

Test Year: January 1, 2017 to December 31, 2017

Date Certain: December 31, 2016

Section S

- S-1 Most recent five year capital expenditures budget
- S-2.1 Five year projected income statement
- S-2.2 Five year projected balance sheet
- S-2.3 Five year projected cash flow statement
- S-2.4 Assumptions
- S-3 Proposed notice of newspaper publication
- S-4.1 Executive summary of corporate process utilized by the board of directors and corporate officers
- S-4.2 Management policies and practices and organization to meet corporate goals

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
FIVE YEAR PROJECTED CAPITAL EXPENDITURES
2017 - 2021

Data: Actual x Estimated
Type of Filing: x Original Updated Revised
Work Paper Reference No(s):

Schedule S-1
Page 1 of 1

Witness Responsible: Kim Watkins

LINE NO.	DESCRIPTION	12 MONTHS				
		12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
1	CONSTRUCTION REQUIREMENTS:					
2	BLANKET REQUISITIONS					
3	1 NEW MAINS	\$ 837,500	\$ 814,700	\$ 829,800	\$ 844,900	\$ 859,900
4	2 NEW SERVICES	654,400	672,200	684,600	697,000	709,400
5	3 NEW METER AND REGULATOR INSTALLATIONS	162,800	142,600	145,200	147,800	150,500
6	4 NEW REGULATOR STATIONS	339,000	152,800	155,600	158,400	161,200
7	5 NEW METERS/REGULATORS	174,970	254,600	259,300	264,000	268,700
8	6 REPLACEMENT MAINS	358,550	509,200	518,600	528,000	537,400
9	7 REPLACEMENT SERVICES	232,950	234,200	238,600	242,900	247,200
10	11 TOOLS, WORK EQUIPMENT	3,000	50,900	51,900	52,800	53,700
11	12 COMMUNICATIONS EQUIPMENT	163,700	112,000	114,100	116,200	118,200
12	13 IMPROVEMENTS TO PROPERTY	23,620	20,400	20,700	21,100	21,500
13	14 FURNITURE AND FIXTURES	9,000	10,200	10,400	10,600	10,700
14	15 COMPUTER EQUIPMENT	22,510	50,900	51,900	52,800	53,700
15	16 TRANSPORTATION EQUIPMENT	288,750	305,500	311,200	316,800	322,500
16	17 OVERHEADS	460,000	468,500	477,100	485,800	494,400
17	CONTRIBUTIONS IN AID OF CONSTRUCTION	(598,000)	(609,000)	(620,300)	(631,500)	(642,800)
18	TOTAL CONSTRUCTION	\$ 3,132,750	\$ 3,189,700	\$ 3,248,700	\$ 3,307,600	\$ 3,366,200
19						
20	SALVAGE & COST OF REMOVAL					
21	MAINS	\$ 16,900	\$ 16,900	\$ 16,900	\$ 16,900	\$ 16,900
22	SERVICES	80,500	80,500	80,500	80,500	80,500
23	METERS	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
24	TRANSPORTATION EQUIPMENT	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)
25	TOTAL SALVAGE & COST OF REMOVAL	\$ (600)	\$ (600)	\$ (600)	\$ (600)	\$ (600)
26	TOTAL CASH REQUIREMENTS	\$ 3,132,150	\$ 3,189,100	\$ 3,248,100	\$ 3,307,000	\$ 3,365,600

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
FIVE YEAR PROJECTED INCOME STATEMENT
2017 - 2021

Data: Actual x Estimated
Type of Filing: x Original Updated Revised
Work Paper Reference No(s):

Schedule S-2.1
Page 1 of 1

Witness Responsible: Kim Watkins

LINE NO.	DESCRIPTION	12 MONTHS				
		12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
1	OPERATING REVENUES	\$ 16,861,700	\$ 20,279,407	\$ 20,298,190	\$ 20,316,905	\$ 20,335,619
2						
3	OPERATING EXPENSES					
4	OPERATION EXPENSE	7,699,820	7,930,815	8,168,739	8,413,801	8,666,215
5	MAINTENANCE EXPENSE	1,226,540	1,263,336	1,301,236	1,340,273	1,380,482
6	DEPRECIATION EXPENSE	2,961,600	3,020,535	3,079,470	3,138,404	3,197,339
7	TAXES OTHER THAN INCOME TAXES	2,415,780	2,621,212	2,661,780	2,703,535	2,746,516
8	INCOME TAXES	853,810	1,834,899	1,713,673	1,589,208	1,464,288
9	TOTAL OPERATING EXPENSES	15,157,550	16,670,796	16,924,899	17,185,222	17,454,840
10	NET OPERATING INCOME	1,704,150	3,608,611	3,373,291	3,131,682	2,880,779
11						
12	OTHER OPERATING INCOME					
13	EQUITY IN EARNINGS OF SUBSIDIARIES	422,190	422,190	422,190	422,190	422,190
14	INTEREST AND DIVIDEND INCOME (NET OF FIT)	61,280	61,280	61,280	61,280	61,280
15	DONATIONS	(19,830)	(19,830)	(19,830)	(19,830)	(19,830)
16	TOTAL OTHER INCOME AND DEDUCTIONS	463,640	463,640	463,640	463,640	463,640
17						
18	INTEREST CHARGES					
19	OTHER INTEREST EXPENSE	17,860	17,860	17,860	17,860	17,860
20	TOTAL INTEREST CHARGES	17,860	17,860	17,860	17,860	17,860
21						
22	NET INCOME	\$ 2,149,930	\$ 4,054,391	\$ 3,819,071	\$ 3,577,462	\$ 3,326,559

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
FIVE YEAR PROJECTED BALANCE SHEET
2017 - 2021

Data: Actual x Estimated
Type of Filing: x Original Updated Revised
Work Paper Reference No(s):

Schedule S-2.2
Page 1 of 1

Witness Responsible: Kim Watkins

LINE NO.	DESCRIPTION	DATE CERTAIN 12/31/2016					
			12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
1	UTILITY PLANT						
2	GAS PLANT IN SERVICE	\$ 100,493,155	\$ 103,625,905	\$ 106,815,605	\$ 110,064,305	\$ 113,371,905	\$ 116,738,105
3	CONSTRUCTION WORK IN PROGRESS	-	-	-	-	-	-
4	ACCUM PROV FOR DEPR OF UTILITY PLANT	(62,914,270)	(66,045,670)	(69,236,005)	(72,485,274)	(75,793,479)	(79,160,618)
5	PLANT ACQUISITION ADJUSTMENTS	570,841	570,841	570,841	570,841	570,841	570,841
6	ACCUM PROV FOR AMORT OF ACQ ADJS	(570,841)	(570,841)	(570,841)	(570,841)	(570,841)	(570,841)
7	NET UTILITY PLANT	37,578,885	37,580,235	37,579,600	37,579,031	37,578,427	37,577,488
8							
9	OTHER PROPERTY AND INVESTMENTS	15,136,803	15,567,132	15,997,461	16,427,790	16,858,119	17,288,448
10							
11	CURRENT AND ACCRUED ASSETS						
12	CASH & WORKING FUNDS	5,452	5,452	5,452	5,452	5,452	5,452
13	NOTES RECEIVABLE	30,750	30,750	30,750	30,750	30,750	30,750
14	CUSTOMER ACCOUNTS RECEIVABLE	5,790,568	5,966,327	7,171,380	7,784,443	9,032,791	11,789,342
15	OTHER ACCOUNTS RECEIVABLE	219,890	219,890	219,890	219,890	219,890	219,890
16	ACCUM PROV FOR UNCOLLECTIBLE ACCTS	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)	(1,596)
17	NOTES RECEIVABLE FROM ASSOC COMPANIES	4,000,000	2,251,030	881,744	(128,329)	(2,009,717)	(5,146,884)
18	ACCOUNTS RECEIVABLE FROM ASSOC COS	12,367	12,367	12,367	12,367	12,367	12,367
19	PLANT MATERIALS AND OPERATING SUPPLIES	504,287	504,287	504,287	504,287	504,287	504,287
20	PREPAYMENTS	315,825	315,825	315,825	315,825	315,825	315,825
21	TOTAL CURRENT AND ACCRUED ASSETS	10,877,543	9,304,332	9,140,099	8,743,089	8,110,049	7,729,433
22							
23	DEFERRED DEBITS	413,394	413,394	413,394	413,394	413,394	413,394
24							
25	TOTAL ASSETS AND OTHER DEBITS	\$ 64,006,625	\$ 62,865,093	\$ 63,130,554	\$ 63,163,303	\$ 62,959,989	\$ 63,008,762
26							
27	PROPRIETARY CAPITAL						
28	COMMON STOCK ISSUED	\$ 12,354,750	\$ 12,354,750	\$ 12,354,750	\$ 12,354,750	\$ 12,354,750	\$ 12,354,750
29	MISCELLANEOUS PAID-IN CAPITAL	8,753,055	8,753,055	8,753,055	8,753,055	8,753,055	8,753,055
30	UNAPPROPRIATED RETAINED EARNINGS	26,044,422	25,168,621	25,697,281	25,990,621	26,042,353	26,343,180
31	ACCUM OTHER COMPREHENSIVE INCOME	(4,978,148)	(4,978,148)	(4,978,148)	(4,978,148)	(4,978,148)	(4,978,148)
32	TOTAL PROPRIETARY CAPITAL	42,174,079	41,298,278	41,826,938	42,120,278	42,172,010	42,472,837
33							
34	CURRENT AND ACCRUED LIABILITIES						
35	ACCOUNTS PAYABLE	2,813,396	2,897,798	2,984,732	3,074,274	3,166,502	3,261,497
36	ACCOUNTS PAYABLE TO ASSOCIATED COS	3,636,601	3,636,601	3,636,601	3,636,601	3,636,601	3,636,601
37	CUSTOMER DEPOSITS	557,611	557,611	557,611	557,611	557,611	557,611

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
FIVE YEAR PROJECTED CASH FLOW STATEMENT
2017 - 2021

Data: Actual x Estimated
Type of Filing: x Original Updated Revised
Work Paper Reference No(s):

Schedule S-2.3
Page 1 of 1

Witness Responsible: Kim Watkins

LINE NO.	DESCRIPTION	12 MONTHS				
		12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
1	NET INCOME	\$ 2,149,930	\$ 4,054,391	\$ 3,819,071	\$ 3,577,462	\$ 3,326,559
2	DEPRECIATION EXPENSE	2,961,600	3,020,535	3,079,470	3,138,404	3,197,339
3	DEPR CHGED TO OTH THAN DEPR EXP	169,200	169,200	169,200	169,200	169,200
4	DECREASE IN N/R ASSOC COMPANIES	1,748,970	1,369,286	1,010,073	1,881,387	3,137,167
5	INCREASE IN INVESTMENT IN ASSOC COMPANIES	(430,329)	(430,329)	(430,329)	(430,329)	(430,329)
6	SALVAGE (NET OF REMOVAL COST)	600	600	600	600	600
7	DEFERRED ITC	(3,084)	(3,084)	(3,084)	(225)	-
8	DEFERRED INCOME TAXES	(347,049)	(347,049)	(347,049)	(347,049)	(347,049)
9	NET CASH FROM OPERATING ACTIVITIES	6,249,838	7,833,550	7,297,952	7,989,451	9,053,487
10						
11	CAPITAL EXPENDITURES	(3,132,750)	(3,189,700)	(3,248,700)	(3,307,600)	(3,366,200)
12	DIVIDENDS	(3,025,731)	(3,525,731)	(3,525,731)	(3,525,731)	(3,025,731)
13						
14	(INCREASE) DECREASE IN OTHER ASSETS	(175,759)	(1,205,053)	(613,063)	(1,248,348)	(2,756,551)
15	INCREASE (DECREASE) IN OTHER LIABILITIES	84,402	86,934	89,542	92,228	94,995
16						
17		-	-	-	-	0
18						
19						
20						
21						
22						
23						
24						

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
ASSUMPTIONS
2017 - 2021

Data: Actual x Estimated
Type of Filing: x Original Updated Revised
Work Paper Reference No(s):

Schedule S-2.4
Page 1 of 1

Witness Responsible: Kim Watkins

LINE NO.	DESCRIPTION	12 MONTHS				
		12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
1						
2	# OF CUSTOMERS BY CLASS - MONTH END					
3	TRANSPORTATION CUSTOMERS					
4	RESIDENTIAL	44,822	45,079	45,336	45,593	45,850
5	COMMERCIAL - INTERRUPTIBLE	-	-	-	-	-
6	COMMERCIAL - FIRM	4,858	4,877	4,896	4,915	4,934
7	INDUSTRIAL - INTERRUPTIBLE	24	24	24	24	24
8	INDUSTRIAL - FIRM	327	329	329	328	327
9	TOTAL TRANSPORTATION CUSTOMERS	50,031	50,309	50,585	50,860	51,135
10						
11	REVENUE BY CUSTOMER CLASS (A)					
12	TRANSPORTATION REVENUES					
13	RESIDENTIAL	\$ 9,255,700	\$ 12,323,477	\$ 12,340,967	\$ 12,358,456	\$ 12,375,946
14	COMMERCIAL - INTERRUPTIBLE	-	-	-	-	-
15	COMMERCIAL - FIRM	3,166,869	3,498,221	3,499,514	3,500,807	3,502,100
16	INDUSTRIAL - INTERRUPTIBLE	221,890	221,890	221,890	221,890	221,890
17	INDUSTRIAL - FIRM	3,825,721	3,844,300	3,844,300	3,844,232	3,844,163
18	TOTAL TRANSPORTATION REVENUES	\$ 16,470,180	\$ 19,887,887	\$ 19,906,670	\$ 19,925,385	\$ 19,944,099
19						
20	MCF TRANS BY CUSTOMER CLASS (A)					
21	TRANSPORTATION REVENUES					
22	RESIDENTIAL	3,808,254.0	3,830,356.0	3,852,458.0	3,874,560.0	3,896,662.0
23	COMMERCIAL - INTERRUPTIBLE	-	-	-	-	-
24	COMMERCIAL - FIRM	1,607,149.0	1,613,495.0	1,619,841.0	1,626,187.0	1,632,533.0
25	INDUSTRIAL - INTERRUPTIBLE	-	-	-	-	-
26	INDUSTRIAL - FIRM	385,454.0	388,396.0	388,396.0	386,925.0	385,454.0
27	TOTAL TRANSPORTATION REVENUES	5,800,857.0	5,832,247.0	5,860,695.0	5,887,672.0	5,914,649.0
28						
29	(A) INCLUDES BILLED AND UNBILLED REVENUES AND EXCLUDES FORFEITED DISCOUNTS (487.000), MISC SERVICE REVENUE (488.000) AND RETURNED CHECK CHARGE (488.000).					
30	(B) OPERATIONS AND MAINTENANCE EXPENSE WERE BUDGETED BY DEPARTMENT FOR 2017. THE YEARS 2018 - 2021 WERE BASED ON THE 2017 BUDGET WITH					
31	LABOR AND NON-LABOR ESCALATIONS.					

3.00%

Ohio Gas Company
Case Nos. 17-1139-GA-AIR, *et al.*
Schedule S-3
Proposed Legal Notice

Ohio Gas Company has filed with the Public Utilities Commission of Ohio ("PUCO") an Application seeking authorization to increase its rates for the provision of natural gas distribution and transportation service and to amend its tariffs and obtain approval for certain accounting changes. The Application, *In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates*, Case No. 17-1139-GA-AIR, and two related cases, *In the Matter of the Application of Ohio Gas Company for Tariff Approval*, Case No. 17-1140-GA-ATA, and *In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority*, Case No. 17-1141-GA-AAM, were filed on May 31, 2017.

The last time that Ohio Gas Company was authorized to increase its rates for the provision of natural gas service was in 1985. It is seeking an increase in rates because of increases in costs, increased investment in plant to serve customers, and an erosion in gas sales due to the increased energy content of the natural gas supplied to customers. The proposed rates reflect the investment needed to continue to provide safe and reliable natural gas distribution and transportation service to the customers of Ohio Gas Company at just and reasonable prices.

This case does not propose to change the way that natural gas will be secured for the customer under the Community Energy Partnership or transportation contracts that have been entered by certain large natural gas users and Ohio Gas Company.

Ohio Gas Company has proposed the rate change based on the costs it would incur during a test year from January 1, 2017 to December 31, 2017 and the value of gas distribution plant as of December 31, 2016. The Application seeks approval of an increase in the monthly customer charge from its current level of \$5.45 per month to \$10.91 per month. If a customer consumed 100 CCF of natural gas, the percentage increase in the customer's total bill would be 6.44% over current charges.

The Application also seeks increases in certain onetime charges including charges for reconnection, field collection of bills, and checks returned for insufficient funds, and new charges for tie-ins, meter relocations, installation of excess flow valves, and investigation fees associated with tampering and fraud.

Recommendations which differ from the Application may be made by the staff of the PUCO or by intervening parties and may be adopted by the PUCO.

Any person, firm, corporation, or association may file, pursuant to section 4909.19 of the Revised Code, an objection to such proposed increased rate by alleging that such proposal is unjust and discriminatory or unreasonable.

A copy of the Application is available for inspection at the office of Ohio Gas Company located at 200 West High Street, Bryan, Ohio 43506 and at the PUCO, Docketing Division, 11th Floor, Columbus, Ohio 43215. The Application and supporting documents may also be viewed at the PUCO's web page at <http://www.puco.gov>, by selecting DIS, inputting 17-1139 in the case lookup box, and selecting the date the Application was filed.

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
Witness: Kim Watkins
No Workpapers

Schedule S-4.1
Page 1 of 2

Ohio Gas Company serves approximately 50,000 customers in the six most northwest counties of Ohio. The service territory includes 28 communities, the largest being the City of Defiance.

Ohio Gas has maintained operating franchise agreements with all 28 communities. These agreements define how Ohio Gas will conduct its operations within the communities' rights-of-way. In addition to operating franchise agreements, Ohio Gas and all 28 communities have agreed to a Community Energy Partnership (CEP) ordinance and an ordinance authorizing contractual arrangements (between Ohio Gas and industrial customers within the municipal boundaries) to be filed with the local community. Contractual arrangements with industrial customers outside of any municipal boundary are filed with the PUCO.

The CEP Program is a community based commodity aggregation program of residential and small commercial customers. Each community acts as the agent for the aggregated customers for the purpose of obtaining a natural gas supply and having that supply delivered to Ohio Gas. Ohio Gas transports that supply to the end user under the authority of its transportation tariff. From the period of 1997 through 2009, all communities and customers in rural areas adopted the CEP Program. In 2009, Ohio Gas completely exited the merchant function.

The larger Industrial and Commercial customers on the Ohio Gas system obtain their own supply of natural gas and contract for that supply to be delivered to Ohio Gas. Ohio Gas then transports that supply under contractual authority.

The corporate process of the Ohio Gas Company and its ownership is intended to recognize the interests of its customers, its employees and its ownership as stated in its Mission Statement (S-4.1 Attachment 1).

The ownership is represented by the Board of Directors (S-4.1 Attachment 2) with the main involvement coming from the Chairman of the Board. NWO Resources has direct approval authority for all wage and salary increases, all employee benefit programs, the annual level of capital expenditures and the dividend. Each year an annual capital and operating budget is prepared and approved by the Chairman of the Board. A long-term system capital needs assessment is prepared by the Senior Vice President and his staff. This process is ongoing and will be discussed in S-4.2.

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR

Schedule S-4.1
Page 2 of 2

NWO Resources does not get involved in the day-to-day operations of Ohio Gas. It is the Officers responsibility to conduct the day-to-day operations within the parameters of the approved annual operations and capital budget.

The Chairman of the Board visits Ohio Gas several times a year and meets with the Officers (S-4.1 Attachment 3). The purpose of these meetings is to discuss the day-to-day operations as they relate to the approved annual operating and capital budgets.



MISSION STATEMENT

Ohio Gas Company provides natural gas service to our customers efficiently and safely in accordance with government regulations. We offer our employees a respectful working environment with competitive wages and benefits. We strive to continually improve corporate and shareholder value.

SCHEDULE: 2

BOARD OF DIRECTORS

1 Give the names of each person who was a member of the Board of Directors at any time during the year.				
2 Column (d) relates to Board meetings only.				
Line No.	Name of Director and Address (City and State) (a)	Served Continuously From (b)	Term Expired or Current Term Will Expire (c)	Number of Meetings Attended During Year (d)
1.	Reau Graves, Jr., P.O. Box 239, Medina, TN 38355	17-Jan-85	1-May-17	1
2.	James N. Blue, 3550 General Atomics Court, San Diego, CA 92121	17-Jan-85	1-May-17	0
3.	Joseph E. Maskalenko, 3550 General Atomics Court, San Diego, CA 92121	1-Apr-08	1-May-17	0
4.	R.P. Hallett, P.O. Box 528, Bryan, OH 43506	1-Apr-98	1-May-17	1
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
16.	Name of Chairman of the Board Reau Graves, Jr.			
17.	Name of Secretary of Board Kim A. Watkins			
18.	Number of Meetings of Board during the year	1		
19.	Number of directors provided for by charter	4		
20.	Number of directors required	4		

SCHEDULE: 3

PRINCIPAL GENERAL OFFICERS

SCHEDULE: 3

PRINCIPAL GENERAL OFFICERS

1 The persons to be listed herein are the chairman of the board, president, vice-president, treasurer, general counsel, and comptroller. Respondents that do not have officers bearing the aforesaid titles shall list those officers who have the responsibilities normally associated with such titles.

2 Customary abbreviations may be used in showing titles and departments in columns (a) and (b).

Line No.	Title of General Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name of Person Holding The Office at End of Year (c)	Office Address (City and State) (d)
1.	Chairman of Board		Reau Graves, Jr.	P.O. Box 239, Medina, TN
2.	President	All Departments	R.P. Hallett	200 West High St., Bryan, Ohio
3.	Treasurer & Corporate Secretary	Rates & Taxes	Kim A. Watkins	200 West High St., Bryan, Ohio
4.	Senior Vice President	Engineering & Operations	Douglas Saul	200 West High St., Bryan, Ohio
5.	Vice President	Gas Supply & Industrial Mktg	Robert Eyre	200 West High St., Bryan, Ohio
6.	Vice President & Controller	Accounting	Charles W. Turnwald	200 West High St., Bryan, Ohio
7.	Vice President	Personnel & Information Technology	Cynthia L. Reed	200 West High St., Bryan, Ohio
8.	General Counsel		McNees, Wallace & Nurick	Fifth Third Center 21 East State Street 17th Floor, Columbus, Ohio
9.				
10.				

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR
Responsible Witness: Kim Watkins
No workpapers

Schedule S-4.2
Page 1 of 4

The Corporate Officers (S-4.1 Attachment 3) meet every other Tuesday to discuss the relevant issues of their departments (S-4.2 Attachment 1) and to discuss their departments' progress with regard to the Board of Director's approved annual budget.

OFFICER

FUNCTIONAL AREAS

President

Ohio Gas Company

Senior Vice President Operations

Field Service – Eastern
Wauseon
Swanton
Field Service – Western
Bryan
Defiance
Gas Measurement
Distribution Support Services
Construction
Purchasing
Engineering
Maintenance

Vice President Personnel &
Information Technology

Customer Service
Human Resources
Information Technology
Gas Control

Vice President & Controller

Accounting
Budgeting
State & Local Taxes

Vice President Gas Supply &
Industrial Services

Gas Supply (OGES)
Industrial Services (OGC)

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR

Schedule S-4.2
Page 2 of 4

OFFICER

Treasurer & Corporate Secretary

FUNCTIONAL AREAS

Cash Management
Federal Tax Return
Pension Plan Administrator
Annual Financial Forecast
Rates & Tariff
Corporate Records
Insurance
Regulatory

President

The President of Ohio Gas directs the operations of the Company in accordance with the objectives of ownership and the Company's Mission Statement (S-4.1 Attachment 1). The President reports directly to the Chairman of the Board. The Marketing Department is under the direct control of the President. The marketing function includes involvement in economic development activities in the Ohio Gas service territory. The President is responsible for all charitable donations made by the Company.

Senior Vice President Operations

The Senior Vice President of Operations has responsibility for all field operations, gas measurement and distribution support services. The overall philosophy of the Operations Department is to provide managers with operating standards and let the day to day operating decisions be made at the manager level. Over the years, this philosophy has served Ohio Gas well. Ohio Gas always gets positive responses from area developers on how accommodating Ohio Gas is and the fact that they can get a decision timely without going through excessive layers of management.

Bi-weekly operations meetings are held throughout the year allowing managers of all areas to discuss their area's progress toward the annual capital and O & M budgets. Deviations from budgeted activities or unforeseen requirements are discussed and noted.

The Senior Vice President of Operations and his staff periodically engage in an on-going system needs assessment. This needs assessment is presented to ownership when capital requirements exceed annual depreciation provisions by a significant amount.

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR

Schedule S-4.2
Page 3 of 4

Field Services

The Field Services Department is divided into the Eastern District and the Western District and each district has a manager reporting to the Senior Vice President Operations. The Eastern District has two service offices, Wauseon and Swanton. The Western District's service offices are Bryan and Defiance. Each service office has a Lead Service Tech reporting to their respective Managers.

Gas Measurement

The Gas Measurement Department is responsible for all meter and regulator maintenance and capital additions. Interstate delivery stations and city gate pressure regulator stations are monitored and maintained by Meter Shop personnel. Large industrial meters & regulators are maintained based on performance and accumulated mileage through the meter. Residential meters & regulators are maintained according to a periodic computer sampling program based on historical meter performance.

Distribution Support Services

Distribution Support Services is comprised of the construction function, engineering function and the pipeline maintenance functions. This department manages tasks requiring pipeline contractors as well as company personnel. In addition, they oversee pipeline safety regulatory compliance.

Vice President Personnel & Information Technology

The Vice President Personnel & Information Technology meets with the managers of Information Technology and Gas Control monthly. In addition, the Vice President attends the quarterly Gas Control meeting with the System Controllers. All three managers submit a monthly report detailing tasks that have been accomplished and items being worked on with regards to the approved budget.

Vice President & Controller

Responsibilities include the functional areas of accounting, budgeting and state & local taxes. This area is responsible for all monthly, quarterly and annual reporting to management, ownership, PUCO, auditors and other outside parties.

OHIO GAS COMPANY
CASE NO. 17-1139-GA-AIR

Schedule S-4.2
Page 4 of 4

The Vice President & Controller coordinates the monthly closing process with all departments including the customer billing system, cash receipts, payroll, accounts payable/receivable and the capital work order system. The annual O&M and capital budgeting process is coordinated in this area along with all State and Local tax filings.

Vice President Gas Supply & Industrial Services

The Vice President Gas Supply & Industrial Services has functional responsibilities split between Ohio Gas Company and Ohio Gas Energy Services. Ohio Gas has exited the merchant function and only transports end user gas that is delivered to Ohio Gas Company. Ohio Gas Energy Services at the present time secures the commodity, transmission and storage functions for all 28 communities participating in the CEP program. This area is responsible for industrial/large commercial transportation contract administration for Ohio Gas Company.

The administration of all commodity, interstate transmission and third party storage contracts is handled in this area for Ohio Gas Energy Services. Ohio Gas Energy Services administers the commodity, interstate transmission and third party storage requirements as agent for all 28 CEP community aggregation pools.

Treasurer & Corporate Secretary

The Treasurer & Corporate Secretary position is responsible for the functions of cash management, federal taxes, pension plan administration, annual financial forecast, rates & tariffs, corporate records, insurance and regulatory.

The cash management function is primarily devoted to Ohio Gas Energy Services. All gas purchases are performed by Ohio Gas Energy Services. Cash receipts for the CEP-GCR billings are done by OGC and OGC purchases the receivable for the CEP-GCR at 100%. The remaining functions are primarily devoted to Ohio Gas Company.

[illegible]

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates)	
	)	Case No. 17-1139-GA-AIR
)	

In the Matter of the Application of Ohio Gas Company for Tariff Approval	)	Case No. 17-1140-GA-ATA
)	

In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority)	
	)	Case No. 17-1141-GA-AAM
)	

DIRECT TESTIMONY OF DAVID A. BERG IN SUPPORT OF THE APPLICATION

	Management policies, practices, and organization
	Operating income
	Rate base
X	Allocations
	Rate of return
	Rates and tariffs
	Other

May 31, 2017

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates	)	Case No. 17-1139-GA-AIR
)	
In the Matter of the Application of Ohio Gas Company for Tariff Approval	)	Case No. 17-1140-GA-ATA
)	
In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority	)	Case No. 17-1141-GA-AAM
)	

**DIRECT TESTIMONY OF DAVID A. BERG
ON BEHALF OF OHIO GAS COMPANY**

Q1. Please state your name and business address.

A1. My name is David Berg and my business address is 15213 Danbury Ave W, Rosemount, MN 55068.

Q2. Who are you employed by?

A2. I am the Principal of Dave Berg Consulting, LLC. Dave Berg Consulting is a single person utility financial consulting firm formed in 2012.

Q3. Please describe your education and professional work experience.

A3. I have Master of Science (1984) and Bachelor of Science (1983) degrees in Electrical Engineering from North Dakota State University. I am a licensed professional engineer in the states of Minnesota and Missouri. From 1984-1988 I was employed as a planning engineer with Burns & McDonnell in Kansas City, MO. From 1988-2012 I was with R.W. Beck (later called SAIC) in their Minneapolis, MN area office. I was a principal with R.W. Beck and was national director of the rates and regulatory group. In my current position, I primarily work

with natural gas, electric, water and wastewater utilities performing cost of service and rate design studies. Since 2004 I have been an instructor for an in-depth electric cost-of-service and rate design course that has been taught throughout the U.S. through Electric Utility Consultants, Inc. ("EUCI"). Over 1000 utility professionals have attended my training sessions.

Q4. Have you previously testified before the Public Utilities Commission of Ohio?

A4. No, I have not.

Q5. What is the purpose of your testimony?

A5. I have prepared the cost-of-service analysis for the Ohio Gas Company ("Company") as part of this proceeding.

Q6. Have you included any exhibits with your testimony?

A6. Yes, my testimony includes the following exhibits:

Exhibit Number	Exhibit Title
DAB-1	Functionalization of Expenses
DAB-2	Functionalization Allocators
DAB-3	Functionalization of Plant and Rate Base
DAB-4	Functionalization of Labor
DAB-5	Classification of Transmission Expenses
DAB-6	Classification of Transmission Plant and Rate Base
DAB-7	Classification of Distribution Expenses
DAB-8	Classification of Distribution Plant and Rate Base
DAB-9	Classification of Customer Expenses
DAB-10	Classification of Customer Plant and Rate Base
DAB-11	Allocation Factors
DAB-12	Allocation of Operating Expenses
DAB-13	Allocation of Rate Base

Q7. Why has a cost-of-service study been prepared?

1 A7. The cost-of-service analysis has been prepared to allocate the Ohio Gas
2 Company's operating expenses between the jurisdictional or tariff customers
3 ("Tariff Customers") and the non-jurisdictional or contract customers ("Contract
4 Customers"). The analysis also addresses allocation of plant and rate base
5 between Tariff Customers and Contract Customers. The allocation of plant is
6 related to the physical plant assets of Ohio Gas Company. The gross plant and
7 accumulated depreciation values by account number were each analyzed. The
8 difference between gross plant and accumulated depreciation for each account
9 results in net plant. Other rate base items such as various cash accounts,
10 materials and supplies and deferred taxes were also analyzed individually. The
11 total of net plant and other rate base items results in the total allocated rate base.

