ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY, INC. D/B/A CENTERPOINT ENERGY INDIANA NORTH ("CEI NORTH") FOR APPROVAL OF CHANGES IN ITS GAS COST ADJUSTMENTS IN ACCORDANCE WITH I.C. 8-1-2-42(g) AND 8-1-2-42.3.	)))))	**CAUSE NO. 37394 GCA 153** **APPROVED: FEB 23 2022**

ORDER OF THE COMMISSION

Presiding Officer:
Jennifer L. Schuster, Administrative Law Judge

On December 30, 2021, in accordance with Ind. Code § 8-1-2-42, Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("Petitioner" or "CEI North") filed its Petition for Gas Cost Adjustment ("GCA"), with attached schedules, to be applicable during the months of March 2022 through May 2022 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner also pre-filed the verified testimony and exhibits of Katie J. Tieken, Director, Regulatory and Rates, Paula J. Grizzle, Director of Gas Supply and Portfolio Optimization, and Chrissy M. Behme, Manager, Regulatory Reporting. On January 20, 2022, Petitioner filed revised schedules supporting the proposed GCA factors. On January 31, 2022, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Heather R. Poole, Director of the Natural Gas Division.

The Commission set this matter for an evidentiary hearing to be held on February 10, 2022 at 9:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated, by counsel, in the hearing. At the 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 of record, 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 211 NW Riverside Drive, Evansville, Indiana. Petitioner renders natural gas utility service to the public in Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such services.

3. **<u>Source of Natural Gas</u>.** Ind. Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide gas service to its retail customers at the lowest cost reasonably possible.

According to Ms. Grizzle, a portion of Petitioner's gas purchases are made in advance of the heating season pursuant to the Advance Purchase Plan described in her testimony. She also described Petitioner's financial hedging plan and provided details regarding the financial hedges and associated premiums to date for this GCA quarter. Petitioner relies upon certain contracts for the provision of firm interstate supply services to its city gate in providing firm supply to customers. As part of her testimony, Ms. Grizzle discussed Petitioner's firm transportation services utilized on pipeline systems.

Ms. Grizzle testified that Petitioner has entered into a long-term fixed price purchase transaction pursuant to the Commission's Order in Cause No. 37394 GCA 134 issued on May 31, 2017, which approved CEI North's proposal for a new long-term transaction. She described this purchase as a five-year transaction for the term of April 2018 through March 2023 for 540,000 Dth per month.

Ms. Grizzle stated that Petitioner has also entered into a long-term fixed price purchase transaction pursuant to the Commission's Order in Cause No. 37394 GCA 135 issued on September 6, 2017, which approved CEI North's proposal for a new long-term transaction and modification to authority levels to the CEI North Gas Supply Hedge Plan. She described this purchase as a five-year transaction for the term of April 2019 through March 2024 for 300,000 Dth per month. She stated the transaction will be shown as a separate line item in Schedule 3 for each month for the term of the transaction and a separate line item in the Schedule 8 supplement for each month of the reconciliation quarter for the term of the transaction.

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 the Petitioner has demonstrated that it has 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. **<u>Purchased Gas Cost Rates</u>.** 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 in the Petition 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 charge and find the costs 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 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 February 13, 2008 in Cause No. 43298.[1] The Commission authorized Petitioner to earn a net operating income ("NOI") of $61,827,974. The Commission's Orders in Cause No. 44430 and its subdockets authorized a cumulative increase of $43,829,517 to the authorized NOI for the GCA earnings test based on the schedules provided in those proceedings. Therefore, Petitioner's authorized NOI for this GCA proceeding is $105,657,491.

Petitioner's evidence indicates that, for the 12 months ended November 30, 2021, Petitioner's actual NOI was $99,424,435. 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.

In the Commission's Order in Cause Nos. 42943 and 43046 approved on December 1, 2006, Petitioner was ordered, along with the statutory NOI earnings test, to also perform the return on equity ("ROE") test calculation as proposed by the Petitioner in the above-mentioned Causes. As illustrated in Petitioner's Exhibit No. 3, Attachment CMB-2, Petitioner's ROE test results in a net income deficit of $3,874,000 compared to the $6,233,056 deficit pursuant to the statutorily required earnings test. This computes to an actual ROE of 9.71% compared to Petitioner's authorized ROE of 10.20%. The Commission finds the Petitioner has complied with the required submission of the ROE calculation.

