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 154

APPROVED: MAY 25 2022

ORDER OF THE COMMISSION

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

On April 1, 2022, 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 June 2022 through August 2022, with the Indiana Utility Regulatory Commission ("Commission"). Also on the same date, Petitioner 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 April 21, 2022, Petitioner filed revised schedules supporting the proposed GCA factors. On May 2, 2022, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Linda M. Devine, Utility Analyst II of the Natural Gas Division.

The Commission held an evidentiary hearing in this Cause on May 11, 2022 at 1 p.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated, by counsel, at the hearing, and 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. Source of Natural Gas. 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. Ms. Grizzle also 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 the long-term fixed price purchase as a five-year transaction for the term of April 2018 through March 2023 for 540,000 Dth per month.

Ms. Grizzle also stated that Petitioner has 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. She also stated this transaction will be shown as 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 offered, 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 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 charges 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 November 17, 2021 in Cause No. 45468. The Commission authorized Petitioner to earn a net operating income ("NOI") of $97,745,602.

Petitioner's evidence indicates that, for the 12 months ended February 28, 2022, Petitioner's actual NOI was $112,704,842. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning in excess of that authorized in its last rate case. Since Petitioner's return exceeds the amount authorized, the Commission must determine the amount, if any, of the return to be refunded to customers through the variance in this Cause. In accordance with Ind. Code § 8-1-2-42.3, a refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Ind. Code § 8-1-2-42.3(a), is greater than zero. Based on the evidence of record, we find the sum of the differentials during the relevant period is ($233,388,631), and therefore, it is not appropriate to require a refund in this Cause of any of the amount over-earned.

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 3, Attachment CMB-2, Petitioner's ROE test results in a net income excess of $10,731,000 compared to the $14,959,240 surplus pursuant to the statutorily required earnings test. This computes to an actual ROE of 11.12% compared to Petitioner's authorized ROE of 9.80%. 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 presented indicates Petitioner's 12-month rolling average comparison, which included the extreme weather event that occurred in February 2021, was a positive 30.09% for the period ended December 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 presented in this proceeding established that the total commodity and bad debt variance for the reconciliation period of October through December 2021 ("Reconciliation Period") is an under-collection of $8,035,568 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 an increase in the estimated net cost of gas is $419,056. The commodity and bad debt variance from prior recovery periods applicable to the current recovery period is an under-collection of $15,304,778, 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 $15,723,834 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented established that the total demand variance for the Reconciliation Period is an over-collection of $54,256 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 a decrease in the estimated net cost of gas is $2,829. The demand variance from prior recovery periods applicable to the current recovery period is an under-collection of $27,578. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of $24,749 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented established that the total company use gas cost variance for the Reconciliation Period is an over-collection of $13,909 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 a decrease in the estimated net cost of gas is $3,007. The company use gas cost variance from prior recovery periods applicable to the current recovery period is an under-collection of $18,471. Combining this amount with the Reconciliation Period company use gas cost variance results in a total under-collection of $15,464 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Refunds.** Petitioner has $12,732 in nomination and balancing charges that are reflected as new refunds during the Reconciliation Period and has $2,007 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 $2,671, as reflected on Schedule 12A.

9. **Resulting Gas Cost Adjustment Factors.** The estimated net commodity cost of gas to be recovered is $17,286,090. Adjusting this total for the demand costs, variances, bad debt costs and refund amounts yields gas costs to be recovered through the GCA of $44,475,908. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax for June 2022, Petitioner's recommended GCA factors are as follows:

Estimated GCA Factors Per Therm

Rate Schedule	Service	June 2022	July 2022	August 2022
210	Sales	$1.3257	$1.3241	$1.3116
211(1)[1]	Sales	$1.3257	$1.3241	$1.3116
220	Sales	$1.3257	$1.3241	$1.3116
225	Transportation	$0.0016	$0.0013	$0.0009
229	Sales	$1.3257	$1.3241	$1.3116
240	Sales	$1.1211	$1.1226	$1.1101
245	Transportation	$0.0016	$0.0013	$0.0009
260	Transportation	$0.0016	$0.0013	$0.0009
270	Transportation	$0.0016	$0.0013	$0.0009

[1] The GCA for Rate 211 is stated in dollars per gas lighting fixture.

10. **Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of $13.257/dekatherm ("Dth") for June 2022, $13.241/Dth for July 2022, and $13.116/Dth for August 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 (April 2022 – $7.179 /Dth) and a year ago (June 2021 – $6.345/Dth, July 2021 – $6.799/Dth, and August 2021 – $6.885/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**
June 2022	$132.57	$71.79	$60.78	$63.45	$69.12
July 2022	$132.41	$71.79	$60.62	$67.99	$64.42
August 2022	$131.16	$71.79	$59.37	$68.85	$62.31

11. **Interim Rates.** 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. **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 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 herein, is approved, subject to refund in accordance with Paragraph 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.

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.

Regina K. Joyner Digitally signed by Regina K. Joyner Date: 2022.05.25 10:19:21 -04'00' ______ on behalf of

Dana Kosco
Secretary of the Commission