

ORIGINAL

STATE OF INDIANA

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

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR APPROVAL OF GAS)
COST ADJUSTMENT TO BE APPLICABLE) CAUSE NO. 37369 GCA 127
FOR THE MONTHS OF MAY 2022)
THROUGH OCTOBER 2022 PURSUANT TO) APPROVED: APR 27 2022
INDIANA CODE § 8-1-2-42(g))**

ORDER OF THE COMMISSION

**Presiding Officer:
Jennifer L. Schuster, Senior Administrative Law Judge**

On March 1, 2022, Boonville Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of May 2022 through October 2022. Also on March 1, 2022, Petitioner prefiled the testimony of its vice president, Paul M. Lewellyn, and Brian D. Cherry of LWG CPAs and Advisors (“LWG”). On March 21, 2022, Petitioner filed revised schedules. On March 31, 2022, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Mohab M. Nouredin, Utility Analyst II with the OUCC’s Natural Gas Division. Mr. Cherry’s rebuttal testimony was filed on April 4, 2022.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause on April 13, 2022 at 1 p.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 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 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. Mr. Lewellyn explained the various processes Petitioner has in place to mitigate gas price volatility, including analysis of historic usage, monitoring changes in current usage, purchasing fixed contract gas, acquiring storage gas well in advance of usage, monitoring natural gas prices through NYMEX Futures, flexing GCA factors, and keeping itself apprised of its customers' historical usage and changes in such usage. Mr. Lewellyn also described Petitioner's estimating and purchasing strategies.

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 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 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 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, 2021, Petitioner's actual net operating income was \$301,021. 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 1.01% for the period ended October 31, 2021. 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 May 2021 through October 2021 (“Reconciliation Period”) is an under-collection of \$28,167 from its customers. This amount should be included in the current GCA as an increase in the estimated net cost of gas.

Petitioner filed Schedule 11A in this Cause, reporting unaccounted-for gas of 2%, which is within the bounds of reasonableness. The next filing of Schedule 11A will be in GCA 129.

8. Resulting Gas Cost Adjustment Factors. As shown on Petitioner’s Schedule 1, 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	Net Cost of Gas After Adjustments
May 2022	\$45,623	\$50,317
June 2022	\$32,588	\$37,282
July 2022	\$32,588	\$37,282
August 2022	\$32,588	\$37,282
September 2022	\$43,334	\$48,028
October 2022	\$70,549	\$75,243

As reflected in Petitioner’s rebuttal testimony, we find it appropriate to exclude the URT from the calculation of the July 2022 through October 2022 GCA factors. Therefore, after dividing the net costs shown above by the estimated sales and adjusting the May and June factors for the URT, the recommended GCA factors are as follows:

Month	GCA Factor (\$/Dth)
May 2022	\$3.6503
June 2022	\$3.7865
July 2022	\$3.7282
August 2022	\$3.7282
September 2022	\$4.0023
October 2022	\$3.5830

The Commission finds the above factors are properly calculated and should be approved, subject to refund in accordance with Paragraph 10 below.

9. Effects on Residential Customers. Petitioner requests authority to approve the GCA factors identified above. 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 2022 – \$3.7953/Dth) and a year ago (May 2021 – \$3.8560/Dth, June 2021 – \$3.8454/Dth, July 2021 – \$3.8852/Dth, August 2021 – \$3.8452/Dth, September 2021 – \$3.7404/Dth, and October 2021 – \$3.6381/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 2022	\$36.50	\$37.95	(\$1.45)	\$38.56	(\$2.06)
June 2022	\$37.87	\$37.95	(\$0.08)	\$38.45	(\$0.58)
July 2022	\$37.28	\$37.95	(\$0.67)	\$38.85	(\$1.57)
August 2022	\$37.28	\$37.95	(\$0.67)	\$38.45	(\$1.17)
September 2022	\$40.02	\$37.95	\$2.07	\$37.40	\$2.62
October 2022	\$35.83	\$37.95	(\$2.12)	\$36.38	(\$0.55)

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. 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. 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 unit price for spot, fixed, or storage gas included in the flex are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial unit price estimated in this GCA. In addition, Petitioner shall file all materials that support 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 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. Prior to implementing the GCA factors approved above or any future flexed factor, Boonville Natural Gas 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, KREVDA, AND OBER CONCUR; ZIEGNER ABSENT:

APPROVED: APR 27 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