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March 26th, 2018

Electronically filed

RE: Indiana Natural Gas Corporation – 30 Day Filing (Filing No. ____)

Dear Ms. Becerra,

Indiana Natural Gas Corporation (“Indiana Natural” or “Respondent”) is a responding utility in the Commission’s investigation into the impacts of the Tax Cuts and Jobs Act of 2017 under the Commission’s Cause No. 45032. On February 16, 2018, Indiana Natural was ordered to file revised tariff sheets using the 30 day filing process of 170 IAC 1-6-5 and 170 IAC 1-6-6. In keeping with its understanding of that Order, Respondent is submitting revised tariff sheets; supportive verified testimony of Bonnie J. Mann; a recalculated revenue requirement; supportive verified testimony of Kerry A. Heid; and a recalculated revenue proof. Additionally Respondent includes a copy of the legal notice which has been delivered to the Paoli News Republican, a newspaper of general circulation within Respondent’s service area. Respondent believes such notice will be published on or before April 5, 2018. Additionally a copy of this notice has been posted at Respondent’s offices and on Respondent’s website.

Counsel for Respondent has provided a copy of this letter, and accompanying material to: Loraine Seyfriend, as the presiding Administrative Law Judge in Cause No. 45032; Jane Steinhauer, as Director of the Commission’s Energy Division; Tiffany I. Murray, Counsel for the OUCC in Cause No. 45032; and Leja Courter, Director of the OUCC Natural Gas Division.

To the extent the Commission or the OUCC needs additional information please contact the undersigned, or Respondent’s Accountant:

Bonnie J. Mann
LWG CPA’s and Advisors
317-634-4747

Or Respondent’s Cost of Service Advisor:

Kerry A. Heid
Heid Rate and Regulation Services
812-858-0508

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Very truly yours,



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Counsel for Respondent
Indiana Natural Gas Corporation

BASE RATES AND CHARGES

TARIFF G *

SERVICE CHARGE	\$12.00/Mo.
DISTRIBUTION CHARGE	
FIRST 5 DEKATHERM	\$3.1921/Dth
ALL USE OVER 5 DEKATHERMS	\$2.6920/Dth

TARIFF C *

SERVICE CHARGE	\$24.00/Mo.
DISTRIBUTION CHARGE	
FIRST 100 DEKATHERMS	\$2.5200/Dth
ALL USE OVER 100 DEKATHERMS	\$1.9199/Dth

TARIFF STS

SERVICE CHARGE	\$24.00/Mo.
DISTRIBUTION CHARGE	
FIRST 100 DEKATHERMS	\$2.5200/Dth
ALL USE OVER 100 DEKATHERMS	\$1.9199/Dth

TARIFF TM

SERVICE CHARGE	\$24.00/Mo.
DISTRIBUTION CHARGE	
FIRST 100 DEKATHERMS	\$2.5200/Dth
ALL USE OVER 100 DEKATHERMS	\$1.9199/Dth

TARIFF T

SERVICE CHARGE	\$550.00/Mo.
DISTRIBUTION CHARGE	
ALL DEKATHERMS	\$0.9554/Dth

(*) Above rates are subject to a gas cost adjustment factor in accordance with the Indiana Utility Regulatory Commission, Cause No. 37091 approved April 27, 1983. This gas cost adjustment factor currently in effect and applicable hereto with effective dates is found on Appendix A-Gas Cost Adjustment, Sheet No. 51, of this Tariff for Gas Service.

DMS 11947365v1

ISSUED: March 26, 2018

EFFECTIVE:

ISSUED BY: David A. Osmon, Executive Vice President
Base rates approved, Cause No. 44453
Revised per Cause No. 45032, Phase 1, Order of February 16, 2018

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bonnie J. Mann; my business address is 1776 North Meridian, Suite 500, Indianapolis, Indiana 46202.

Q2. WHAT IS YOUR OCCUPATION?

A. I am a certified public accountant specializing in public utility matters.

Q3. ARE YOU AFFILIATED WITH ANY ACCOUNTING FIRMS?

A. Yes I am. I am affiliated with LWG CPA's & Advisors ("LWG")

Q4. DOES LWG REGULARLY ADVISE PUBLIC UTILITIES ON TAX MATTERS?