12 **Q8. Why does the cost-of-service analysis only address operating expenses?**

13 A8. Typically, a full cost-of-service analysis would include all revenue requirements
14 including operation and maintenance expenses, depreciation, taxes other than
15 income taxes, income taxes, return on investment and other operating revenues.
16 The issues of depreciation, income taxes, return on investment and other operating
17 revenues are addressed in separate Ohio Gas Company testimony prepared by
18 others. From a revenue requirements perspective, the analysis included with my
19 testimony only addresses the allocation of normal operation and maintenance
20 expenses and taxes other than income taxes between the Tariff Customers and
21 the Contract Customers.

22 **Q9. Is the cost of wholesale natural gas addressed in your analysis?**

A9. No, because the Ohio Gas Company has previously exited the natural gas commodity merchant function; it is a gas transporter only.

Q10. Please briefly describe the approach you took in performing your analysis.

A10. Utilizing 2016 actual values, the expenses were first functionalized as Transmission, Distribution or Customer related expenses. Within each of these three functions, the expenses were then classified as demand, commodity or customer related. The functionalized and classified expenses were then allocated to the Tariff Customer and Contract Customer groups using specifically developed allocators. The analysis results in an allocation of total 2016 operating expenses between these two groups of customers. The same approach was utilized for allocation of plant and rate base.

Q11. Please describe the functionalization of the operating expenses.

A11. In Exhibit DAB-1, the 2016 operating expense values are listed by Federal Energy Regulatory Commission ("FERC") accounting number. The basis for the functionalization of each expense item is shown in the far-right column of the exhibit. Direct allocations to each function are shown as 100% transmission, 100% distribution or 100% customer. The following derived allocators were developed for non-direct expense allocations across the functions.

Derived Functionalization Allocator	Description
Gross Plant	Functionalization of Gross Plant
Accumulated Depreciation	Functionalization of Accumulated Depreciation
Net Plant	Functionalization of Net Plant
Rate Base	Functionalization of Rate Base
Operating Expenses	Total Functionalization of Operating Expenses

Direct Labor	Sum of Labor Directly Charged to Functions
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Exhibit DAB-2 shows each of the allocators used within the functionalization of the operating expenses. The functionalization of Gross Plant, Accumulated Depreciation, Net Plant and Rate Base is summarized in Exhibit DAB-3. Actual labor charged by FERC account and the resulting labor dollars by function is shown in Exhibit DAB-4.

Q12. How were the taxes other than income taxes addressed within functionalization?

A12. The taxes other than income taxes were categorized as revenue, labor, O&M, plant, or throughput related taxes. Each category of tax was then functionalized. Work paper WP-DAB-1 summarizes the categorization of these taxes.

Q13. What was the result of the functionalization of operating expenses?

A13. The total 2016 operating expenses as allocated to the three functions are as follows:

Transmission function	\$1,774,663
Distribution function	4,474,716
Customer function	<u>4,393,609</u>
Total Operating Expenses	\$10,642,988

Q14. What was the result of the functionalization of plant and rate base?

A14. The total 2016 net plant and rate base as allocated to the three functions are as follows:

	<u>Net Plant</u>	<u>Other Rate Base</u>	<u>Total</u>
Transmission function	\$9,762,223	(\$749,340)	\$9,012,883
Distribution function	17,327,628	(2,011,451)	15,316,176
Customer function	<u>10,489,033</u>	<u>(2,963,560)</u>	<u>7,525,473</u>
Total	\$37,578,885	(\$5,724,352)	\$31,854,533

Q15. How were the transmission function expenses and plant/rate base classified?

A15. With the exception of throughput related taxes, all transmission related expenses were classified as demand related expenses. The throughput related taxes were classified as a commodity related expense. The classification of transmission expenses is shown in Exhibit DAB-5. The classified transmission expenses are:

Demand related	\$1,463,763
Commodity related	<u>310,900</u>
Total Transmission Expenses	\$1,774,663

Exhibit DAB-6 summarizes the classification of transmission plant and rate base as 100% demand related.

Q16. How were the distribution function expenses and plant/rate base classified?

A16. Distribution function expenses were all classified as demand related expenses. The classification of distribution function expenses is shown in Exhibit DAB-7. Exhibit DAB-8 shows the classification of distribution plant and rate base as 100% demand related.

Q17. How were the customer function expenses and plant/rate base classified?

A17. Exhibit DAB-9 details the classification of customer related expenses. Ohio Gas Company serves 17 Contract Customers directly from its transmission system. An additional 71 Contract Customers and 49,942 Tariff Customers are served from the distribution system. Within the customer function, certain expenses related to physical services, billing and service/sales are common to all Contract and Tariff Customers. There are certain customer expenses that have been classified

directly to transmission connected Contract Customers. Other customer expenses have been classified directly to distribution connected Tariff Customers and certain customer expenses are common to both Contract and Tariff Customers served from the distribution system. The basis for classification of each customer related expense is shown in the far right column of Exhibit DAB-9. The classified customer expenses are:

Common Services	\$407,136
Common Billing	2,285,428
Common Service/Sales	265,252
Transmission Contract	30,526
Distribution Common	617,238
Distribution Tariff	<u>788,029</u>
Total Customer Expenses	\$4,393,609

Exhibit DAB-10 shows the classification of the customer related plant and rate base. The results of this asset classification were also utilized in certain classification allocators for customer related costs. Work paper WP-DAB-2 shows the breakdown of asset account number 385 as utilized in the classification of that plant account. The resulting classified customer plant/rate base is:

	Net Plant	Other Rate Base	Total
Common Services	\$2,491,586	(\$576,030)	\$1,915,556
Common Billing	6,321,416	(1,339,071)	4,982,345
Common Service/Sales	34,736	17,332	52,069
Transmission Contract	521,887	(126,005)	395,882
Distribution Common	876,499	(156,323)	720,176
Distribution Tariff	<u>242,910</u>	<u>(783,464)</u>	<u>(\$540,555)</u>
Total Customer	\$10,489,033	(\$2,963,560)	\$7,525,473

Q18. How were the classified expenses and plant/rate base allocated to the two groups of customers?

A18. Allocators were developed based on the service characteristics of the two groups of customers (Contract and Tariff) to allocate the classified expenses across the

customer groups. Exhibit DAB-11 summarizes the available allocators developed for this analysis. Direct allocators to either Contract or Tariff Customers were used if a certain expense should be allocated 100% to either group. Work paper WP-DAB-3 shows the breakdown of MCF commodity sales to each group of customers as well as the system peak day and individual customer group peak days resulting in the calculation of the average & excess allocator. For the customers connected to the distribution system, separate distribution only allocators were developed.

Q19. How was the development of customer expense allocation factors done?

A19. For customer services, customer billing and customer service/sales specific weighted customer allocators were developed. Tariff Customers were given a weight of one for each of these categories. The weighting factor for Contract Customers in each category were developed based on discussions with Ohio Gas Company representatives. For physical customer services, Contract Customers were given a weight of 10 based on the average cost of a Contract Customer service as compared to the average cost of a Tariff Customer service. Contract Customers were given a weight of 5 for customer billing expenses to reflect the more detailed billing requirements for these larger customers. For customer service/sales, the Contract Customers were given a weight of 100 as a reflection of the higher level of customer service effort for an average single Contract Customer as compared to an average single Tariff Customer. The weighting factors were utilized for common customer expenses and for distribution system connected common customer expenses.

Q20. What were the results of the allocation of the operating expenses between the two groups of customers?

A20. Exhibit DAB-12 shows the final allocation of expenses and the allocators utilized to achieve the allocation to the Contract Customers and Tariff Customers. The resulting allocations to the two groups of customers are:

Contract Customers	\$1,210,767
Tariff Customers	<u>9,432,221</u>
Total Operating Expenses	\$10,642,988

Based on the cost-of-service analysis, 88.62% of the operating expenses are attributable to the Tariff Customers and 11.38% to the Contract Customers.

Q21. What were the results of the allocation of plant/rate base between the two groups of customers?

A21. In Exhibit DAB-13, the rate base as functionalized and classified has been allocated to the two groups of customers. The resulting allocations of the rate base to the two groups of customers are:

Contract Customers	\$4,927,684
Tariff Customers	<u>26,926,849</u>
Total Rate Base	\$31,854,533

Based on my analysis, 84.53% of the rate base is attributable to the Tariff Customers and 15.47% to the Contract Customers.

Q22. Was your analysis and testimony all prepared by you or under your direct supervision?

A22. Yes.

Q23. Does this conclude your pre-filed direct testimony?

A23. Yes.

FUNCTIONALIZATION OF EXPENSES

		2016 Actuals	TRANSMISSION	DISTRIBUTION	CUSTOMER	Basis
OPERATION						
TRANSMISSION						
850000	OPERATION, SUPVSION, ENG	132,669	132,669	-	-	100% transmission
851000	SYS CONTROL,LOAD DISPATCH	78,651	78,651	-	-	100% transmission
852000	TELEMETRY SYSTEM EXPS	11,649	11,649	-	-	100% transmission
856000	MAINS EXPENSES	89,273	89,273	-	-	100% transmission
856100	MAINS EXPENSES-CATH PROT	90,200	90,200	-	-	100% transmission
856200	MAINS EXPENSES-LOC,PROTEC	22,857	22,857	-	-	100% transmission
857000	MEAS AND REG STATION EXP	31,918	31,918	-	-	100% transmission
857070	MEAS & REG PETTSV PURCH S	-	-	-	-	100% transmission
857100	MEAS AND REG ST-WITNESS	126	126	-	-	100% transmission
859184	TRANSP/TELECOM-OP TRANSM	50,818	50,818	-	-	100% transmission
TOTAL OPERATION TRANSMISSION		\$ 508,161	\$ 508,161	\$ -	\$ -	
DISTRIBUTION						
870000	OPERATION,SUPRVSN,ENG	125,108	-	125,108	-	100% distribution
871000	DISTR LOAD DISPATCH	83,857	-	83,857	-	100% distribution
874000	MAIN/SVC EXP	77,833	-	77,833	-	100% distribution
874100	MAIN/SVC EXP-CATH PROT	62,524	-	62,524	-	100% distribution
874200	MAIN/SVC EXP-LOC, PROT	366,405	-	366,405	-	100% distribution
874300	MAIN/SVC EXP-MANHOLE SURV	35,473	-	35,473	-	100% distribution
874400	MAIN/SVC EXP-DAM PREVENT	27,180	-	27,180	-	100% distribution
874500	MAINS/SERVICES - TRAINING	27,556	-	27,556	-	100% distribution
875000	MEAS/REG STA EXP-GEN	29,460	-	29,460	-	100% distribution
876000	IND MTR/REG EXP	71,306	-	-	71,306	100% customer
876100	IND M/R EXP-AN CHANGE	38,486	-	-	38,486	100% customer
876200	IND M/R EXP-LOAD STDY	12,311	-	-	12,311	100% customer
877000	MEAS/REG STA CHRTS EXP	48,874	-	48,874	-	100% distribution
878000	MTR, HSE REG EXP	127,571	-	-	127,571	100% customer
878100	MTR, HSE REG EXP-AN CHNGE	78,426	-	-	78,426	100% customer
878200	TURN ON/OFF-READ IN/OUT	256,437	-	-	256,437	100% customer
878300	REPAIR METER SET LEAKS	22,528	-	-	22,528	100% customer
879000	CUSTOMER CALL EXPENSES	47,885	-	-	47,885	100% customer
879100	PRIORITY CALLS	65,748	-	-	65,748	100% customer
880000	OTHER EXPENSES	80,684	-	80,684	-	100% distribution
880100	OFFICE SUPPLIES	3,779	446	2,351	982	direct labor
880163	STORES EXP-OPERS DISTR	2,231	-	2,231	-	100% distribution
880184	TRANSP/TELECOM-OPER DISTR	230,154	-	230,154	-	100% distribution
880200	DRUG AND ALCOHOL PROGRAM	1,209	143	752	314	direct labor
880300	UNIFORMS	18,869	2,228	11,739	4,901	direct labor
880400	MAPS AND RECORDS	39,293	-	39,293	-	100% distribution
881000	RENTS	2,285	-	2,285	-	100% distribution
TOTAL OPERATION DISTRIBUTION		\$ 1,983,472	\$ 2,817	\$ 1,253,760	\$ 726,895	
CUSTOMER ACCOUNTS						
901000	SUPERVISION	41,032	-	-	41,032	100% customer
902000	METER READING EXPENSES	76,585	-	-	76,585	100% customer
903000	CUST RECORDS/COLLCT EXP	1,072,536	-	-	1,072,536	100% customer
903100	COMPUTER EXPENSES	8,098	-	-	8,098	100% customer
904000	UNCOLLECTIBLE ACCOUNTS	91,825	-	-	91,825	100% customer
904003	UNCOLL EXP-PIP CUST	132,488	-	-	132,488	100% customer
905163	STORES EXP-OPERS CUST ACC	2,234	-	-	2,234	100% customer
905184	TRANSP/TELECOM-OP CUST AC	37,187	-	-	37,187	100% customer
TOTAL CUSTOMER ACCOUNTS		\$ 1,461,985	\$ -	\$ -	\$ 1,461,985	
CUSTOMER SERVICE						
908000	CUSTOMER ASSIST EXP	-	-	-	-	100% customer
909000	INFORMATIONAL ADVERTISING	5,725	-	-	5,725	100% customer
910000	MISC CUST SVC - REV	(676)	-	-	(676)	100% customer
910100	MISC CUST SVC - EXP	141	-	-	141	100% customer
910184	TRANSP/TELECOM-OP CUSTSER	1,087	-	-	1,087	100% customer
TOTAL CUSTOMER SERVICE		\$ 6,278	\$ -	\$ -	\$ 6,278	
SALES						
911000	SUPERVISION	29,341	-	-	29,341	100% customer
912000	SALARIES AND EXPENSES	100,734	-	-	100,734	100% customer
913000	ADVERTISING EXP	13,373	-	-	13,373	100% customer
913100	ADVERTISING EXP-BLDRS	1,854	-	-	1,854	100% customer
913300	ADVERTISING EXP-CUST EXP	3,072	-	-	3,072	100% customer
916000	MISC SALES EXP	5,401	-	-	5,401	100% customer
916100	ECONOMIC DEVELOPMENT EXPS	4,810	-	-	4,810	100% customer
916184	TRANSP/TELECOM-OPER SALES	20,953	-	-	20,953	100% customer
TOTAL SALES		\$ 179,539	\$ -	\$ -	\$ 179,539	
ADMINISTRATIVE & GENERAL						
920100	ADMIN/GEN SALARY-GEN OFF	232,543	38,775	97,770	95,998	operating expenses

FUNCTIONALIZATION OF EXPENSES

	2016 Actuals	TRANSMISSION	DISTRIBUTION	CUSTOMER	Basis
920200 ADMIN/GEN SALARY-OFF EMPL	378,575	63,125	159,167	156,282	operating expenses
921100 OFFICE SUP/EXP- OFFICER	9,859	1,644	4,145	4,070	operating expenses
921200 OFFICE SUP/EXP-EMPLOYEES	5,740	957	2,413	2,370	operating expenses
921300 OFFICE SUP/EXP	24,025	4,006	10,101	9,918	operating expenses
921400 PC SUPPLIES & EXPENSES	88,209	14,708	37,086	36,414	operating expenses
923100 OUTSIDE SVC EMPLD-FEES	30,000	5,002	12,613	12,385	operating expenses
923300 OUTSIDE SVC EMPLD-SP SVC	122,051	20,351	51,315	50,385	operating expenses
923350 OUTSIDE SV-GRANT THORNTON	106,841	17,815	44,920	44,106	operating expenses
923400 OUTSIDE SVC-LEGAL-OHIO	74,364	12,400	31,266	30,699	operating expenses
923401 OUTSIDE SVC-LEGAL-LOCAL	1,325	221	557	547	operating expenses
923500 OUTSIDE SVC-TRAINING&EDU	5,133	606	3,193	1,333	direct labor
923900 PC OUTSIDE SVC & TRAINING	9,224	1,089	5,739	2,396	direct labor
924000 PROPERTY INSURANCE	32,419	8,422	14,948	9,049	net plant
925000 INJURIES AND DAMAGES	420,101	49,601	261,373	109,127	direct labor
925200 EMPLOYEE SAFETY EQUIP,SUPPLIES	6,183	730	3,847	1,606	direct labor
926100 EMPL PENS/BNFTS-PENSION	363,367	42,903	226,075	94,390	direct labor
926200 EMPL PENS/BNFTS-EMPL BEN	18,503	2,185	11,512	4,807	direct labor
926210 EMPL BNFTS-L/T DISAB	34,540	4,078	21,490	8,972	direct labor
926220 EMPL BNFTS-GTL INS	17,878	2,111	11,123	4,644	direct labor
926225 EMPL BNFTS-VOLUNTARY LIFE INS	158	19	98	41	direct labor
926230 EMPL BNFTS - EAP	2,563	303	1,595	666	direct labor
926240 EMPL BNFTS-ACCIDENT INS	(2)	(0)	(1)	(0)	direct labor
926260 EMPL BNFTS-HEALTH INS	370,037	43,690	230,225	96,123	direct labor
926270 EMPL BNFTS-VISION INS	167	20	104	43	direct labor
926280 EMPL BNFTS-DENTAL INS	21,782	2,572	13,552	5,658	direct labor
926300 DEFINED CONTR PLAN-401K	549,100	64,832	341,631	142,637	direct labor
926400 MERA EXPENSE / FSA	23,755	2,805	14,780	6,171	direct labor
926450 EMPL BNFTS-HAS CASH CONTRIB	83,034	9,804	51,661	21,569	direct labor
926500 NON-PENSION PR BNFT EXP	21,316	2,517	13,262	5,537	direct labor
928000 REGULATORY COMM EXP	750	212	361	177	rate base
930100 INSTIT OR GOODWILL AD EXP	24,380	4,065	10,250	10,064	operating expenses
930184 TRANSP/TELECOM-OPERS A&G	15,217	2,537	6,398	6,282	operating expenses
930200 MISC GEN EXP	61,955	10,331	26,048	25,576	operating expenses
TOTAL ADMINISTRATIVE & GENERAL	\$ 3,155,092	\$ 434,435	\$ 1,720,616	\$ 1,000,040	
TOTAL OPERATION	\$ 7,294,526	\$ 945,413	\$ 2,974,377	\$ 3,374,736	
MAINTENANCE					
TRANSMISSION					
861000 MAINT, SPRVSN, & ENG	49,628	49,628	-	-	100% transmission
863000 MAINTENANCE OF MAINS	14,266	14,266	-	-	100% transmission
863100 MAINT OF MAINS-CATH PROT	31,311	31,311	-	-	100% transmission
863300 MAINT OF MAINS-LEAK SURV	3,430	3,430	-	-	100% transmission
865000 MAINT OF MEAS-REG STA EQ	29,197	29,197	-	-	100% transmission
865070 MAINT MEAS-RG ST-PETTSV P	-	-	-	-	100% transmission
866000 MAINT OF TELEMETRY EQ	25,957	25,957	-	-	100% transmission
867000 MAINT OF RADIO EQUIP	-	-	-	-	100% transmission
867184 TRANSP/TELECOM-MNT TRANSM	15,715	15,715	-	-	100% transmission
TOTAL TRANSMISSION MAINTENANCE	\$ 169,505	\$ 169,505	\$ -	\$ -	
DISTRIBUTION					
885000 MAINT, SPRVSN, ENG	128,308	-	128,308	-	100% distribution
886000 MAINT OF STRUCT & IMPROV	43,179	-	43,179	-	100% distribution
887000 MAINT OF MAINS	65,563	-	65,563	-	100% distribution
887100 MAINT OF MAIN-CATH PROT	47,744	-	47,744	-	100% distribution
887200 MAINT OF MAIN-3RD PTY DMG	20,977	-	20,977	-	100% distribution
887205 MAINT MAIN-3RD PTY BIL	(27,974)	-	(27,974)	-	100% distribution
887210 MAINT MAIN-3RD PTY WAV	7,276	-	7,276	-	100% distribution
887300 MAINT OF MAIN-LEAK SURVEY	14,963	-	14,963	-	100% distribution
887500 MAINT OF MAINS - TRAINING	22,757	-	22,757	-	100% distribution
889000 MAINT OF MEAS/REG STA GEN	4,529	-	4,529	-	100% distribution
889100 MAINT OF MEAS/REG-CALIB	256	-	256	-	100% distribution
889200 MAINT OF MEAS/REG-PAINT	66,181	-	66,181	-	100% distribution
890000 MAINT OF IND MTR/REG-IN	73,862	-	-	73,862	100% customer
890100 MAINT OF IND MTR/REG-OUT	10,397	-	-	10,397	100% customer
890200 MAINT OF IND INSTR INSHOP	9,066	-	-	9,066	100% customer
890300 MAINT OF IND INSTR OUTSID	10,878	-	-	10,878	100% customer
890400 MAINT OF IND TELEMETRY EQ	909	-	-	909	100% customer
890500 MAINT OF IND M/R TRAINING	10,244	-	-	10,244	100% customer
891000 MAINT OF MEAS/REG-CTY GAT	9,097	-	9,097	-	100% distribution
892000 MAINT OF SERVICES	32,518	-	-	32,518	100% customer
892200 MAINT OF SVC-3RD PTY DMGE	18,599	-	-	18,599	100% customer
892205 MAINT OF SVC-3RD PTY BILL	(27,341)	-	-	(27,341)	100% customer
892210 MAINT OF SVC-3RD PTY WAVE	11,606	-	-	11,606	100% customer
892300 MAINT OF SVC-LEAK SURVEY	49,821	-	-	49,821	100% customer
892400 MAINTENANCE 1ST CUTS	9,474	-	-	9,474	100% customer
893000 MAINT - ERT	6,834	-	-	6,834	100% customer

FUNCTIONALIZATION OF EXPENSES

	2016 Actuals	TRANSMISSION	DISTRIBUTION	CUSTOMER	Basis
893100 SMALL METER TESTING	27,986	-	-	27,986	100% customer
893200 SMALL METER REPAIR	46,368	-	-	46,368	100% customer
893300 SMALL REGULAR-REPAIR/TEST	5,048	-	-	5,048	100% customer
894000 MAINT OF OTHER EQUIP	8,322	-	8,322	-	100% distribution
894100 MAINT OF OPERATION EQUIP	20,176	-	20,176	-	100% distribution
894163 STORES EXP-MAINT DISTR	4,464	-	4,464	-	100% distribution
894184 TRANSP/TELECOM-MAINT DIST	65,234	-	65,234	-	100% distribution
894200 MAINT OF CONSTR EQUIP	39,425	-	39,425	-	100% distribution
TOTAL DISTRIBUTION MAINTENANCE	\$ 836,745	\$ -	\$ 540,478	\$ 296,268	
ADMINISTRATIVE & GENERAL					
935000 MAINT GENERAL PLANT	7,273	1,213	3,058	3,002	operating expenses
935184 TRANSP/TELECOM-MAINT A&G	1,327	221	558	548	operating expenses
TOTAL ADMINISTRATIVE & GENERAL	8,600	\$ 1,434	\$ 3,616	\$ 3,550	
TOTAL MAINTENANCE	1,014,851	\$ 170,939	\$ 544,093	\$ 299,818	
DEPRECIATION					
403000 DEPRECIATION EXPENSES	-				
404399 AMORT G/L SOFTWARE	-				
TOTAL DEPRECIATION	\$ -	\$ -	\$ -	\$ -	
408110 TAXES OTHER THAN INC TAX	2,337,543	\$ 659,423	\$ 958,137	\$ 719,983	sum of items below
33.2% Revenue Related	\$ 775,880	\$ 129,374	\$ 326,209	\$ 320,297	operating expenses
12.9% Labor Related	\$ 301,155	\$ 35,557	\$ 187,368	\$ 78,229	direct labor
1.0% O&M Related	\$ 22,716	\$ 3,788	\$ 9,551	\$ 9,378	operating expenses
39.7% Plant Related	\$ 926,892	\$ 179,804	\$ 435,008	\$ 312,080	gross plant
13.3% Throughput Related	\$ 310,900	\$ 310,900	\$ -	\$ -	100% transmission
total check	2,337,543	\$ 659,423	\$ 958,137	\$ 719,983	
FEDERAL INCOME TAXES					
409100 INCOME TAXES	-	-	-	-	rate base
410100 PROV FOR DEF INC TAXES	-	-	-	-	rate base
411400 INVEST TAX CREDIT ADJ	(3,932)	(1,113)	(1,891)	(929)	rate base
TOTAL FEDERAL INCOME TAXES	\$ (3,932)	\$ (1,113)	\$ (1,891)	\$ (929)	
TOTAL OPERATING EXPENSES	\$ 10,642,988	\$ 1,774,663	\$ 4,474,716	\$ 4,393,609	

FUNCTIONALIZATION ALLOCATORS

	<u>TRANSMISSION</u>	<u>DISTRIBUTION</u>	<u>CUSTOMER</u>
	1		
100% transmission	100.0%	0.0%	0.0%
		1	
100% distribution	0.0%	100.0%	0.0%
			1
100% customer	0.0%	0.0%	100.0%
	19,494,235	47,163,389	33,835,531
gross plant	19.4%	46.9%	33.7%
	9,732,012	29,835,761	23,346,497
accumulated depreciation	15.5%	47.4%	37.1%
	9,762,223	17,327,628	10,489,033
net plant	26.0%	46.1%	27.9%
	9,012,883	15,316,176	7,525,473
rate base	28.3%	48.1%	23.6%
	1,774,663	4,474,716	4,393,609
operating expenses	16.7%	42.0%	41.3%
	355,947	1,875,663	783,120
direct labor	11.8%	62.2%	26.0%

FUNCTIONALIZATION OF PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	TRANSMISSION	DISTRIBUTION	CUSTOMER	Basis
GROSS PLANT						
PRODUCTION PLANT						
304	LAND	14,214	14,214	-	-	100% transmission
305	STRUCTURES & IMPROVEMENTS	4,276	4,276	-	-	100% transmission
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	100% transmission
334	MEAS & REG STATION EQUIP	-	-	-	-	100% transmission
	TOTAL PRODUCTION PLANT	18,490	18,490	-	-	
TRANSMISSION PLANT						
365.1	LAND	29,514	29,514	-	-	100% transmission
365.2	RIGHTS OF WAY	936,890	936,890	-	-	100% transmission
366	STRUCTURES & IMPROVEMENTS	97,025	97,025	-	-	100% transmission
367	MAINS	14,143,273	14,143,273	-	-	100% transmission
369	MEAS & REG STATION EQUIP	2,374,646	2,374,646	-	-	100% transmission
370	COMMUNICATION EQUIP	1,177,330	1,177,330	-	-	100% transmission
371	OTHER EQUIP	-	-	-	-	100% transmission
	TOTAL TRANSMISSION PLANT	18,758,679	18,758,679	-	-	
DISTRIBUTION EQUIPMENT						
374.1	LAND	57,195	-	57,195	-	100% distribution
374.2	RIGHTS OF WAY	756,009	-	756,009	-	100% distribution
375	STRUCTURES & IMPROVEMENTS	1,082,889	-	1,082,889	-	100% distribution
376	MAINS	40,668,491	-	40,668,491	-	100% distribution
378	MEAS & REG STATION EQUIP - GENERAL	1,162,621	-	1,162,621	-	100% distribution
379	MEAS & REG STATION EQUIP - CITY GATE	569,331	-	569,331	-	100% distribution
380	SERVICES	17,322,724	-	-	17,322,724	100% customer
381	METERS	6,209,959	-	-	6,209,959	100% customer
381.1	METERS - ERT Modules	3,694,015	-	-	3,694,015	100% customer
382	METER INSTALLATIONS	2,281,597	-	-	2,281,597	100% customer
383	HOUSE REGULATORS	1,623,094	-	-	1,623,094	100% customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	958,524	-	-	958,524	100% customer
387	OTHER EQUIP	763,172	-	763,172	-	100% distribution
	TOTAL DISTRIBUTION PLANT	77,149,622	-	45,059,708	32,089,914	
GENERAL PLANT						
389	LAND	124,733	20,799	52,442	51,492	operating expenses
390	STRUCTURES & IMPROVEMENTS	1,128,952	188,247	474,654	466,051	operating expenses
391.1	OFFICE FURNITURE & EQUIP	293,983	34,710	182,906	76,366	direct labor
391.2	COMPUTER EQUIPMENT	617,184	72,871	383,991	160,322	direct labor
392	TRANSPORTATION EQUIP	1,535,924	256,107	645,761	634,056	operating expenses
393	STORES EQUIPMENT	24,807	4,136	10,430	10,241	operating expenses
394	TOOLS,SHOP,GARAGE EQUIP	139,314	23,230	58,573	57,511	operating expenses
395	LABORATORY EQUIP	10,071	1,679	4,234	4,158	operating expenses
396	POWER OPERATED EQUIP	193,123	32,202	81,196	79,725	operating expenses
397	COMMUNICATION EQUIP	473,062	78,881	198,893	195,288	operating expenses
398	MISC EQUIPMENT	25,211	4,204	10,600	10,408	operating expenses
399	OTHER EQUIP	-	-	-	-	operating expenses
	TOTAL GENERAL PLANT	4,566,364	717,066	2,103,681	1,745,617	
TOTAL GROSS PLANT						
		100,493,155	19,494,235	47,163,389	33,835,531	
ACCUMULATED DEPRECIATION						
DETAIL OF ACCOUNT 108						
PRODUCTION PLANT						
Manufactured Gas Production Plant						
304	LAND	-	-	-	-	
305	STRUCTURES & IMPROVEMENTS	5,764	5,764	-	-	100% transmission
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	100% transmission
334	MEAS & REG STATION EQUIP	-	-	-	-	100% transmission
	TOTAL PRODUCTION PLANT	5,764	5,764	-	-	
TRANSMISSION PLANT						
365.1	LAND	-	-	-	-	100% transmission
365.2	RIGHTS OF WAY	244,394	244,394	-	-	100% transmission
366	STRUCTURES & IMPROVEMENTS	32,928	32,928	-	-	100% transmission
367	MAINS	7,114,792	7,114,792	-	-	100% transmission
369	MEAS & REG STATION EQUIP	889,057	889,057	-	-	100% transmission
370	COMMUNICATION EQUIP	948,982	948,982	-	-	100% transmission
371	OTHER EQUIP	-	-	-	-	100% transmission
	TOTAL TRANSMISSION PLANT	9,230,153	9,230,153	-	-	
DISTRIBUTION PLANT						
374.1	LAND	1,351	-	1,351	-	100% distribution
374.2	RIGHTS OF WAY	293,201	-	293,201	-	100% distribution
375	STRUCTURES & IMPROVEMENTS	689,448	-	689,448	-	100% distribution
376	MAINS	25,363,268	-	25,363,268	-	100% distribution
378	MEAS & REG STATION EQUIP - GENERAL	773,519	-	773,519	-	100% distribution

