

ORIGINAL

STATE OF INDIANA

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

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF WESTFIELD GAS, LLC,)
D/B/A CITIZENS GAS OF WESTFIELD FOR A) CAUSE NO. 37389 GCA 130
CHANGE IN ITS GAS COST ADJUSTMENT)
CHARGE FOR THE PERIOD JUNE, JULY,) APPROVED: MAY 25 2022
AND AUGUST 2022)

ORDER OF THE COMMISSION

Presiding Officer:
Brad J. Pope, Administrative Law Judge

On April 1, 2022, in accordance with Ind. Code § 8-1-2-42, Westfield Gas, LLC d/b/a Citizens Gas of Westfield (“Applicant” or “Westfield Gas”) filed its Application for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of June, July, and August 2022. In support of its Application, Applicant filed the testimony of Kenneth J. Flora, Manager, Rates & Regulatory Affairs.

On April 21, 2022, Applicant filed the supplemental testimony and updated attachments of Mr. Flora supporting the proposed GCA factors.

On May 2, 2022, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Scott Viefhaus, Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on May 9, 2022, at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Applicant and the OUCC appeared and participated at the hearing at which the testimony and exhibits of Applicant 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. Applicant 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 Applicant’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Applicant and the subject matter of this Cause.

2. Applicant’s Characteristics. Westfield Gas is a limited liability company organized and existing under the laws of Indiana and has its principal office at 2020 North Meridian Street, Indianapolis, Indiana. Applicant renders natural gas utility service to the public in Boone and Hamilton Counties in Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. Source of Natural Gas. Indiana Code § 8-1-2-42(g)(3)(A) requires Applicant to make every reasonable effort to acquire long-term natural gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Applicant witness Kenneth Flora provided evidence regarding the tariff sheets and supporting Schedules filed with Applicant's GCA to be effective during June, July, and August 2022. That evidence showed Applicant's rates and charges reflect recovery of transportation and storage costs based upon filings with the Federal Energy Regulatory Commission ("FERC"). A portion of the commodity will be priced using New York Mercantile Exchange ("NYMEX") futures prices at Henry Hub for the three-month period, adjusted for basis, fuel, and transportation for delivery to Applicant's city-gate. The remaining commodity will be priced according to hedged transactions.

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 a current and forward-looking basis. Based on the evidence offered, we find that Applicant 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. Indiana Code § 8-1-2-42(g)(3)(B) requires that Applicant's pipeline suppliers have requested or filed pursuant to the jurisdiction and procedures of a duly constituted regulatory authority for a change in the cost of gas proposed to be included in the GCA factor. The evidence of record indicates that the proposed gas costs include transportation rates that have been filed by Applicant's pipeline suppliers in accordance with FERC 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. Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in a public utility earning a return in excess of the return authorized by the last Commission Order in which the gas utility's basic rates and charges were approved. The Commission, in its April 26, 2017 Order in Cause No. 44731, authorized Applicant to earn a net operating income of \$761,544.

Applicant's evidence indicates that for the 12 months ending February 2022, Applicant's actual net operating income was \$674,209. Therefore, based upon the evidence of record, the Commission finds that Applicant is not earning in excess of the net operating income authorized in Cause No. 44731.

6. Estimation of Purchased Gas Costs. Indiana Code § 8-1-2-42(g)(3)(D) requires that Applicant'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 Applicant's 12-month rolling average comparison for the reconciliation period was

positive 2.71% for the period ending February 2022. Based on Applicant’s evidence, we find that Applicant’s estimating techniques are sound, and Applicant’s prospective average estimate of gas costs is reasonable.

7. Reconciliations. Indiana Code § 8-1-2-42(g)(3)(D) also requires that Applicant reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding established that the total gas supply variance for the reconciliation period of December 2021, January 2022, and February 2022 (“Reconciliation Period”) is an under-collection of \$1,241,795 from Applicant’s customers, including \$1,210,728, approved in Cause No. 37389 GCA 126, to be recovered in GCAs 130 through 133, during the months of June 2022 through May 2023. This amount, approved in GCA 126, is half of the total under-collection in that proceeding approved to be recovered over a 24-month period, due to the unusually high natural gas prices that occurred during February 2021. The total under-collection amount in this GCA 130 proceeding 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 as an increase in the estimated net cost of gas is \$56,791.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$2,084. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$58,875 to be applied in this 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 \$66,971 for June 2022, \$69,964 for July 2022, and \$70,660 for August 2022. Adjusting the foregoing gas cost amounts for variances, refunds, and net write-off amounts yields net gas costs to be recovered through the GCA factor of \$86,522 for June 2022, \$89,956 for July 2022, and \$90,792 for August 2022. After dividing the foregoing monthly amounts by estimated sales and adjusting for Indiana Utility Receipts Tax (“URT”) for the month of June 2022, Applicant recommended approval of the GCA factors set forth in the table below.¹

9. Effects on Residential Customers - (GCA Cost Comparison). Applicant requests approval of the GCA factors of \$9.847/Dth for June 2022, \$9.869/Dth for July 2022, and \$9.892/Dth for August 2022. 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 GCA factors to what a residential customer paid most recently (April 2022 – \$6.767/Dth) and paid during the same period one year ago (June 2021 – \$7.428/Dth, July 2021 – \$7.789/Dth, and August 2021 – \$8.047/Dth). The table reflects costs approved through the GCA process. It does not include Applicant’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
June 2022	\$98.47	\$67.67	\$30.80	\$74.28	\$24.19

¹ Given House Enrolled Act 1002’s repeal of the URT effective July 1, 2022, Petitioner removed the URT from the GCA factors proposed for July and August 2022.

July 2022	\$98.69	\$67.67	\$31.02	\$77.89	\$20.80
August 2022	\$98.92	\$67.67	\$31.25	\$80.47	\$18.45

10. Interim Rates. We are unable to determine whether Applicant will earn an excess return while the 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. Applicant’s approved monthly flex mechanism is designed to address the Commission’s concerns. Therefore, Applicant 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 mechanism 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, Applicant shall file all material which 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 Application of Westfield Gas, LLC d/b/a Citizens Gas of Westfield for the gas cost adjustments 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 rates approved above or any future flexed factor, Applicant 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 ZIEGNER CONCUR; OBER ABSENT:

APPROVED: MAY 25 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