

**ORIGINAL**

STATE OF INDIANA

**INDIANA UTILITY REGULATORY COMMISSION**

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

**PETITION OF COMMUNITY NATURAL GAS CO., )  
 INC. FOR APPROVAL OF CHANGES IN ITS ) CAUSE NO. 37488 GCA 152  
 RATES THROUGH A GAS COST ADJUSTMENT )  
 IN ACCORDANCE WITH IND. CODE § 8-1-2-42(g) ) APPROVED: APR 27 2022**

**ORDER OF THE COMMISSION**

**Presiding Officer:  
 Greg S. Loyd, Administrative Law Judge**

On February 16, 2022, pursuant to Ind. Code § 8-1-2-42, Community Natural Gas Co., Inc. (“Petitioner”) filed its Petition for a Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of May 2022 through July 2022. Petitioner also filed on February 16, 2022, the direct testimony of Mandy Leach in support of the proposed GCA factors. On March 17, 2022, Petitioner filed a revised schedule. On March 18, 2022, in conformance with the above statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Mark H. Grosskopf, Senior Utility Analyst in the Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on April 6, 2022 at 3:00 p.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared by counsel. 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 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 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 the laws of the State of Indiana. Petitioner’s principal service office is located at 116 North Main Street, Owensville, Indiana. Petitioner renders natural gas utility service to the public in Gibson, Posey, Dubois, Spencer, Greene, Monroe, Pike, Warrick, Owen, and Sullivan Counties 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 gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner witness Mandy Leach described Petitioner's estimating and purchasing strategies and explained Petitioner's other practices used to acquire natural gas at reasonable costs. These strategies and practices include monitoring the usage of its customers, acquiring fixed contracts for future use, refilling storage during the summer months for use during the heating season, the use of a normal temperature adjustment mechanism, monitoring trends in the natural gas market, and the use of a flexing mechanism to reduce significant variances. Ms. Leach also confirmed that Petitioner has not changed its estimating or purchasing strategies from that previously described to the Commission.

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 a current and a 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 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 factor. The evidence of record indicates that the proposed gas costs 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 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 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 December 18, 2019 in Cause No. 45214. In that Order, the Commission authorized Petitioner to earn a net operating income of \$1,145,897.

Petitioner's evidence indicates that for the 12 months ending December 31, 2021, Petitioner's actual net operating income was \$911,046. 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.

**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 was 11.30% for the period ending December 31, 2021. Ms. Leach testified that the variance was primarily driven by increased natural gas prices during the second half of September, which could only be partially mitigated through Petitioner's October flex filing. Petitioner's estimating techniques and its prospective average gas

costs are reasonable based on evidence presented and its historical gas cost estimations. 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 establishes that the variance for the reconciliation period of October 2021 through December 2021 ("Reconciliation Period") is an under-collection of \$332,300 from its 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 is an increase in the estimated net cost of gas is \$33,846.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$12,544. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$46,390 to be applied in this GCA as an increase in the estimated net cost of gas.

**B. Refunds.** Petitioner received no new refunds during the Reconciliation Period and has no refunds from prior periods applicable to the current recovery period. Therefore, there are no refunds to include in this GCA, as is reflected on Schedule 12A.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$184,209 for May 2022, \$153,162 for June 2022, and \$148,397 for July 2022. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$199,672 for May 2022, \$168,625 for June 2022, and \$163,860 for July 2022. After dividing that amount by estimated sales and adjusting for the Indiana Utility Receipts Tax ("URT"), Petitioner's recommended GCA factors are \$5.3508/Dth for May 2022 and \$5.5968/Dth for June 2022.

Petitioner's July 2022 GCA factor request set forth in its February 16, 2022 Petition included the URT. A subsequent bill (2022 Ind. Legis. Serv. P.L. 138-2022 (H.E.A. 1002)) repealed the URT, effective July 1, 2022. At the April 6, 2022 hearing, Petitioner and the OUCC therefore agreed that the GCA factor excluding the URT as shown in Schedule 1 of Petitioner's Exhibit 2 is the proper GCA factor for July 2022. Petitioner's Schedule 1 shows this factor is \$5.5925/Dth for July 2022.

**9. Effects on Residential Customers – (GCA Cost Comparison).** The table below illustrates the commodity costs a residential customer would incur based upon 10 Dths of usage at the proposed GCA factor rates. Moreover, the table compares the proposed gas costs to what a residential customer paid most recently (February 2022 - \$4.6249/Dth) and a year ago (May 2021 - \$3.2900/Dth, June 2021 - \$3.4843/Dth, and July 2021 - \$3.9054/Dth). The table solely reflects costs that are 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	\$53.51	\$46.25	\$7.26	\$32.90	\$20.61
June 2022	\$55.97	\$46.25	\$9.72	\$34.84	\$21.13
July 2022	\$55.93	\$46.25	\$9.68	\$39.05	\$16.88

**10. Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while these 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 Community Natural Gas Co., Inc. for the gas cost adjustment 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, Community Natural Gas Co., Inc. 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 and 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**