FUNCTIONALIZATION OF PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	TRANSMISSION	DISTRIBUTION	CUSTOMER	Basis
379	MEAS & REG STATION EQUIP - CITY GATE	563,450	-	563,450	-	100% distribution
380	SERVICES	14,884,455	-	-	14,884,455	100% customer
381	METERS	2,764,580	-	-	2,764,580	100% customer
381.1	METERS - ERT Modules	2,167,850	-	-	2,167,850	100% customer
382	METER INSTALLATIONS	1,231,018	-	-	1,231,018	100% customer
383	HOUSE REGULATORS	827,427	-	-	827,427	100% customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	300,922	-	-	300,922	100% customer
387	OTHER EQUIP	322,833	-	322,833	-	100% distribution
TOTAL DISTRIBUTION PLANT		50,183,322	-	28,007,070	22,176,252	
GENERAL PLANT						
389	LAND	-	-	-	-	
390	STRUCTURES & IMPROVEMENTS	624,506	104,133	262,566	257,807	operating expenses
391.1	OFFICE FURNITURE & EQUIP	394,870	65,843	166,018	163,009	operating expenses
391.2	COMPUTER EQUIPMENT	1,083,504	127,929	674,119	281,456	direct labor
392	TRANSPORTATION EQUIP	697,344	82,335	433,864	181,145	direct labor
393	STORES EQUIPMENT	24,624	4,106	10,353	10,165	operating expenses
394	TOOLS,SHOP,GARAGE EQUIP	198,582	33,113	83,491	81,978	operating expenses
395	LABORATORY EQUIP	10,146	1,692	4,266	4,188	operating expenses
396	POWER OPERATED EQUIP	163,390	27,244	68,695	67,450	operating expenses
397	COMMUNICATION EQUIP	277,619	46,292	116,722	114,606	operating expenses
398	MISC EQUIPMENT	20,446	3,409	8,596	8,440	operating expenses
399	OTHER EQUIP	-	-	-	-	operating expenses
TOTAL GENERAL PLANT		3,495,031	496,095	1,828,691	1,170,245	
TOTAL ACCUMULATED DEPRECIATION		62,914,270	9,732,012	29,835,761	23,346,497	
NET PLANT						
PRODUCTION PLANT						
304	LAND	14,214	14,214	-	-	Gross plant less acc depreciation
305	STRUCTURES & IMPROVEMENTS	(1,488)	(1,488)	-	-	Gross plant less acc depreciation
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	Gross plant less acc depreciation
334	MEAS & REG STATION EQUIP	-	-	-	-	Gross plant less acc depreciation
TOTAL PRODUCTION PLANT		12,726	12,726	-	-	
TRANSMISSION PLANT						
365.1	LAND	29,514	29,514	-	-	Gross plant less acc depreciation
365.2	RIGHTS OF WAY	692,496	692,496	-	-	Gross plant less acc depreciation
366	STRUCTURES & IMPROVEMENTS	64,097	64,097	-	-	Gross plant less acc depreciation
367	MAINS	7,028,481	7,028,481	-	-	Gross plant less acc depreciation
369	MEAS & REG STATION EQUIP	1,485,589	1,485,589	-	-	Gross plant less acc depreciation
370	COMMUNICATION EQUIP	228,348	228,348	-	-	Gross plant less acc depreciation
371	OTHER EQUIP	-	-	-	-	Gross plant less acc depreciation
TOTAL TRANSMISSION PLANT		9,528,526	9,528,526	-	-	
DISTRIBUTION EQUIPMENT						
374.1	LAND	55,844	-	55,844	-	Gross plant less acc depreciation
374.2	RIGHTS OF WAY	462,808	-	462,808	-	Gross plant less acc depreciation
375	STRUCTURES & IMPROVEMENTS	393,441	-	393,441	-	Gross plant less acc depreciation
376	MAINS	15,305,223	-	15,305,223	-	Gross plant less acc depreciation
378	MEAS & REG STATION EQUIP - GENERAL	389,102	-	389,102	-	Gross plant less acc depreciation
379	MEAS & REG STATION EQUIP - CITY GATE	5,881	-	5,881	-	Gross plant less acc depreciation
380	SERVICES	2,438,269	-	-	2,438,269	Gross plant less acc depreciation
381	METERS	3,445,379	-	-	3,445,379	Gross plant less acc depreciation
381.1	METERS - ERT Modules	1,526,165	-	-	1,526,165	Gross plant less acc depreciation
382	METER INSTALLATIONS	1,050,579	-	-	1,050,579	Gross plant less acc depreciation
383	HOUSE REGULATORS	795,667	-	-	795,667	Gross plant less acc depreciation
385	INDUSTRIAL MEASURING & REG STA EQUIP	657,602	-	-	657,602	Gross plant less acc depreciation
387	OTHER EQUIP	440,339	-	440,339	-	Gross plant less acc depreciation
TOTAL DISTRIBUTION PLANT		26,966,300	-	17,052,638	9,913,662	
GENERAL PLANT						
389	LAND	124,733	20,799	52,442	51,492	Gross plant less acc depreciation
390	STRUCTURES & IMPROVEMENTS	504,446	84,114	212,088	208,244	Gross plant less acc depreciation
391.1	OFFICE FURNITURE & EQUIP	(100,887)	(31,132)	16,888	(86,643)	Gross plant less acc depreciation
391.2	COMPUTER EQUIPMENT	(466,320)	(55,058)	(290,129)	(121,133)	Gross plant less acc depreciation
392	TRANSPORTATION EQUIP	838,580	173,772	211,897	452,911	Gross plant less acc depreciation
393	STORES EQUIPMENT	183	30	77	75	Gross plant less acc depreciation
394	TOOLS,SHOP,GARAGE EQUIP	(59,268)	(9,883)	(24,919)	(24,467)	Gross plant less acc depreciation
395	LABORATORY EQUIP	(75)	(12)	(31)	(31)	Gross plant less acc depreciation
396	POWER OPERATED EQUIP	29,733	4,958	12,501	12,274	Gross plant less acc depreciation
397	COMMUNICATION EQUIP	195,443	32,589	82,172	80,682	Gross plant less acc depreciation
398	MISC EQUIPMENT	4,765	795	2,003	1,967	Gross plant less acc depreciation
399	OTHER EQUIP	-	-	-	-	Gross plant less acc depreciation
TOTAL GENERAL PLANT		1,071,333	220,971	274,990	575,372	
TOTAL NET PLANT		37,578,885	9,762,223	17,327,628	10,489,033	

FUNCTIONALIZATION OF PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	<u>TRANSMISSION</u>	<u>DISTRIBUTION</u>	<u>CUSTOMER</u>	<u>Basis</u>
OTHER RATE BASE						
	Working capital cash	-	-	-	-	operating expenses
	Materials and supplies	546,398	91,109	229,726	225,563	operating expenses
	Customer deposits	(557,611)	-	-	(557,611)	100% customer
	1/4 of operating taxes	-	-	-	-	rate base
	Customer advances	(550,559)	-	-	(550,559)	100% customer
	PIPP surcharge recovery balance	(3,176)	-	-	(3,176)	100% customer
	Bad Debt surcharge recovery balance	42,051	-	-	42,051	100% customer
	Deferred pension	2,066,795	244,025	1,285,890	536,880	direct labor
	Deferred other post retirement benefits	(450,198)	(53,155)	(280,098)	(116,945)	direct labor
	Deferred investment tax credit	(9,477)	(2,462)	(4,370)	(2,645)	net plant
	Deferred tax - pension	(702,710)	(82,969)	(437,202)	(182,539)	direct labor
	Deferred tax - other post rtmnt benefits	153,067	18,073	95,233	39,761	direct labor
	Deferred tax - prepaid insurance	(105,647)	(27,445)	(48,714)	(29,488)	net plant
	Deferred tax - accrued vacation	423,736	50,030	263,634	110,072	direct labor
	Deferred tax - property tax	311,304	80,870	143,542	86,891	net plant
	Deferred tax - accrued audit fees	35,496	5,919	14,924	14,653	operating expenses
	Deferred tax - accrued health insurance	14,570	1,720	9,065	3,785	direct labor
	Deferred tax - reserve for bad debt	543	-	-	543	100% customer
	Deferred tax - GIS	(140,554)	(23,437)	(59,094)	(58,023)	operating expenses
	Deferred income tax - Acc Deprec	(6,798,380)	(1,051,620)	(3,223,988)	(2,522,772)	accumulated depreciation
	TOTAL RATE BASE	\$ 31,854,533	\$ 9,012,883	\$ 15,316,176	\$ 7,525,473	

FUNCTIONALIZATION OF LABOR

2016
ACTUAL

OPERATION

TRANSMISSION

850000 OPERATION, SUPVISION, ENG	118,171.25
851000 SYS CONTROL,LOAD DISPATCH	69,486.87
852000 TELEMETRY SYSTEM EXPS	87.75
856000 MAINS EXPENSES	30,608.76
856100 MAINS EXPENSES-CATH PROT	2,968.79
856200 MAINS EXPENSES-LOC,PROTEC	20,480.53
857000 MEAS AND REG STATION EXP	26,768.48
857070 MEAS & REG PETTSV PURCH S	-
857100 MEAS AND REG ST-WITNESS	113.98
859184 TRANSP/TELECOM-OP TRANSM	-
TOTAL OPERATION TRANSMISSION	268,686.41

DISTRIBUTION

870000 OPERATION,SUPRVSN,ENG	110,556.65
871000 DISTR LOAD DISPATCH	73,654.27
874000 MAIN/SVC EXP	66,817.12
874100 MAIN/SVC EXP-CATH PROT	53,693.39
874200 MAIN/SVC EXP-LOC, PROT	318,743.73
874300 MAIN/SVC EXP-MANHOLE SURV	29,482.42
874400 MAIN/SVC EXP-DAM PREVENT	-
874500 MAINS/SERVICES - TRAINING	21,746.22
875000 MEAS/REG STA EXP-GEN	16,728.21
876000 IND MTR/REG EXP	45,129.60
876100 IND M/R EXP-AN CHANGE	33,911.84
876200 IND M/R EXP-LOAD STDY	11,006.88
877000 MEAS/REG STA CHRTS EXP	42,549.15
878000 MTR, HSE REG EXP	87,772.40
878100 MTR, HSE REG EXP-AN CHNGE	70,144.37
878200 TURN ON/OFF-READ IN/OUT	228,379.53
878300 REPAIR METER SET LEAKS	19,601.93
879000 CUSTOMER CALL EXPENSES	32,002.18
879100 PRIORITY CALLS	58,532.40
880000 OTHER EXPENSES	22,567.32
880100 OFFICE SUPPLIES	-
880163 STORES EXP-OPERS DISTR	-
880184 TRANSP/TELECOM-OPER DISTR	-
880200 DRUG AND ALCOHOL PROGRAM	274.84
880300 UNIFORMS	-
880400 MAPS AND RECORDS	34,471.28
881000 RENTS	-
TOTAL OPERATION DISTRIBUTION	1,377,765.73

FUNCTIONALIZATION OF LABOR

	2016 ACTUAL
CUSTOMER ACCOUNTS	
901000 SUPERVISION	36,616.83
902000 METER READING EXPENSES	68,475.99
903000 CUST RECORDS/COLLCT EXP	562,106.41
903100 COMPUTER EXPENSES	-
904000 UNCOLLECTIBLE ACCOUNTS	-
904003 UNCOLL EXP-PIP CUST	-
905163 STORES EXP-OPERS CUST ACC	-
905184 TRANSP/TELECOM-OP CUST AC	-
TOTAL CUSTOMER ACCOUNTS	667,199.23
CUSTOMER SERVICE	
908000 CUSTOMER ASSIST EXP	-
909000 INFORMATIONAL ADVERTISING	-
910000 MISC CUST SVC - REV	-
910100 MISC CUST SVC - EXP	-
910184 TRANSP/TELECOM-OP CUSTSER	-
TOTAL CUSTOMER SERVICE	-
SALES	
911000 SUPERVISION	26,192.58
912000 SALARIES AND EXPENSES	89,728.00
913000 ADVERTISING EXP	-
913100 ADVERTISING EXP-BLDRS	-
913300 ADVERTISING EXP-CUST EXP	-
916000 MISC SALES EXP	-
916100 ECONOMIC DEVELOPMENT EXPS	-
916184 TRANSP/TELECOM-OPER SALES	-
TOTAL SALES	115,920.58
ADMINISTRATIVE & GENERAL	
920100 ADMIN/GEN SALARY-GEN OFF	207,624.21
920200 ADMIN/GEN SALARY-OFF EMPL	337,858.85
921100 OFFICE SUP/EXP- OFFICER	-
921200 OFFICE SUP/EXP-EMPLOYEES	-
921300 OFFICE SUP/EXP	-
921400 PC SUPPLIES & EXPENSES	-
923100 OUTSIDE SVC EMPLD-FEES	-
923300 OUTSIDE SVC EMPLD-SP SVC	-
923350 OUTSIDE SV-GRANT THORNTON	-
923400 OUTSIDE SVC-LEGAL-OHIO	-
923401 OUTSIDE SVC-LEGAL-LOCAL	-
923500 OUTSIDE SVC-TRAINING&EDU	-
923900 PC OUTSIDE SVC & TRAINING	-

FUNCTIONALIZATION OF LABOR

2016
ACTUAL

924000 PROPERTY INSURANCE	-
925000 INJURIES AND DAMAGES	-
925200 EMPLOYEE SAFETY EQUIP,SUPPLIES	-
926100 EMPL PENS/BNFTS-PENSION	-
926200 EMPL PENS/BNFTS-EMPL BEN	-
926210 EMPL BNFTS-L/T DISAB	-
926220 EMPL BNFTS-GTL INS	-
926225 EMPL BNFTS-VOLUNTARY LIFE INS	-
926230 EMPL BNFTS - EAP	-
926240 EMPL BNFTS-ACCIDENT INS	-
926260 EMPL BNFTS-HEALTH INS	-
926270 EMPL BNFTS-VISION INS	-
926280 EMPL BNFTS-DENTAL INS	-
926300 DEFINED CONTR PLAN-401K	-
926400 MERA EXPENSE / FSA	-
926450 EMPL BNFTS-HAS CASH CONTRIB	-
926500 NON-PENSION PR BNFT EXP	-
928000 REGULATORY COMM EXP	-
930100 INSTIT OR GOODWILL AD EXP	-
930184 TRANSP/TELECOM-OPERS A&G	-
930200 MISC GEN EXP	-
TOTAL ADMINISTRATIVE & GENERAL	545,483.06
TOTAL OPERATION	2,975,055.01

MAINTENANCE TRANSMISSION

861000 MAINT, SPRVSN, & ENG	43,511.81
863000 MAINTENANCE OF MAINS	2,122.62
863100 MAINT OF MAINS-CATH PROT	11,129.36
863300 MAINT OF MAINS-LEAK SURV	3,075.86
865000 MAINT OF MEAS-REG STA EQ	8,414.22
865070 MAINT MEAS-RG ST-PETTSV P	-
866000 MAINT OF TELEMETRY EQ	19,007.20
867000 MAINT OF RADIO EQUIP	-
867184 TRANSP/TELECOM-MNT TRANSM	-
TOTAL TRANSMISSION MAINTENANCE	87,261.07

DISTRIBUTION

885000 MAINT, SPRVSN, ENG	113,708.89
886000 MAINT OF STRUCT & IMPROV	29,720.78
887000 MAINT OF MAINS	18,892.43
887100 MAINT OF MAIN-CATH PROT	33,569.70
887200 MAINT OF MAIN-3RD PTY DMG	2,718.19
887205 MAINT MAIN-3RD PTY BIL	-

FUNCTIONALIZATION OF LABOR

	2016 ACTUAL
887210 MAINT MAIN-3RD PTY WAV	-
887300 MAINT OF MAIN-LEAK SURVEY	10,062.19
887500 MAINT OF MAINS - TRAINING	18,447.36
889000 MAINT OF MEAS/REG STA GEN	2,262.38
889100 MAINT OF MEAS/REG-CALIB	231.48
889200 MAINT OF MEAS/REG-PAINT	3,318.58
890000 MAINT OF IND MTR/REG-IN	47,694.38
890100 MAINT OF IND MTR/REG-OUT	9,946.29
890200 MAINT OF IND INSTR INSHOP	6,184.08
890300 MAINT OF IND INSTR OUTSID	4,349.76
890400 MAINT OF IND TELEMETRY EQ	819.18
890500 MAINT OF IND M/R TRAINING	8,245.73
891000 MAINT OF MEAS/REG-CTY GAT	4,147.47
892000 MAINT OF SERVICES	50,199.12
892200 MAINT OF SVC-3RD PTY DMGE	6,261.80
892205 MAINT OF SVC-3RD PTY BILL	-
892210 MAINT OF SVC-3RD PTY WAVE	-
892300 MAINT OF SVC-LEAK SURVEY	28,380.40
892400 MAINTENANCE 1ST CUTS	8,137.49
893000 MAINT - ERT	1,042.51
893100 SMALL METER TESTING	24,987.85
893200 SMALL METER REPAIR	41,325.44
893300 SMALL REGULAR-REPAIR/TEST	4,408.43
894000 MAINT OF OTHER EQUIP	-
894100 MAINT OF OPERATION EQUIP	4,556.78
894163 STORES EXP-MAINT DISTR	-
894184 TRANSP/TELECOM-MAINT DIST	-
894200 MAINT OF CONSTR EQUIP	14,278.46
TOTAL DISTRIBUTION MAINTENANCE	497,897.15
ADMINISTRATIVE & GENERAL	
935000 MAINT GENERAL PLANT	1,602.30
935184 TRANSP/TELECOM-MAINT A&G	-
TOTAL ADMINISTRATIVE & GENERAL	1,602.30
TOTAL MAINTENANCE	586,760.52
Grand Total	3,561,815.53
Total Transmission	355,947.48
Total Distribution	1,875,662.88
Total Customer/Sales	783,119.81
Total A&G	547,085.36
Grand Total	3,561,815.53

CLASSIFICATION OF TRANSMISSION EXPENSES

	2016 Actuals	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
OPERATION							
TRANSMISSION							
850000 OPERATION, SUPVISION, ENG	132,669	132,669	-	-	-	-	100% demand
851000 SYS CONTROL_LOAD DISPATCH	78,651	78,651	-	-	-	-	100% demand
852000 TELEMETRY SYSTEM EXPS	11,649	11,649	-	-	-	-	100% demand
856000 MAINS EXPENSES	89,273	89,273	-	-	-	-	100% demand
856100 MAINS EXPENSES-CATH PROT	90,200	90,200	-	-	-	-	100% demand
856200 MAINS EXPENSES-LOC,PROTEC	22,857	22,857	-	-	-	-	100% demand
857000 MEAS AND REG STATION EXP	31,918	31,918	-	-	-	-	100% demand
857070 MEAS & REG PETTSV PURCH S	-	-	-	-	-	-	100% demand
857100 MEAS AND REG ST-WITNESS	126	126	-	-	-	-	100% demand
859184 TRANSP/TELECOM-OP TRANSM	50,818	50,818	-	-	-	-	100% demand
TOTAL OPERATION TRANSMISSION	508,161	508,161	-	-	-	-	
DISTRIBUTION							
870000 OPERATION,SUPRVSN,ENG	-	-	-	-	-	-	100% demand
871000 DISTR LOAD DISPATCH	-	-	-	-	-	-	100% demand
874000 MAIN/SVC EXP	-	-	-	-	-	-	100% demand
874100 MAIN/SVC EXP-CATH PROT	-	-	-	-	-	-	100% demand
874200 MAIN/SVC EXP-LOC, PROT	-	-	-	-	-	-	100% demand
874300 MAIN/SVC EXP-MANHOLE SURV	-	-	-	-	-	-	100% demand
874400 MAIN/SVC EXP-DAM PREVENT	-	-	-	-	-	-	100% demand
874500 MAINS/SERVICES - TRAINING	-	-	-	-	-	-	100% demand
875000 MEAS/REG STA EXP-GEN	-	-	-	-	-	-	100% demand
876000 IND MTR/REG EXP	-	-	-	-	-	-	100% demand
876100 IND M/R EXP-AN CHANGE	-	-	-	-	-	-	100% demand
876200 IND M/R EXP-LOAD STDY	-	-	-	-	-	-	100% demand
877000 MEAS/REG STA CHRTS EXP	-	-	-	-	-	-	100% demand
878000 MTR, HSE REG EXP	-	-	-	-	-	-	100% demand
878100 MTR, HSE REG EXP-AN CHNGE	-	-	-	-	-	-	100% demand
878200 TURN ON/OFF-READ IN/OUT	-	-	-	-	-	-	100% demand
878300 REPAIR METER SET LEAKS	-	-	-	-	-	-	100% demand
879000 CUSTOMER CALL EXPENSES	-	-	-	-	-	-	100% demand
879100 PRIORITY CALLS	-	-	-	-	-	-	100% demand
880000 OTHER EXPENSES	-	-	-	-	-	-	100% demand
880100 OFFICE SUPPLIES	446	446	-	-	-	-	100% demand
880163 STORES EXP-OPERS DISTR	-	-	-	-	-	-	100% demand
880184 TRANSP/TELECOM-OPER DISTR	-	-	-	-	-	-	100% demand
880200 DRUG AND ALCOHOL PROGRAM	143	143	-	-	-	-	100% demand
880300 UNIFORMS	2,228	2,228	-	-	-	-	100% demand
880400 MAPS AND RECORDS	-	-	-	-	-	-	100% demand
881000 RENTS	-	-	-	-	-	-	100% demand
TOTAL OPERATION DISTRIBUTION	2,817	2,817	-	-	-	-	
CUSTOMER ACCOUNTS							
901000 SUPERVISION	-	-	-	-	-	-	100% demand
902000 METER READING EXPENSES	-	-	-	-	-	-	100% demand
903000 CUST RECORDS/COLLCT EXP	-	-	-	-	-	-	100% demand
903100 COMPUTER EXPENSES	-	-	-	-	-	-	100% demand
904000 UNCOLLECTIBLE ACCOUNTS	-	-	-	-	-	-	100% demand
904003 UNCOLL EXP-PIP CUST	-	-	-	-	-	-	100% demand
905163 STORES EXP-OPERS CUST ACC	-	-	-	-	-	-	100% demand
905184 TRANSP/TELECOM-OP CUST AC	-	-	-	-	-	-	100% demand
TOTAL CUSTOMER ACCOUNTS	-	-	-	-	-	-	
CUSTOMER SERVICE							
908000 CUSTOMER ASSIST EXP	-	-	-	-	-	-	100% demand
909000 INFORMATIONAL ADVERTISING	-	-	-	-	-	-	100% demand
910000 MISC CUST SVC - REV	-	-	-	-	-	-	100% demand
910100 MISC CUST SVC - EXP	-	-	-	-	-	-	100% demand
910184 TRANSP/TELECOM-OP CUSTSER	-	-	-	-	-	-	100% demand
TOTAL CUSTOMER SERVICE	-	-	-	-	-	-	
SALES							
911000 SUPERVISION	-	-	-	-	-	-	100% demand
912000 SALARIES AND EXPENSES	-	-	-	-	-	-	100% demand
913000 ADVERTISING EXP	-	-	-	-	-	-	100% demand
913100 ADVERTISING EXP-BLDRS	-	-	-	-	-	-	100% demand
913300 ADVERTISING EXP-CUST EXP	-	-	-	-	-	-	100% demand
916000 MISC SALES EXP	-	-	-	-	-	-	100% demand
916100 ECONOMIC DEVELOPMENT EXPS	-	-	-	-	-	-	100% demand
916184 TRANSP/TELECOM-OPER SALES	-	-	-	-	-	-	100% demand
TOTAL SALES	-	-	-	-	-	-	
ADMINISTRATIVE & GENERAL							
920100 ADMIN/GEN SALARY-GEN OFF	38,775	38,775	-	-	-	-	100% demand
920200 ADMIN/GEN SALARY-OFF EMPL	63,125	63,125	-	-	-	-	100% demand
921100 OFFICE SUP/EXP- OFFICER	1,644	1,644	-	-	-	-	100% demand
921200 OFFICE SUP/EXP-EMPLOYEES	957	957	-	-	-	-	100% demand
921300 OFFICE SUP/EXP	4,006	4,006	-	-	-	-	100% demand
921400 PC SUPPLIES & EXPENSES	14,708	14,708	-	-	-	-	100% demand
923100 OUTSIDE SVC EMPLD-FEES	5,002	5,002	-	-	-	-	100% demand
923300 OUTSIDE SVC EMPLD-SP SVC	20,351	20,351	-	-	-	-	100% demand
923350 OUTSIDE SV-GRANT THORNTON	17,815	17,815	-	-	-	-	100% demand
923400 OUTSIDE SVC-LEGAL-OHIO	12,400	12,400	-	-	-	-	100% demand
923401 OUTSIDE SVC-LEGAL-LOCAL	221	221	-	-	-	-	100% demand
923500 OUTSIDE SVC-TRAINING&EDU	606	606	-	-	-	-	100% demand
923900 PC OUTSIDE SVC & TRAINING	1,089	1,089	-	-	-	-	100% demand
924000 PROPERTY INSURANCE	8,422	8,422	-	-	-	-	100% demand
925000 INJURIES AND DAMAGES	49,601	49,601	-	-	-	-	100% demand
925200 EMPLOYEE SAFETY EQUIP,SUPPLIES	730	730	-	-	-	-	100% demand
926100 EMPL PENS/BNFTS-PENSION	42,903	42,903	-	-	-	-	100% demand
926200 EMPL PENS/BNFTS-EMPL BEN	2,185	2,185	-	-	-	-	100% demand
926210 EMPL BNFTS-L/T DISAB	4,078	4,078	-	-	-	-	100% demand

CLASSIFICATION OF TRANSMISSION EXPENSES

	2016 Actuals	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
926220 EMPL BNFTS-GTL INS	2,111	2,111	-	-	-	-	100% demand
926225 EMPL BNFTS-VOLUNTARY LIFE INS	19	19	-	-	-	-	100% demand
926230 EMPL BNFTS - EAP	303	303	-	-	-	-	100% demand
926240 EMPL BNFTS-ACCIDENT INS	(0)	(0)	-	-	-	-	100% demand
926260 EMPL BNFTS-HEALTH INS	43,690	43,690	-	-	-	-	100% demand
926270 EMPL BNFTS-VISION INS	20	20	-	-	-	-	100% demand
926280 EMPL BNFTS-DENTAL INS	2,572	2,572	-	-	-	-	100% demand
926300 DEFINED CONTR PLAN-401K	64,832	64,832	-	-	-	-	100% demand
926400 MERA EXPENSE / FSA	2,805	2,805	-	-	-	-	100% demand
926450 EMPL BNFTS-HAS CASH CONTRIB	9,804	9,804	-	-	-	-	100% demand
926500 NON-PENSION PR BNFT EXP	2,517	2,517	-	-	-	-	100% demand
928000 REGULATORY COMM EXP	212	212	-	-	-	-	100% demand
930100 INSTIT OR GOODWILL AD EXP	4,065	4,065	-	-	-	-	100% demand
930184 TRANSP/TELECOM-OPERS A&G	2,537	2,537	-	-	-	-	100% demand
930200 MISC GEN EXP	10,331	10,331	-	-	-	-	100% demand
TOTAL ADMINISTRATIVE & GENERAL	434,435	434,435	-	-	-	-	-
TOTAL OPERATION	945,413	945,413	-	-	-	-	-
MAINTENANCE							
TRANSMISSION							
861000 MAINT, SPRVSN, & ENG	49,628	49,628	-	-	-	-	100% demand
863000 MAINTENANCE OF MAINS	14,266	14,266	-	-	-	-	100% demand
863100 MAINT OF MAINS-CATH PROT	31,311	31,311	-	-	-	-	100% demand
863300 MAINT OF MAINS-LEAK SURV	3,430	3,430	-	-	-	-	100% demand
865000 MAINT OF MEAS-REG STA EQ	29,197	29,197	-	-	-	-	100% demand
865070 MAINT MEAS-RG ST-PETTSV P	-	-	-	-	-	-	100% demand
866000 MAINT OF TELEMETRY EQ	25,957	25,957	-	-	-	-	100% demand
867000 MAINT OF RADIO EQUIP	-	-	-	-	-	-	100% demand
867184 TRANSP/TELECOM-MNT TRANSP	15,715	15,715	-	-	-	-	100% demand
TOTAL TRANSMISSION MAINTENANCE	169,505	169,505	-	-	-	-	-
DISTRIBUTION							
885000 MAINT, SPRVSN, ENG	-	-	-	-	-	-	100% demand
886000 MAINT OF STRUCT & IMPROV	-	-	-	-	-	-	100% demand
887000 MAINT OF MAINS	-	-	-	-	-	-	100% demand
887100 MAINT OF MAIN-CATH PROT	-	-	-	-	-	-	100% demand
887200 MAINT OF MAIN-3RD PTY DMG	-	-	-	-	-	-	100% demand
887205 MAINT MAIN-3RD PTY BIL	-	-	-	-	-	-	100% demand
887210 MAINT MAIN-3RD PTY WAV	-	-	-	-	-	-	100% demand
887300 MAINT OF MAIN-LEAK SURVEY	-	-	-	-	-	-	100% demand
887500 MAINT OF MAINS - TRAINING	-	-	-	-	-	-	100% demand
889000 MAINT OF MEAS/REG STA GEN	-	-	-	-	-	-	100% demand
889100 MAINT OF MEAS/REG-CALIB	-	-	-	-	-	-	100% demand
889200 MAINT OF MEAS/REG-PAINT	-	-	-	-	-	-	100% demand
890000 MAINT OF IND MTR/REG-IN	-	-	-	-	-	-	100% demand
890100 MAINT OF IND MTR/REG-OUT	-	-	-	-	-	-	100% demand
890200 MAINT OF IND INSTR INSHOP	-	-	-	-	-	-	100% demand
890300 MAINT OF IND INSTR OUTSID	-	-	-	-	-	-	100% demand
890400 MAINT OF IND TELEMETRY EQ	-	-	-	-	-	-	100% demand
890500 MAINT OF IND M/R TRAINING	-	-	-	-	-	-	100% demand
891000 MAINT OF MEAS/REG-CTY GAT	-	-	-	-	-	-	100% demand
892000 MAINT OF SERVICES	-	-	-	-	-	-	100% demand
892200 MAINT OF SVC-3RD PTY DMGE	-	-	-	-	-	-	100% demand
892205 MAINT OF SVC-3RD PTY BILL	-	-	-	-	-	-	100% demand
892210 MAINT OF SVC-3RD PTY WAVE	-	-	-	-	-	-	100% demand
892300 MAINT OF SVC-LEAK SURVEY	-	-	-	-	-	-	100% demand
892400 MAINTENANCE 1ST CUTS	-	-	-	-	-	-	100% demand
893000 MAINT - ERT	-	-	-	-	-	-	100% demand
893100 SMALL METER TESTING	-	-	-	-	-	-	100% demand
893200 SMALL METER REPAIR	-	-	-	-	-	-	100% demand
893300 SMALL REGULAR-REPAIR/TEST	-	-	-	-	-	-	100% demand
894000 MAINT OF OTHER EQUIP	-	-	-	-	-	-	100% demand
894100 MAINT OF OPERATION EQUIP	-	-	-	-	-	-	100% demand
894163 STORES EXP-MAINT DISTR	-	-	-	-	-	-	100% demand
894184 TRANSP/TELECOM-MAINT DIST	-	-	-	-	-	-	100% demand
894200 MAINT OF CONSTR EQUIP	-	-	-	-	-	-	100% demand
TOTAL DISTRIBUTION MAINTENANCE	-	-	-	-	-	-	-
ADMINISTRATIVE & GENERAL							
935000 MAINT GENERAL PLANT	1,213	1,213	-	-	-	-	100% demand
935184 TRANSP/TELECOM-MAINT A&G	221	221	-	-	-	-	100% demand
TOTAL ADMINISTRATIVE & GENERAL	1,434	1,434	-	-	-	-	-
TOTAL MAINTENANCE	170,939	170,939	-	-	-	-	-
DEPRECIATION							
403000 DEPRECIATION EXPENSES	-	-	-	-	-	-	100% demand
404399 AMORT G/L SOFTWARE	-	-	-	-	-	-	100% demand
TOTAL DEPRECIATION	-	-	-	-	-	-	-
408110 TAXES OTHER THAN INC TAX	659,423	348,523	310,900	-	-	-	sum of items below
Revenue Related	129,374	129,374	-	-	-	-	100% demand
Labor Related	35,557	35,557	-	-	-	-	100% demand
O&M Related	3,788	3,788	-	-	-	-	100% demand
Plant Related	179,804	179,804	-	-	-	-	100% demand
Throughput Related	310,900	-	310,900	-	-	-	100% commodity
total check	659,423	348,523	310,900	-	-	-	-
FEDERAL INCOME TAXES							
409100 INCOME TAXES	-	-	-	-	-	-	rate base
410100 PROV FOR DEF INC TAXES	-	-	-	-	-	-	rate base
411400 INVEST TAX CREDIT ADJ	(1,113)	(1,113)	-	-	-	-	rate base
TOTAL FEDERAL INCOME TAXES	(1,113)	(1,113)	-	-	-	-	-
TOTAL OPERATING EXPENSES	1,774,663	1,463,763	310,900	-	-	-	-

