ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF FOUNTAINTOWN GAS COMPANY, INC. FOR APPROVAL OF CHANGES IN ITS GAS COST ADJUSTMENT IN ACCORDANCE WITH INDIANA CODE § 8-1-2-42(G)	)))))	**CAUSE NO. 37913 GCA 136** **APPROVED: MAR 29 2022**

ORDER OF THE COMMISSION

Presiding Officer:
Carol Sparks Drake, Senior Administrative Law Judge

On January 31, 2022, Fountaintown Gas Company, Inc. ("Fountaintown" or "Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached schedules to be applicable during the billing cycles of April 2022 through June 2022. Also on January 31, 2022, Petitioner prefiled the direct testimony and exhibits of Bonnie J. Mann, Certified Public Accountant and a Principal with LWG CPAs and Advisors.

Upon learning Petitioner would be filing revised schedules, the Indiana Office of Utility Consumer Counselor ("OUCC"), on February 28, 2022, filed an unopposed motion requesting additional time within which to file testimony so as to review Petitioner's revised schedules before prefiling the OUCC's testimony and exhibits. This motion was granted on March 1, 2022, extending the time for the OUCC to prefile its testimony to March 7, 2022.

On March 1, 2022, Petitioner filed revised schedules and supplemental testimony from Ms. Mann. This filing included revised schedules 1, 6, 8, 10, 11, and 12b along with revised bill comparison charts.

On March 7, 2022, the OUCC prefiled the direct testimony and exhibits of Scott O. Viefhaus, a Utility Analyst in the OUCC's Natural Gas Division. Petitioner filed no rebuttal.

The Commission set this matter for an evidentiary hearing to be held on March 10, 2022, at 8:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC, by counsel, participated in the evidentiary hearing, and their respective testimony and exhibits were admitted without objection. Also, questions were asked of Ms. Mann by the Presiding Administrative Law Judge to better understand Petitioner and Ms. Mann's respective roles in preparing the GCA Schedules and who has responsibility for their accuracy.

Based upon the applicable law and the evidence of record, 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 by 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 with its principal office at 106 East Main Street, Morristown, Indiana. Petitioner renders natural gas utility service to the public in Decatur, Hancock, Henry, Rush, and Shelby 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 gas supplies so as to provide gas to its retail customers at the lowest cost reasonably possible. Ms. Mann described Petitioner's approach to acquiring natural gas at the lowest reasonable cost. This includes purchasing fixed contracts for future use that are typically focused on the heating season when gas price volatility can have more impact on customers, acquiring and using storage gas, flexing GCA factors, keeping apprised of changing market conditions through review of NYMEX prices, and using a normal temperature adjustment mechanism to normalize weather. Ms. Mann testified these activities help mitigate volatility and assist Petitioner in acquiring a reasonably priced natural gas supply.

The Commission has indicated 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 bases. Based on the evidence, we find Petitioner demonstrated it has followed and continues to follow a policy of securing natural gas supply at the lowest cost reasonably possible to meet anticipated customer requirements; therefore, we find 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 factors. The evidence indicates the proposed gas costs include 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 this statutory requirement 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 base rates and charges were approved. Petitioner's current base rates and charges were approved on May 15, 2013, in Cause No. 44292. The Commission authorized Petitioner to earn a net operating income of $477,934.

Petitioner's evidence indicates that for the 12 months ended November 30, 2021, actual net operating income was $59,295; therefore, based on the evidence of record, we find 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 indicates Petitioner's 12-month rolling average comparison was negative 17.76% for the period ended November 30, 2021. Ms. Mann explained that the variance remains influenced by the issues with ANR.

Based on Petitioner's historical accuracy in estimating the cost of gas and Ms. Mann's testimony explaining the influence that Petitioner's issues with ANR have upon the variance for the 12-month rolling average, we find Petitioner's estimating techniques are sound, and Petitioner's estimate of its prospective average gas costs for this GCA is reasonable.

7. Reconciliation.

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 establishes that the variance for the reconciliation period of September 2021 through November 2021 ("Reconciliation Period") is an over-collection of $16,410 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 as a decrease in the amount of estimated net cost of gas is $2,071.

Based on the evidence, the variance from prior recovery periods applicable to the current recovery period is an over-collection of $40,870. Combining this amount with the Reconciliation Period variance results in a total over-collection of $42,941 to be applied as a decrease in the estimated cost of gas.

