

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston			√
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR APPROVAL OF GAS)
COST ADJUSTMENT TO BE APPLICABLE) CAUSE NO. 37369 GCA 131
FOR THE MONTHS OF MAY 2024)
THROUGH OCTOBER 2024 PURSUANT TO) APPROVED: APR 30 2024
INDIANA CODE § 8-1-2-42 (g))**

ORDER OF THE COMMISSION

**Presiding Officer:
Kehinde Akinro, Administrative Law Judge**

On March 4, 2024, Boonville Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with schedules to be applicable during the months of May 2024 through October 2024. Also on March 4, 2024, Petitioner prefiled the testimony of its vice president, Paul M. Lewellyn, and Brian D. Cherry of LWG CPAs and Advisors. On April 1, 2024, Petitioner filed revised schedules. On April 5, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and attachments of Heather R. Poole, Division Director of the OUCC’s Natural Gas Division. On April 10, 2024, Petitioner filed the rebuttal testimony of Mr. Lewellyn.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause on April 15, 2024 at 10:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated in the evidentiary hearing. The testimony and attachments of Petitioner and the OUCC were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioner’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner’s Characteristics. Petitioner is a corporation organized and existing under Indiana law. Petitioner’s principal office is located at 1425 North Rockport Road, Boonville, Indiana. Petitioner renders natural gas utility service to the public in the City of Boonville, the Town of Chandler, and adjacent areas in Warrick County, Indiana. Petitioner owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service.

3. Source of Natural Gas. Ind. Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term gas supplies to provide gas to its retail customers at the lowest cost reasonably possible. The Commission has further indicated that each natural gas utility should describe on an annual basis its purchasing and estimating strategies.

Mr. Lewellyn described Petitioner's purchasing and estimating strategies. He explained that Petitioner's estimating strategy begins with a review of gas usage over the last 3 years, and may then be adjusted based upon new information related to the customers that Petitioner is expected to serve, such as, a change in the number of customers served or changes in customer energy usage. He said Petitioner's purchasing strategy is designed to meet those estimates and to acquire gas well ahead of usage. He explained that going into winter months, Petitioner prefers to have at least 50% of the anticipated sales hedged by fixed contracts or storage gas. He said since Petitioner does not own storage facilities, storage gas is provided through Texas Gas. He explained Petitioner must carefully balance the amount of gas available in storage against the withdrawals of storage gas to ensure that sufficient natural gas is available when needed to avoid penalties.

Mr. Lewellyn also explained Petitioner practices put in place to mitigate gas price volatility, including purchasing fixed contract gas and acquiring storage gas well in advance of usage, monitoring natural gas prices through NYMEX Futures, using a normal temperature adjustment and flexing for GCA factors, and monitoring its customer's historical usage and changes in such usage. He also indicated that Petitioner has not changed its estimating or purchasing strategies from that previously described to the Commission.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility including considering market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence of record, we find that Petitioner has demonstrated that it has followed and continues to follow a policy of securing natural gas supply at the lowest cost reasonably possible in order to meet anticipated customer requirements. Therefore, we find that the requirement of this statutory provision has been fulfilled.

4. Purchased Gas Cost Rates. Ind. Code § 8-1-2-42(g)(3)(B) requires that Petitioner's pipeline suppliers have requested or filed, pursuant to the jurisdiction and procedures of a duly constituted regulatory authority, the costs proposed to be included in the GCA factors. The evidence of record indicates that the proposed gas costs include transport rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed GCA factors and find the cost to be reasonable. Therefore, we find that the requirement of this statutory provision has been fulfilled.

5. Earnings Test. Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor which results in the Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's base rates and charges were approved. Petitioner's current base rates and charges were approved on October 29, 2019 in Cause No. 45215. The Commission authorized Petitioner to earn a net operating income of \$460,604 in that prior base rate case.

Petitioner’s evidence indicates that for the 12 months ended October 31, 2023, Petitioner’s actual net operating income was \$64,419. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that Petitioner’s estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that a comparison of the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner’s 12-month rolling average comparison was a positive 4.48% for the period ended October 31, 2023. Based on Petitioner’s historical accuracy in estimating the cost of gas, the Commission finds that Petitioner’s estimating techniques are sound, and Petitioner’s prospective average estimate of gas costs is reasonable.

7. Reconciliations.

a. Variance. Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the reconciliation period of May 2023 through October 2023 (“Reconciliation Period”) is an over-collection of \$186,694 from its customers. In the current GCA, Petitioner also made sales volume corrections to GCA 129 and 130, and also corrected a GCA billing rate error from GCA 130. The total variance from these three adjustments results in an over-collection of \$9,743. The total variance is an over-collection of \$196,437. This amount should be included in the current GCA as a decrease in the estimated net cost of gas.

b. Refunds. Petitioner has \$9,371 in refunds in the current GCA related to a negative unaccounted for gas on Schedule 11A. We find the amount to be refunded in this GCA is \$1,702, as reflected on Pub. Exh. 6, page 16.