A. Yes it does.

Q5. ARE YOU FAMILIAR WITH THE COMMISSION'S INVESTIGATION INTO THE TAX CUTS AND JOBS ACT OF 2017 UNDER CAUSE NO. 45032.

A. Yes I am.

Q6. ARE YOU WORKING WITH ANY PUBLIC UTILITIES IN THAT IN THAT CAUSE?

A. Yes, I and my colleagues are working with the respondents: Midwest Natural Gas Corporation; Indiana Utilities Corporation; South Eastern Indiana Natural Gas Company, Inc.; Fountaintown Gas Company, Inc.; Community Natural Gas Co., Inc.; Boonville Natural Gas Corporation; Indiana Natural Gas Corporation; and Switzerland County Natural Gas Co., Inc.

Q7. HAVE YOU PREVIOUSLY WORKED WITH THESE COMPANIES?

A. Yes, I and my colleagues at LWG assisted all of these companies in establishing their current base rates.

Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY HERE?

I, along with my colleagues at LWG, have been asked to assist the above public utilities to respond to the Commission's Order in Cause No. 45032 dated February 16th, 2018 under the heading Phase 1.

Q9. WHAT IS YOUR UNDERSTANDING OF THE COMMISSION'S ORDER OF FEBRUARY 16TH AS IT RELATES TO FILING NEW TARIFFS?

- A. It is my understanding that the Commission's Order requires these Respondents, with whom I am working, to file new tariffs based on changes in the federal income tax rate created by the Tax Cuts and Jobs Act of 2017.

Q10. IS THIS A SIMPLE MATHEMATICAL CALCULATION?

- A. Yes for some issues. The revenue requirement previously established in base rates used a different tax rate than is now provided through the Tax Cuts and Jobs Act of 2017. Thus in a sense it is mathematical by removing one element of the revenue requirement and replacing it with a new element. However for some of these Respondents, the revenue requirement has changed since the last base rate case due to updated compliance filings to remove rate case amortization. For some of these Respondents, the tax rates included in the base rate case revenue requirement was not the highest corporate tax rate, thus the current tax rates are lower than 34%. Finally some aspects of the new tax rate are complex and have been delayed to the Phase 2 proceeding under the Commission's Orders.

Q11. CAN YOU EXPLAIN WHAT YOU MEAN BY THE TAX RATE INCLUDED IN THE REVENUE REQUIREMENT NOT BEING THE HIGHEST TAX RATE?

- A. Yes I can by pointing out two examples. The highest corporate tax rate prior to this recent Tax Cuts and Jobs Act of 2017 was 39%. Midwest Natural Gas' effective tax rate used to establish its base rate case revenue requirement was 34%. Switzerland County Natural Gas' tax rate used to establish its base rates was 15%.

Q12. HOW DID YOU DETERMINE WHAT TAX RATE WAS INCLUDED IN THE BASE RATE REVENUE REQUIREMENT?

- A. Each of these gas companies were required to file compliance tariffs and revenue proofs when establishing base rates. We reviewed our records at LWG, which included the final revenue requirement used to generate those revenue proofs. By matching the filed revenue proof to our final revenue requirement we were able to ensure that the compliance tariff in the last base rate case correctly reflected the tax rate.

Q13. YOU REFERENCE ABOVE THAT SOME COMPANIES HAVE FILED UPDATED COMPLIANCE TARIFFS WHICH ACTUALLY REDUCED THE REVENUE REQUIREMENT. PLEASE EXPLAIN WHAT YOU MEAN.

- A. In the case of Switzerland County Natural Gas, Boonville Natural Gas, and Fountaintown Gas, those companies were asked to change their tariffs to reduce the revenue requirement to eliminate rate case recovery several years after the base rates were established. That reduced revenue requirement was calculated, and updated compliance tariffs were filed with the Commission in August 2017

for Switzerland County Natural Gas and Fountaintown Gas and December 2017 for Boonville Natural Gas.

Q14. FOR PURPOSES OF ESTABLISHING NEW TARIFFS AS REQUIRED BY THE COMMISSION IN CAUSE NO. 45032 PHASE 1, WHERE DID YOU AND LWG BEGIN?