CLASSIFICATION OF TRANSMISSION PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
GROSS PLANT								
PRODUCTION PLANT								
304	LAND	14,214	14,214	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	4,276	4,276	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	18,490	18,490	-	-	-	-	
TRANSMISSION PLANT								
365.1	LAND	29,514	29,514	-	-	-	-	100% demand
365.2	RIGHTS OF WAY	936,890	936,890	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	97,025	97,025	-	-	-	-	100% demand
367	MAINS	14,143,273	14,143,273	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	2,374,646	2,374,646	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	1,177,330	1,177,330	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	18,758,679	18,758,679	-	-	-	-	
DISTRIBUTION EQUIPMENT								
374.1	LAND	-	-	-	-	-	-	100% demand
374.2	RIGHTS OF WAY	-	-	-	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	100% demand
376	MAINS	-	-	-	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	100% demand
380	SERVICES	-	-	-	-	-	-	100% demand
381	METERS	-	-	-	-	-	-	100% demand
381.1	METERS - ERT Modules	-	-	-	-	-	-	100% demand
382	METER INSTALLATIONS	-	-	-	-	-	-	100% demand
383	HOUSE REGULATORS	-	-	-	-	-	-	100% demand
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	-	100% demand
387	OTHER EQUIP	-	-	-	-	-	-	100% demand
	TOTAL DISTRIBUTION PLANT	-	-	-	-	-	-	
GENERAL PLANT								
389	LAND	20,799	20,799	-	-	-	-	100% demand
390	STRUCTURES & IMPROVEMENTS	188,247	188,247	-	-	-	-	100% demand
391.1	OFFICE FURNITURE & EQUIP	34,710	34,710	-	-	-	-	100% demand
391.2	COMPUTER EQUIPMENT	72,871	72,871	-	-	-	-	100% demand
392	TRANSPORTATION EQUIP	256,107	256,107	-	-	-	-	100% demand
393	STORES EQUIPMENT	4,136	4,136	-	-	-	-	100% demand
394	TOOLS,SHOP,GARAGE EQUIP	23,230	23,230	-	-	-	-	100% demand
395	LABORATORY EQUIP	1,679	1,679	-	-	-	-	100% demand
396	POWER OPERATED EQUIP	32,202	32,202	-	-	-	-	100% demand
397	COMMUNICATION EQUIP	78,881	78,881	-	-	-	-	100% demand
398	MISC EQUIPMENT	4,204	4,204	-	-	-	-	100% demand
399	OTHER EQUIP	-	-	-	-	-	-	100% demand
	TOTAL GENERAL PLANT	717,066	717,066	-	-	-	-	
TOTAL GROSS PLANT		19,494,235	19,494,235	-	-	-	-	
ACCUMULATED DEPRECIATION								
DETAIL OF ACCOUNT 108								
PRODUCTION PLANT								
Manufactured Gas Production Plant								
304	LAND	-	-	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	5,764	5,764	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	5,764	5,764	-	-	-	-	
TRANSMISSION PLANT								
365.1	LAND	-	-	-	-	-	-	
365.2	RIGHTS OF WAY	244,394	244,394	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	32,928	32,928	-	-	-	-	100% demand
367	MAINS	7,114,792	7,114,792	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	889,057	889,057	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	948,982	948,982	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	9,230,153	9,230,153	-	-	-	-	
DISTRIBUTION PLANT								
374.1	LAND	-	-	-	-	-	-	100% demand
374.2	RIGHTS OF WAY	-	-	-	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	100% demand
376	MAINS	-	-	-	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	100% demand
380	SERVICES	-	-	-	-	-	-	100% demand
381	METERS	-	-	-	-	-	-	100% demand
381.1	METERS - ERT Modules	-	-	-	-	-	-	100% demand
382	METER INSTALLATIONS	-	-	-	-	-	-	100% demand
383	HOUSE REGULATORS	-	-	-	-	-	-	100% demand
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	-	100% demand
387	OTHER EQUIP	-	-	-	-	-	-	100% demand
	TOTAL DISTRIBUTION PLANT	-	-	-	-	-	-	
GENERAL PLANT								
389	LAND	-	-	-	-	-	-	
390	STRUCTURES & IMPROVEMENTS	104,133	104,133	-	-	-	-	100% demand
391.1	OFFICE FURNITURE & EQUIP	65,843	65,843	-	-	-	-	100% demand
391.2	COMPUTER EQUIPMENT	127,929	127,929	-	-	-	-	100% demand
392	TRANSPORTATION EQUIP	82,335	82,335	-	-	-	-	100% demand
393	STORES EQUIPMENT	4,106	4,106	-	-	-	-	100% demand
394	TOOLS,SHOP,GARAGE EQUIP	33,113	33,113	-	-	-	-	100% demand
395	LABORATORY EQUIP	1,692	1,692	-	-	-	-	100% demand
396	POWER OPERATED EQUIP	27,244	27,244	-	-	-	-	100% demand

CLASSIFICATION OF TRANSMISSION PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
397	COMMUNICATION EQUIP	46,292	46,292	-	-	-	-	100% demand
398	MISC EQUIPMENT	3,409	3,409	-	-	-	-	100% demand
399	OTHER EQUIP	-	-	-	-	-	-	100% demand
TOTAL GENERAL PLANT		496,095	496,095	-	-	-	-	
TOTAL ACCUMULATED DEPRECIATION		9,732,012	9,732,012	-	-	-	-	
NET PLANT								
PRODUCTION PLANT								
304	LAND	14,214	14,214	-	-	-	-	Gross plant less acc depreciation
305	STRUCTURES & IMPROVEMENTS	(1,488)	(1,488)	-	-	-	-	Gross plant less acc depreciation
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	Gross plant less acc depreciation
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL PRODUCTION PLANT		12,726	12,726	-	-	-	-	
TRANSMISSION PLANT								
365.1	LAND	29,514	29,514	-	-	-	-	Gross plant less acc depreciation
365.2	RIGHTS OF WAY	692,496	692,496	-	-	-	-	Gross plant less acc depreciation
366	STRUCTURES & IMPROVEMENTS	64,097	64,097	-	-	-	-	Gross plant less acc depreciation
367	MAINS	7,028,481	7,028,481	-	-	-	-	Gross plant less acc depreciation
369	MEAS & REG STATION EQUIP	1,485,589	1,485,589	-	-	-	-	Gross plant less acc depreciation
370	COMMUNICATION EQUIP	228,348	228,348	-	-	-	-	Gross plant less acc depreciation
371	OTHER EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL TRANSMISSION PLANT		9,528,526	9,528,526	-	-	-	-	
DISTRIBUTION EQUIPMENT								
374.1	LAND	-	-	-	-	-	-	Gross plant less acc depreciation
374.2	RIGHTS OF WAY	-	-	-	-	-	-	Gross plant less acc depreciation
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	Gross plant less acc depreciation
376	MAINS	-	-	-	-	-	-	Gross plant less acc depreciation
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	Gross plant less acc depreciation
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	Gross plant less acc depreciation
380	SERVICES	-	-	-	-	-	-	Gross plant less acc depreciation
381	METERS	-	-	-	-	-	-	Gross plant less acc depreciation
381.1	METERS - ERT Modules	-	-	-	-	-	-	Gross plant less acc depreciation
382	METER INSTALLATIONS	-	-	-	-	-	-	Gross plant less acc depreciation
383	HOUSE REGULATORS	-	-	-	-	-	-	Gross plant less acc depreciation
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
387	OTHER EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL DISTRIBUTION PLANT		-	-	-	-	-	-	
GENERAL PLANT								
389	LAND	20,799	20,799	-	-	-	-	Gross plant less acc depreciation
390	STRUCTURES & IMPROVEMENTS	84,114	84,114	-	-	-	-	Gross plant less acc depreciation
391.1	OFFICE FURNITURE & EQUIP	(31,132)	(31,132)	-	-	-	-	Gross plant less acc depreciation
391.2	COMPUTER EQUIPMENT	(55,058)	(55,058)	-	-	-	-	Gross plant less acc depreciation
392	TRANSPORTATION EQUIP	173,772	173,772	-	-	-	-	Gross plant less acc depreciation
393	STORES EQUIPMENT	30	30	-	-	-	-	Gross plant less acc depreciation
394	TOOLS,SHOP,GARAGE EQUIP	(9,883)	(9,883)	-	-	-	-	Gross plant less acc depreciation
395	LABORATORY EQUIP	(12)	(12)	-	-	-	-	Gross plant less acc depreciation
396	POWER OPERATED EQUIP	4,958	4,958	-	-	-	-	Gross plant less acc depreciation
397	COMMUNICATION EQUIP	32,589	32,589	-	-	-	-	Gross plant less acc depreciation
398	MISC EQUIPMENT	795	795	-	-	-	-	Gross plant less acc depreciation
399	OTHER EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL GENERAL PLANT		220,971	220,971	-	-	-	-	
TOTAL NET PLANT		9,762,223	9,762,223	-	-	-	-	
OTHER RATE BASE								
	Working capital cash	-	-	-	-	-	-	100% demand
	Materials and supplies	91,109	91,109	-	-	-	-	100% demand
	Customer deposits	-	-	-	-	-	-	100% demand
	1/4 of operating taxes	-	-	-	-	-	-	100% demand
	Customer advances	-	-	-	-	-	-	100% demand
	PIPP surcharge recovery balance	-	-	-	-	-	-	100% demand
	Bad Debt surcharge recovery balance	-	-	-	-	-	-	100% demand
	Deferred pension	244,025	244,025	-	-	-	-	100% demand
	Deferred other post retirement benefits	(53,155)	(53,155)	-	-	-	-	100% demand
	Deferred investment tax credit	(2,462)	(2,462)	-	-	-	-	100% demand
	Deferred tax - pension	(82,969)	(82,969)	-	-	-	-	100% demand
	Deferred tax - other post rtmnt benefits	18,073	18,073	-	-	-	-	100% demand
	Deferred tax - prepaid insurance	(27,445)	(27,445)	-	-	-	-	100% demand
	Deferred tax - accrued vacation	50,030	50,030	-	-	-	-	100% demand
	Deferred tax - property tax	80,870	80,870	-	-	-	-	100% demand
	Deferred tax - accrued audit fees	5,919	5,919	-	-	-	-	100% demand
	Deferred tax - accrued health insurance	1,720	1,720	-	-	-	-	100% demand
	Deferred tax - reserve for bad debt	-	-	-	-	-	-	100% demand
	Deferred tax - misc	(23,437)	(23,437)	-	-	-	-	100% demand
	Deferred income tax - Acc Deprec	(1,051,620)	(1,051,620)	-	-	-	-	100% demand
	TOTAL RATE BASE	\$ 9,012,883	\$ 9,012,883	\$ -	\$ -	\$ -	\$ -	

CLASSIFICATION OF DISTRIBUTION EXPENSES

OPERATION	2016 Actuals	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
TRANSMISSION							
850000 OPERATION, SUPVISION, ENG	-	-	-	-	-	-	100% demand
851000 SYS CONTROL-LOAD DISPATCH	-	-	-	-	-	-	100% demand
852000 TELEMETRY SYSTEM EXPS	-	-	-	-	-	-	100% demand
856000 MAINS EXPENSES	-	-	-	-	-	-	100% demand
856100 MAINS EXPENSES-CATH PROT	-	-	-	-	-	-	100% demand
856200 MAINS EXPENSES-LOC, PROTEC	-	-	-	-	-	-	100% demand
857000 MEAS AND REG STATION EXP	-	-	-	-	-	-	100% demand
857070 MEAS & REG PETTSV PURCH S	-	-	-	-	-	-	100% demand
857100 MEAS AND REG ST-WITNESS	-	-	-	-	-	-	100% demand
859184 TRANSP/TELECOM-OP TRANSM	-	-	-	-	-	-	100% demand
TOTAL OPERATION TRANSMISSION	-	-	-	-	-	-	
DISTRIBUTION							
870000 OPERATION, SUPRVSN, ENG	125,108	125,108	-	-	-	-	operating expenses
871000 DISTR LOAD DISPATCH	83,857	83,857	-	-	-	-	100% demand
874000 MAIN/SVC EXP	77,833	77,833	-	-	-	-	100% demand
874100 MAIN/SVC EXP-CATH PROT	62,524	62,524	-	-	-	-	100% demand
874200 MAIN/SVC EXP-LOC, PROT	366,405	366,405	-	-	-	-	100% demand
874300 MAIN/SVC EXP-MANHOLE SURV	35,473	35,473	-	-	-	-	100% demand
874400 MAIN/SVC EXP-DAM PREVENT	27,180	27,180	-	-	-	-	100% demand
874500 MAINS/SERVICES - TRAINING	27,556	27,556	-	-	-	-	100% demand
875000 MEAS/REG STA EXP-GEN	29,460	29,460	-	-	-	-	100% demand
876000 IND MTR/REG EXP	-	-	-	-	-	-	100% transmission customer
876100 IND M/R EXP-AN CHANGE	-	-	-	-	-	-	100% transmission customer
876200 IND M/R EXP-LOAD STDY	-	-	-	-	-	-	100% transmission customer
877000 MEAS/REG STA CHRTS EXP	48,874	48,874	-	-	-	-	100% demand
878000 MTR, HSE REG EXP	-	-	-	-	-	-	100% distribution customer
878100 MTR, HSE REG EXP-AN CHNGE	-	-	-	-	-	-	100% distribution customer
878200 TURN ON/OFF-READ IN/OUT	-	-	-	-	-	-	100% common customer
878300 REPAIR METER SET LEAKS	-	-	-	-	-	-	100% common customer
879000 CUSTOMER CALL EXPENSES	-	-	-	-	-	-	100% common customer
879100 PRIORITY CALLS	-	-	-	-	-	-	100% common customer
880000 OTHER EXPENSES	80,684	80,684	-	-	-	-	operating expenses
880100 OFFICE SUPPLIES	2,351	2,351	-	-	-	-	operating expenses
880163 STORES EXP-OPERS DISTR	2,231	2,231	-	-	-	-	operating expenses
880184 TRANSP/TELECOM-OPER DISTR	230,154	230,154	-	-	-	-	operating expenses
880200 DRUG AND ALCOHOL PROGRAM	752	752	-	-	-	-	operating expenses
880300 UNIFORMS	11,739	11,739	-	-	-	-	operating expenses
880400 MAPS AND RECORDS	39,293	39,293	-	-	-	-	operating expenses
881000 RENTS	2,285	2,285	-	-	-	-	operating expenses
TOTAL OPERATION DISTRIBUTION	1,253,760	1,253,760	-	-	-	-	
CUSTOMER ACCOUNTS							
901000 SUPERVISION	-	-	-	-	-	-	100% common customer
902000 METER READING EXPENSES	-	-	-	-	-	-	100% common customer
903000 CUST RECORDS/COLLCT EXP	-	-	-	-	-	-	100% common customer
903100 COMPUTER EXPENSES	-	-	-	-	-	-	100% common customer
904000 UNCOLLECTIBLE ACCOUNTS	-	-	-	-	-	-	100% common customer
904003 UNCOLL EXP-PIP CUST	-	-	-	-	-	-	100% common customer
905163 STORES EXP-OPERS CUST ACC	-	-	-	-	-	-	100% common customer
905184 TRANSP/TELECOM-OP CUST AC	-	-	-	-	-	-	100% common customer
TOTAL CUSTOMER ACCOUNTS	-	-	-	-	-	-	
CUSTOMER SERVICE							
908000 CUSTOMER ASSIST EXP	-	-	-	-	-	-	100% common customer
909000 INFORMATIONAL ADVERTISING	-	-	-	-	-	-	100% common customer
910000 MISC CUST SVC - REV	-	-	-	-	-	-	100% common customer
910100 MISC CUST SVC - EXP	-	-	-	-	-	-	100% common customer
910184 TRANSP/TELECOM-OP CUSTSER	-	-	-	-	-	-	100% common customer
TOTAL CUSTOMER SERVICE	-	-	-	-	-	-	
SALES							
911000 SUPERVISION	-	-	-	-	-	-	100% common customer
912000 SALARIES AND EXPENSES	-	-	-	-	-	-	100% common customer
913000 ADVERTISING EXP	-	-	-	-	-	-	100% common customer
913100 ADVERTISING EXP-BLDRS	-	-	-	-	-	-	100% common customer
913300 ADVERTISING EXP-CUST EXP	-	-	-	-	-	-	100% common customer
916000 MISC SALES EXP	-	-	-	-	-	-	100% common customer
916100 ECONOMIC DEVELOPMENT EXPS	-	-	-	-	-	-	100% common customer
916184 TRANSP/TELECOM-OPER SALES	-	-	-	-	-	-	100% common customer
TOTAL SALES	-	-	-	-	-	-	
ADMINISTRATIVE & GENERAL							
920100 ADMIN/GEN SALARY-GEN OFF	97,770	97,770	-	-	-	-	operating expenses
920200 ADMIN/GEN SALARY-OFF EMPL	159,167	159,167	-	-	-	-	operating expenses
921100 OFFICE SUP/EXP- OFFICER	4,145	4,145	-	-	-	-	operating expenses
921200 OFFICE SUP/EXP-EMPLOYEES	2,413	2,413	-	-	-	-	operating expenses
921300 OFFICE SUP/EXP	10,101	10,101	-	-	-	-	operating expenses
921400 PC SUPPLIES & EXPENSES	37,086	37,086	-	-	-	-	operating expenses
923100 OUTSIDE SVC EMPLD-FEES	12,613	12,613	-	-	-	-	operating expenses
923300 OUTSIDE SVC EMPLD-SP SVC	51,315	51,315	-	-	-	-	operating expenses
923350 OUTSIDE SV-GRANT THORNTON	44,920	44,920	-	-	-	-	operating expenses
923400 OUTSIDE SVC-LEGAL-OHIO	31,266	31,266	-	-	-	-	operating expenses
923401 OUTSIDE SVC-LEGAL-LOCAL	557	557	-	-	-	-	operating expenses
923500 OUTSIDE SVC-TRAINING&EDU	3,193	3,193	-	-	-	-	operating expenses
923900 PC OUTSIDE SVC & TRAINING	5,739	5,739	-	-	-	-	operating expenses
924000 PROPERTY INSURANCE	14,948	14,948	-	-	-	-	operating expenses
925000 INJURIES AND DAMAGES	261,373	261,373	-	-	-	-	operating expenses
925200 EMPLOYEE SAFETY EQUIP, SUPPLIES	3,847	3,847	-	-	-	-	operating expenses
926100 EMPL PENS/BNFTS-PENSION	226,075	226,075	-	-	-	-	operating expenses
926200 EMPL PENS/BNFTS-EMPL BEN	11,512	11,512	-	-	-	-	operating expenses
926210 EMPL BNFTS-L/T DISAB	21,490	21,490	-	-	-	-	operating expenses
926220 EMPL BNFTS-GTL INS	11,123	11,123	-	-	-	-	operating expenses

CLASSIFICATION OF DISTRIBUTION EXPENSES

	2016 Actuals	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	Basis
926225 EMPL BNFTS-VOLUNTARY LIFE INS	98	98	-	-	-	-	operating expenses
926230 EMPL BNFTS - EAP	1,595	1,595	-	-	-	-	operating expenses
926240 EMPL BNFTS-ACCIDENT INS	(1)	(1)	-	-	-	-	operating expenses
926260 EMPL BNFTS-HEALTH INS	230,225	230,225	-	-	-	-	operating expenses
926270 EMPL BNFTS-VISION INS	104	104	-	-	-	-	operating expenses
926280 EMPL BNFTS-DENTAL INS	13,552	13,552	-	-	-	-	operating expenses
926300 DEFINED CONTR PLAN-401K	341,631	341,631	-	-	-	-	operating expenses
926400 MERA EXPENSE / FSA	14,780	14,780	-	-	-	-	operating expenses
926450 EMPL BNFTS-HAS CASH CONTRIB	51,661	51,661	-	-	-	-	operating expenses
926500 NON-PENSION PR BNFT EXP	13,262	13,262	-	-	-	-	operating expenses
928000 REGULATORY COMM EXP	361	361	-	-	-	-	operating expenses
930100 INSTIT OR GOODWILL AD EXP	10,250	10,250	-	-	-	-	operating expenses
930184 TRANSP/TELECOM-OPERS A&G	6,398	6,398	-	-	-	-	operating expenses
930200 MISC GEN EXP	26,048	26,048	-	-	-	-	operating expenses
TOTAL ADMINISTRATIVE & GENERAL	1,720,816	1,720,816	-	-	-	-	
TOTAL OPERATION	2,974,377	2,974,377	-	-	-	-	
MAINTENANCE							
TRANSMISSION							
861000 MAINT, SPRVSN, & ENG	-	-	-	-	-	-	100% demand
863000 MAINTENANCE OF MAINS	-	-	-	-	-	-	100% demand
863100 MAINT OF MAINS-CATH PROT	-	-	-	-	-	-	100% demand
863300 MAINT OF MAINS-LEAK SURV	-	-	-	-	-	-	100% demand
865000 MAINT OF MEAS-REG STA EQ	-	-	-	-	-	-	100% demand
865070 MAINT MEAS-RG ST-PETTSV P	-	-	-	-	-	-	100% demand
866000 MAINT OF TELEMTRY EQ	-	-	-	-	-	-	100% demand
867000 MAINT OF RADIO EQUIP	-	-	-	-	-	-	100% demand
867184 TRANSP/TELECOM-MNT TRANSM	-	-	-	-	-	-	100% demand
TOTAL TRANSMISSION MAINTENANCE	-	-	-	-	-	-	
DISTRIBUTION							
885000 MAINT, SPRVSN, ENG	128,308	128,308	-	-	-	-	100% demand
886000 MAINT OF STRUCT & IMPROV	43,179	43,179	-	-	-	-	100% demand
887000 MAINT OF MAINS	65,563	65,563	-	-	-	-	100% demand
887100 MAINT OF MAIN-CATH PROT	47,744	47,744	-	-	-	-	100% demand
887200 MAINT OF MAIN-3RD PTY DMG	20,977	20,977	-	-	-	-	100% demand
887205 MAINT MAIN-3RD PTY BIL	(27,974)	(27,974)	-	-	-	-	100% demand
887210 MAINT MAIN-3RD PTY WAV	7,276	7,276	-	-	-	-	100% demand
887300 MAINT OF MAIN-LEAK SURVEY	14,963	14,963	-	-	-	-	100% demand
887500 MAINT OF MAINS - TRAINING	22,757	22,757	-	-	-	-	100% demand
889000 MAINT OF MEAS/REG STA GEN	4,529	4,529	-	-	-	-	100% demand
889100 MAINT OF MEAS/REG-CALIB	256	256	-	-	-	-	100% demand
889200 MAINT OF MEAS/REG-PAINT	66,181	66,181	-	-	-	-	100% demand
890000 MAINT OF IND MTR/REG-IN	-	-	-	-	-	-	100% demand
890100 MAINT OF IND MTR/REG-OUT	-	-	-	-	-	-	100% demand
890200 MAINT OF IND INSTR INSHOP	-	-	-	-	-	-	100% demand
890300 MAINT OF IND INSTR OUTSID	-	-	-	-	-	-	100% demand
890400 MAINT OF IND TELEMTRY EQ	-	-	-	-	-	-	100% demand
890500 MAINT OF IND M/R TRAINING	-	-	-	-	-	-	100% demand
891000 MAINT OF MEAS/REG-CTY GAT	9,097	9,097	-	-	-	-	100% demand
892000 MAINT OF SERVICES	-	-	-	-	-	-	100% demand
892200 MAINT OF SVC-3RD PTY DMGE	-	-	-	-	-	-	100% demand
892205 MAINT OF SVC-3RD PTY BILL	-	-	-	-	-	-	100% demand
892210 MAINT OF SVC-3RD PTY WAVE	-	-	-	-	-	-	100% demand
892300 MAINT OF SVC-LEAK SURVEY	-	-	-	-	-	-	100% demand
892400 MAINTENANCE 1ST CUTS	-	-	-	-	-	-	100% demand
893000 MAINT - ERT	-	-	-	-	-	-	100% demand
893100 SMALL METER TESTING	-	-	-	-	-	-	100% demand
893200 SMALL METER REPAIR	-	-	-	-	-	-	100% demand
893300 SMALL REGULAR-REPAIR/TEST	-	-	-	-	-	-	100% demand
894000 MAINT OF OTHER EQUIP	8,322	8,322	-	-	-	-	100% demand
894100 MAINT OF OPERATION EQUIP	20,176	20,176	-	-	-	-	100% demand
894163 STORES EXP-MAINT DISTR	4,464	4,464	-	-	-	-	100% demand
894184 TRANSP/TELECOM-MAINT DIST	65,234	65,234	-	-	-	-	100% demand
894200 MAINT OF CONSTR EQUIP	39,425	39,425	-	-	-	-	100% demand
TOTAL DISTRIBUTION MAINTENANCE	540,478	540,478	-	-	-	-	
ADMINISTRATIVE & GENERAL							
935000 MAINT GENERAL PLANT	3,058	3,058	-	-	-	-	100% demand
935184 TRANSP/TELECOM-MAINT A&G	558	558	-	-	-	-	100% demand
TOTAL ADMINISTRATIVE & GENERAL	3,616	3,616	-	-	-	-	
TOTAL MAINTENANCE	544,093	544,093	-	-	-	-	
DEPRECIATION							
403000 DEPRECIATION EXPENSES	-	-	-	-	-	-	100% demand
404399 AMORT G/L SOFTWARE	-	-	-	-	-	-	100% demand
TOTAL DEPRECIATION	-	-	-	-	-	-	
408110 TAXES OTHER THAN INC TAX	958,137	958,137	-	-	-	-	sum of items below
Revenue Related	326,209	326,209	-	-	-	-	100% demand
Labor Related	187,368	187,368	-	-	-	-	100% demand
O&M Related	9,551	9,551	-	-	-	-	100% demand
Plant Related	435,008	435,008	-	-	-	-	100% demand
Throughput Related	-	-	-	-	-	-	100% demand
total check	958,137	958,137	-	-	-	-	
FEDERAL INCOME TAXES							
409100 INCOME TAXES	-	-	-	-	-	-	100% demand
410100 PROV FOR DEF INC TAXES	-	-	-	-	-	-	100% demand
411400 INVEST TAX CREDIT ADJ	(1,891)	(1,891)	-	-	-	-	100% demand
TOTAL FEDERAL INCOME TAXES	(1,891)	(1,891)	-	-	-	-	
TOTAL OPERATING EXPENSES	4,474,716	4,474,716	-	-	-	-	

CLASSIFICATION OF DISTRIBUTION PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	<u>DEMAND</u>	<u>COMMODITY</u>	<u>COMMON CUSTOMER</u>	<u>TRANSMISSION CUSTOMER</u>	<u>DISTRIBUTION CUSTOMER</u>
GROSS PLANT							
	PRODUCTION PLANT						
304	LAND	-	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	-	-	-	-	-	-
	TRANSMISSION PLANT						
365.1	LAND	-	-	-	-	-	100% demand
365.2	RIGHTS OF WAY	-	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	100% demand
367	MAINS	-	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	-	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	-	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	-	-	-	-	-	-
	DISTRIBUTION EQUIPMENT						
374.1	LAND	57,195	57,195	-	-	-	100% demand
374.2	RIGHTS OF WAY	756,009	756,009	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	1,082,889	1,082,889	-	-	-	100% demand
376	MAINS	40,668,491	40,668,491	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	1,162,621	1,162,621	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	569,331	569,331	-	-	-	100% demand
380	SERVICES	-	-	-	-	-	100% common customer
381	METERS	-	-	-	-	-	100% common customer
381.1	METERS - ERT Modules	-	-	-	-	-	100% common customer
382	METER INSTALLATIONS	-	-	-	-	-	100% common customer
383	HOUSE REGULATORS	-	-	-	-	-	100% distribution customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	100% transmission customer
387	OTHER EQUIP	763,172	763,172	-	-	-	100% demand
	TOTAL DISTRIBUTION PLANT	45,059,708	45,059,708	-	-	-	-
	GENERAL PLANT						
389	LAND	52,442	52,442	-	-	-	100% demand
390	STRUCTURES & IMPROVEMENTS	474,654	474,654	-	-	-	100% demand
391.1	OFFICE FURNITURE & EQUIP	182,906	182,906	-	-	-	100% demand
391.2	COMPUTER EQUIPMENT	383,991	383,991	-	-	-	100% demand
392	TRANSPORTATION EQUIP	645,761	645,761	-	-	-	100% demand
393	STORES EQUIPMENT	10,430	10,430	-	-	-	100% demand
394	TOOLS,SHOP,GARAGE EQUIP	58,573	58,573	-	-	-	100% demand
395	LABORATORY EQUIP	4,234	4,234	-	-	-	100% demand
396	POWER OPERATED EQUIP	81,196	81,196	-	-	-	100% demand
397	COMMUNICATION EQUIP	198,893	198,893	-	-	-	100% demand
398	MISC EQUIPMENT	10,600	10,600	-	-	-	100% demand
399	OTHER EQUIP	-	-	-	-	-	100% demand
	TOTAL GENERAL PLANT	2,103,681	2,103,681	-	-	-	-
TOTAL GROSS PLANT		47,163,389	47,163,389	-	-	-	-
ACCUMULATED DEPRECIATION							
DETAIL OF ACCOUNT 108							
	PRODUCTION PLANT						
Manufactured Gas Production Plant							
304	LAND	-	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	-	-	-	-	-	-
	TRANSMISSION PLANT						
365.1	LAND	-	-	-	-	-	100% demand
365.2	RIGHTS OF WAY	-	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	100% demand
367	MAINS	-	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	-	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	-	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	-	-	-	-	-	-
	DISTRIBUTION PLANT						
374.1	LAND	1,351	1,351	-	-	-	100% demand
374.2	RIGHTS OF WAY	293,201	293,201	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	689,448	689,448	-	-	-	100% demand
376	MAINS	25,363,268	25,363,268	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	773,519	773,519	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	563,450	563,450	-	-	-	100% demand
380	SERVICES	-	-	-	-	-	100% common customer
381	METERS	-	-	-	-	-	100% common customer
381.1	METERS - ERT Modules	-	-	-	-	-	100% common customer
382	METER INSTALLATIONS	-	-	-	-	-	100% common customer
383	HOUSE REGULATORS	-	-	-	-	-	100% distribution customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	100% transmission customer
387	OTHER EQUIP	322,833	322,833	-	-	-	100% demand
	TOTAL DISTRIBUTION PLANT	28,007,070	28,007,070	-	-	-	-
	GENERAL PLANT						
389	LAND	-	-	-	-	-	100% demand
390	STRUCTURES & IMPROVEMENTS	262,566	262,566	-	-	-	100% demand
391.1	OFFICE FURNITURE & EQUIP	166,018	166,018	-	-	-	100% demand
391.2	COMPUTER EQUIPMENT	674,119	674,119	-	-	-	100% demand
392	TRANSPORTATION EQUIP	433,864	433,864	-	-	-	100% demand
393	STORES EQUIPMENT	10,353	10,353	-	-	-	100% demand

