

ORIGINAL

STATE OF INDIANA

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

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF MIDWEST NATURAL GAS)
CORPORATION FOR APPROVAL OF) CAUSE NO. 37440 GCA 153
CHANGES IN ITS GAS RATES THROUGH A)
GAS COST ADJUSTMENT IN ACCORDANCE) APPROVED: APR 27 2022
WITH IND. CODE § 8-1-2-42(g))**

ORDER OF THE COMMISSION

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

On February 24, 2022, in accordance with Ind. Code § 8-1-2-42, Midwest Natural Gas Corporation (“Petitioner”) filed its Petition with attached schedules for a Gas Cost Adjustment (“GCA”) to be applicable during the months of May, June, and July 2022. In support of its Petition, Petitioner filed the direct testimony of Cody M. Osmon, Accountant for Petitioner. On March 14, 2022, Petitioner filed Updated Schedules.

On March 28, 2022, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of LaCresha N. Vaultx, Utility Analyst in the Natural Gas Division.

On March 29, 2022, Petitioner filed the rebuttal testimony of Mr. Osmon, accepting the OUCC’s recommendation to remove the Utility Receipts Tax (“URT”) gross-up from the July GCA factor.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on April 6, 2022, at 3:45 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. Notice and 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 101 S.E. Third Street, Washington, Indiana. Petitioner renders natural gas utility service to the public in Clark, Daviess, Greene, Knox, Jackson, Jennings, Monroe, Orange, Scott, and Washington counties in Indiana and 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 natural gas supplies to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner witness Cody Osmon testified that Petitioner is active in purchasing fixed contracts, purchasing contracts relating to future periods, purchasing appropriately sized contracts, and planning for efficient use of storage. In addition, Mr. Osmon testified that Petitioner monitors market conditions, flexes its GCA factors both up and down as appropriate, and uses a normal temperature adjustment mechanism during the heating season. For the months of May, June, and July 2022, Petitioner has hedging in place through fixed contracts and storage gas.

The Commission has indicated that Indiana's natural 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 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. 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 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 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 August 16, 2017 Order in Cause No. 44880, authorized Petitioner to earn a net operating income of \$1,153,217. Pursuant to the Commission's Order in Cause No. 44942 TDSIC 3, Petitioner's authorized earnings are now \$1,269,995.

Petitioner's evidence indicates that for the 12 months ending December 31, 2021, Petitioner's actual net operating income was \$824,700. Therefore, based upon the evidence of record, the Commission finds that Petitioner is not earning a return in excess of that authorized.

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 variances related to cycle billing and seasonal fluctuations. The evidence presented

indicates that Petitioner's 12-month rolling average comparison was negative 1.93 % for the period ending December 31, 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.

A. Variances. 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 variance for the reconciliation period of October, November, and December 2021 ("Reconciliation Period") is an under-collection of \$173,795 from Petitioner's customers. This amount 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 \$13,452.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$29,141. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$15,689, to be applied in this GCA as a decrease in the estimated net cost of gas.

B. Refunds. Petitioner has no new refunds. However, Petitioner has one refund from unaccounted gas established in GCA 151. We find that the amount to be refunded in the GCA based on unaccounted for gas is \$2,465, as reflected on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered is \$419,465 for May 2022, \$291,604 for June 2022, and \$271,387 for July 2022. Adjusting this total for the variance, refunds, excess earnings, and demand amounts yields net gas costs to be recovered through the GCA factor of \$286,652 for May 2022, \$166,005 for June 2022, and \$137,386 for July 2022. After dividing that amount by estimated sales and adjusting for Indiana URT, Petitioner's recommended GCA factors are \$5.8315/Dth for May 2022, \$5.6472/Dth for June 2022, and \$5.5708/Dth for July 2022. While we approve Petitioner's proposed GCA factors for May and June 2022, we find it reasonable to exclude the URT from the calculation of the July 2022 factor. As shown on the next to the last line on Petitioner's Schedule 1, we find the appropriate factor for July 2022 to be \$5.4850/Dth.

9. Effects on Residential Customers - (GCA Cost Comparison). Petitioner requests approval of the GCA factors of \$5.8315/Dth for May 2022, \$5.6472/Dth for June 2022, and \$5.4850/Dth for July 2022.¹ 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 (February 2022 – \$5.1993) and a year ago (May 2021 – \$4.2381/Dth, June 2021 – \$4.2698/Dth, and July 2021 –

¹ Consistent with the OUCC's recommendation and as discussed in Section 8, the Commission approves Petitioner's July GCA factor excluding the URT.

\$4.6167/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	\$58.32	\$51.99	\$6.33	\$42.38	\$15.94
June 2022	\$56.47	\$51.99	\$4.48	\$42.70	\$13.77
July 2022	\$54.85	\$51.99	\$2.86	\$46.17	\$8.68

10. Interim Rates. We are unable to determine whether Petitioner 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. 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 Midwest Natural Gas Corporation 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, Indiana 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