A. For each utility, we started with the actual tax rate included in the revenue requirement in the last base rate case. We determined if the revenue requirement had been changed because of any updated compliance tariff filings. With those as starting positions we removed Federal income taxes from the revenue in total and then recalculated Federal income taxes on the resulting revenue requirement at 21% for all Respondents. Once those taxes were calculated the revenue was adjusted accordingly for each utility to allow them to continue the opportunity to earn their authorized return as approved in their last base rate case proceeding.

Q15. DID ALL TAX RATES GO DOWN?

A. No. Switzerland County Natural Gas, due to its small size and an authorized operating income that qualified it to be in the lowest tax bracket, actually has a lower tax rate in its base rates than the corporate tax rate created by the Tax Cuts and Jobs Act of 2017. In Switzerland County Natural Gas' case, its tariff actually increased in order to collect revenue based upon the new corporate income tax rate.

Q16. IN THE CASE OF SWITZERLAND COUNTY NATURAL GAS, IS YOUR CALCULATION STILL ONLY A SIMPLE MATH CALCULATION?

A. Yes it is.

Q17. WILL THE NEW TARIFF THAT IS BEING FILED RESOLVE ALL IMPACTS OF THE TAX CUTS AND JOBS ACT OF 2017?

A. No. As the Commission has recognized there are a number of other impacts that will have to be considered as part of a Phase 2 proceeding or a base rate case.

Q18. DO YOU BELIEVE THAT THE TARIFF, WHICH YOUR TESTIMONY IS ACOMPANYING, HAS BEEN ACCURATELY CALCULATED AND FOLLOWS THE COMMISSION'S ORDER UNDER PHASE 1 OF CAUSE NO. 45032?

A. Yes I do. Further all of the companies LWG is representing in this Cause have been calculated the same way.

INDIANA NATURAL GAS CORPORATION
Calculation of Change in Revenue Requirement for New Federal Income Tax Rates

	Revenue Requirement Per Order	Removal of Federal Taxes	Revenue Requirement W/O Fed. Taxes	Adjustment For New Federal Taxes	New Revenue Requirement
Gas Sales	\$ 3,493,507		\$ 3,493,507	\$ (80,764)	\$ 3,412,743
Other Gas Revenues	26,476		26,476		26,476
Total Operating Revenues	3,519,983		3,519,983	(80,764)	3,439,219
Natural Gas Purchased	46,151		46,151		46,151
Other Operation & Maintenance	2,059,002		2,059,002		2,059,002
Depreciation & Amortization	548,050		548,050		548,050
Taxes Other Than Income Taxes	195,054		195,054		195,054
Income Taxes	261,688	(211,230)	50,458	130,466	180,924
Total Operating Expenses	3,109,945	(211,230)	2,898,715	130,466	3,029,181
Net Operating Income	\$ 410,038	\$ 211,230	\$ 621,268	\$ (211,230)	\$ 410,038

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kerry A. Heid; my business address is 3212 Brookfield Drive, Newburgh, IN 47630.

Q2. WHAT IS YOUR OCCUPATION?

I am an independent utility rate consultant specializing in cost of service, rate design and other regulatory and ratemaking issues.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from Purdue University with a Bachelor of Science degree in Civil Engineering. I subsequently graduated with a Master of Business Administration degree, majoring in Finance, from Indiana University.

Q. PLEASE BRIEFLY DESCRIBE YOUR BUSINESS EXPERIENCE AND QUALIFICATIONS.

A. I have approximately 40 years of experience in the rate and regulatory areas, having performed cost of service and rate design studies for gas, electric, steam water and wastewater utilities. I have also represented both utilities and customers in various public utility proceedings as well as court proceedings.

Q4. ARE YOU FAMILIAR WITH THE COMMISSION'S INVESTIGATION INTO THE TAX CUTS AND JOBS ACT OF 2017 UNDER CAUSE NO. 45032?

A. Yes I am.

Q5. HAVE YOU BEEN ENGAGED BY ANY PUBLIC UTILITIES TO ASSIST THEM IN RESPONDING TO AND COMPLYING WITH THE COMMISSION'S REQUIREMENTS AS SET FORTH IN CAUSE NO. 45032?