CLASSIFICATION OF DISTRIBUTION PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	DEMAND	COMMODITY	COMMON CUSTOMER	TRANSMISSION CUSTOMER	DISTRIBUTION CUSTOMER	
394	TOOLS,SHOP,GARAGE EQUIP	83,491	83,491	-	-	-	-	100% demand
395	LABORATORY EQUIP	4,266	4,266	-	-	-	-	100% demand
396	POWER OPERATED EQUIP	68,695	68,695	-	-	-	-	100% demand
397	COMMUNICATION EQUIP	116,722	116,722	-	-	-	-	100% demand
398	MISC EQUIPMENT	8,596	8,596	-	-	-	-	100% demand
399	OTHER EQUIP	-	-	-	-	-	-	100% demand
TOTAL GENERAL PLANT		1,828,691	1,828,691	-	-	-	-	
TOTAL ACCUMULATED DEPRECIATION		29,835,761	29,835,761	-	-	-	-	
NET PLANT								
PRODUCTION PLANT								
304	LAND	-	-	-	-	-	-	Gross plant less acc depreciation
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	Gross plant less acc depreciation
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	Gross plant less acc depreciation
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL PRODUCTION PLANT		-	-	-	-	-	-	
TRANSMISSION PLANT								
365.1	LAND	-	-	-	-	-	-	Gross plant less acc depreciation
365.2	RIGHTS OF WAY	-	-	-	-	-	-	Gross plant less acc depreciation
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	Gross plant less acc depreciation
367	MAINS	-	-	-	-	-	-	Gross plant less acc depreciation
369	MEAS & REG STATION EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
370	COMMUNICATION EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
371	OTHER EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL TRANSMISSION PLANT		-	-	-	-	-	-	
DISTRIBUTION EQUIPMENT								
374.1	LAND	55,844	55,844	-	-	-	-	Gross plant less acc depreciation
374.2	RIGHTS OF WAY	462,808	462,808	-	-	-	-	Gross plant less acc depreciation
375	STRUCTURES & IMPROVEMENTS	393,441	393,441	-	-	-	-	Gross plant less acc depreciation
376	MAINS	15,305,223	15,305,223	-	-	-	-	Gross plant less acc depreciation
378	MEAS & REG STATION EQUIP - GENERAL	389,102	389,102	-	-	-	-	Gross plant less acc depreciation
379	MEAS & REG STATION EQUIP - CITY GATE	5,881	5,881	-	-	-	-	Gross plant less acc depreciation
380	SERVICES	-	-	-	-	-	-	Gross plant less acc depreciation
381	METERS	-	-	-	-	-	-	Gross plant less acc depreciation
381.1	METERS - ERT Modules	-	-	-	-	-	-	Gross plant less acc depreciation
382	METER INSTALLATIONS	-	-	-	-	-	-	Gross plant less acc depreciation
383	HOUSE REGULATORS	-	-	-	-	-	-	Gross plant less acc depreciation
385	INDUSTRIAL MEASURING & REG STA EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
387	OTHER EQUIP	440,339	440,339	-	-	-	-	Gross plant less acc depreciation
TOTAL DISTRIBUTION PLANT		17,052,638	17,052,638	-	-	-	-	
GENERAL PLANT								
389	LAND	52,442	52,442	-	-	-	-	Gross plant less acc depreciation
390	STRUCTURES & IMPROVEMENTS	212,088	212,088	-	-	-	-	Gross plant less acc depreciation
391.1	OFFICE FURNITURE & EQUIP	16,888	16,888	-	-	-	-	Gross plant less acc depreciation
391.2	COMPUTER EQUIPMENT	(290,129)	(290,129)	-	-	-	-	Gross plant less acc depreciation
392	TRANSPORTATION EQUIP	211,897	211,897	-	-	-	-	Gross plant less acc depreciation
393	STORES EQUIPMENT	77	77	-	-	-	-	Gross plant less acc depreciation
394	TOOLS,SHOP,GARAGE EQUIP	(24,919)	(24,919)	-	-	-	-	Gross plant less acc depreciation
395	LABORATORY EQUIP	(31)	(31)	-	-	-	-	Gross plant less acc depreciation
396	POWER OPERATED EQUIP	12,501	12,501	-	-	-	-	Gross plant less acc depreciation
397	COMMUNICATION EQUIP	82,172	82,172	-	-	-	-	Gross plant less acc depreciation
398	MISC EQUIPMENT	2,003	2,003	-	-	-	-	Gross plant less acc depreciation
399	OTHER EQUIP	-	-	-	-	-	-	Gross plant less acc depreciation
TOTAL GENERAL PLANT		274,990	274,990	-	-	-	-	
TOTAL NET PLANT		17,327,628	17,327,628	-	-	-	-	
OTHER RATE BASE								
Working capital cash		-	-	-	-	-	-	100% demand
Materials and supplies		229,726	229,726	-	-	-	-	100% demand
Customer deposits		-	-	-	-	-	-	100% demand
1/4 of operating taxes		-	-	-	-	-	-	100% demand
Customer advances		-	-	-	-	-	-	100% demand
PIPP surcharge recovery balance		-	-	-	-	-	-	100% demand
Bad Debt surcharge recovery balance		-	-	-	-	-	-	100% demand
Deferred pension		1,285,890	1,285,890	-	-	-	-	100% demand
Deferred other post retirement benefits		(280,098)	(280,098)	-	-	-	-	100% demand
Deferred investment tax credit		(4,370)	(4,370)	-	-	-	-	100% demand
Deferred tax - pension		(437,202)	(437,202)	-	-	-	-	100% demand
Deferred tax - other post rtmnt benefits		95,233	95,233	-	-	-	-	100% demand
Deferred tax - prepaid insurance		(48,714)	(48,714)	-	-	-	-	100% demand
Deferred tax - accrued vacation		263,634	263,634	-	-	-	-	100% demand
Deferred tax - property tax		143,542	143,542	-	-	-	-	100% demand
Deferred tax - accrued audit fees		14,924	14,924	-	-	-	-	100% demand
Deferred tax - accrued health insurance		9,065	9,065	-	-	-	-	100% demand
Deferred tax - reserve for bad debt		-	-	-	-	-	-	100% demand
Deferred tax - misc		(59,094)	(59,094)	-	-	-	-	100% demand
Deferred income tax - Acc Deprec		(3,223,988)	(3,223,988)	-	-	-	-	100% demand
TOTAL RATE BASE		\$ 15,316,176	\$ 15,316,176	\$ -	\$ -	\$ -	\$ -	

CLASSIFICATION OF CUSTOMER EXPENSES

	2016 Actuals	DEMAND	COMMODITY	COMMON CUSTOMER			TRANS CONTRACT	DIST COMMON	DIST TARIFF	Basis
				SERVICES	BILLING	SERVICE/SALES	CUSTOMER	CUSTOMER	CUSTOMER	
OPERATION										
TRANSMISSION										
850000 OPERATION, SUPVISION, ENG	-	-	-	-	-	-	-	-	-	100% demand
851000 SYS CONTROL/LOAD DISPATCH	-	-	-	-	-	-	-	-	-	100% demand
852000 TELEMETRY SYSTEM EXPS	-	-	-	-	-	-	-	-	-	100% demand
856000 MAINS EXPENSES	-	-	-	-	-	-	-	-	-	100% demand
856100 MAINS EXPENSES-CATH PROT	-	-	-	-	-	-	-	-	-	100% demand
856200 MAINS EXPENSES-LOC.PROTEC	-	-	-	-	-	-	-	-	-	100% demand
857000 MEAS AND REG STATION EXP	-	-	-	-	-	-	-	-	-	100% demand
857070 MEAS & REG PETTSV PURCH S	-	-	-	-	-	-	-	-	-	100% demand
857100 MEAS AND REG ST-WITNESS	-	-	-	-	-	-	-	-	-	100% demand
859184 TRANSP/TELECOM-OP TRANSM	-	-	-	-	-	-	-	-	-	100% demand
TOTAL OPERATION TRANSMISSION	-	-	-	-	-	-	-	-	-	-
DISTRIBUTION										
870000 OPERATION,SUPRVSN,ENG	-	-	-	-	-	-	-	-	-	100% demand
871000 DISTR LOAD DISPATCH	-	-	-	-	-	-	-	-	-	100% demand
874000 MAIN/SVC EXP	-	-	-	-	-	-	-	-	-	100% demand
874100 MAIN/SVC EXP-CATH PROT	-	-	-	-	-	-	-	-	-	100% demand
874200 MAIN/SVC EXP-LOC. PROT	-	-	-	-	-	-	-	-	-	100% demand
874300 MAIN/SVC EXP-MANHOLE SURV	-	-	-	-	-	-	-	-	-	100% demand
874400 MAIN/SVC EXP-DAM PREVENT	-	-	-	-	-	-	-	-	-	100% demand
874500 MAINS/SERVICES - TRAINING	-	-	-	-	-	-	-	-	-	100% demand
875000 MEAS/REG STA EXP-GEN	-	-	-	-	-	-	-	-	-	100% demand
876000 IND MTR/REG EXP	71,306	-	-	-	71,306	-	-	-	-	100% customer billing
876100 IND M/R EXP-AN CHANGE	38,486	-	-	-	38,486	-	-	-	-	100% customer billing
876200 IND M/R EXP-LOAD STDY	12,311	-	-	-	12,311	-	-	-	-	100% customer billing
877000 MEAS/REG STA CHRTS EXP	-	-	-	-	-	-	-	-	-	100% customer billing
878000 MTR, HSE REG EXP	127,571	-	-	-	-	-	-	-	127,571	100% distribution tariff customer
878100 MTR, HSE REG EXP-AN CHNGE	78,426	-	-	-	-	-	-	-	78,426	100% distribution tariff customer
878200 TURN ON/OFF-READ IN/OUT	256,437	-	-	-	-	-	-	256,437	-	100% distribution common customer
878300 REPAIR METER SET LEAKS	22,528	-	-	-	-	-	-	22,528	-	100% distribution common customer
879000 CUSTOMER CALL EXPENSES	47,885	-	-	-	-	-	-	47,885	-	100% distribution common customer
879100 PRIORITY CALLS	65,748	-	-	-	-	-	-	65,748	-	100% distribution common customer
880000 OTHER EXPENSES	-	-	-	-	-	-	-	-	-	operating expenses
880100 OFFICE SUPPLIES	982	-	-	91	511	59	7	138	176	operating expenses
880163 STORES EXP-OPERS DISTR	-	-	-	-	-	-	-	-	-	operating expenses
880184 TRANSP/TELECOM-OPER DISTR	-	-	-	-	-	-	-	-	-	operating expenses
880200 DRUG AND ALCOHOL PROGRAM	314	-	-	29	163	19	2	44	56	operating expenses
880300 UNIFORMS	4,901	-	-	454	2,550	296	34	689	879	operating expenses
880400 MAPS AND RECORDS	-	-	-	-	-	-	-	-	-	operating expenses
881000 RENTS	-	-	-	-	-	-	-	-	-	operating expenses
TOTAL OPERATION DISTRIBUTION	726,895	-	-	574	125,326	374	43	393,469	207,109	-
CUSTOMER ACCOUNTS										
901000 SUPERVISION	41,032	-	-	-	41,032	-	-	-	-	100% customer billing
902000 METER READING EXPENSES	76,585	-	-	-	76,585	-	-	-	-	100% customer billing
903000 CUST RECORDS/COLLECT EXP	1,072,536	-	-	-	1,072,536	-	-	-	-	100% customer billing
903100 COMPUTER EXPENSES	8,098	-	-	-	8,098	-	-	-	-	100% customer billing
904000 UNCOLLECTIBLE ACCOUNTS	91,825	-	-	-	-	-	-	-	91,825	100% distribution tariff customer
904003 UNCOLL EXP-PIP CUST	132,488	-	-	-	-	-	-	-	132,488	100% distribution tariff customer
905163 STORES EXP-OPERS CUST ACC	2,234	-	-	-	2,234	-	-	-	-	100% customer billing
905184 TRANSP/TELECOM-OP CUST AC	37,187	-	-	-	37,187	-	-	-	-	100% customer billing
TOTAL CUSTOMER ACCOUNTS	1,461,985	-	-	-	1,237,671	-	-	-	224,313	-
CUSTOMER SERVICE										
908000 CUSTOMER ASSIST EXP	-	-	-	-	-	-	-	-	-	100% customer service/sales
909000 INFORMATIONAL ADVERTISING	5,725	-	-	-	-	5,725	-	-	-	100% customer service/sales
910000 MISC CUST SVC - REV	(676)	-	-	-	-	(676)	-	-	-	100% customer service/sales
910100 MISC CUST SVC - EXP	141	-	-	-	-	141	-	-	-	100% customer service/sales
910184 TRANSP/TELECOM-OP CUSTSER	1,087	-	-	-	-	1,087	-	-	-	100% customer service/sales
TOTAL CUSTOMER SERVICE	6,278	-	-	-	-	6,278	-	-	-	-
SALES										
911000 SUPERVISION	29,341	-	-	-	-	29,341	-	-	-	100% customer service/sales
912000 SALARIES AND EXPENSES	100,734	-	-	-	-	100,734	-	-	-	100% customer service/sales
913000 ADVERTISING EXP	13,373	-	-	-	-	13,373	-	-	-	100% customer service/sales
913100 ADVERTISING EXP-BLDRS	1,854	-	-	-	-	-	-	-	1,854	100% distribution tariff customer
913300 ADVERTISING EXP-CUST EXP	3,072	-	-	-	-	3,072	-	-	-	100% customer service/sales
916000 MISC SALES EXP	5,401	-	-	-	-	5,401	-	-	-	100% customer service/sales
916100 ECONOMIC DEVELOPMENT EXPS	4,810	-	-	-	-	-	4,810	-	-	100% transmission customer
916184 TRANSP/TELECOM-OPER SALES	20,953	-	-	-	-	20,953	-	-	-	100% customer service/sales
TOTAL SALES	179,539	-	-	-	-	172,875	4,810	-	1,854	-
ADMINISTRATIVE & GENERAL										
920100 ADMIN/GEN SALARY-GEN OFF	95,998	-	-	8,896	49,935	5,796	667	13,486	17,218	operating expenses
920200 ADMIN/GEN SALARY-OFF EMPL	156,282	-	-	14,482	81,293	9,435	1,086	21,955	28,030	operating expenses
921100 OFFICE SUP/EXP- OFFICER	4,070	-	-	377	2,117	246	28	572	730	operating expenses
921200 OFFICE SUP/EXP-EMPLOYEES	2,370	-	-	220	1,233	143	16	333	425	operating expenses
921300 OFFICE SUP/EXP	9,918	-	-	919	5,159	599	69	1,393	1,779	operating expenses
921400 PC SUPPLIES & EXPENSES	36,414	-	-	3,374	18,942	2,198	253	5,116	6,531	operating expenses
923100 OUTSIDE SVC EMPLD-FEES	12,385	-	-	1,148	6,442	748	86	1,740	2,221	operating expenses
923300 OUTSIDE SVC EMPLD-SP SVC	50,385	-	-	4,669	26,209	3,042	350	7,078	9,037	operating expenses
923350 OUTSIDE SV-GRANT THORNTON	44,106	-	-	4,087	22,943	2,663	306	6,196	7,911	operating expenses
923400 OUTSIDE SVC-LEGAL-OHIO	30,699	-	-	2,845	15,969	1,853	213	4,313	5,506	operating expenses
923401 OUTSIDE SVC-LEGAL-LOCAL	547	-	-	51	285	33	4	77	98	operating expenses
923500 OUTSIDE SVC-TRAINING&EDU	1,333	-	-	124	694	80	9	187	239	operating expenses
923900 PC OUTSIDE SVC & TRAINING	2,396	-	-	222	1,246	145	17	337	430	operating expenses
924000 PROPERTY INSURANCE	9,049	-	-	2,149	5,453	30	450	756	210	net plant
925000 INJURIES AND DAMAGES	109,127	-	-	10,112	56,765	6,588	758	15,331	19,573	operating expenses
925200 EMPLOYEE SAFETY EQUIP,SUPPLIES	1,606	-	-	149	835	97	11	226	288	operating expenses
926100 EMPL PENS/BNFTS-PENSION	94,390	-	-	8,747	49,099	5,699	656	13,260	16,930	operating expenses
926200 EMPL PENS/BNFTS-EMPL BEN	4,807	-	-	445	2,500	290	33	675	862	operating expenses
926210 EMPL BNFTS-L/T DISAB	8,972	-	-	831	4,667	542	62	1,260	1,609	operating expenses
926220 EMPL BNFTS-GTL INS	4,644	-	-	430	2,416	280	32	652	833	operating expenses
926225 EMPL BNFTS-VOLUNTARY LIFE INS	41	-	-	4	21	2	0	6	7	operating expenses
926230 EMPL BNFTS - EAP	666	-	-	62	346	40	5	94	119	operating expenses
926240 EMPL BNFTS-ACCIDENT INS	(0)	-	-	(0)	(0)	(0)	(0)	(0)	(0)	operating expenses
926260 EMPL BNFTS-HEALTH INS	96,123	-	-	8,907	50,000	5,803	668	13,504	17,240	operating expenses
926270 EMPL BNFTS-VISION INS	43	-	-	4	23	3	0	6	8	operating expenses
926280 EMPL BNFTS-DENTAL INS	5,658	-	-	524	2,943	342	39	795	1,015	operating expenses
926300 DEFINED CONTR PLAN-401K	142,637	-	-	13,217	74,195	8,611	991	20,038	25,583	operating expenses
926400 MERA EXPENSE / FSA	6,171	-	-	572	3,210	373	43	867	1,107	operating expenses
926450 EMPL BNFTS-HAS CASH CONTRIB	21,569	-	-	1,999	11,220	1,302	150	3,030	3,869	operating expenses
926500 NON-PENSION PR BNFT EXP	5,537	-	-	513	2,880	334	38	778	993	operating expenses
928000 REGULATORY COMM EXP	177	-	-	16	92	11	1	25	32	operating expenses
930100 INSTIT OR GOODWILL AD EXP	10,064	-	-	933	5,235	608	70	1,414	1,805	operating expenses
930184 TRANSP/TELECOM-OPERS A&G	6,282	-	-	582	3,268	379	44	883	1,127	operating expenses
930200 MISC GEN EXP	25,576	-	-	2,370	13,304	1,544	178	3,593	4,587	operating expenses
TOTAL ADMINISTRATIVE & GENERAL	1,000,040	-	-	93,980	520,939	59,858	7,335	139,976	177,952	-
TOTAL OPERATION	3,374,736	-	-	94,554	1,883,936	239,385	12,189	533,445	611,228	-
MAINTENANCE										
TRANSMISSION										
861000 MAINT, SPRVSN, & ENG	-	-	-	-	-	-	-	-	-	100% demand
863000 MAINTENANCE OF MAINS	-	-	-	-	-	-	-	-	-	100% demand
863100 MAINT OF MAINS-CATH PROT	-	-	-	-	-	-	-	-	-	100% demand
863300 MAINT OF MAINS-LEAK SURV	-	-	-	-	-	-	-	-	-	100% demand
865000 MAINT OF MEAS-REG STA EQ	-	-	-	-	-	-	-	-	-	100% demand
865070 MAINT MEAS-RG ST-PETTSV P	-	-	-	-	-	-	-	-	-	100% demand
866000 MAINT OF TELEMETRY EQ	-	-	-	-	-	-	-	-	-	100% demand
867000 MAINT OF RADIO EQUIP	-	-	-	-	-	-	-	-	-	100% demand
867184 TRANSP/TELECOM-MINT TRANSM	-	-	-	-	-	-	-	-	-	100% demand

CLASSIFICATION OF CUSTOMER EXPENSES

	2016 Actuals	COMMON CUSTOMER				TRANS CONTRACT CUSTOMER	DIST COMMON CUSTOMER	DIST TARIFF CUSTOMER	Basis
		DEMAND	COMMODITY	SERVICES	BILLING	SERVICE/SALES			
TOTAL TRANSMISSION MAINTENANCE	-	-	-	-	-	-	-	-	-
DISTRIBUTION									
885000 MAINT, SPRVSN, ENG	-	-	-	-	-	-	-	-	100% demand
886000 MAINT OF STRUCT & IMPROV	-	-	-	-	-	-	-	-	100% demand
887000 MAINT OF MAINS	-	-	-	-	-	-	-	-	100% demand
887100 MAINT OF MAIN-CATH PROT	-	-	-	-	-	-	-	-	100% demand
887200 MAINT OF MAIN-3RD PTY DMG	-	-	-	-	-	-	-	-	100% demand
887205 MAINT MAIN-3RD PTY BIL	-	-	-	-	-	-	-	-	100% demand
887210 MAINT MAIN-3RD PTY WAV	-	-	-	-	-	-	-	-	100% demand
887300 MAINT OF MAIN-LEAK SURVEY	-	-	-	-	-	-	-	-	100% demand
887500 MAINT OF MAINS - TRAINING	-	-	-	-	-	-	-	-	100% demand
889000 MAINT OF MEAS/REG STA GEN	-	-	-	-	-	-	-	-	100% demand
889100 MAINT OF MEAS/REG-CALIB	-	-	-	-	-	-	-	-	100% demand
889200 MAINT OF MEAS/REG-PAINT	-	-	-	-	-	-	-	-	100% demand
890000 MAINT OF IND MTR/REG-IN	73,862	-	-	73,862	-	-	-	-	100% customer services
890100 MAINT OF IND MTR/REG-OUT	10,397	-	-	10,397	-	-	-	-	100% customer services
890200 MAINT OF IND INSTR INSHOP	9,066	-	-	9,066	-	-	-	-	100% customer services
890300 MAINT OF IND INSTR OUTSID	10,878	-	-	10,878	-	-	-	-	100% customer services
890400 MAINT OF IND TELEMETRY EQ	909	-	-	909	-	-	-	-	100% customer services
890500 MAINT OF IND M/R TRAINING	10,244	-	-	10,244	-	-	-	-	100% customer services
891000 MAINT OF MEAS/REG-CITY GAT	-	-	-	-	-	-	-	-	100% demand
892000 MAINT OF SERVICES	32,518	-	-	32,518	-	-	-	-	100% customer services
892200 MAINT OF SVC-3RD PTY DMGE	18,599	-	-	18,599	-	-	-	-	100% customer services
892205 MAINT OF SVC-3RD PTY BILL	(27,341)	-	-	(27,341)	-	-	-	-	100% customer services
892210 MAINT OF SVC-3RD PTY WAVE	11,606	-	-	11,606	-	-	-	-	100% customer services
892300 MAINT OF SVC-LEAK SURVEY	49,821	-	-	49,821	-	-	-	-	100% customer services
892400 MAINTENANCE 1ST CUTS	9,474	-	-	-	-	-	-	9,474	100% distribution tariff customer
893000 MAINT - ERT	6,834	-	-	-	-	-	-	6,834	100% distribution tariff customer
893100 SMALL METER TESTING	27,986	-	-	-	-	-	-	27,986	100% distribution tariff customer
893200 SMALL METER REPAIR	46,368	-	-	-	-	-	-	46,368	100% distribution tariff customer
893300 SMALL REGULAR-REPAIR/TEST	5,048	-	-	-	-	-	-	5,048	100% distribution tariff customer
894000 MAINT OF OTHER EQUIP	-	-	-	-	-	-	-	-	100% demand
894100 MAINT OF OPERATION EQUIP	-	-	-	-	-	-	-	-	100% demand
894163 STORES EXP-MAINT DISTR	-	-	-	-	-	-	-	-	100% demand
894184 TRANSP/TELECOM-MAINT DIST	-	-	-	-	-	-	-	-	100% demand
894200 MAINT OF CONSTR EQUIP	-	-	-	-	-	-	-	-	100% demand
TOTAL DISTRIBUTION MAINTENANCE	296,268	-	-	200,558	-	-	-	95,710	
ADMINISTRATIVE & GENERAL									
935000 MAINT GENERAL PLANT	3,002	-	-	278	1,562	181	21	422	538 operating expenses
935184 TRANSP/TELECOM-MAINT A&G	648	-	-	51	285	33	4	77	98 operating expenses
TOTAL ADMINISTRATIVE & GENERAL	3,550	-	-	329	1,847	214	25	499	637
TOTAL MAINTENANCE	299,818	-	-	200,887	1,847	214	25	499	96,346
DEPRECIATION									
403000 DEPRECIATION EXPENSES	-	-	-	-	-	-	-	-	100% customer services
404399 AMORT G/L SOFTWARE	-	-	-	-	-	-	-	-	operating expenses
TOTAL DEPRECIATION	-	-	-	-	-	-	-	-	-
408110 TAXES OTHER THAN INC TAX	719,983	-	-	111,931	400,260	25,660	18,362	83,383	80,388 sum of items below
Revenue Related	320,297	-	-	29,680	166,609	19,337	2,225	44,997	57,448 operating expenses
Labor Related	78,229	-	-	7,249	40,693	4,723	544	10,990	14,031 operating expenses
O&M Related	9,378	-	-	869	4,878	566	65	1,317	1,682 operating expenses
Plant Related	312,080	-	-	74,132	188,081	1,034	15,528	26,078	7,227 net plant
Throughput Related	-	-	-	-	-	-	-	-	- net plant
total check	719,983	-	-	111,931	400,260	25,660	18,362	83,383	80,388
FEDERAL INCOME TAXES									
409100 INCOME TAXES	-	-	-	-	-	-	-	-	- rate base
410100 PROV FOR DEF INC TAXES	-	-	-	-	-	-	-	-	- rate base
411400 INVEST TAX CREDIT ADJ	(929)	-	-	(236)	(615)	(6)	(49)	(89)	67 rate base
TOTAL FEDERAL INCOME TAXES	(929)	-	-	(236)	(615)	(6)	(49)	(89)	67
TOTAL OPERATING EXPENSES	4,393,609	-	-	407,136	2,285,428	265,252	30,526	617,238	788,029

