

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

PETITION OF INDIANA UTILITIES)
CORPORATION FOR APPROVAL OF) CAUSE NO. 37357 GCA 113
CHANGES IN ITS GAS RATES THROUGH A)
GAS COST ADJUSTMENT IN ACCORDANCE) APPROVED: OCT 26 2022
WITH IND. CODE §8-1-2-42(g))

ORDER OF THE COMMISSION

Presiding Officer:

Greg S. Loyd, Administrative Law Judge

On August 26, 2022, in accordance with Ind. Code § 8-1-2-42, Indiana Utilities Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of November 2022 through April 2023. Also on August 26, 2022, Petitioner prefiled the direct testimony of its President, Frank Czeschin. On September 20, 2022, Petitioner filed its Revised Schedules. On September 23, 2022, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its GCA factor calculations, statistical calculations, and testimony of Linda M. Devine, Utility Analyst II of the OUCC’s Natural Gas Division. On September 26, 2022, Petitioner filed its Second Revised Schedules. On October 3, 2022, Petitioner filed its notice indicating that it did not intend to file rebuttal testimony.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause at 2:30 p.m. on October 11, 2022, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC appeared by counsel at the evidentiary hearing, during which the testimony and exhibits of NIPSCO were admitted without objection.

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

1. Statutory Notice and Commission Jurisdiction. Notice of the evidentiary 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 123 West Chestnut Street, Corydon, Indiana. Petitioner renders natural gas utility service to the public in Harrison and Floyd Counties, 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. Mr. Czeschin described Petitioner's estimating and purchasing strategies in acquiring natural gas for its customers. Mr. Czeschin testified that Petitioner estimates its future sales by looking at historical sales, adjusted for current customer information, such as the addition or loss of customers and changes in large customer load characteristics. He said Petitioner further analyzes its fixed contracts, the amount of storage gas it has available, and trends in gas prices. Petitioner also estimates NYMEX spot gas prices. He added that Petitioner has acquired natural gas based upon NYMEX estimates; relies upon risk analysis; and uses fixed contracts, storage, and spot gas as part of its supply mix. Additionally, Petitioner uses GCA flex and normal temperature adjustment mechanisms.

The Commission has also indicated that gas utilities should make reasonable efforts to mitigate gas price volatility. Mr. Czeschin explained that Petitioner attempts to mitigate gas price volatility through the use of fixed contracts and managing the usage of gas provided by those contracts. He added that Petitioner uses stored gas that is priced at typically low summer prices. He added that Petitioner has also implemented a GCA flex mechanism, Petitioner uses a normal temperature adjustment mechanism, and Petitioner regularly reviews NYMEX prices.

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) prohibits approval of a GCA factor which results in 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 February 20, 2019 in Cause No. 45116. The Commission authorized Petitioner to earn a rate of return of 9.04% and a net operating income of \$675,418 on an original cost rate base of \$7,471,437. Petitioner's evidence indicates that for the 12-months ending June 30, 2022, Petitioner's actual net operating income was \$10,853. Therefore, based on the evidence of record, the Commission finds that Petitioner did not earn a return 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 Petitioner’s 12-month rolling average comparison was 1.04% for the period ending April 2022. 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. 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 November 2021 through April 2022 (“Reconciliation Period”) is an under-collection of \$84,074 from its customers. This amount should be included in the current GCA as an increase in the estimated net cost of gas.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered is \$180,806 for November 2022, \$207,123 for December 2022, and \$311,070 for January 2023, \$202,085 for February 2023, \$197,934 for March 2023, and \$82,716 for April 2023. Adjusting these totals for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$194,818 for November 2022, \$221,135 for December 2022, \$325,082 for January 2023, \$216,097 for February 2023, \$211,946 for March 2023, and \$96,728 for April 2023.

9. Effects on Residential Customers. Petitioner requests authority to approve the GCA factor of \$3.7626/Dth for November 2022, \$3.7214/Dth for December 2022, \$4.4336/Dth for January 2023, \$3.7252/Dth for February 2023, \$4.5885/Dth for March 2023, and \$3.6940/Dth for April 2023. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dths of usage. Moreover, the table compares the proposed gas costs to what a residential customer paid most recently (August 2022 - \$4.5231/Dth) and a year ago (November 2021 - \$4.1188/Dth, December 2021 - \$3.8915/Dth, January 2022 - \$3.3761/Dth, February 2022 - \$3.4932/Dth, March 2022 - \$3.5691/Dth, and April 2022 - \$3.2291/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
November 2022	\$37.63	\$45.23	(\$7.60)	\$41.19	(\$3.56)
December 2022	\$37.21	\$45.23	(\$8.02)	\$38.92	(\$1.71)
January 2023	\$44.34	\$45.23	(\$0.89)	\$33.76	\$10.58
February 2023	\$37.25	\$45.23	(\$7.98)	\$34.93	\$2.32
March 2023	\$45.89	\$45.23	\$0.66	\$35.69	\$10.20
April 2023	\$36.94	\$45.23	(\$8.29)	\$32.29	\$4.65

In accordance with Indiana Code § 8-1-2-42(g)(2), OUCC Witness Linda Devine conducted an annual review of Petitioners' books and records during this GCA to verify the accuracy of information used to calculate Petitioner's proposed GCA factors. During her review, she also verified the factors billed to customers for the reconciliation periods encompassing May 2021 through April 2022 which included GCAs 112 and 113. She noted no issues with the information provided during her review. The OUCC performs its next scheduled examination during GCA 115.

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 indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanisms are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial market price in this GCA proceeding. Finally, Petitioner shall file all material that supports its decision to flex or not to flex as outlined in our Order in Cause No. 44374.

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

1. The Petition of Indiana Utilities 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. Prior to implementing the GCA factors approved above or any future flexed factor, Indiana Utilities Corporation shall file the tariff and applicable rate schedules 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.

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

APPROVED: OCT 26 2022

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

_____ on behalf of
Dana Kosco
Secretary of the Commission