8 Resulting Gas Cost Adjustment Factors. The estimated net cost of gas to be recovered (including after adjustments for variance and refund amounts) is as follows:

Month	Net Cost of Gas	Total Cost of Gas After Adjustments
May 2024	\$52,091	\$19,068
June 2024	\$34,727	\$1,704
July 2024	\$34,727	\$1,704
August 2024	\$33,765	\$742
September 2024	\$40,801	\$7,778
October 2024	\$66,749	\$33,726

After dividing the total costs shown above by the estimated sales, the recommended GCA factors are as follows:

Month	GCA Factor (\$/Dth)
May 2024	\$1.2712
June 2024	\$0.1704
July 2024	\$0.1704
August 2024	\$0.0742
September 2024	\$0.5983
October 2024	\$1.6060

Ms. Poole testified that there were several discrepancies identified as part of the OUCC's GCA review, including discrepancies with the revised schedules filed by Petitioner on April 1, 2024. She testified that based on information provided by Petitioner in the revised schedules filed on April 1, 2024, the OUCC found the GCA 131 Schedule 11A to be incorrect, as it was not updated for the corrections to GCA 129 and 130. She said the OUCC also found the GCA 130 variance correction on GCA 131 Schedule 12B to be incorrect, as it was not updated for the new code summary reports provided by Petitioner. She said Petitioner's consultants provided revised schedules on April 2, 2024 to the OUCC to correct these errors but these schedules were not filed with the Commission. She testified that while it is not the OUCC's responsibility to provide Petitioner's evidence in GCA cases, she has included this set of revised schedules as Public's Exhibit No. 6. She said these new schedules calculated new GCA factors for the current estimation period of May through October 2023, and she used these new GCA factors and information in the OUCC's Public Exhibit Nos. 2 and 3.

Ms. Poole further urged Petitioner, and its consultants, to work to ensure correct schedules are filed with the Commission in both the original and revised filings. She noted GCA proceedings have a very short timeline, and filing incorrect schedules creates more work for everyone involved. She testified Petitioner should have a review process in place to ensure schedules are accurate when they are filed.

Mr. Lewellyn responded to Ms. Poole's concerns in rebuttal. He agreed with the OUCC's proposed GCA factors. He further agreed that GCAs have a very short timeline and accuracy is important. Petitioner agrees to redouble its efforts, along with those of its consultants, to prepare and provide accurate schedules. He noted that Ms. Poole was a participant in a recent meeting between Petitioner, the OUCC, and the Commission wherein Petitioner explained the source of some of the recent errors and Petitioner's efforts to correct those errors and improve its GCA process going forward.

Mr. Lewellyn testified Petitioner has historically followed data gathering procedures given to it by its software developer, United Systems, which resulted in data reporting discrepancies and a major adjustment on commercial accounts. He described actions taken to resolve the issue with United Systems, which will result in changes in data gathering and possibly replacing the billing software. Mr. Lewellyn explained this will completely change how data is gathered for all GCAs in the future and should result in more accurate data going forward.

As an initial matter, the Commission notes the parties agree on the GCA factors to be approved. The Commission finds the above factors are properly calculated and should be approved, subject to refund in accordance with Paragraph 10 below.

With respect to the concerns raised by the OUCC regarding the accuracy of Petitioner’s GCA schedules, we agree that Petitioner should redouble its efforts to improve its filing and review process. We appreciate Petitioner’s candor in identifying the nature of the errors and the steps being taken to address these concerns. We direct Petitioner to provide an update on its process improvements (as well as its evaluation of a new billing software vendor) as part of its next GCA filing.

9. Effects on Residential Customers. Petitioner requests the Commission approve the GCA factors identified above. The table below shows the commodity costs a residential customer will incur under the GCA factors based on 10 Dth of usage. The table also compares the gas costs to what a residential customer paid most recently (March 2024 - \$3.3834/Dth) and a year ago (May 2023 - \$3.6648/Dth, June 2023 - \$3.8553/Dth, July 2023 - \$3.8553/Dth, August 2023 - \$3.7553/Dth, September 2023 - \$3.8195/Dth, and October 2023 - \$3.4964/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’s base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
May 2024	\$12.71	\$33.83	(\$21.12)	\$36.65	(\$23.94)
June 2024	\$1.70	\$33.83	(\$32.13)	\$38.55	(\$36.85)
July 2024	\$1.70	\$33.83	(\$32.13)	\$38.55	(\$36.85)
August 2024	\$0.74	\$33.83	(\$33.09)	\$37.55	(\$36.81)
September 2024	\$5.98	\$33.83	(\$27.85)	\$38.20	(\$32.22)
October 2024	\$16.06	\$33.83	(\$17.77)	\$34.96	(\$18.90)

10. Interim Rates. We are unable to determine whether Petitioner will earn an excess return while these GCA factors are in effect. Accordingly, the rates approved in this Order are interim rates subject to refund pending reconciliation in the event an excess return is earned.

11. Monthly Flex Mechanism. The Commission has indicated in prior Orders that Indiana’s gas utilities should make reasonable efforts to mitigate gas price volatility. The monthly flex mechanism is designed to address this concern. Petitioner has elected to utilize a monthly flex mechanism to adjust its GCA factor up to the cap of \$2.00 on the total GCA factor monthly. Since Petitioner is utilizing a monthly flex mechanism, Petitioner must file a monthly flex tariff in the applicable GCA proceeding, including a notification of not flexing as warranted.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petition of Boonville Natural Gas Corporation for the gas cost adjustment for natural gas service, as set forth in Paragraph No. 8, is approved, subject to refund in accordance with Paragraph No. 10.

2. Petitioner shall file a monthly flex tariff under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

3. This Order shall be effective on and after the date of its approval.

BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR; HUSTON ABSENT:

APPROVED: APR 30 2024

I hereby certify that the above is a true and correct copy of the Order as approved.

Dana Kosco
Secretary of the Commission