CLASSIFICATION OF CUSTOMER PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	DEMAND	COMMODITY	CUSTOMER SERVICES	CUSTOMER BILLING	CUSTOMER SERVICE/SALES	TRANS CONTRACT CUSTOMER	DIST COMMON CUSTOMER	DIST TARIFF CUSTOMER	
GROSS PLANT											
	PRODUCTION PLANT										
304	LAND	-	-	-	-	-	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	-	-	-	-	-	-	-	-	-	
	TRANSMISSION PLANT										
365.1	LAND	-	-	-	-	-	-	-	-	-	100% demand
365.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
367	MAINS	-	-	-	-	-	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	-	-	-	-	-	-	-	-	-	
	DISTRIBUTION EQUIPMENT										
374.1	LAND	-	-	-	-	-	-	-	-	-	100% demand
374.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
376	MAINS	-	-	-	-	-	-	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	-	-	-	100% demand
380	SERVICES	17,322,724	-	-	17,322,724	-	-	-	-	-	100% customer services
381	METERS	6,209,959	-	-	-	6,209,959	-	-	-	-	100% customer billing
381.1	METERS - ERT Modules	3,694,015	-	-	-	3,694,015	-	-	-	-	100% customer billing
382	METER INSTALLATIONS	2,281,597	-	-	-	2,281,597	-	-	-	-	100% customer billing
383	HOUSE REGULATORS	1,623,094	-	-	-	-	-	-	1,623,094	-	100% distribution common customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	958,524	-	-	-	-	-	754,879	-	203,645	plant acct 385
387	OTHER EQUIP	-	-	-	-	-	-	-	-	-	operating expenses
	TOTAL DISTRIBUTION PLANT	32,089,914	-	-	17,322,724	12,185,572	-	754,879	1,623,094	203,645	
	GENERAL PLANT										
389	LAND	51,492	-	-	4,772	26,785	3,109	358	7,234	9,235	operating expenses
390	STRUCTURES & IMPROVEMENTS	466,051	-	-	43,187	242,426	28,137	3,238	65,473	83,590	operating expenses
391.1	OFFICE FURNITURE & EQUIP	76,366	-	-	7,077	39,724	4,610	531	10,728	13,697	operating expenses
391.2	COMPUTER EQUIPMENT	160,322	-	-	14,856	83,395	9,679	1,114	22,523	28,755	operating expenses
392	TRANSPORTATION EQUIP	634,056	-	-	58,755	329,818	38,279	4,405	89,076	113,721	operating expenses
393	STORES EQUIPMENT	10,241	-	-	949	5,327	618	71	1,439	1,837	operating expenses
394	TOOLS,SHOP,GARAGE EQUIP	57,511	-	-	5,329	29,916	3,472	400	8,079	10,315	operating expenses
395	LABORATORY EQUIP	4,158	-	-	385	2,163	251	29	584	746	operating expenses
396	POWER OPERATED EQUIP	79,725	-	-	7,388	41,470	4,813	554	11,200	14,299	operating expenses
397	COMMUNICATION EQUIP	195,288	-	-	18,096	101,583	11,790	1,357	27,435	35,027	operating expenses
398	MISC EQUIPMENT	10,408	-	-	964	5,414	628	72	1,462	1,867	operating expenses
399	OTHER EQUIP	-	-	-	-	-	-	-	-	-	operating expenses
	TOTAL GENERAL PLANT	1,745,617	-	-	161,758	908,019	105,387	12,128	245,234	313,091	
	TOTAL GROSS PLANT	33,835,531	-	-	17,484,483	13,093,591	105,387	767,007	1,868,328	516,735	
ACCUMULATED DEPRECIATION											
DETAIL OF ACCOUNT 108											
	PRODUCTION PLANT										
	Manufactured Gas Production Plant										
304	LAND	-	-	-	-	-	-	-	-	-	100% demand
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	-	-	-	100% demand
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
	TOTAL PRODUCTION PLANT	-	-	-	-	-	-	-	-	-	
	TRANSMISSION PLANT										
365.1	LAND	-	-	-	-	-	-	-	-	-	100% demand
365.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	100% demand
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
367	MAINS	-	-	-	-	-	-	-	-	-	100% demand
369	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
370	COMMUNICATION EQUIP	-	-	-	-	-	-	-	-	-	100% demand
371	OTHER EQUIP	-	-	-	-	-	-	-	-	-	100% demand
	TOTAL TRANSMISSION PLANT	-	-	-	-	-	-	-	-	-	
	DISTRIBUTION PLANT										
374.1	LAND	-	-	-	-	-	-	-	-	-	100% demand
374.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	100% demand
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	100% demand
376	MAINS	-	-	-	-	-	-	-	-	-	100% demand
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	-	-	-	100% demand
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	-	-	-	100% demand
380	SERVICES	14,884,455	-	-	14,884,455	-	-	-	-	-	100% customer services
381	METERS	2,764,580	-	-	-	2,764,580	-	-	-	-	100% customer billing
381.1	METERS - ERT Modules	2,167,850	-	-	-	2,167,850	-	-	-	-	100% customer billing
382	METER INSTALLATIONS	1,231,018	-	-	-	1,231,018	-	-	-	-	100% customer billing
383	HOUSE REGULATORS	827,427	-	-	-	-	-	-	827,427	-	100% distribution common customer
385	INDUSTRIAL MEASURING & REG STA EQUIP	300,922	-	-	-	-	-	236,989	-	63,933	plant acct 385
387	OTHER EQUIP	-	-	-	-	-	-	-	-	-	operating expenses
	TOTAL DISTRIBUTION PLANT	22,176,252	-	-	14,884,455	6,163,448	-	236,989	827,427	63,933	
	GENERAL PLANT										
389	LAND	-	-	-	-	-	-	-	-	-	
390	STRUCTURES & IMPROVEMENTS	257,807	-	-	23,890	134,104	15,564	1,791	36,218	46,240	operating expenses
391.1	OFFICE FURNITURE & EQUIP	163,009	-	-	15,105	84,793	9,841	1,133	22,900	29,237	operating expenses
391.2	COMPUTER EQUIPMENT	281,456	-	-	26,081	146,405	16,992	1,956	39,540	50,481	operating expenses
392	TRANSPORTATION EQUIP	181,145	-	-	16,786	94,226	10,936	1,259	25,448	32,490	operating expenses
393	STORES EQUIPMENT	10,165	-	-	942	5,288	614	71	1,428	1,823	operating expenses
394	TOOLS,SHOP,GARAGE EQUIP	81,978	-	-	7,597	42,643	4,949	570	11,517	14,703	operating expenses
395	LABORATORY EQUIP	4,188	-	-	388	2,179	253	29	588	751	operating expenses
396	POWER OPERATED EQUIP	67,450	-	-	6,250	35,086	4,072	469	9,476	12,098	operating expenses
397	COMMUNICATION EQUIP	114,606	-	-	10,620	59,615	6,919	796	16,100	20,555	operating expenses
398	MISC EQUIPMENT	8,440	-	-	782	4,390	510	59	1,186	1,514	operating expenses
399	OTHER EQUIP	-	-	-	-	-	-	-	-	-	operating expenses
	TOTAL GENERAL PLANT	1,170,245	-	-	108,441	608,728	70,650	8,131	164,402	209,893	
	TOTAL ACCUMULATED DEPRECIATION	23,346,497	-	-	14,992,896	6,772,176	70,650	245,120	991,829	273,826	
NET PLANT											
	PRODUCTION PLANT										
304	LAND	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
305	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
311	LIQUEFIED GAS EQUIPMENT	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
334	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
	TOTAL PRODUCTION PLANT	-	-	-	-	-	-	-	-	-	
	TRANSMISSION PLANT										
365.1	LAND	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
365.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
366	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
367	MAINS	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
369	MEAS & REG STATION EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
370	COMMUNICATION EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
371	OTHER EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
	TOTAL TRANSMISSION PLANT	-	-	-	-	-	-	-	-	-	

CLASSIFICATION OF CUSTOMER PLANT AND RATE BASE

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	2016 ENDING BALANCE	DEMAND	COMMODITY	CUSTOMER SERVICES	CUSTOMER BILLING	CUSTOMER SERVICE/SALES	TRANS CONTRACT CUSTOMER	DIST COMMON CUSTOMER	DIST TARIFF CUSTOMER	
DISTRIBUTION EQUIPMENT											
374.1	LAND	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
374.2	RIGHTS OF WAY	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
375	STRUCTURES & IMPROVEMENTS	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
376	MAINS	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
378	MEAS & REG STATION EQUIP - GENERAL	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
379	MEAS & REG STATION EQUIP - CITY GATE	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
380	SERVICES	2,438,269	-	-	2,438,269	-	-	-	-	-	Gross plant less acc depreciation
381	METERS	3,445,379	-	-	-	3,445,379	-	-	-	-	Gross plant less acc depreciation
381.1	METERS - ERT Modules	1,526,165	-	-	-	1,526,165	-	-	-	-	Gross plant less acc depreciation
382	METER INSTALLATIONS	1,050,579	-	-	-	1,050,579	-	-	-	-	Gross plant less acc depreciation
383	HOUSE REGULATORS	795,667	-	-	-	-	-	-	795,667	-	Gross plant less acc depreciation
385	INDUSTRIAL MEASURING & REG STA EQUIP	657,602	-	-	-	-	-	517,890	-	139,712	Gross plant less acc depreciation
387	OTHER EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
	TOTAL DISTRIBUTION PLANT	9,913,662	-	-	2,438,269	6,022,124	-	517,890	795,667	139,712	
GENERAL PLANT											
389	LAND	51,492	-	-	4,772	26,785	3,109	358	7,234	9,235	Gross plant less acc depreciation
390	STRUCTURES & IMPROVEMENTS	208,244	-	-	19,297	108,322	12,572	1,447	29,255	37,350	Gross plant less acc depreciation
391.1	OFFICE FURNITURE & EQUIP	(86,643)	-	-	(8,029)	(45,069)	(5,231)	(602)	(12,172)	(15,540)	Gross plant less acc depreciation
391.2	COMPUTER EQUIPMENT	(121,133)	-	-	(11,225)	(63,010)	(7,313)	(842)	(17,017)	(21,726)	Gross plant less acc depreciation
392	TRANSPORTATION EQUIP	452,911	-	-	41,969	235,591	27,343	3,147	63,627	81,233	Gross plant less acc depreciation
393	STORES EQUIPMENT	75	-	-	7	39	5	1	11	14	Gross plant less acc depreciation
394	TOOLS,SHOP,GARAGE EQUIP	(24,467)	-	-	(2,267)	(12,727)	(1,477)	(170)	(3,437)	(4,388)	Gross plant less acc depreciation
395	LABORATORY EQUIP	(31)	-	-	(3)	(16)	(2)	(0)	(4)	(6)	Gross plant less acc depreciation
396	POWER OPERATED EQUIP	12,274	-	-	1,137	6,385	741	85	1,724	2,201	Gross plant less acc depreciation
397	COMMUNICATION EQUIP	80,682	-	-	7,476	41,969	4,871	561	11,335	14,471	Gross plant less acc depreciation
398	MISC EQUIPMENT	1,967	-	-	182	1,023	119	14	276	353	Gross plant less acc depreciation
399	OTHER EQUIP	-	-	-	-	-	-	-	-	-	Gross plant less acc depreciation
	TOTAL GENERAL PLANT	575,372	-	-	53,317	299,292	34,736	3,998	80,831	103,198	
TOTAL NET PLANT		10,489,033	-	-	2,491,586	6,321,416	34,736	521,887	876,499	242,910	
OTHER RATE BASE											
	Working capital cash	-	-	-	-	-	-	-	-	-	operating expenses
	Materials and supplies	225,563	-	-	20,902	117,331	13,618	1,567	31,688	40,456	operating expenses
	Customer deposits	(557,611)	-	-	-	-	-	-	-	(557,611)	100% distribution tariff customer rate base
	1/4 of operating taxes	-	-	-	-	-	-	-	-	-	100% distribution tariff customer
	Customer advances	(550,559)	-	-	-	-	-	-	-	(550,559)	100% distribution tariff customer
	PIPP surcharge recovery balance	(3,176)	-	-	-	-	-	-	-	(3,176)	100% distribution tariff customer
	Bad Debt surcharge recovery balance	42,051	-	-	-	-	-	-	-	42,051	100% distribution tariff customer
	Deferred pension	536,880	-	-	49,750	279,269	32,413	3,730	75,424	96,294	operating expenses
	Deferred other post retirement benefits	(116,945)	-	-	(10,837)	(60,832)	(7,060)	(813)	(16,429)	(20,975)	operating expenses
	Deferred investment tax credit	(2,645)	-	-	(628)	(1,594)	(9)	(132)	(221)	(61)	net plant
	Deferred tax - pension	(182,539)	-	-	(16,915)	(94,952)	(11,020)	(1,268)	(25,644)	(32,740)	operating expenses
	Deferred tax - other post rmtnt benefits	38,761	-	-	3,685	20,683	2,400	276	5,586	7,132	operating expenses
	Deferred tax - prepaid insurance	(29,488)	-	-	(7,005)	(17,772)	(98)	(1,467)	(2,464)	(683)	net plant
	Deferred tax - accrued vacation	110,072	-	-	10,200	57,256	6,645	765	15,463	19,742	operating expenses
	Deferred tax - property tax	86,891	-	-	20,640	52,367	288	4,323	7,261	2,012	net plant
	Deferred tax - accrued audit fees	14,653	-	-	1,358	7,622	885	102	2,059	2,628	operating expenses
	Deferred tax - accrued health insurance	3,785	-	-	351	1,969	228	26	532	679	operating expenses
	Deferred tax - reserve for bad debt	543	-	-	-	-	-	-	-	543	100% distribution tariff customer
	Deferred tax - misc	(58,023)	-	-	(5,377)	(30,182)	(3,503)	(403)	(8,151)	(10,407)	operating expenses
	Deferred income tax - Acc Deprec	(2,522,772)	-	-	(642,154)	(1,670,237)	(17,455)	(132,712)	(241,425)	181,211	rate base
	TOTAL RATE BASE	\$ 7,525,473	\$ -	\$ -	\$ 1,915,556	\$ 4,982,345	\$ 52,069	\$ 395,882	\$ 720,176	\$ (540,555)	

ALLOCATION FACTORS

	Contract Customers 1	Tariff Customers 0	
100% Contract	100%	0%	
	0	1	
100% Tariff	0%	100%	
	4,904,978	5,800,257	
Commodity	46%	54%	
	21,748	59,380	
Peak Day	27%	73%	
	23,169	57,959	
Avg/Excess	29%	71%	
	1,716,723	5,800,257	
Dist. Commodity	23%	77%	
	8,224	59,380	
Dist. Demand	12%	88%	
	71	49,942	
Dist. Customer	0%	100%	
	710	49,942	
Dist. Cust Services	1%	99%	
	4,927,684	26,926,849	
Rate Base	15%	85%	
	88	49,942	
Number of Customers	0.2%	99.8%	Contract Customer Weight
	880	49,942	10
Customer Services	2%	98%	
	440	49,942	5
Customer Billing	1%	99%	
	8,800	49,942	100
Customer Service/Sales	15%	85%	

ALLOCATION OF OPERATING EXPENSES

	2016 Actual Operating <u>Expenses</u>	Contract <u>Customers</u>	Tariff <u>Customers</u>	<u>Basis</u>
Transmission				
Demand	1,463,763	418,034	1,045,729	Avg/Excess
Commodity	310,900	142,450	168,450	Commodity
Common Customer	-	-	-	
Transmission Customer	-	-	-	
Distribution Customer	-	-	-	
Total Transmission	\$ 1,774,663	\$ 560,484	\$ 1,214,179	
Distribution				
Demand	4,474,716	544,360	3,930,357	Dist. Demand
Commodity	-	-	-	
Common Customer	-	-	-	
Transmission Customer	-	-	-	
Distribution Customer	-	-	-	
Total Distribution	\$ 4,474,716	\$ 544,360	\$ 3,930,357	
Customer				
Demand	-			
Commodity	-			
Common Customer				
Customer Services	407,136	7,050	400,086	Customer Services
Customer Billing	2,285,428	19,959	2,265,469	Customer Billing
Customer Service/Sales	265,252	39,737	225,515	Customer Service/Sales
Directly Allocated Customer				
Transmission Customer	30,526	30,526	-	100% Contract
Dist Common Customer	617,238	8,652	608,586	Dist. Cust Services
Dist Tariff Customer	788,029	-	788,029	100% Tariff
Total Customer	\$ 4,393,609	\$ 105,924	\$ 4,287,685	
Grand Total Operating Expenses	\$ 10,642,988	\$ 1,210,767 11.38%	\$ 9,432,221 88.62%	

ALLOCATION OF RATE BASE

	<u>Total</u>	<u>Contract</u> <u>Customers</u>	<u>Tariff</u> <u>Customers</u>	<u>Basis</u>
Transmission	9,012,883	2,573,978	6,438,905	Avg/Excess
Distribution	15,316,176	1,863,248	13,452,928	Dist. Demand
Common Customer				
Customer Services	1,915,556	33,168	1,882,388	Customer Services
Customer Billing	4,982,345	43,512	4,938,833	Customer Billing
Customer Service/Sales	52,069	7,800	44,268	Customer Service/Sales
Directly Allocated Customer				
Transmission Customer	395,882	395,882	-	100% Contract
Dist Common Customer	720,176	10,095	710,081	Dist. Cust Services
Dist Tariff Customer	<u>(540,555)</u>	<u>-</u>	<u>(540,555)</u>	100% Tariff
Total Rate Base	31,854,533	4,927,684	26,926,849	
		15.47%	84.53%	

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates	)	Case No. 17-1139-GA-AIR
)	
In the Matter of the Application of Ohio Gas Company for Tariff Approval	)	Case No. 17-1140-GA-ATA
)	
In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority	)	Case No. 17-1141-GA-AAM
)	

**DIRECT TESTIMONY OF JOSEPH G. BOWSER IN SUPPORT OF THE
APPLICATION**

Management policies, practices, and organization

Operating income

Rate base

Allocations

X Rate of return

Rates and tariffs

Other

May 31, 2017

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates	)	Case No. 17-1139-GA-AIR
)	
In the Matter of the Application of Ohio Gas Company for Tariff Approval)	Case No. 17-1140-GA-ATA
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In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority)	Case No. 17-1141-GA-AAM
)	

**DIRECT TESTIMONY OF JOSEPH G. BOWSER
ON BEHALF OF OHIO GAS COMPANY**

INDEX

	<u>Page No.</u>
I. INTRODUCTION	1
II. COMMON EQUITY COST RATE MODELS.....	3
III. THE CAPITAL ASSET PRICING MODEL (CAPM)	7
IV. DISCOUNTED CASH FLOW MODEL (DCF).....	11
V. RECOMMENDATION	15
EXHIBIT JGB-1	
EXHIBIT JGB-2	
EXHIBIT JGB-3	
EXHIBIT JGB-4	
EXHIBIT JGB-5	
EXHIBIT JGB-6	

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**DIRECT TESTIMONY OF JOSEPH G. BOWSER
ON BEHALF OF OHIO GAS COMPANY**

I. INTRODUCTION

Q1. Please state your name and business address.

A1. My name is Joseph G. Bowser, 21 East State Street, 17th Floor, Columbus, Ohio 43215.

Q2. By whom are you employed and in what position?

A2. I am a Technical Specialist for McNees Wallace & Nurick LLC (“McNees”), providing testimony on behalf of Ohio Gas Company.

Q3. Please describe your educational background.

A3. In 1976, I graduated from Clarion State College with a Bachelor of Science degree in Accounting. In 1988, I graduated from Rensselaer Polytechnic Institute with a Master of Science degree in Finance.

1 **Q4. Please describe your professional experience.**

2 A4. I have been employed by McNees since 2005, where I focus on assisting
3 IEU-Ohio members address issues that affect the price and availability of utility
4 services. As part of my responsibilities, I provide IEU-Ohio members assistance
5 as they evaluate and act upon opportunities to secure value for their demand
6 response and other capabilities in the base residual auction (“BRA”) and
7 incremental auctions conducted by PJM Interconnection, L.L.C. (“PJM”) as part
8 of the Reliability Pricing Model (“RPM”). Prior to joining McNees, I worked with
9 the Office of the Ohio Consumers’ Counsel (“OCC”) as Director of Analytical
10 Services. There I managed the analysis of financial, accounting and ratemaking
11 issues associated with utility regulatory filings. I also spent ten years at
12 Northeast Utilities, where I held positions in the Regulatory Planning and
13 Accounting Departments, provided litigation support in regulatory hearings, and
14 assisted in the preparation of the financial/technical documents filed with state
15 and federal regulatory commissions. I began my career with the Federal Energy
16 Regulatory Commission (“FERC”), where I led and conducted audits of gas and
17 electric utilities in the Eastern and Midwestern regions of the United States. I am
18 a Certified Public Accountant (inactive) and am a member of the American
19 Institute of Certified Public Accountants and the Pennsylvania Institute of
20 Certified Public Accountants.

21 **Q5. Have you previously submitted expert testimony before the Public Utilities**
22 **Commission of Ohio (“Commission” or “PUCO”)?**

1 A5. Yes. Since 1996, I have submitted testimony as an expert in numerous cases. A
2 listing of cases in which I have submitted expert testimony is attached as Exhibit
3 JGB-1.

4 **Q6. What is the purpose of your testimony?**

5 A6. My testimony presents analysis and a recommendation regarding the appropriate
6 rate of return that the Commission should allow for the Ohio Gas Company
7 (“Ohio Gas” or the “Company”) in the determination of the revenues that the
8 Company should be authorized to collect as a result of this proceeding.

9 Ohio Gas is a wholly-owned subsidiary of NWO Resources, Inc., a privately held
10 company. Ohio Gas’s total proprietary capital as of December 31, 2016 was
11 approximately \$42 million. Ohio Gas’s capital structure is 100% common equity,
12 with no long-term debt or preferred stock outstanding.

13 **Q7. Based on your analysis, what is your conclusion regarding the appropriate**
14 **rate of return to be awarded to the Company in this proceeding?**

15 A7. I recommend that an appropriate rate of return for the Company is 9.0%, based
16 on my range of 8.94% to 9.07%.

17 **II. COMMON EQUITY COST RATE MODELS**

18 **Q8. Please summarize your methodology and results in estimating the**
19 **Company’s rate of return.**

20 A8. As explained further in my testimony, I developed my rate of return
21 recommendation using the Discounted Cash Flow (“DCF”) methodology and the
22 Capital Asset Pricing Model (“CAPM”) because Ohio Gas does not have publicly

1 traded stock. I looked to proxies (“comparable companies”) to determine the cost
2 of common equity for the Company.

3 In addition, I reviewed recent returns allowed nationally by regulatory bodies for
4 natural gas utilities.

5 **Q9. Please explain how you chose your comparable group of companies.**

6 A9. Two U.S. Supreme Court cases, the *Hope* and *Bluefield* cases, set forth the fair
7 rate of return standards for regulated utilities. These standards provide that a
8 utility should be allowed the opportunity to earn a fair and reasonable return in
9 order to attract capital at a reasonable cost in competition with other firms of
10 comparable risk, and to maintain its financial integrity. It is necessary then that
11 market data must be relied on to determine a common equity cost rate that is
12 appropriate for ratemaking purposes. Choosing a comparable group of
13 companies for Ohio Gas presents some challenges because Ohio Gas has no
14 long-term debt, is a relatively small company, and has no publicly-traded stock. I
15 began my selection of a comparable group from publicly-traded natural gas
16 utilities that are listed in the “Natural Gas Utility” Group in *Value Line* that pay a
17 dividend, that have a *Value Line* adjusted beta, that have not publicly announced
18 that they were involved in any major merger activity, have *Value Line*, Yahoo
19 Finance, or Zacks five-year earnings growth rate projections, that have regulated
20 revenues that comprise the majority of their revenues, and that have a market
21 capitalization less than \$1.2 billion. The result was a comparable group of 3
22 companies (“comparable companies”), as follows:

23 RGC Resources

(RGCO)

1 Delta Gas (DGAS)

2 Chesapeake Utilities Inc. (CPK)

3 Two additional companies were also produced from my initial screen, Star Gas
4 Partners and Adams Resources. I eliminated Star Gas Partners from
5 consideration because it is a master limited partnership and excluded Adams
6 Resources because it is a producer of crude oil products in addition to its gas
7 business. I eliminated Delta Gas from consideration because it is being acquired
8 by People's Gas, and RGC Resources as there was little in the way of forecasted
9 earnings information available for that company. This left just one natural gas
10 utility, Chesapeake Utilities Inc.

11 As my initial screening for comparable companies produced only one company, I
12 expanded my comparable companies to "Water Utilities" in *Value Line* or Yahoo
13 Finance, using the same criteria I utilized in selecting the comparable gas utility
14 companies above. This produced an additional 4 companies as follows:

15 Connecticut Water (CTWS)

16 Middlesex Water (MSEX)

17 SJW Corporation (SJW)

18 York Water (YORW)

19 **Q10. Did you review financial data for the comparable companies?**

20 A10. Yes. I have summarized in Exhibit JGB-2 financial statistics for the comparable
21 companies for the years 2012-2016.

1 **Q11. Why did you use the CAPM methodology and the DCF methodology for**
2 **determining the appropriate rate of return for Ohio Gas Company?**

3 A11. I believe that the results from the DCF and CAPM models are largely adequate
4 and reasonable for setting a reasonable cost of common equity for Ohio Gas
5 Company. First, these two methods have been widely used by the Commission
6 Staff in other rate cases. Second, using two separate common equity rate
7 models, which are complementary to each other, also adds more reliability in
8 determining the recommended common equity rate. For instance, the CAPM
9 model measures the cost of common equity on a relative basis, which is
10 determined on the relative risk of a business to the entire equity market. The
11 DCF model depends primarily on the expected dividend growth of a specific
12 company. I also considered the returns on equity ("ROE") allowed nationally for
13 natural gas utilities by regulatory bodies.

14 **Q12. Why did you consider the ROEs allowed by regulatory bodies in**
15 **determining your recommendation?**

16 A12. Recognizing that no single ROE model is perfect in producing the results needed
17 to determine a fair rate of return, I also reviewed the returns allowed nationally by
18 regulatory bodies for natural gas companies in 2016, and reflected this in my
19 recommendation as well.

20 **Q13. What returns on equity have recently been authorized by Regulatory**
21 **Commissions for natural gas companies?**

22 A13. The PUR *Utility Regulatory News* issue dated December 30, 2016 provides the
23 results of the annual survey of regulatory authorized rates of return on common

equity. The returns are summarized on Exhibit JGB-3. Exhibit JGB-3 indicates that the average authorized rate of return on common equity for all of the reported gas cases for 2016 was 9.6%. The lowest return on common equity was 9.0% and the highest was 10.5%. Fully 63% of the authorized returns were in the range of 9.51% to 10.00%.

As more fully explained below, because my CAPM and DCF results are well below even the average natural gas company return awarded and reported in the *PUR Utility Regulatory News*, I am recognizing the average PUR return as an additional data point, in addition to my CAPM and DCF results, in deriving my return on common equity recommendation.

III. THE CAPITAL ASSET PRICING MODEL (CAPM)

Q14. Please explain in more detail the CAPM methodology.

A14. The CAPM methodology adds a risk-free rate of return to a market risk premium, which is adjusted proportionately to reflect the market risk of an individual stock relative to the total market as measured by beta. The formula for determining the common equity rate using CAPM is as follows:

$$R = R_r + B (R_m - R_r), \text{ where:}$$

R = the required return expected by investors

B = Beta (the volatility of the stock relative to the market as a whole)

R_m = the return on the market as a whole

R_r = the return on risk-free assets

Q15. Please describe your results when applying the traditional CAPM methodology.

A15. The CAPM determines cost of equity as a yield on a risk-free interest bearing obligation plus a premium that is proportional to the risk of an investment. I used the comparable group consisting of five publicly-traded natural gas utilities and water utilities that I described above. The traditional CAPM model would be applied by multiplying the average of the betas for the five comparable companies reported in the *Value Line* Investment Survey, 0.71, times the spread of arithmetic mean total returns between long term government bonds – 6.10% (i.e. “risk free return”) and large company stocks 12.10%, per the Ibbotson Stocks, Bonds, Bills, and Inflation (SBBI) 2015 Classic Yearbook, resulting in a figure of 4.26%. I utilized the Ibbotson data as it reflects returns realized over long term periods, thereby avoiding short term variations in returns. To this would be added the contemporary risk-free return, based on the average daily yield on 10-year and 30-year treasury bonds over a one-year period. The average yield for the twelve months ended April 10, 2017 was 2.33%, resulting in a CAPM cost of equity estimate of 6.59%. However, this resulting return on common equity is artificially low, producing a return on common equity result that is below a level that is deemed to be reasonable.

Q16. Why does the traditional CAPM produce an artificially low return on common equity?

A16. The low return figure results primarily from the fact that Treasury bond rates are currently at very low levels. In fact, Treasury bonds have been in a fairly

1 prolonged period of low rates. As a key component of the CAPM model is the
2 “risk free return,” which is typically represented by U.S. Treasury Bonds, the
3 CAPM model will tend to produce artificially low results when the recent 12-
4 month average Treasury Bond rates are used in the calculation. More recently,
5 the Federal Reserve has begun to increase rates, with the first increase in nine
6 years coming in December 2015 and additional increases in December 2016 and
7 March 2017. It is expected that an upward trend in interest rates will continue,
8 with several economic forecasts calling for the trend in interest rates to continue
9 upward in response to high federal deficits, the recovery in the U.S. economy,
10 and expectations of higher inflation.

11 Therefore, in order to provide an appropriate estimate of the rate of return that
12 investors expect, rather than relying on current rates, the CAPM needs to utilize
13 data that reflects future expectations. Accordingly, to adjust the CAPM's risk free
14 return to better represent future Treasury bond rates, I obtained information on
15 forecasted long-term Treasury bond rates from several sources, in order to
16 derive estimated Treasury bond rates five years out, to the year 2022, by which
17 time the Treasury bond rates are likely to be moving toward levels that are more
18 representative of such bond rates, than are the current Treasury bond rates.

19 My first source was the Congressional Budget Office – Budget and Economic
20 Data Ten Year Economic Projections. Those projections are that 10-year
21 Treasury Bonds are forecasted to yield 3.5% in 2022. Adding this yield to the 30-
22 year Treasury bond premium over the 10-year Treasury bond for the 12 months
23 ended April 11, 2017, of 0.70%, produces an estimated 30-year Treasury bond

yield of 4.20%. Another source was the U.S. Dept. of Labor (“DOL”) Report, The U.S. Economy to 2024, Table 1 dated December 2015. In that Report, the annual rate of increase in the 10-year Treasury bond from 2014 through 2024 is expected to be 5.5%. Based on the 10-year Treasury bond yield of 2.5% as of 2014 reported in the DOL report and the annual escalation forecast by the U.S. Dept. of Labor, I derived a 10-year Treasury bond rate of 3.837% in 2022. I then took the yield spread between 10-year Treasury bonds and 30-year Treasury bonds for the 12 months ended April 11, 2017, and added this to the estimated 10-year Treasury bond rate of 3.837%, deriving an estimate for the 30-year Treasury bonds of 4.537%.

My third source was *Value Line*. In its Quarterly Economic Review, dated December 2, 2016, long term Treasury bond rates (30-year) are expected to be 4.2% in 2020. Because *Value Line* does not forecast the bond rates beyond 2020, this figure is likely conservative in estimating the rates in 2022. I escalated the *Value Line* rate of 4.2% by 5.5% for two years, and obtained a rate of 4.674%. To derive a long term forecasted rate for 30-year Treasury bonds, I then averaged the results of these three estimates to derive a rate of 4.47% as shown in the Table below. Therefore, in my CAPM calculation, I have utilized the average rate of 4.47%.

<u>Data Source</u>	<u>Forecasted Yield</u>
<i>Value Line</i> Economic Forecast	4.674%
Congressional Budget Office	4.20%
U.S. Dept. of Labor	4.537%

1 Average Rate 4.47%

2 **Q17. Why did you utilize 30-year Treasury bond rates rather than shorter term**
3 **Treasury bonds?**

4 A17. Common stocks typically are in existence over a very long term for a given
5 company, and the cash flows to investors from stock ownership therefore last a
6 long period of time. In my opinion, the longest-term Treasury bond (30-year) is
7 the most appropriate instrument to utilize in the CAPM as these bonds better
8 match up with the life of a common stock than do other Treasury bonds with
9 shorter maturities.

10 **Q18. What were your CAPM results when you revised the calculation to reflect a**
11 **more appropriate risk free return estimate?**

12 A18. The revised CAPM methodology produces a cost of common equity estimate of
13 8.73% on Exhibit JGB-4, prior to my size adjustment, and 9.13% after my size
14 adjustment, which I discuss below.

15 **IV. DISCOUNTED CASH FLOW MODEL (DCF)**

16 **Q19. Please describe your methodology for your DCF analysis?**

17 A19. The DCF methodology assumes that the current stock price of a publicly-traded
18 company is equal to the discounted value of future cash flows that investors in
19 that company expect they will receive. The future cash flow is represented by
20 dividends, and the required rate of return on common equity is the internal
21 discount rate associated with the dividend stream of expected dividends over the
22 life of the investment. In calculating my DCF cost of common equity estimate for

each comparable company, I utilized the annual average stock price, the sum of the last four quarterly common stock dividends, and estimates of the expected rate of growth of earnings (the DCF model assumes that earnings growth and dividend growth are the same). The formula for determining the DCF cost rate is: $K = (D/P) + g$; Where:

K = the required rate of return

D = the current dividend

P = the current stock price

g = the growth rate of earnings

The stock prices that I used in my analysis were the daily adjusted closing price for the 12-month period April 12, 2016 through April 11, 2017, for which I computed an average price. I also utilized analysts' five-year earnings growth estimates from Yahoo Finance, Zacks, and *Value Line* as proxies for investors' growth expectations.

Q20. What were your DCF results?

A20. The DCF methodology produces a cost of common equity estimate of 8.49% on Exhibit JGB-5.

Q21. How did you compute your overall cost of common equity recommendation?

A21. I calculated the average of the following: my DCF results, my CAPM results after reflecting a size adjustment, and the average ROE awarded for natural gas companies per the December 20, 2016 PUR *Utility Regulatory News*.

