,327,323 * 0.12% =	$6,393
Less test year amount		$9,074
Adjustment		$2,681 Decrease

Witness: Otto W. Krohn

VERIFICATION

STATE OF INDIANA)
) ss:
COUNTY OF MARION)

The undersigned, Mark H. Grosskopf, under penalties of perjury and being first duly sworn on his oath, says that he is a Employee for the Indiana Office of Utility Consumer Counselor; that he caused to be prepared and read the foregoing that the representations set forth therein are true and correct to the best of his knowledge, information and belief.

Mark H. Grosskopf

By: Mark H. Grosskopf
Indiana Office of
Utility Consumer Counselor

Subscribed and sworn to before me, a Notary Public, this 29th day of May, 2009.

Signature

Kimberly D. Remy
Printed Name

My Commission Expires: October 22, 2010

My County of Residence: Johnson

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing **OUCC TESTIMONY OF MARK H. GROSSKOPF** has been served upon the following parties of record in the captioned proceeding by electronic service and/or by depositing a copy of same in the United States mail, first class postage prepaid, on May 29, 2009.

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