

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA NATURAL GAS)
CORPORATION FOR APPROVAL OF) CAUSE NO. 37418 GCA 161
CHANGES IN ITS GAS RATES THROUGH A)
GAS COST ADJUSTMENT IN ACCORDANCE) APPROVED: APR 30 2024
WITH IND. CODE 8-1-2-42(g))

ORDER OF THE COMMISSION

Presiding Officer:

Ann S. Pagonis, Administrative Law Judge

On February 21, 2024, in accordance with Ind. Code § 8-1-2-42, Indiana Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of May, June, and July 2024. In support of its petition, Petitioner also filed the direct testimony of Cody M. Osmon, Accountant for Petitioner. On March 14, 2024, Petitioner filed updated schedules.

On March 22, 2024, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of LaCresha N. Vaultx Utility Analyst in the OUCC’s Natural Gas Division. Petitioner filed its notice indicating that it did not intend to file rebuttal testimony on March 26, 2024.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this cause on April 16, 2024, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC, appeared and participated at the hearing at which testimony and exhibits 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. Statutory Notice and Commission 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 the laws of the State of Indiana. Petitioner’s principal office is located at 1080 West Hospital Road in Paoli, Indiana. Petitioner renders natural gas utility service to the public in Bartholomew, Brown, Crawford, Dubois, Harrison, Johnson, Lawrence, and Orange counties in Indiana, and 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 so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's witness Mr. Osmon testified that Petitioner actively purchases fixed contracts, contracts relating to future periods, and appropriately sized contracts. Petitioner also plans for storage. In addition, Mr. Osmon testified that Petitioner monitors market conditions, flexes its GCA factors as appropriate, and uses a normal temperature adjustment mechanism during the heating season. For the months of May, June, and July 2024, Petitioner has hedging in place through fixed contracts. Finally, Mr. Osmon testified Petitioner does have storage gas available which it intends to utilize during all three months of the period covered in this GCA.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on both current and forward-looking basis. Based on the evidence offered, we find that Petitioner has demonstrated that it has and continues to follow a policy of securing natural gas supply at the lowest gas 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 factor. 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 gas cost adjustment charge 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 that results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's basic rates and charges were approved. Petitioner's current basic rates and charges were approved on July 30, 2014 in Cause No. 44453. The Commission authorized Petitioner to earn a net operating income of \$410,038.

Petitioner's evidence indicates that for the 12 months ending December 31, 2023, Petitioner's actual net operating income was \$ 97,510. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning a return of less than the net operating income authorized in Cause No. 44453.

6. Estimation of Purchase 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 prior estimates are reasonable when compared to the corresponding actual cost. A 12-month rolling average comparison helps to eliminate the inherent variances related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner's 12-month rolling average comparison was negative 19.91% for the period ending December 31, 2023. Mr. Osmon testified that the pricing from the GCA 155 and

156 update set pricing around the \$8 and then around the \$5 to \$6 mark and when it came time to flex for the months of November through December 2022, and January through April 2023, the price had fallen below the \$1.00 cap. As a result, Petitioner was only able to partially mitigate the resulting variance through its flex filings. According to the Petitioner, these high monthly variances will continue to affect the rolling variance until they roll off the schedule. Based on Petitioner's historical accuracy in estimating the cost of gas, we find that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. Reconciliations.

A. Variances. 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 October, November, and December 2023 ("Reconciliation Period") is an under-collection in the amount of \$4,809 from Petitioner's customers. This total amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period variance to be included in this GCA is an increase in the net cost of gas is \$401.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$53,563. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$ 53,162 to be applied in this GCA as a decrease in the estimated net cost of gas.

B. Refunds. Petitioner received no refunds during the Reconciliation Period. However, there are \$ 4,050 in refunds from prior periods applicable to the current recovery period. The total refund to be applied in this GCA is \$4,050, as shown on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered is \$126,169 for May 2024, \$71,228 for June 2024, and \$73,532 for July 2024. Adjusting this total for the variance, refund, excess earnings, and demand amounts yields gas costs to be recovered through the GCA factor of \$92,007 for May 2024; \$36,802 for June 2024; and \$38,841 for July 2024. After dividing that amount by estimated sales, Petitioner's recommended GCA factors are \$3.0122/Dth for May 2024, \$2.3435/Dth for June 2024, and \$2.6406/Dth for July 2024.

9. Effects on Residential Customers - (GCA Cost Comparison). Petitioner requests authority to approve the GCA factors of \$3.0122/Dth for May 2024, \$2.3435/Dth for June 2024, and \$2.6406/Dth for July 2024. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February 2024 - \$3.3673/Dth) and a year ago (May 2023 - \$3.8191/Dth, June 2023 - \$3.9616/Dth, and July 2023 - \$4.2534/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

<u>Month</u>	<u>Proposed Gas Costs (10 Dth)</u>	<u>Current</u>		<u>Year Ago</u>	
		<u>Gas Costs (10 Dth)</u>	<u>Difference From Current</u>	<u>Gas Cost (10 Dth)</u>	<u>Difference from Year Ago</u>
May 2024	\$30.12	\$33.67	(\$3.55)	\$38.19	(\$8.07)
June 2024	\$23.44	\$33.67	(\$10.23)	\$39.62	(\$16.18)
July 2024	\$26.41	\$33.67	(\$7.26)	\$42.53	(\$16.12)

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 Indiana 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.

1. 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.

2. 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**