Q22. What cost of common equity estimate did your computation produce?

A22. The computation produced an unadjusted cost of common equity of 8.94% prior to my size adjustment for the CAPM, and 9.07% including the size adjustment.

Q23. Did you make any adjustment to your cost of common equity results for flotation costs?

A23. No, I did not reflect an adjustment for flotation costs, which are costs associated with the sale of new issuances of common stock and may include underwriting fees as well as costs such as printing and registration. As Ohio Gas is privately held and the stock of its owner is not publicly traded, it would not be appropriate to request an adjustment for flotation costs.

Q24. Did you make any other adjustments to your cost of common equity results?

A24. I added an additional risk premium to my CAPM results to reflect the higher business risk that Ohio Gas has, relative to the comparable companies, of 40 basis points, as I explain below.

Q25. What is the basis for your statement that Ohio Gas has a higher business risk than the comparable companies?

A25. The size of a company has a bearing on its business risk, for which investors expect to be compensated through greater returns. Some examples of business risk are the regulatory environment, a company's customer mix, its service territory growth, its capital intensity, and its size. Smaller companies have more risk exposure to economic conditions and business cycles and are less able to

1 deal with major events that affect revenue, sales, or earnings. Smaller
2 companies also generally have less financial flexibility and are less diverse in
3 their operations. Accordingly, a cost of common equity should be authorized in
4 this proceeding that reflects Ohio Gas's risk, which includes the impact of its
5 relatively smaller size.

6 **Q26. Please explain how Ohio Gas's size affects its business risk compared to**
7 **the comparable companies?**

8 A26. The average market capitalization of the comparable companies was \$806.4
9 million as of December 31, 2016.

10 As Ohio Gas does not have publicly traded common stock, I assumed that if it
11 did, its common stock would be selling in the same market-to-book ratio as the
12 average such ratio for the comparable companies, which was 3.04 on December
13 31, 2016 as provided on Exhibit JGB-6. For comparison purposes, I estimated
14 Ohio Gas's market capitalization to be \$128.06 million, based on the average
15 market-to-book ratio for the comparable companies. The market capitalization of
16 the comparable companies was \$806.4 million as of December 31, 2016, or 6.3
17 times larger than the estimated Ohio Gas market capitalization. Therefore, I
18 made an adjustment to the common equity cost rate to reflect Ohio Gas's
19 relatively smaller size.

20 **Q27. How did you determine the amount of adjustment to be made to the**
21 **common equity rate?**

A27. I utilized data from the 2015 Ibbotson SBBI Yearbook, which publishes size premiums for decile portfolios of companies listed on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ for the period 1926 to 2014. Ohio Gas's estimated market capitalization would fall in the 10th decile if it had publicly traded stock that sold at the December 31, 2016 average market-to-book ratio of 3.04. The comparable companies' average market capitalization would fall in the 4th and 5th deciles. The size premium difference between the comparable companies' deciles and the Ohio Gas deciles is 4.37%. I added a conservative upward adjustment of .40% to my CAPM results to reflect Ohio Gas's greater relative business risk due to its smaller size.

V. RECOMMENDATION

Q28. What is your recommendation?

A28. I recommend that the Commission authorize a return on equity of 9.0% for the Ohio Gas Company, based on my range of 8.94% to 9.07%, as summarized in the table below.

	<u>Without Size Adjustment</u>	<u>With Size Adjustment</u>
Nationally	9.60%	9.60%
DCF	8.49%	8.49%
CAPM	8.73%	9.13%
Average	8.94%	9.07%

Q29. Does this conclude your prepared direct testimony?

1 A29. Yes. However, I reserve the right to update this testimony for any outstanding
2 discovery responses or additional information that is submitted by other parties in
3 this case.

CASES IN WHICH JOSEPH G. BOWSER HAS SUBMITTED TESTIMONY

In the Matter of the Application of The East Ohio Gas Company for Authority to Implement Two New Transportation Services, for Approval of a New Pooling Agreement, and for Approval of a Revised Transportation Migration Rider, Case No. 96-1019-GA-ATA.

In the Matter of the Applications of Columbus Southern Power Company and Ohio Power Company for Approval of Their Electric Transition Plans and for Receipt of Transition Revenues, Case Nos. 99-1729-EL-ETP, et al.

In the Matter of the Commission's Investigation Into the Policies and Procedures of Ohio Power Company, Columbus Southern Power Company, The Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo Edison Company and Monongahela Power Company Regarding the Installation of New Line Extensions, Case Nos. 01-2708-EL-COI, et al.

In the Matter of the Application of Columbus Southern Power Company to Adjust its Power Acquisition Rider Pursuant to Its Post-Market Development Period Rate Stabilization Plan, Case No. 07-333-EL-UNC.

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Increase Rates for Distribution Service, Modify Certain Accounting Practices and for Tariff Approvals, Case Nos. 07-551-EL-AIR, et al.

In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan; an Amendment to its Corporate Separation Plan, and the Sale or Transfer of Certain Generating Assets, Case Nos. 08-917-EL-SSO, et al., including the remand phase of this proceeding.

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Case No. 08-935-EL-SSO.

In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan, Case Nos. 08-1094-EL-SSO, et al.

In the Matter of the Commission Review of the Capacity Charges of Ohio Power Company and Columbus Southern Power Company, Case No. 10-2929-EL-UNC.

In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan, Case Nos. 11-346-EL-SSO, et al.

In the Matter of the Application of Akron Thermal, Limited Partnership for an Emergency Increase in its Rates And Charges for Steam and Hot Water Service, Case Nos. 09-453-HT-AEM, et al.

In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan, Case Nos. 12-426-EL-SSO, et al.

In the Matter of the Fuel Adjustment Clauses for Columbus Southern Power Company and Ohio Power Company and Related Matters for 2010, Case Nos. 10-268-EL-FAC, et al.

In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to 4928.143, Revised Code, in the Form of an Electric Security Plan, Case Nos. 13-2385-EL-SSO, et al.

In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Gasification Combined Cycle Electric Generating Facility, Case No. 05-376-EL-UNC.

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide For a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 14-1297-EL-SSO.

In the Matter of the Petition of Jersey Central Power & Light Company Concerning a Proposal for an Economic Stimulus Infrastructure Investment Program and Associated Cost Recovery Mechanism, NJBPU Docket Nos. EO09010049, et al.

In the Matter of the Verified Petition of Jersey Central Power & Light Company for an Economic Stimulus Demand Response and Energy Efficiency Program and Associated Cost Recovery Mechanism, NJBPU Docket No. EO09010062.

In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan, Case No. 16-395-EL-SSO, et al.

Chesapeake Utilities

Long term debt	23%	29%	35%	30%	28%	29%
Preferred	0%	0%	0%	0%	0%	0%
Common equity	77%	71%	65%	70%	72%	71%
Total Capital	100%	100%	100%	100%	100%	100%

Connecticut Water

Long term debt	45%	43%	46%	47%	48%	46%
Preferred	0%	0%	0%	0%	0%	0%
Common equity	54%	57%	54%	53%	52%	54%
Total Capital	100%	100%	100%	100%	100%	100%

Middlesex Water

Long term debt	38%	39%	40%	41%	42%	40%
Preferred	0%	0%	0%	1%	1%	0%
Common equity	62%	61%	60%	59%	58%	60%
Total Capital	100%	100%	100%	100%	100%	100%

SIW Corp.

Long term debt	51%	50%	52%	51%	55%	52%
Preferred	0	0	0	0	0	0%
Common equity	49%	50%	48%	49%	45%	48%
Total Capital	100%	100%	100%	100%	100%	100%

York Water

Long term debt	43%	44%	45%	45%	46%	44%
Preferred	0%	0%	0%	0%	0%	0%
Common equity	57%	56%	55%	55%	54%	56%
Total Capital	100%	100%	100%	100%	100%	100%

Comparable Companies

Long term debt	39%	39%	42%	43%	43%	41%
Preferred	0%	0%	0%	0%	0%	0%
Common equity	61%	61%	58%	57%	57%	59%
Total Capital	100%	100%	100%	100%	100%	100%

Selected Data for Comparable Companies

Average
0.710

YORW
0.75

SIW
0.70

MSEX
0.75

CTWS
0.65

CPK
0.70

Beta *

2016 Sales Revenues (thousands) \$498,860 \$99,500 \$135,000 \$335,000 \$48,000

5 year ave. common equity ratio 71% 54% 60% 48% 56%

Value Line Financial Strength B++ B+ B++ B+ B+

* Source - Value Line

Gas Utility Authorized Returns on Equity

	<u>Distribution</u>		<u>Low</u>	<u>High</u>	<u>Low/high Midpoint</u>	<u>Overall Mean</u>
	<u>Number</u>	<u>Percent</u>				
2016						
Less than 9.5%	8	29.6%	9.0%	10.5%	9.8%	9.6%
9.51% to 10.0%	17	63.0%				
10.01% to 10.5%	2	7.4%				
Higher than 10.5%	0	0.0%				
Total	27	100.0%				

State	New ROE Electric	New ROE Gas	New ROE All
ARI	9.5		9.5
ARK	9.75		9.75
		9.4	9.4
COL		9.5	9.5
IDA	9.5		9.5
		9.5	9.5
ILL		9.6	9.6
	9.14		9.14
	9.14		9.14
IND	9.85		9.85
	9.98		9.98
KAN	9.3		9.3
LA	10.9		10.9
MD	9.75		9.75
		9.65	9.65
Mass	9.8		9.8
		9.55	9.55
		9.8	9.8
		9.8	9.8
Mich		9.9	9.9
	10.3		10.3
	10.3		10.3
	10		10
MN		9.49	9.49
MISS		9.53	9.53
	9.225		9.225
Mo	9.9		9.9
	9.5		9.5
MT	9.5		9.5
NJ	9.75		9.75
NM	9.48		9.48
NY		9	9
	9		9
		9	9
	9		9
	9		9
		9	9
		9	9
		9	9
ND		9.5	9.5
OK		10.5	10.5
		10.5	10.5
		9.5	9.5
OR		9.4	9.4
	9.6		9.6
		9.55	9.55
TX		9.5	9.5
	9.7		9.7
	9.7		9.7
VA	10		10
Wash		9.5	9.5
	9.5		9.5
	9.5		9.5
WV		9.75	9.75
WI		10	10
	10		10
	10		10
		10	10
WY	9.5		9.5
Average		9.6	

Exhibit JGB-4

	<u>CAPM Methodology</u>		<u>CAPM Result</u>
	<u>Beta</u>	<u>Ibbotson Premium</u> <u>Risk-Free Rate</u>	
Traditional	0.71	6.00% 2.33%	6.59%
Revised	0.71	6.00% 4.47%	8.73%
With Size Adjustment			9.13%

DISCOUNTED CASH FLOW METHODOLOGY

Comparable group	Value Line Proj. 5 yr. <u>Earns. growth</u>	Zacks		Yahoo! Fin.		Average		Common Equity <u>Cost Rate</u>
		Proj. 5 yr.	<u>Earns. growth</u>	Proj. 5 yr.	<u>Earns. growth</u>	Proj. 5 yr.	<u>Div. Yield</u>	
Chesapeake Utilities (CPK)	8.00%	6.00%		7.05%		7.02%	1.91%	8.93%
Connecticut Water (CTWS)	4.50%	6.00%		5.15%		5.22%	2.18%	7.40%
Middlesex Water (MSEX)	8.50%	n/a		2.70%		5.60%	2.21%	7.81%
SJW Corp. (SIW)	3.00%	n/a		14.00%		8.50%	1.89%	10.39%
York Water (YORW)	7.00%	n/a		4.90%		5.95%	1.96%	7.91%
Average	6.20%	6.00%		6.76%		6.32%	2.03%	8.49%

Daily Closing Prices for Comparable Companies (1)

<u>Date</u>	<u>CPK</u>	<u>CTWS</u>	<u>MSEX</u>	<u>SJW</u>	<u>YORW</u>
4/11/2017	\$70.20	\$54.15	\$38.25	\$49.78	\$35.25
4/10/2017	\$69.40	\$53.33	\$37.01	\$47.97	\$34.35
4/7/2017	\$69.65	\$53.81	\$37.25	\$48.08	\$34.80
4/6/2017	\$70.05	\$54.16	\$36.91	\$48.03	\$34.75
4/5/2017	\$69.80	\$53.84	\$37.01	\$47.71	\$34.90
4/4/2017	\$69.75	\$52.96	\$37.09	\$47.77	\$34.70
4/3/2017	\$68.85	\$53.05	\$36.99	\$47.79	\$34.65
3/31/2017	\$69.20	\$53.15	\$36.95	\$48.22	\$35.05
3/30/2017	\$69.20	\$52.77	\$35.89	\$47.73	\$34.20
3/29/2017	\$69.30	\$52.90	\$35.90	\$47.54	\$34.40
3/28/2017	\$69.25	\$52.84	\$35.81	\$47.79	\$34.40
3/27/2017	\$69.35	\$52.90	\$36.15	\$47.89	\$34.60
3/24/2017	\$68.75	\$52.85	\$36.30	\$47.54	\$34.00
3/23/2017	\$68.75	\$52.85	\$36.28	\$47.38	\$34.20
3/22/2017	\$68.50	\$52.85	\$36.37	\$47.06	\$34.15
3/21/2017	\$68.55	\$53.04	\$36.41	\$47.72	\$34.45
3/20/2017	\$68.60	\$53.31	\$36.57	\$47.83	\$34.85
3/17/2017	\$69.55	\$54.11	\$37.10	\$48.85	\$35.45
3/16/2017	\$68.15	\$52.95	\$36.74	\$47.48	\$34.70
3/15/2017	\$69.10	\$53.81	\$37.03	\$48.34	\$35.05
3/14/2017	\$66.75	\$52.89	\$36.12	\$46.83	\$34.00
3/13/2017	\$66.95	\$53.81	\$36.13	\$47.02	\$33.65
3/10/2017	\$67.30	\$53.27	\$35.64	\$47.39	\$33.80
3/9/2017	\$66.85	\$53.04	\$34.77	\$46.13	\$33.20
3/8/2017	\$67.10	\$54.10	\$35.28	\$46.59	\$34.40
3/7/2017	\$69.40	\$55.76	\$36.51	\$47.58	\$35.50
3/6/2017	\$68.95	\$56.04	\$36.69	\$48.60	\$35.60
3/3/2017	\$68.20	\$56.80	\$37.90	\$48.37	\$36.05
3/2/2017	\$69.15	\$58.83	\$38.57	\$50.26	\$36.80
3/1/2017	\$69.15	\$57.89	\$38.38	\$49.06	\$36.80
2/28/2017	\$68.95	\$57.05	\$37.65	\$48.53	\$36.00
2/27/2017	\$68.10	\$56.26	\$37.59	\$47.78	\$36.35
2/24/2017	\$68.10	\$55.84	\$37.28	\$48.31	\$36.50
2/23/2017	\$67.40	\$56.09	\$37.48	\$47.79	\$36.65
2/22/2017	\$66.40	\$54.60	\$36.95	\$48.84	\$35.85
2/21/2017	\$66.00	\$54.04	\$36.19	\$48.73	\$35.15
2/17/2017	\$65.70	\$53.96	\$35.50	\$48.65	\$34.85
2/16/2017	\$65.80	\$53.79	\$36.20	\$49.16	\$34.85
2/15/2017	\$65.25	\$53.30	\$35.84	\$49.25	\$35.00
2/14/2017	\$66.70	\$53.19	\$35.61	\$49.22	\$34.50
2/13/2017	\$68.35	\$53.46	\$36.37	\$49.53	\$34.90
2/10/2017	\$66.80	\$53.28	\$36.26	\$49.41	\$34.45

2/9/2017	\$65.05	\$52.90	\$35.33	\$48.67	\$33.90
2/8/2017	\$64.80	\$52.58	\$35.63	\$48.74	\$33.65
2/7/2017	\$65.00	\$52.90	\$35.59	\$49.15	\$34.30
2/6/2017	\$65.40	\$52.56	\$35.99	\$49.41	\$34.25
2/3/2017	\$65.50	\$52.96	\$36.59	\$50.65	\$34.80
2/2/2017	\$64.80	\$52.96	\$36.86	\$49.43	\$34.85
2/1/2017	\$64.15	\$53.07	\$36.59	\$49.27	\$34.75
1/31/2017	\$65.40	\$54.04	\$37.81	\$50.10	\$35.80
1/30/2017	\$64.30	\$53.20	\$37.30	\$49.19	\$35.40
1/27/2017	\$65.20	\$54.80	\$38.98	\$50.28	\$36.85
1/26/2017	\$65.55	\$55.55	\$39.24	\$51.43	\$37.65
1/25/2017	\$64.25	\$55.55	\$39.58	\$51.79	\$37.40
1/24/2017	\$64.45	\$54.78	\$38.64	\$51.11	\$37.25
1/23/2017	\$63.40	\$54.01	\$38.72	\$49.53	\$36.20
1/20/2017	\$63.90	\$53.16	\$38.46	\$48.99	\$36.85
1/19/2017	\$63.55	\$52.86	\$38.09	\$49.12	\$36.10
1/18/2017	\$64.60	\$53.73	\$38.96	\$49.99	\$36.75
1/17/2017	\$64.25	\$53.80	\$39.37	\$50.68	\$36.50
1/13/2017	\$64.80	\$53.71	\$39.30	\$51.09	\$36.15
1/12/2017	\$63.95	\$53.63	\$38.81	\$51.10	\$35.70
1/11/2017	\$64.85	\$54.86	\$39.58	\$51.50	\$37.15
1/10/2017	\$64.65	\$54.61	\$39.62	\$51.08	\$36.30
1/9/2017	\$63.75	\$53.50	\$38.50	\$51.44	\$35.75
1/6/2017	\$65.75	\$54.67	\$39.73	\$51.67	\$37.00
1/5/2017	\$65.90	\$55.65	\$41.24	\$53.83	\$38.35
1/4/2017	\$67.15	\$56.77	\$41.92	\$55.30	\$38.75
1/3/2017	\$65.90	\$55.67	\$41.32	\$55.14	\$38.30
12/30/2016	\$66.95	\$55.85	\$42.94	\$55.98	\$38.20
12/29/2016	\$67.20	\$56.13	\$42.33	\$56.35	\$38.10
12/28/2016	\$66.65	\$55.18	\$41.84	\$55.92	\$38.00
12/27/2016	\$68.10	\$56.13	\$42.65	\$56.63	\$39.10
12/23/2016	\$67.80	\$55.95	\$42.16	\$56.11	\$38.75
12/22/2016	\$67.90	\$55.37	\$41.67	\$55.44	\$38.60
12/21/2016	\$69.55	\$55.57	\$42.09	\$55.67	\$38.50
12/20/2016	\$70.00	\$55.81	\$42.32	\$56.57	\$38.10
12/19/2016	\$69.45	\$56.28	\$42.04	\$55.97	\$38.15
12/16/2016	\$68.35	\$56.64	\$42.21	\$55.25	\$38.70
12/15/2016	\$66.30	\$55.79	\$42.12	\$54.77	\$38.65
12/14/2016	\$65.85	\$55.05	\$41.49	\$54.43	\$38.10
12/13/2016	\$67.00	\$56.99	\$42.65	\$55.81	\$39.40
12/12/2016	\$67.10	\$57.75	\$43.91	\$56.24	\$39.15
12/9/2016	\$67.85	\$57.35	\$43.49	\$56.69	\$39.00
12/8/2016	\$68.00	\$56.96	\$43.04	\$56.40	\$38.80
12/7/2016	\$64.60	\$56.08	\$42.12	\$55.61	\$37.45

12/6/2016	\$64.60	\$55.62	\$41.65	\$55.26	\$37.30
12/5/2016	\$64.25	\$55.57	\$42.34	\$55.08	\$36.95
12/2/2016	\$64.00	\$54.81	\$41.29	\$54.50	\$36.30
12/1/2016	\$64.60	\$54.58	\$41.29	\$54.27	\$36.00
11/30/2016	\$64.80	\$54.52	\$40.74	\$53.67	\$36.40
11/29/2016	\$67.30	\$56.34	\$42.23	\$55.32	\$37.70
11/28/2016	\$67.25	\$56.14	\$42.57	\$56.15	\$37.20
11/25/2016	\$66.90	\$55.70	\$41.80	\$54.69	\$36.85
11/23/2016	\$65.85	\$54.01	\$40.77	\$53.36	\$36.40
11/22/2016	\$66.75	\$56.83	\$42.74	\$55.82	\$37.00
11/21/2016	\$65.90	\$54.86	\$40.86	\$53.57	\$34.45
11/18/2016	\$65.25	\$54.48	\$40.25	\$53.17	\$34.45
11/17/2016	\$64.10	\$54.27	\$39.55	\$52.30	\$33.65
11/16/2016	\$64.05	\$53.61	\$38.82	\$50.74	\$33.00
11/15/2016	\$63.65	\$52.42	\$39.11	\$50.08	\$32.65
11/14/2016	\$63.25	\$52.54	\$39.02	\$49.49	\$32.25
11/11/2016	\$62.60	\$53.16	\$37.55	\$48.88	\$32.50
11/10/2016	\$61.00	\$50.34	\$34.71	\$47.97	\$30.55
11/9/2016	\$61.05	\$51.80	\$35.20	\$48.77	\$30.65
11/8/2016	\$60.05	\$51.59	\$35.04	\$49.60	\$29.90
11/7/2016	\$59.50	\$50.75	\$34.78	\$49.34	\$29.70
11/4/2016	\$58.50	\$49.88	\$34.20	\$48.79	\$29.40
11/3/2016	\$60.50	\$50.11	\$33.89	\$48.85	\$29.65
11/2/2016	\$62.20	\$50.97	\$34.45	\$48.71	\$29.85
11/1/2016	\$63.20	\$51.33	\$35.00	\$48.85	\$30.45
10/31/2016	\$64.05	\$52.07	\$36.10	\$50.73	\$31.60
10/28/2016	\$63.10	\$51.29	\$35.57	\$50.98	\$31.25
10/27/2016	\$63.15	\$51.09	\$36.49	\$51.09	\$31.25
10/26/2016	\$63.00	\$51.05	\$36.04	\$44.65	\$31.48
10/25/2016	\$62.75	\$51.64	\$35.64	\$44.99	\$31.90
10/24/2016	\$62.20	\$51.36	\$34.94	\$44.92	\$32.40
10/21/2016	\$61.70	\$50.61	\$34.15	\$44.24	\$32.50
10/20/2016	\$62.20	\$51.18	\$34.32	\$44.14	\$31.85
10/19/2016	\$62.40	\$51.23	\$33.98	\$43.75	\$31.30
10/18/2016	\$62.10	\$51.36	\$33.79	\$43.57	\$30.85
10/17/2016	\$61.55	\$51.42	\$33.69	\$43.14	\$30.15
10/14/2016	\$61.05	\$50.76	\$33.84	\$42.97	\$29.00
10/13/2016	\$61.25	\$50.89	\$34.01	\$43.05	\$28.85
10/12/2016	\$60.35	\$50.71	\$33.98	\$43.24	\$29.10
10/11/2016	\$59.10	\$49.46	\$33.48	\$42.55	\$28.85
10/10/2016	\$59.60	\$49.97	\$34.08	\$43.09	\$29.05
10/7/2016	\$58.89	\$49.01	\$33.02	\$42.28	\$28.64
10/6/2016	\$58.18	\$49.20	\$33.52	\$42.91	\$29.01
10/5/2016	\$58.33	\$49.35	\$33.79	\$42.34	\$28.83
10/4/2016	\$58.20	\$49.21	\$34.04	\$42.19	\$28.76
10/3/2016	\$60.16	\$49.23	\$34.80	\$43.44	\$29.04

9/30/2016	\$61.06	\$49.73	\$35.24	\$43.68	\$29.66
9/29/2016	\$60.73	\$50.02	\$35.48	\$43.71	\$29.36
9/28/2016	\$62.52	\$50.75	\$35.82	\$44.23	\$30.21
9/27/2016	\$62.86	\$50.71	\$36.44	\$44.33	\$30.18
9/26/2016	\$63.23	\$51.44	\$36.46	\$44.77	\$30.32
9/23/2016	\$62.64	\$52.00	\$37.15	\$45.16	\$30.84
9/22/2016	\$62.98	\$52.30	\$37.31	\$46.66	\$30.90
9/21/2016	\$63.75	\$50.82	\$35.47	\$44.94	\$30.12
9/20/2016	\$62.18	\$49.52	\$34.70	\$43.65	\$29.89
9/19/2016	\$62.40	\$49.41	\$34.63	\$43.63	\$29.60
9/16/2016	\$61.40	\$49.07	\$34.33	\$42.46	\$29.25
9/15/2016	\$60.12	\$47.28	\$33.45	\$42.01	\$28.58
9/14/2016	\$59.71	\$46.37	\$32.93	\$41.47	\$27.90
9/13/2016	\$60.24	\$45.71	\$32.85	\$41.12	\$27.94
9/12/2016	\$61.00	\$46.91	\$33.73	\$42.45	\$28.50
9/9/2016	\$61.18	\$45.77	\$33.30	\$42.33	\$27.77
9/8/2016	\$64.14	\$47.50	\$34.59	\$45.15	\$29.60
9/7/2016	\$65.26	\$48.21	\$34.67	\$45.03	\$29.77
9/6/2016	\$63.40	\$46.73	\$34.02	\$43.49	\$29.43
9/2/2016	\$63.77	\$46.40	\$33.74	\$42.98	\$28.50
9/1/2016	\$62.95	\$45.70	\$33.11	\$42.26	\$28.36
8/31/2016	\$63.65	\$46.37	\$33.37	\$42.69	\$28.30
8/30/2016	\$64.00	\$47.31	\$34.34	\$43.04	\$28.87
8/29/2016	\$64.65	\$49.33	\$35.26	\$44.10	\$28.91
8/26/2016	\$64.59	\$49.29	\$35.10	\$45.00	\$28.84
8/25/2016	\$66.21	\$49.73	\$35.98	\$44.08	\$29.13
8/24/2016	\$65.57	\$49.48	\$35.46	\$43.23	\$28.97
8/23/2016	\$65.55	\$49.43	\$35.61	\$42.83	\$29.02
8/22/2016	\$65.83	\$49.43	\$35.84	\$42.71	\$28.91
8/19/2016	\$64.50	\$49.70	\$35.56	\$41.76	\$28.73
8/18/2016	\$66.06	\$50.45	\$36.31	\$41.31	\$29.00
8/17/2016	\$64.33	\$49.41	\$35.69	\$39.44	\$28.63
8/16/2016	\$63.33	\$49.04	\$35.35	\$38.99	\$28.08
8/15/2016	\$64.77	\$49.94	\$36.81	\$39.75	\$28.71
8/12/2016	\$66.89	\$50.62	\$38.07	\$40.36	\$29.53
8/11/2016	\$66.07	\$50.30	\$38.15	\$39.89	\$28.95
8/10/2016	\$65.31	\$50.74	\$38.09	\$39.93	\$29.11
8/9/2016	\$66.20	\$49.89	\$38.54	\$39.89	\$29.26
8/8/2016	\$66.07	\$49.73	\$38.56	\$39.52	\$29.42
8/5/2016	\$64.62	\$50.03	\$38.80	\$39.91	\$29.62
8/4/2016	\$63.25	\$50.04	\$39.37	\$39.80	\$29.59
8/3/2016	\$63.76	\$50.15	\$39.65	\$40.30	\$30.09
8/2/2016	\$63.30	\$50.88	\$40.97	\$41.07	\$30.93
8/1/2016	\$63.97	\$51.24	\$41.16	\$41.61	\$31.57
7/29/2016	\$64.07	\$51.05	\$41.31	\$42.36	\$31.44
7/28/2016	\$63.71	\$50.79	\$40.98	\$42.40	\$31.42

7/27/2016	\$63.92	\$51.33	\$41.41	\$40.95	\$31.50
7/26/2016	\$64.53	\$51.43	\$41.31	\$41.17	\$31.16
7/25/2016	\$65.58	\$52.25	\$41.91	\$41.21	\$31.35
7/22/2016	\$65.80	\$52.45	\$41.74	\$40.91	\$31.44
7/21/2016	\$64.89	\$51.83	\$41.20	\$39.61	\$30.71
7/20/2016	\$65.21	\$52.27	\$41.49	\$39.45	\$31.23
7/19/2016	\$65.58	\$51.73	\$41.13	\$38.98	\$30.90
7/18/2016	\$65.73	\$51.33	\$41.38	\$38.99	\$31.05
7/15/2016	\$66.67	\$51.98	\$41.58	\$39.34	\$31.26
7/14/2016	\$65.85	\$51.00	\$41.66	\$38.75	\$30.50
7/13/2016	\$65.92	\$52.83	\$41.75	\$38.58	\$30.78
7/12/2016	\$65.41	\$52.95	\$41.59	\$38.60	\$30.78
7/11/2016	\$65.66	\$53.60	\$41.97	\$38.59	\$30.85
7/8/2016	\$65.24	\$53.90	\$41.84	\$38.43	\$30.90
7/7/2016	\$64.69	\$53.69	\$41.53	\$38.13	\$30.01
7/6/2016	\$66.12	\$55.44	\$43.01	\$38.75	\$30.86
7/5/2016	\$66.35	\$55.66	\$43.42	\$39.07	\$31.44
7/1/2016	\$66.06	\$55.59	\$42.61	\$38.40	\$31.18
6/30/2016	\$66.18	\$56.20	\$43.38	\$39.38	\$32.04
6/29/2016	\$63.86	\$54.55	\$42.19	\$38.10	\$31.03
6/28/2016	\$62.77	\$54.67	\$41.73	\$37.96	\$31.46
6/27/2016	\$64.48	\$55.26	\$41.86	\$37.77	\$31.28
6/24/2016	\$62.86	\$54.43	\$40.20	\$36.88	\$30.72
6/23/2016	\$58.09	\$53.28	\$39.50	\$37.20	\$29.81
6/22/2016	\$57.74	\$52.59	\$39.37	\$36.99	\$29.40
6/21/2016	\$59.25	\$53.26	\$39.48	\$37.26	\$29.74
6/20/2016	\$58.79	\$52.43	\$39.18	\$37.41	\$29.87
6/17/2016	\$59.41	\$51.77	\$39.05	\$37.34	\$29.71
6/16/2016	\$60.15	\$52.73	\$40.62	\$38.40	\$30.48
6/15/2016	\$59.64	\$52.36	\$39.64	\$37.54	\$29.85
6/14/2016	\$60.62	\$52.70	\$39.85	\$38.03	\$30.43
6/13/2016	\$59.56	\$51.94	\$38.91	\$37.81	\$29.94
6/10/2016	\$60.44	\$52.42	\$39.30	\$37.67	\$29.85
6/9/2016	\$60.73	\$51.85	\$38.95	\$36.50	\$29.48
6/8/2016	\$59.81	\$51.83	\$39.28	\$35.70	\$29.22
6/7/2016	\$58.99	\$50.60	\$38.11	\$35.23	\$28.27
6/6/2016	\$58.73	\$50.10	\$37.79	\$35.07	\$28.28
6/3/2016	\$59.08	\$49.83	\$38.35	\$35.05	\$28.31
6/2/2016	\$58.44	\$49.30	\$37.96	\$34.64	\$28.14
6/1/2016	\$58.54	\$49.51	\$37.88	\$34.97	\$28.22
5/31/2016	\$57.69	\$48.23	\$36.95	\$34.49	\$27.00
5/27/2016	\$58.14	\$48.44	\$37.23	\$34.40	\$27.53
5/26/2016	\$57.86	\$48.25	\$36.95	\$34.53	\$27.65
5/25/2016	\$57.70	\$47.96	\$36.30	\$33.88	\$27.36
5/24/2016	\$58.65	\$48.21	\$37.24	\$34.69	\$28.22
5/23/2016	\$56.83	\$46.64	\$35.46	\$33.19	\$27.34

