

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF SWITZERLAND COUNTY)
 NATURAL GAS CO., INC. FOR APPROVAL) CAUSE NO. 37791 GCA 108
 OF CHANGES IN ITS GAS COST)
 ADJUSTMENT IN ACCORDANCE WITH IND.) APPROVED: OCT 26 2022
 CODE § 8-1-2-42(g))**

ORDER OF THE COMMISSION

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

On August 29, 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 November 2022 through April 2023. Also on August 29, 2022, Petitioner prefiled the direct testimony of Bonnie J. Mann supporting the proposed GCA factors. On September 16, 2022, Petitioner filed its revised schedules. On September 22, 2022, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of LaCresha N. Vaulx, Utility Analyst in the OUCC’s Natural Gas Division. On October 4, 2022, the Commission issued a docket entry requesting additional information from Petitioner to which Petitioner responded on October 7, 2022. On October 5, 2022, Petitioner filed its notice indicating that it did not intend to file rebuttal testimony.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause at 11:30 a.m. on October 17, 2022, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared, by counsel, 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. Petitioner has not hedged its gas supply for the upcoming period, but it does have access to stored gas, which it intends to use during the estimation period (November 2022 through April 2023). Petitioner Ex. 2 at 3-4.

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. Petitioner Ex. 1 at 2. 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 rate of return of 7.19% and 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 April 30, 2022, Petitioner's actual net operating income ("NOI") was \$16,787, which is \$48,569 less than its authorized NOI. Pet. Ex. 2, Schedule 17. 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 16.84% for the period ending

April 2022. Pet. Ex. 2, Schedule 6. Ms. Mann explained that this variance was greater than 10% because (1) Petitioner estimated the gas cost for this period to be \$3.00 - \$4.00, while the actual price of gas was as high as \$6.00/Dth and (2) Petitioner does not flex GCA factors between its semi-annual GCA filings. Based on Petitioner’s historical accuracy in estimating the cost of gas, the Commission finds 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 November 2021 through April 2022 (“Reconciliation Period”) is an under-collection of \$102,068 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. The estimated net cost of gas to be recovered, as shown on Petitioner’s Exhibit 2, Schedule 1, for November 2022 through April 2023 is as follows:

Month	Net Cost of Gas
November 2022	\$147,049
December 2022	\$164,438
January 2023	\$197,937
February 2023	\$175,744
March 2023	\$108,441
April 2023	\$70,649

Adjusting these totals for variance and refund amounts yields gas costs to be recovered through the GCA factor as follows (Petitioners Exhibit 2, Schedule 1):

Month	Net Cost of Gas After Adjustments
November 2022	\$164,060
December 2022	\$181,449
January 2023	\$214,948
February 2023	\$192,755
March 2023	\$125,452
April 2023	\$87,660

After dividing the net costs above, Petitioner’s recommended GCA factors are as follows (Petitioner Ex. 2, Appendix A, Table 1):

Month	GCA Factor (\$/Dth)
November 2022	\$9.1144
December 2022	\$9.0725
January 2023	\$8.9562
February 2023	\$8.7616
March 2023	\$8.3635
April 2023	\$7.9691

Ms. Vault testified that the OUCC found nothing to indicate Switzerland has not correctly calculated the proposed GCA 108 factors in accordance with all applicable requirements.

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 (August 2022 - \$6.8627/Dth); and a year ago (November 2021 - \$4.1729/Dth, December 2021 - \$4.2609/Dth, January 2022 - \$4.3038/Dth, February 2022 - \$4.2558/Dth, March 2022 - \$4.0665/Dth, April 2022 - \$3.7358/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
November 2022	\$91.14	\$68.63	\$22.51	\$41.73	\$49.41
December 2022	\$90.73	\$68.63	\$22.10	\$42.61	\$48.12
January 2023	\$89.56	\$68.63	\$20.93	\$43.04	\$46.52
February 2023	\$87.62	\$68.63	\$18.99	\$42.56	\$45.06
March 2023	\$83.64	\$68.63	\$15.01	\$40.67	\$42.97
April 2023	\$79.69	\$68.63	\$11.06	\$37.36	\$42.33

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, VELETA, AND ZIEGNER CONCUR; KREVDA ABSENT:

APPROVED: OCT 26 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