

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE BOARD OF DIRECTORS)
FOR UTILITIES OF THE DEPARTMENT OF)
PUBLIC UTILITIES OF THE CITY OF) CAUSE NO. 37399 GCA 153
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)
OF A PUBLIC CHARITABLE TRUST, FOR) APPROVED: FEB 23 2022
APPROVAL OF GAS COST ADJUSTMENTS)
TO BE APPLICABLE IN THE MONTHS OF)
MARCH, APRIL AND MAY 2022)**

ORDER OF THE COMMISSION

**Presiding Officer:
Brad J. Pope, Administrative Law Judge**

On December 30, 2021, in accordance with Ind. Code § 8-1-2-42, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, d/b/a Citizens Gas (“Petitioner” or “Citizens Gas”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of March, April, and May 2022. In support of its Petition, Petitioner filed the testimony of John F. Lamb, Manager of Rates and Business Applications.

On January 19, 2022, Petitioner filed the supplemental testimony and revised attachments of Mr. Lamb.

On January 31, 2022, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Heather R. Poole, Director of the Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on February 7, 2022, at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing at which 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 municipally owned utility as defined in Ind. Code § 8-1-2-1(h). 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's principal office is located at 2020 North Meridian Street, Indianapolis, Indiana. Petitioner renders natural gas utility service to the public in and around Marion County, Indiana and owns, operates, manages, and controls plant and equipment used 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 natural gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner witness John Lamb provided evidence that Petitioner's rates and charges reflect recovery of transportation and storage costs based upon filings made with the Federal Energy Regulatory Commission ("FERC"). The majority 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 Petitioner's city gate. The remaining commodity will be priced according to hedged transactions. None of the projected commodity volumes was purchased pursuant to fixed hedge 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 Petitioner has demonstrated it has and continues to follow a policy of securing natural gas at the lowest gas cost reasonably possible in order to meet anticipated customer requirements. Therefore, we find that the requirement of this statutory provision was 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 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 Petitioner'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.** Ind. 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 May 14, 1986 Order in Cause No. 37091, found that the earnings test in Ind. Code § 8-1-2-42(g)(3)(C) does not apply to municipally owned gas utilities. Petitioner is a municipally owned gas utility; therefore, the earnings test does not apply to Petitioner.

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 negative 9.14% for the period

ending November 30, 2021. Based on Petitioner’s historical accuracy in estimating the cost of gas, we find 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 total gas supply variance for the reconciliation period of September, October, and November 2021 (“Reconciliation Period”) is an under-collection of \$2,799,970. The amount to be included in this GCA as an increase in the net cost of gas is \$757,719. The gas supply variance from the prior periods totals an over-collection of \$2,815,056. Combining this amount with the gas supply variance amount to be included in this GCA results in an over-collection of \$2,057,337, which results in a decrease in the estimated net cost of gas.

The total balancing demand cost variance for the Reconciliation Period is an over-collection of \$28,902. The amount to be included in this GCA is a decrease in the net cost of gas of \$6,836. The balancing demand cost variance from the prior periods totals an over-collection of \$7,671. Combining this amount with the balancing demand cost variance amount to be included in this GCA results in an over-collection of \$14,507, which results in a decrease in the estimated net cost of gas.

Combining the gas supply and balancing demand variances results in a total over-collection of \$2,071,844 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$16,911,680 for March 2022, \$10,628,626 for April 2022, and \$5,778,947 for May 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 \$16,038,486 for March 2022, \$10,067,747 for April 2022, and \$5,484,897 for May 2022. After dividing the foregoing monthly amounts by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner recommended approval of the GCA factors set forth in table below.

	March 2022	April 2022	May 2022
Variable Rate Supply per Dth			
D1 – Residential Domestic	\$3.970	\$3.884	\$3.897
D2 – Residential Heating	\$4.116	\$4.025	\$4.118
D3 – General Non-Heating	\$3.999	\$3.577	\$3.307
D4 – General Heating	\$3.983	\$3.918	\$4.090
D7 – CNG	\$3.941	\$3.525	\$3.259
Balancing Charges per Dth			
D3 – General Non-Heating	\$0.015	\$0.017	\$0.019

D4 – General Heating	\$0.017	\$0.019	\$0.021
D5 – Large Volume	\$0.027	\$0.029	\$0.031
D7 – CNG	\$0.015	\$0.017	\$0.019
D9 – High Load	\$0.280	\$0.282	\$0.284
Basic Balancing Charges per Dth			
D3 – General Non Heating	\$0.001	\$0.001	\$0.001
D4 – General Heating	\$0.001	\$0.001	\$0.001
D5 – Large Volume	\$0.001	\$0.001	\$0.002
D9 – High Load	\$0.014	\$0.014	\$0.014
Back Up Supply per Dth			
Gas Supply	\$4.248	\$4.164	\$4.263
Commodity	\$3.379	\$3.462	\$3.394
Capacity	\$0.869	\$0.702	\$0.869

9. **Effects on Residential Customers - (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factors of \$4.116/Dth for March 2022, \$4.025/Dth for April 2022, and \$4.118/Dth for May 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 gas costs to what a residential customer paid most recently (December 2021 – \$3.939/Dth) and a year ago (March 2021 – \$3.216/Dth, April 2021 – \$2.983/Dth, and May 2021 – \$3.289/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.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
March 2022	\$41.16	\$39.39	\$1.77	\$32.16	\$9.00
April 2022	\$40.25	\$39.39	\$0.86	\$29.83	\$10.42
May 2022	\$41.18	\$39.39	\$1.79	\$32.89	\$8.29

10. **Interim Rates.** The Commission finds that the rates approved herein should be interim rates, subject to refund, pending reconciliation of the gas costs in a subsequent GCA.

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 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 Citizens Gas 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, Petitioner shall file the applicable rate schedules for the factors 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. In accordance with Indiana Code § 8-1-2-70, Petitioner shall pay the following itemized charges within 20 days from the date of the Order to the Secretary of this Commission, as well as any additional costs which were incurred in connection with this Cause:

Commission Charges:	\$ 1,220.49
OUCG Charges:	\$ 2,348.33
Legal Advertising Charges:	\$ <u>29.97</u>
Total:	\$ 3,598.79

4. This Order shall be effective on and after the date of its approval.

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

APPROVED: FEB 23 2022

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

Dana Kosco
Secretary of the Commission