

**ORIGINAL**

**STATE OF INDIANA**

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

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF SWITZERLAND COUNTY )  
NATURAL GAS CO., INC. FOR APPROVAL OF ) CAUSE NO. 37791 GCA 107  
CHANGES IN ITS 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 March 1, 2022, in accordance with Ind. Code § 8-1-2-42, Switzerland County Natural Gas Co., Inc. ("Petitioner") filed its Petition seeking approval for a gas cost adjustment ("GCA") with attached Schedules to be applicable during the months of May 2022 through October 2022. Also, on March 1, 2022, Petitioner prefiled the direct testimony of Bonnie J. Mann supporting the proposed GCA factors. On March 16, 2022, Petitioner filed its Revised Schedules and Revision to Mann Testimony. Petitioner then submitted additional revised schedules on March 21, 2022. On March 31, 2022, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony and exhibits of LaCresha N. Vaulx, Utility Analyst in the Natural Gas Division. Petitioner subsequently filed the rebuttal testimony of Bonnie J. Mann.

The Indiana Utility Regulatory Commission ("Commission") held an Evidentiary Hearing in this Cause at 1:30 p.m. on April 14, 2022, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated 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 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 office is located at 105 E. Seminary Street, Vevay, Indiana. Petitioner renders natural gas utility service to the public in Switzerland County, Indiana and owns, operates, manages, and controls plant and equipment 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 gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Ms. Mann described Petitioner's estimating and purchasing strategies and explained that though Petitioner is a very small utility, it has been able to acquire sufficient gas supply at reasonable rates with the assistance of its marketer, Utility Gas Management. She stated that Petitioner considers historical usage by customers and monitors changes to customer usage. She explained that Petitioner monitors trends with respect to natural gas pricing and that Petitioner uses hedges when appropriate.

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 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 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 April 17, 2019, in Cause No. 45117. The Commission authorized Petitioner to earn a net operating income of \$65,356 on an original cost rate base of \$908,986.

Petitioner's evidence indicates that for the 12 months ending October 31, 2021, Petitioner's actual net operating income ("NOI") was negative \$63,170, which is \$128,526 less than its authorized NOI. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning a return 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 2.19% for the period ending

October 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.** 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 May 2021 through October 2021 (“Reconciliation Period”) is an under-collection of \$65,960 from its customers. This amount should be included in the current GCA as an increase in the amount of the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** As shown on Schedule 1 of Petitioner’s Exhibit 2, the estimated net cost of gas to be recovered for May 2022 through October 2022 is as follows:

Month	Net Cost of Gas
May 2022	\$38,327
June 2022	\$33,944
July 2022	\$34,343
August 2022	\$29,549
September 2022	\$34,329
October 2022	\$44,303

Adjusting these totals for variance and refund amounts yields gas costs to be recovered through the GCA factor as follows:

Month	Net Cost of Gas After Adjustments
May 2022	\$49,320
June 2022	\$44,937
July 2022	\$45,336
August 2022	\$40,542
September 2022	\$45,322
October 2022	\$55,296

Petitioner’s July 2022 through October 2022 GCA factors request set forth in its Revised Schedules filed March 21, 2022 included the utility receipts tax (“URT”). However, 2022 Ind. Legis. Serv. P.L. 138-2022 (H.E.A. 1002) repealed the URT, effective July 1, 2022. As reflected in Petitioner’s Exhibit 2, Schedule 1, Line 16, we find it appropriate to exclude the URT from the calculation of the July 2022 through October 2022 GCA factors. After dividing the net costs above, adjusting the May and June 2022 factors for the URT, and removing the URT from the July through October 2022 factors, Petitioner’s recommended GCA factors are as follows:

<b>Month</b>	<b>GCA Factor (\$/Dth)</b>
May 2022	\$6.2614
June 2022	\$6.5200
July 2022	\$6.4766
August 2022	\$6.7570
September 2022	\$6.4746
October 2022	\$6.1440

9. **Effects on Residential Customers – (GCA Cost Comparison).** Petitioner requests authority to implement the GCA factors identified above. 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 gas costs to what a residential customer paid most recently (March 2022 - \$4.0665/Dth) and a year ago (May 2021 - \$2.8282/Dth, June 2021 - \$2.7555/Dth, July 2021 - \$2.6428/Dth, August 2021 - \$2.6571/Dth, September 2021 - \$2.8141/Dth, October 2021 - \$3.1979/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’s base rates or any applicable rate adjustment mechanisms.

<b>Month</b>	<b>Proposed Gas Costs (10 Dth)</b>	<b>Current</b>		<b>Year Ago</b>	
		<b>Gas Costs (10 Dth)</b>	<b>Difference</b>	<b>Gas Costs (10 Dth)</b>	<b>Difference</b>
May 2022	\$62.61	\$40.67	\$21.94	\$28.28	\$34.33
June 2022	\$65.20	\$40.67	\$24.53	\$27.56	\$37.64
July 2022	\$64.77	\$40.67	\$24.10	\$26.43	\$38.34
August 2022	\$67.57	\$40.67	\$26.90	\$26.57	\$41.00
September 2022	\$64.75	\$40.67	\$24.08	\$28.14	\$36.61
October 2022	\$61.44	\$40.67	\$20.77	\$31.98	\$29.46

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.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The Petition of Switzerland County 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 GCA factors approved above or any future flexed factor, Switzerland County Natural Gas Co., Inc. shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division.

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**