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 of record indicates Petitioner's 12-month rolling average comparison, which included the extraordinary extreme weather event that occurred in February 2021, was a positive 31.59% for the period ending September 2021. 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.** 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 of record in this proceeding established that the total commodity and bad debt variance for the reconciliation period of July through September 2021 ("Reconciliation Period") is an over-collection of $57,912 from its customers. This amount is to be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period commodity and bad debt variance to be included in this GCA as a decrease in the estimated net cost of gas is $12,599. The commodity and bad debt variance from prior

[1] The Commission issued an Order in Petitioner's most recent base rate case, Cause No. 45468, on November 17, 2021. This GCA addresses Petitioner's Net Operating Income for the 12-month period ending November 30, 2021. The return authorized in the Order in Cause No. 45468 will be applicable in future GCA period.

recovery periods applicable to the current recovery period is an under-collection of $24,717,342, which includes the allocated portion of prior variances attributable to this GCA related to the extraordinary extreme weather event that occurred in February 2021. Combining this amount with the Reconciliation Period commodity variance results in a total under-collection of $24,704,743 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence of record established that the total demand variance for the Reconciliation Period is an under-collection of $2,170,120 from its customers. This amount is to be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period demand variance to be included in this GCA as an increase in the estimated net cost of gas is $472,088. The demand variance from prior recovery periods applicable to the current recovery period is an over-collection of $172,547. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of $299,541 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence of record established that the total company use gas cost variance for the Reconciliation Period is an under-collection of $15,489 from its transportation customers. This amount is to be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period company use gas cost variance to be included in this GCA as an increase in the estimated net cost of gas is $3,815. The company use gas cost variance from prior recovery periods applicable to the current recovery period is an under-collection of $10,756. Combining this amount with the Reconciliation Period company use gas cost variance results in a total under-collection of $14,571 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Refunds.** Petitioner has $18,036 in nomination and balancing charges that are reflected as new refunds during the Reconciliation Period and has $9,247 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is $13,171 as reflected on Schedule 12A.

9. **Resulting Gas Cost Adjustment Factors.** The estimated net commodity cost of gas to be recovered is $52,900,480. Adjusting this total for the demand costs, variances, bad debt costs and refund amounts yields gas costs to be recovered through the GCA of $93,422,867. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are as follows:

Estimated GCA Factors Per Therm

Rate Schedule	Service	Estimated ($ per Therm) Eff. Mar. 1, 2022	Estimated ($ per Therm) Eff. Apr. 1, 2022	Estimated ($ per Therm) Eff. May 1, 2022
210	Sales	$0.6635	$0.6448	$0.7577
211 (1)	Sales	$0.6635	$0.6448	$0.7577
220	Sales	$0.6635	$0.6448	$0.7577
225	Transportation	$0.0009	$0.0007	$0.0005
229	Sales	$0.6635	$0.6448	$0.7577
240	Sales	$0.5977	$0.5790	$0.6919
245	Transportation	$0.0009	$0.0007	$0.0005
260	Transportation	$0.0009	$0.0007	$0.0005
270	Transportation	$0.0009	$0.0007	$0.0005

(1) The GCA for Rate 211 is stated in $ per gas lighting fixture.

10. Effects on Residential Customers – (GCA Cost Comparison). Petitioner requests authority to approve the GCA factors of $6.635/Dth for March 2022, $6.448/Dth for April 2022, and $7.577/Dth for May 2022. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dth of usage. Moreover, the table compares the proposed gas costs to what a residential customer paid most recently (December 2021 – $6.316 /Dth) and a year ago (March 2021 – $3.870/Dth, April 2021 – $3.670/Dth, and May 2021 – $4.148/Dth). The table solely reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

		Current		Year Ago	
Month	**Proposed Gas Costs (10 Dth)**	**Gas Costs (10 Dth)**	**Difference From Current**	**Gas Costs (10 Dth)**	**Difference From Year Ago**
March 2022	$66.35	$63.16	$3.19	$38.70	$27.65
April 2022	$64.48	$63.16	$1.32	$36.70	$27.78
May 2022	$75.77	$63.16	$12.61	$41.48	$34.29

11. **<u>Interim Rates</u>.** The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is 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.

12. **<u>Monthly Flex Mechanism</u>.** 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 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, Petitioner 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 Petition of Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North for the gas cost adjustment for natural gas service, as set out in Paragraph No. 9, is approved, subject to refund in accordance with Paragraph No. 11. Such gas cost adjustment charges shall remain in effect until replaced by different gas cost adjustment factors that are approved in a subsequent filing.

2. Prior to implementing the GCA factors approved above or any future flexed factor, Petitioner 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.

<u>HUSTON, FREEMAN, KREVDA, AND OBER CONCUR; ZIEGNER ABSENT:</u>

APPROVED: FEB 23 2022

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

Dana Kosco Digitally signed by Dana Kosco Date: 2022.02.23 10:16:54 -05'00'

Dana Kosco
Secretary of the Commission