5/20/2016	\$57.63	\$46.85	\$35.79	\$32.76	\$27.27
5/19/2016	\$57.20	\$46.69	\$36.24	\$32.89	\$27.32
5/18/2016	\$57.83	\$46.77	\$35.46	\$32.66	\$26.81
5/17/2016	\$58.25	\$46.62	\$35.23	\$32.77	\$26.85
5/16/2016	\$60.95	\$48.95	\$37.04	\$34.16	\$29.44
5/13/2016	\$60.77	\$49.04	\$36.86	\$33.96	\$29.47
5/12/2016	\$61.17	\$48.57	\$37.22	\$34.00	\$29.23
5/11/2016	\$60.74	\$48.98	\$37.24	\$34.00	\$29.06
5/10/2016	\$61.34	\$49.50	\$38.35	\$34.77	\$29.44
5/9/2016	\$62.71	\$48.75	\$38.32	\$34.33	\$29.38
5/6/2016	\$62.23	\$47.89	\$37.98	\$34.37	\$29.28
5/5/2016	\$61.89	\$47.53	\$37.54	\$33.85	\$28.84
5/4/2016	\$62.90	\$48.21	\$37.82	\$34.80	\$29.60
5/3/2016	\$60.21	\$47.73	\$37.25	\$34.57	\$28.92
5/2/2016	\$60.25	\$47.78	\$37.25	\$34.87	\$30.07
4/29/2016	\$59.52	\$47.02	\$36.58	\$34.41	\$29.65
4/28/2016	\$59.98	\$46.89	\$36.05	\$34.00	\$29.50
4/27/2016	\$60.21	\$47.07	\$36.08	\$36.60	\$29.36
4/26/2016	\$60.26	\$46.72	\$36.27	\$37.07	\$29.60
4/25/2016	\$59.91	\$46.27	\$35.70	\$35.89	\$29.65
4/22/2016	\$59.64	\$46.08	\$35.58	\$36.26	\$28.73
4/21/2016	\$59.60	\$45.60	\$35.37	\$36.13	\$31.25
4/20/2016	\$60.00	\$45.94	\$35.77	\$36.55	\$32.49
4/19/2016	\$61.55	\$46.34	\$36.86	\$37.83	\$33.28
4/18/2016	\$61.10	\$46.87	\$36.08	\$37.50	\$32.96
4/15/2016	\$60.49	\$46.27	\$35.75	\$37.18	\$32.10
4/14/2016	\$60.09	\$45.52	\$34.51	\$36.48	\$31.06
4/13/2016	\$60.84	\$45.14	\$33.82	\$36.01	\$30.70
4/12/2016	\$60.04	\$45.00	\$33.37	\$36.08	\$30.67
Average	\$63.92	\$51.82	\$37.76	\$44.53	\$32.29
1 Quarterly Dividend	\$0.3050	\$0.2825	\$0.2113	\$0.2175	\$0.1602
	\$0.3050	\$0.2825	\$0.2113	\$0.2175	\$0.1602
	\$0.3050	\$0.2825	\$0.2113	\$0.2025	\$0.1555
	\$0.3050	\$0.2825	\$0.1988	\$0.2025	\$0.1555
Annual Dividend	\$1.2200	\$1.1300	\$0.8327	\$0.8400	\$0.6314
Yield	1.91%	2.18%	2.21%	1.89%	1.96%

Sources:

1 www.nasdaq.com

	Decile	# of Companies	Total Market Capitalization (millions)	Average Market Capitalization (millions)	Size Premium (return in excess of CAPM)
Largest	1	185	\$14,808,784	\$80,047	-0.32%
	2	199	\$3,247,448	\$16,319	0.65%
	3	194	\$1,579,433	\$8,141	0.94%
	4	221	\$1,042,428	\$4,717	1.05%
	5	215	\$694,147	\$3,229	1.65%
	6	265	\$585,657	\$2,210	1.63%
	7	317	\$449,325	\$1,417	1.77%
	8	417	\$333,732	\$800	2.18%
	9	395	\$176,673	\$447	2.64%
Smallest	10	948	\$135,401	\$143	5.72%

	Market Capitalization on 12/31/2016 (millions)	Times Larger	Decile	Applicable Size Premium	Spread
Ohio Gas Estimated	\$128,056,736		10	5.72%	
Proxy Group of 5 Companies	\$806,443,000	6.3	4 to 5	1.35%	4.37%

Company	Book Value per Share at 12/31/2016	Common Shares outstanding at 4/11/2017	Total Common Equity at 12/31/2016	Closing Stock Price on 12/31/2016	Market to Book Ratio	Market Capitalization on 12/31/2016
Ohio Gas	N/A	N/A	\$42,174,079	N/A	N/A	N/A
Comparable Companies						
CPK	\$27.36	16,300,000	\$446,000,000	\$66.95	2.45	\$1,091,285,000
CTWS	\$21.55	11,000,000	\$237,000,000	\$55.85	2.59	\$614,350,000
MSEX	\$13.64	16,200,000	\$221,000,000	\$42.94	3.15	\$695,628,000
SJW	\$20.69	20,400,000	\$422,000,000	\$55.98	2.71	\$1,141,992,000
YORW	\$8.91	12,800,000	\$114,000,000	\$38.20	4.29	\$488,960,000
Average					3.04	\$806,443,000

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Gas Company for an Increase in Gas) Case No. 17-1139-GA-AIR
Distribution Rates)

In the Matter of the Application of Ohio) Case No. 17-1140-GA-ATA
Gas Company for Tariff Approval)

In the Matter of the Application of Ohio)
Gas Company for Approval of Certain) Case No. 17-1141-GA-AAM
Accounting Authority)

DIRECT TESTIMONY OF KIM WATKINS IN SUPPORT OF THE APPLICATION

X	Management policies, practices, and organization
X	Operating income
X	Rate base
X	Allocations
X	Rate of return
X	Rates and tariffs
X	Other

May 31, 2017

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates	)	Case No. 17-1139-GA-AIR
)	
In the Matter of the Application of Ohio Gas Company for Tariff Approval	)	Case No. 17-1140-GA-ATA
)	
In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority	)	Case No. 17-1141-GA-AAM
)	

DIRECT TESTIMONY OF KIM WATKINS ON BEHALF OF OHIO GAS COMPANY

INDEX

	<u>Page No.</u>
I. INTRODUCTION	1
II. OHIO GAS APPLICATION	3
III. RATE CASE APPLICATION.....	8
IV. RATE RECOMMENDATIONS	13
V. INTRODUCTION OF WITNESSES SUPPORTING THE APPLICATION	15
VI. GENERAL SERVICE MODICATIONS.....	16
VII. APPLICATION TO ADJUST CERTAIN ACCOUNTS.....	18
VIII. CONCLUSION	19

ATTACHMENT: INDEX OF MAJOR ISSUES

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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Distribution Rates)

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Gas Company for Tariff Approval)

In the Matter of the Application of Ohio)
Gas Company for Approval of Certain) Case No. 17-1141-GA-AAM
Accounting Authority)

DIRECT TESTIMONY OF KIM WATKINS ON BEHALF OF OHIO GAS COMPANY

I. INTRODUCTION

Q1. State your name and business address.

A1. My name is Kim Watkins. My business address is 200 West High Street, Bryan,
Ohio 43506.

Q2. By whom are you employed and in what capacity?

A2. I am employed by Ohio Gas Company (or "Company") as the Treasurer and
Corporate Secretary.

Q3. Describe your education and professional experience.

A3. I received a Bachelor of Science in Business Administration from Ashland
University. After receiving my degree, I have spent over forty years working in
regulated industries including Columbus and Southern Electric Company, National

Gas and Oil Company, and Ohio Gas Company. I joined Ohio Gas Company in 1987 as a Staff Accountant. Since then, I have assumed positions of increasing professional responsibility.

Q4. What are your duties as Treasurer and Corporate Secretary?

A4. I am responsible for several financial areas related to the management of Ohio Gas Company including cash management, federal taxation, and pension plan administration. I am also responsible for the annual financial forecast and matters related to rates and tariffs, corporate records, insurance, and general regulatory matters.

Q5. Have you previously testified before the Public Utilities Commission of Ohio (“PUCO” or “Commission”)?

A5. No.

Q6. What is the purpose of your testimony in this case?

A6. My testimony includes the following:

- An overview of Ohio Gas Company and its operations;
- Support for the increase in the customer charge;
- Support for the request to replace the existing tariff with a new tariff that updates and amends the General Service tariff sheets;
- An introduction of the other witnesses and the parts of the Application for which they provide support; and

- Testimony in support of other matters in the Application.

II. OHIO GAS COMPANY

Q7. Can you provide a summary of the history of Ohio Gas Company?

A7. Yes. Ohio Gas Company was incorporated on May 14, 1914 as the Ohio Gas Light & Coke Company. Ohio Gas Light & Coke Company then merged with the Napoleon & Wauseon Gas Company and with the Bryan & Montpelier Gas Company. The Napoleon & Wauseon Gas Company was incorporated on October 3, 1912 and Bryan & Montpelier Gas Company was a partnership formed in the same year. In 1925, Ohio Gas Light & Coke Company purchased the outstanding stock of the Archbold & Stryker Gas Company. In July 1926, Great Lakes Utilities purchased the stock of Ohio Gas Light & Coke Company, and Ohio Gas Light & Coke Company continued to operate as a separate entity under its own name. Ownership changed again in 1945 when Great Lakes Utilities sold its interest in the Ohio Gas Light & Coke Company to the Lannan and Dempsey families of Chicago. On July 25, 1946, Ohio Gas Light & Coke Company was renamed the Ohio Gas Company.

Ohio Gas Company purchased the natural gas distribution system that served Paulding, Payne and Antwerp in 1963. Ohio Gas Company acquired the Lyons Gas Company in 1975.

In 1985, the Lannan and Dempsey families sold their interests in the Ohio Gas Company to NWO Resources. Also in 1985, Ohio Gas Company acquired the gas distribution assets from The Toledo Edison Company for Defiance and Delta.

1 In 2011, Ohio Gas Company purchased systems that were owned by the Villages
2 of Hamler, Holgate, and Malinta and operated by the Suburban Natural Gas
3 Company.

4 **Q8. What areas are served by Ohio Gas Company?**

5 **A8.** Ohio Gas Company serves approximately 50,000 customers in the six most
6 northwest counties of Ohio. The service territory includes 28 communities, the
7 largest being the City of Defiance.

8 **Q9. How is Ohio Gas Company managed?**

9 **A9.** The management structure and practices and policies of Ohio Gas Company are
10 set out in Schedule S-4.1 and S-4.2.

11 **Q10. How are Ohio Gas Company, its management, and employees engaged with**
12 **the communities in the service territory?**

13 **A10.** Ohio Gas Company's service territory is a very rural area with a series of small
14 towns. Community involvement is very important to Ohio Gas Company and we
15 make monetary contributions and encourage our employees to be involved. Over
16 the years Ohio Gas Company employees have served on numerous Village
17 Councils, Volunteer Fire Departments, Community Industrial Development
18 organizations, and Community Service Clubs.

19 Ohio Gas Company and its employees support Service Territory Chambers of
20 Commerce, School Post Proms, Athletic Boosters, Libraries, Volunteer Fire

1 Departments, Youth Athletics, Hospice Organizations, Boy Scouts, Cystic Fibrosis
2 Foundation, American Cancer Society, American Heart Association, Special
3 Olympics and Filing Home of Mercy.

4 **Q11. How does Ohio Gas Company interact with its customers?**

5 **A11.** Ohio Gas Company provides several means to assure customer contact and
6 customer satisfaction. It provides customers the opportunity to speak directly with
7 trained company call center employees who can address a wide range of issues.
8 Ohio Gas Company also uses bill inserts to provide to customers important
9 information about their service. The Company also works closely with the
10 communities that participate in the aggregation programs for which I will provide
11 more detail. Additionally, Ohio Gas Company maintains a secure website where
12 customers can read information about safe use of service, acceptable bill paying
13 arrangements, payment assistance programs, and alternative ways to contact the
14 Company for other information. Customers can also make a request to start or
15 stop service, access First Billing, a third party payer, to make a payment to their
16 account and request Ohio Gas Company's no fee Direct Debit service as the
17 method to pay their bill.

18 **Q12. What options to pay bills do customers have?**

19 **A12.** Customers may arrange to pay bills through Ohio Gas Company's no fee Direct
20 Debit service, through First Billing Services, online banking services or by mailing
21 payment. Ohio Gas Company also can arrange for a customer to participate in
22 budget billing or Ohio Gas Company special plans so that the customer can

1 manage its natural gas bill over the course of a year. Approximately 25 percent of
2 the Company's residential customers have arranged for budget or special plan
3 billing.

4 **Q13. What kinds of services does Ohio Gas Company provide?**

5 **A13.** Ohio Gas Company provides distribution and transportation service to ultimate
6 users of natural gas service.

7 To provide this service, Ohio Gas Company has maintained operating franchise
8 agreements with 28 communities. These agreements define how Ohio Gas
9 Company will conduct its operations within the communities' rights-of-way. In
10 addition to operating franchise agreements, Ohio Gas Company and all 28
11 communities have agreed to Community Energy Partnership ("CEP") ordinances
12 and ordinances authorizing contractual arrangements (between Ohio Gas
13 Company and industrial customers within the municipal boundaries) to be filed with
14 the local communities. Contractual arrangements with industrial customers
15 outside of any municipal boundary are filed with the Commission.

16 The CEP Program is a community based commodity aggregation program of
17 residential and small commercial customers. Each community acts as the agent
18 for the aggregated customers for the purpose of obtaining a natural gas supply
19 and having that supply delivered to Ohio Gas Company. Ohio Gas Company
20 transports that supply to the end user and bills the ultimate customer for that
21 service under its tariff. From the period of 1997 through 2009, all communities and

1 customers in rural areas adopted the CEP Program. In 2009, Ohio Gas Company
2 completely exited the merchant function.

3 The larger Industrial and Commercial customers on the Ohio Gas Company
4 system obtain their own supply of natural gas and contract for that supply to be
5 delivered to Ohio Gas Company. Ohio Gas Company then transports that supply
6 under contractual authority.

7 **Q14. What kinds of investments has Ohio Gas Company made to its existing**
8 **distribution system?**

9 **A14.** Ohio Gas Company is constantly investing in the gas distribution system to assure
10 that it is safe and reliable. Since the last rate case in 1984, it has maintained and
11 replaced service lines, extended high pressure facilities to connect to pipelines,
12 and extended facilities to newly developed areas. This capital investment has
13 been accomplished within the existing rate structure based on good management
14 of resources and system growth.

15 **Q15. How do current and proposed rates for service to residential and small**
16 **commercial customers compare to those of similar Ohio natural gas**
17 **companies?**

18 **A15.** Our rates currently and, as proposed, compare very favorably to similar Ohio
19 natural gas companies. Based on the proposed application, a customer will see
20 adjustments to the base charges that are billed monthly. The proposed customer
21 charge would be \$10.91 per month, an increase of \$5.46 that includes applicable

taxes. The Company is not proposing to increase its volumetric charges. The proposed volumetric rates will consist of a volumetric charge of \$0.16613 per Ccf per month for the first 10,000 Ccf per month and \$0.10393 per Ccf per month for all consumption over 10,000 Ccf per month, which are lower than current charges but do not include applicable taxes. When applicable taxes are applied, the volumetric rates are unchanged from current rates. As shown in Figure 1, Ohio Gas Company has and would continue to have the lowest residential and small commercial base rate charges among these similar companies.

Figure 1

	Average Residential Ccf Usage Per Month	Residential Basic Service Charge Per Month	Residential Distribution Charge Per Ccf	Total Residential Base Rate Average Bill Per Month
Suburban Gas Company	100	9.71	0.34330	44.04
Waterville Gas Company	100	10.49	0.28019	38.51
Ohio Gas Company	100	5.45	0.16692	22.14
Ohio Gas Company (Proposed)	100	10.91	0.16692	27.60

Rates include all riders and taxes for Ohio Gas, Suburban, Waterville - PUCO Tariffs (As of 3/31/2017)

III. RATE CASE APPLICATION

Q16. Why is Ohio Gas Company seeking an increase in the customer charge now?

A16. As indicated in the Application and supporting testimony, a just and reasonable rate of return for Ohio Gas Company is 9%. While Ohio Gas Company has avoided the need for a rate case since its last Commission case in 1984 through effective management of its revenue and capital expenditures, the costs of providing safe

1 and reliable service continue to increase. Additionally, Ohio Gas Company has
2 made significant investments since 1984. Ohio Gas has also suffered revenue
3 erosion because of the increased BTU content of the natural gas that it delivers to
4 customers. As a result, the 2017 test year revenue and expenses will produce a
5 return of 1.57% based on the December 31, 2016 date certain rate base. The
6 increase in revenue to produce a just and reasonable rate of return is \$3,237,346.
7 Based on this analysis, Ohio Gas Company determined that it was necessary to
8 seek an increase in the customer charge to assure that it has the opportunity to
9 achieve a reasonable rate of return as provided by Ohio law.

10 **Q17. How does the earned rate of return affect Ohio Gas Company's ability to**
11 **provide safe, adequate, and reliable service?**

12 **A17.** Ohio Gas Company's ability to provide safe, adequate, and reliable service
13 depends on an adequate level of earnings. The revenue it receives must be
14 sufficient to provide the opportunity for the Company to compensate its investor
15 and to cover operating expenses.

16 **Q18. What factors are driving the current revenue deficiency?**

17 **A18.** As I noted above, increases in costs and additional investment are driving this
18 request. Additionally, Ohio Gas Company has experienced an erosion in revenue
19 because of an increase in the BTU content of the natural gas it receives from
20 interstate pipelines and redelivers to ultimate consumers. Our data show that MCF
21 sales have been reduced by 4% to 5% from 2013-2016.

Q19. How has Ohio Gas Company supported its Application to increase rates?

A19. The Application to increase rates is supported by Schedules as required by the Commission rules setting out the Standard Filing Requirements (“SFRs”).

Q20. Did you prepare or assist in the preparation of the Schedules?

A20. Except as noted on the Schedules, I prepared or assisted in the preparation of the Schedules.

Q21. On what did you rely for the preparation of the B Schedules?

A21. The Schedule B Schedules are based on the property records of Ohio Gas Company. These records contain the original cost of the plant and depreciation reserves as of December 31, 2016. The amounts are adjusted to conform to the results of the Cost of Service Study that is contained in Schedule E-3.2.

Q22. The Company has not filed a lead-lag study to support its request for working capital as a part of its rate base as required by the SFRs. Why is that?

A22. The Company has received a waiver of that requirement and filed a request for working capital that is based in part on the traditional formula approach. The reasons for seeking the waiver were set out in the Company’s request for the waiver.

Q23. On what did you rely for the preparation of the C Schedules?

A23. The C Schedules were prepared based on a twelve-month budget for 2017, again adjusted to conform to the results of the Cost of Service Study. These costs

1 represent the cost of the utility to render service for the test period, January 1 to
2 December 31, 2017.

3 **Q24. Did you prepare the D Schedules?**

4 **A24.** Yes, with the assistance of Joseph Bowser. I provided Company information
5 contained in the schedules and performed the necessary calculations to complete
6 the schedules. Mr. Bowser provided his determination of the fair and reasonable
7 rate of return that supports the calculation of the revenue requirement.

8 **Q25. You noted earlier that the Company is wholly owned. The Company has not**
9 **filed parent-consolidated financial information as required by the SFRs. Why**
10 **is that?**

11 **A25.** The Company has received a waiver of that requirement. The reasons for seeking
12 the waiver were set out in the Company's request for the waiver.

13 **Q26. Did you prepare the E Schedules?**

14 **A26.** Yes, with the assistance of David Berg and other Company management and
15 employees. Mr. Berg prepared the Cost of Service Study in Schedule E-3.2. The
16 tariff in Schedule E-1, the bill rationale in Schedule E-3.1, and the rationale for the
17 tariff changes in Schedule E-3 were prepared under my direction. I prepared the
18 various E-4 Schedules and the E-5 Schedule.

19 **Q27. Did you prepare the A Schedules?**

20 **A27.** Yes.

1 **Q28. What steps did you take to prepare the A Schedules?**

2 **A28.** The A Schedules summarize the information from the other schedules and other
3 Company-specific information. I prepared the Schedules in accordance with the
4 SFRs to determine the revenue requirement.

5 **Q29. What is the increase in revenue that the Company is recommending?**

6 **A29.** Based on a date certain of December 31, 2016 and a test year of January 1, 2017
7 to December 31, 2017, Ohio Gas Company expects current operating income to
8 be \$428,640. This would produce a rate of return of 1.57% on the jurisdictional
9 rate base. The Company is requesting that the revenue requirement be set so that
10 it has the opportunity to earn a return on equity of 9%. Current rates produce an
11 operating income deficiency of \$2,035,158. As permitted by R.C. 4909.15, Ohio
12 Gas Company requests an increase in revenue of \$3,237,346.

13 **Q30. Based on your review of Company records, does the information contained**
14 **in the Schedules fairly and accurately represent the financial condition of the**
15 **Company?**

16 **A30.** Yes.

17 **Q31. Is the amount that the Company is seeking to increase its revenue just and**
18 **reasonable?**

19 **A31.** Based on my review of the records and my professional experience, it is.

1 **IV. RATE RECOMMENDATIONS**

2 **Q32. If the Commission increases the revenue that Ohio Gas Company is**
3 **authorized to collect, does the Company have a recommendation regarding**
4 **how its charges should be adjusted?**

5 **A32.** Yes. Ohio Gas Company currently has a customer charge of \$5.45 per month per
6 account. The Company recommends that the increase in revenue be collected
7 through the monthly customer charge. The volumetric charges in the base
8 distribution and transportation rates would remain unchanged. Based on the
9 revenue recommendation the Company has presented, the customer charge
10 would increase to \$10.91 per month per account.

11 **Q33. Why does the Company recommend an increase in the customer charge as**
12 **opposed to the volumetric rates?**

13 **A33.** There are several reasons. First, collecting the increase through the customer
14 charge is consistent with principles of cost causation. The distribution service the
15 Company provides is largely tied to fixed costs associated with plant and labor that
16 are insensitive to variations in the volume of gas delivered to the customer. These
17 costs are better recovered through a fixed charge rather than a charge that is
18 volumetrically sensitive. Second, the increase is less sensitive to erosion. As
19 appliances become more efficient, they still need the plant and labor provided by
20 Ohio Gas Company, but the amount of gas decreases. Having a portion of the
21 revenue requirement collected through volumetric rates, as proposed here, retains
22 a sensitivity to energy efficiency goals, but placing the increase in the customer

1 charge recognizes, again, that these costs will be incurred regardless of the energy
2 efficiency gains a customer may achieve. Further, those efficiency gains will still
3 be recognized through overall bill reductions for the lower gas usage. Lower
4 erosion in revenue also reduces the need for additional rate cases. I also note that
5 a substantial portion of residential customers already take service through budget
6 billing. In a very real sense, these customers are effectively taking service through
7 annually fixed rates. Finally, the collection of the increase through the customer
8 charge is consistent with Commission support for a move toward a straight fixed-
9 variable rate design.

10 **Q34. Do you believe that the requested increase in the customer charge is just**
11 **and reasonable?**

12 **A34.** Based on the reasons I have stated, it is.

13 **Q35. Ohio Gas Company has proposed reductions to the volumetric rate in the**
14 **General and Transportation Service Tariffs. What is the reason for these**
15 **reductions?**

16 **A35.** The Company is proposing reductions in the volumetric rates to reflect that it is
17 also seeking authorization of a separate rider, the Gross Receipts Tax Rider. The
18 purpose of the new rider is so that the Company will be able to adjust a single rate
19 rather than make multiple adjustments if the Ohio gross receipts tax is changed.
20 Because a portion of the volumetric rates accounts for gross receipts tax expense,
21 the Company is proposing a reduction in the volumetric rates. The effect on

customer bills is that there would be no change in the effective volumetric rate that the customer pays based on the current gross receipts tax rate.

V. INTRODUCTION OF WITNESSES SUPPORTING THE APPLICATION

Q36. Who are the witnesses that are supporting the Application?

A36. The Application is supported by the testimony of David Berg, Joseph Bowser, and me. In compliance with Commission rules, the Index of Major Issues is the Attachment to my testimony.

Q37. For which schedules are you the supporting witness?

A37. I am the supporting witness for the A, B, C, E, and S schedules with the exception of schedules that relate to allocations. Additionally, I provided information to both David Berg and Joseph Bowser. As I will discuss in a moment, I am also the witness that supports the Application to adjust the depreciation accounts.

Q38. For what schedule or schedules is Mr. Berg the supporting witness?

A38. Mr. Berg was responsible for preparing the Cost of Service study that is included as Schedule E-3.2 and the schedules that are linked to the study.

Q39. For what schedule or schedules is Mr. Bowser the supporting witness?

A39. Mr. Bowser provides support for the return on equity proposed in the Application and supports the D Schedules with me.

1 **VI. GENERAL SERVICE TARIFF MODIFICATIONS**

2 **Q40. Is Ohio Gas Company seeking authorization to file a new tariff?**

3 **A40.** Yes.

4 **Q41. What changes necessitated the filing of a new tariff?**

5 **A41.** In 2015, Ohio Gas Company initiated a review of its existing tariff. With the
6 exception of changes to accommodate Commission orders and the
7 implementation of the CEP, the General Service provisions of the tariff were largely
8 unchanged since 1984. Because the environment in which Ohio Gas Company
9 operates has changed, however, it has become clear that the General Service tariff
10 sheets needed to be updated.

11 The review process to update the tariffs consisted of a detailed review of
12 Commission-approved general service tariff provisions for other natural gas
13 companies and Company practices. In some instances, no change in the existing
14 tariff was needed. In other instances, provisions were substantially revised or new
15 tariff provisions were added. One new proposed provision, discussed previously,
16 is the Gross Receipts Tax Rider. There were also substantial deletions of
17 provisions that no longer serve any purpose. Another change was the imposition
18 of a more detailed organizational structure. The proposed changes are explained
19 in detail in Schedule E-3.

As part of the review process, Ohio Gas Company also addressed the costs associated with several activities it undertakes to address situations in which the customer may be delinquent or in which the Company incurs costs due to a customer claim that the system is not functioning properly that proves unfounded. The costs of these activities should not be borne by other customers. To compensate Ohio Gas Company for these activities, Ohio Gas Company seeks authorization for either new miscellaneous charges or increases in the amount of existing miscellaneous charges. The charges that Ohio Gas Company seeks to address in this application are:

Charge	New or Existing	Current Rate	Proposed Rate
Reconnection	Existing	Varies	Varies
Field Collection	Existing	\$3	\$15
Bad Check	Existing	\$10	\$20
Tie-in	New	N/A	Actual cost
Investigation	New	N/A	Actual cost
Meter Test	New	N/A	\$40
Meter Location	New	N/A	Actual cost
Excess Flow Valve	New	N/A	Actual cost

Based on the cost information provided in Schedule E-3.2, the fixed rate charges listed above are just and reasonable. The charges based on actual cost similarly assure that these costs are properly assigned and likewise are just and reasonable.

1 The result of Ohio Gas Company's review process was a set of general service
2 tariff provisions that addresses more completely the common customer and utility
3 interactions based on the existing Company operating procedures and
4 Commission rules. Because the changes were substantial, however, simply
5 redlining the existing tariff, PUCO No. 1, would have been confusing. Instead,
6 Ohio Gas Company is recommending that the Commission authorize the filing of
7 a new tariff, PUCO No. 2.

8 **VII. APPLICATION TO ADJUST CERTAIN ACCOUNTS**

9 **Q42. Is Ohio Gas Company seeking to adjust certain plant depreciation reserve**
10 **accounts?**

11 **A42.** Yes.

12 **Q43. Why has Ohio Gas Company made this request?**

13 **A43.** In 2016, Ohio Gas Company met with the Staff of the Commission and reviewed
14 its depreciation rates and expenses in anticipation that it might seek to increase
15 rates. During that review process, the Company determined that several accounts
16 had been over-depreciated while others are under-depreciated. In several
17 instances, over-depreciated accounts show a negative balance. As a result of
18 discussions with Commission Staff, it was agreed that Ohio Gas Company would
19 seek to address the negative balances if it filed an application to increase rates.

20 **Q44. What adjustments is Ohio Gas Company seeking?**

1 **A44.** Ohio Gas Company seeks authorization to adjust depreciation reserves for certain
2 plant accounts, as suggested by Staff during our 2016 Depreciation Study. Ohio
3 Gas Company seeks authority to adjust depreciation reserves of those accounts
4 with negative net book plant balances (\$1,488 for PA 305000, \$100,887 for PA
5 391100, \$466,320 for PA 391200, \$59,268 for PA 394000, \$75 for PA 395000) so
6 that the adjustments will result in net plant balances of zero. The adjustments to
7 the related net plant amounts that are currently negative are proposed to be offset
8 with adjustments or transfers of the excess depreciation to the accumulated
9 depreciation reserves of plant accounts that are under-accrued (PA 369000, PA
10 380000, PA 381000, PA 383000, and PA 390000).

11 **Q45. Would the reallocation of depreciation reserves have any effect on the total**
12 **net plant that is deemed used and useful as of the date certain?**

13 **A45.** No. The proposed reallocation of depreciation reserves revision will have no effect
14 on the total net plant that is used and useful as of the date certain.

15 **VIII. CONCLUSION**

16 **Q46. Based on your review of the Application and the supporting schedules and**
17 **testimony, would authorization of increases in rates, new tariff provisions,**
18 **and the adjustment of the depreciation reserve accounts be just and**
19 **reasonable?**

20 **A46.** Yes. On behalf of Ohio Gas Company, I am recommending that the Commission
21 approve the Application because the relief being requested is just and reasonable.

1 **Q47.** Does this conclude your testimony?

2 **A47.** Yes.

Attachment: Index of Major Issues

<u>Major Issue</u>	<u>Witness</u>
Revenue Requirement, A, B, C, D, E, S Schedules, Tariff Modification, Adjustments to Certain Account Balances, and Corporate Background and Management	Kim Watkins
Cost of Service Study and Schedule E-3.2	David Berg
Rate of Return and D Schedules	Joseph Bowser

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Summary: Application Part V (Section S and Testimony) - Ohio Gas Company's Application for an Increase in Rates, Tariff Approval and Approval of Accounting Authority electronically filed by Ms. Vicki L. Leach-Payne on behalf of Darr, Frank P. Mr.