A. Yes, I have been engaged by the following Respondents to assist them with the rate design requirements of Cause No. 45032: Midwest Natural Gas Corporation; Indiana Utilities Corporation; South Eastern Indiana Natural Gas Company, Inc.; Fountaintown Gas Company, Inc.; Community Natural Gas Co., Inc.; Boonville Natural Gas Corporation; Indiana Natural Gas Corporation; and Switzerland County Natural Gas Co., Inc.

Q6. HAVE YOU PREVIOUSLY WORKED WITH THESE COMPANIES?

A. Yes, I have assisted all of these companies in establishing their rate tariffs, in various rate proceedings, and on other regulatory matters.

Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY HERE?

I was asked to assist each of these Respondents in preparing new tariffs in response to the Commission's Order in Cause No. 45032 dated February 16th, 2018 under the heading Phase 1.

Q8. WHAT IS YOUR UNDERSTANDING OF THE COMMISSION'S ORDER OF FEBRUARY 16TH AS IT RELATES TO FILING NEW TARIFFS?

A. It is my understanding that Phase 1 of this proceeding is intended to ascertain the existing customer rate impact directly related to the change in the federal income tax rate created by the Tax Cuts and Jobs Act of 2017 (the "Act") on the ongoing revenue requirement for each of Respondents. Accordingly, it is my understanding that the Commission's February 16th Order requires each Respondent to submit for Commission approval revised tariff sheets reflecting the new tax rate applicable to each Respondent as a result of the Act, for all affected rates. The revised rates should be designed to reflect the amount of federal taxes that would have been embedded in the given rates had the new tax rate applicable to Respondent been in effect at the time of approval of those base rates. The Commission's February 16th Order further provides that the difference in rates resulting from the application of the new federal tax rate should be allocated among customer classes in accordance with the allocation methodology used at the time that the current base rates were approved.

Q9. PLEASE DESCRIBE THE PROCESS THAT EACH RESPONDENT USED TO DEVELOP THE NEW RATES AND CHARGES PROPOSED TO BE INCORPORATED INTO THE REVISED TARIFFS IN ACCORDANCE WITH THE PHASE 1 PROVISIONS OF CAUSE NO. 45032.

A. LWG CPAs & Advisors prepared the new revenue requirement as more fully described by Respondent's Witness Mann. I then utilized the resulting change in revenue requirement and recalculated each rate based on the cost allocation and rate design utilized in the last establishment of base rates to implement the new revenue requirement.

Q10. DID YOU PREPARE NEW RATE TARIFFS?

A. Yes. The tariff sheets accompanying this testimony were prepared by me using the same cost allocation and rate design approach that was used to establish the current base rates.

Q11. HAVE YOU PREPARED A RATE DERIVATION THAT DEMONSTRATES THE PROPOSED REVISED RATES AND CHARGES ARE BASED ON THE REVISED REVENUE REQUIREMENTS AND THE SAME COST ALLOCATION METHODOLOGY?

A. Yes, I have attached rate derivations to my testimony.

Q12. WILL THE NEW TARIFFS THAT ARE BEING FILED PURSUANT TO PHASE 1 OF CAUSE NO. 45032 RESOLVE ALL IMPACTS OF THE TAX CUTS AND JOBS ACT OF 2017 AS IDENTIFIED BY THE COMMISSION?

A. No. As the Commission has recognized, there are a number of other impacts that will have to be considered as part of a Phase 2 proceeding or a base rate case.

Q13. DO YOU BELIEVE THAT THE TARIFFS, WHICH ACCOMPANY YOUR TESTIMONY, HAVE BEEN ACCURATELY CALCULATED AND FOLLOW THE COMMISSION'S ORDER UNDER PHASE 1 OF CAUSE NO. 45032?

A. Yes I do.

Q14. DOES THIS CONCLUDE YOUR TESTIMONY IN PHASE 1 OF THIS PROCEEDING?

A. Yes, at the present time.

**INDIANA NATURAL GAS CORPORATION
DERIVATION OF SETTLEMENT RATE INCREASE PERCENTAGES**

	<u>Total</u>	<u>Tariff G</u>	<u>Tariff C/STS/TM</u>	<u>Tariff T</u>
1 Test Year Revenues at Present Rates (input)	\$ 3,493,507			
2 Total Revenues Required to be Collected Through Rates (input)	\$ 3,412,743			
3 Present Service Charge (input)		\$12.00	\$24.00	\$550.00
4 Proposed Service Charge (input)		\$12.00	\$24.00	\$550.00
5 Proforma Number of Annual Bills (input))	90,046	86,826	3,127	93
6 Present Revenues Recovered Through Service Charges (Ln 3 * Ln 5)	\$1,168,110	\$1,041,912	\$75,048	\$51,150
7 Present Revenues Recovered Through Distribution Charges (Ln 1 - Ln 6)	\$2,325,397			
8 Proposed Revenues Recovered Through Service Charges (Ln 4 * Ln 5)	\$1,168,110	\$1,041,912	\$75,048	\$51,150
9 Proposed Revenues Recovered Through Distribution Charges (Ln 2 - Ln 8)	\$2,244,633			
10 Required % Increase in Distribution Charges ((Ln 9 / Ln 7) - 1)	-3.4731%			

INDIANA NATURAL GAS CORPORATION DERIVATION OF FIT-REDUCED RATES

<u>DESCRIPTION</u>	<u>Present Rates (\$/dth)</u>	<u>Proposed Margin Change (%)</u>	<u>Proposed Rates (\$/dth)</u>
	(A)	(B)	(C)
<u>Tariff G - Small General Gas Service</u>			
Service Charge	\$12.00		\$12.00
First 5 dekatherms	\$3.3070	-3.4731%	\$3.1921
Over 5 dekatherms	\$2.7889	-3.4731%	\$2.6920
<u>Tariff C - Large General Service</u>			
Service Charge	\$24.00		\$24.00
First 100 dekatherms	\$2.6107	-3.4731%	\$2.5200
Over 100 dekatherms	\$1.9890	-3.4731%	\$1.9199
<u>Tariff STS - School Transportation Service</u>			
Service Charge	\$24.00		\$24.00
First 100 dekatherms	\$2.6107	-3.4731%	\$2.5200
Over 100 dekatherms	\$1.9890	-3.4731%	\$1.9199
<u>Tariff TM - Transportation Service to Manufacturing</u>			
Service Charge	\$24.00		\$24.00
First 100 dekatherms	\$2.6107	-3.4731%	\$2.5200
Over 100 dekatherms	\$1.9890	-3.4731%	\$1.9199
<u>Tariff T - Transportation Service to End Users</u>			
Service Charge	\$550.00		\$550.00
All dekatherms - Transport	\$0.9898	-3.4731%	\$0.9554

Legal Notice

To all customers of Indiana Natural Gas Corporation: Please take note that the Company has filed revised tariffs with the Indiana Utility Regulatory Commission to change its rates to begin to implement the revised federal income tax rate paid by the Company. Such revised tariff is being filed pursuant to the Indiana Utility Commission's Order in Cause No. 45032 issued on February 16, 2018. The impact on your bill will vary based on the amount of usage. However the federal income tax rate being used is that included in the Tax Cuts and Jobs Acts of 2017. The Company believes this change will be a decrease in the bills previously paid by you. The Company believes that this change will be approved by the Indiana Utility Commission in May of this year and will then be implemented in the Company's June billing to you.

If you have any questions about this Notice please contact the Company at:

Indiana Natural Gas Corporation
101 S.E. Third Street
P.O. Box 520
Washington, Indiana 47501
(812) 254-5087

Or you may contact the Indiana Utility Regulatory Commission at:

Secretary to the IURC
PNC Center
101 West Washington Street
Indianapolis, IN 46204
(317) 232-2701

Or you may contact the Office of Utility Consumer Counselor at:

Office of Utility Consumer Counselor
PNC Center
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
(317) 232-2494

Verification

As an employee of Indiana Natural Gas Corporation, I affirm under the penalties of perjury that the Company has provided notice to our customers of the revised tariff filing as described by counsel for the Company in his letter to Mary M. Becerra accompanying the revised tariff sheets.



Indiana Natural Gas Corporation