B. Refunds. Petitioner received no refunds during the Reconciliation Period and has no refunds from prior periods applicable to this GCA.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for April 2022 is $162,339, for May 2022 is $90,930, and for June 2022 is $38,796. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factors of $148,025 for April 2022, $76,616 for May 2022, and $24,482 for June 2022. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, the approved GCA factors are $4.9374/Dth for April 2022, $4.6148/Dth for May 2022, and $3.5659/Dth for June 2022.

9. Effects on Residential Customers. Petitioner requests approval of the GCA factors of $4.9374/Dth for April 2022, $4.6148/Dth for May 2022, and $3.5659/Dth for June 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 proposed gas costs to what a residential customer paid most recently (January 2022 – $4.9198/Dth) and one year ago (April 2021 – $3.4158/Dth, May 2021 – $3.1917/Dth, and June 2021 – $2.1357/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

		Current		Year Ago	
Month	**Proposed Gas Costs (10 Dth)**	**Gas Costs (10 Dth)**	**Difference from Current**	**Gas Costs (10 Dth)**	**Difference from Year Ago**
April 2022	$49.37	$49.20	$0.17	$34.16	$15.21
May 2022	$46.15	$49.20	($3.05)	$31.92	$14.23
June 2022	$35.66	$49.20	($13.54)	$21.36	$14.30

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 has 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 a change in the mix of volumes among spot, fixed, and storage gas as long as the total volume of gas remains 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. The flex mechanism is to be filed no less than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism related specifically to spot gas 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 market price included in the flex are limited to a maximum adjustment (higher or lower) of $1.00 from the initial unit price estimated in this GCA proceeding. In addition, Petitioner shall notify the Commission and the OUCC consistent with our findings in Cause No. 44374 if no flex mechanism is to be used for the months of this GCA. 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.

12. **Treatment of Unbilled Amounts.** Ms. Mann testified that because Petitioner's meters are routinely read three to five days before month-end and even earlier when holidays are near the end of the month, this can result in sales being recorded in another month or the wrong quarter for the GCA; consequently, Petitioner is proposing to include an unbilled sales calculation. Ms. Mann stated this number also impacts the unaccounted for gas calculation causing it to be higher. To address this mismatch, Petitioner proposes a new Schedule 6a on which the unbilled revenue is calculated with this calculation then used to arrive at the unbilled sales dollars that will be added to the revenue collected on Schedule 6 for use in the variance calculation and to the sales volumes reflected in the unaccounted for gas calculation. OUCC witness Viefhaus supported Petitioner's proposed inclusion of unbilled sales calculations in Schedules 6 and 11. Per Mr. Viefhaus, this will help lower variances and unaccounted for gas as Petitioner's sales numbers will more accurately reflect a calendar month of sales versus a billing month. Given the testimony, the Commission approves Petitioner's proposal to include unbilled sales on Schedules 6 and 11, as proposed, because Petitioner's sales numbers will more accurately reflect its calendar month sales.

13. <u>Other Matters</u>. OUCC witness Viefhaus identified errors in Ms. Mann's direct testimony and Petitioner's original Schedules in this Cause that were not corrected until after the OUCC brought these errors to Petitioner's attention on February 15, 2022, via an email and on February 17, 2022, during a conference call. When Ms. Mann was questioned about her interaction with Petitioner when preparing the Schedules, Ms. Mann acknowledged it is her responsibility to review the accuracy of her testimony and the Schedules before these are filed and that Petitioner provides the backup information from which to do so. The errors the OUCC identified prompted Petitioner to file supplemental testimony and revised Schedules 1, 6, 8, 10, 11, 12b, and Appendix A on March 1, 2022. Thus, neither Petitioner nor Ms. Mann provided the Commission with corrected filings until a month after Petitioner initiated GCA 136. This had a ripple effect, resulting in the OUCC requesting additional time to make its prefiling in order to review Petitioner's revised filings before doing so. Mr. Viefhaus testified there continued to be discrepancies in Fountaintown's revised Schedules, although the proposed GCA 136 factors now appear to be correctly calculated.

Given the evidence presented, particularly Ms. Mann's testimony during the hearing, it is important Petitioner prospectively assure greater attention is given to the accuracy of Fountaintown's GCA Schedules when filed. The OUCC's role is not to serve as Petitioner's proofreader, after which more accurate Schedules are developed. In this matter, the volume of inaccuracies necessitated multiple reviews of Petitioner's Schedules as they evolved, the filing of supplemental testimony, and the examination of Ms. Mann at the hearing. Petitioner's proofreading needs to occur before its GCA petition, Schedules, and testimony are filed. Accordingly, Petitioner is directed to take those steps needed in the process leading up to its GCA filings to markedly improve their accuracy.

The Commission encourages Petitioner to carefully review future GCA and flex filings with the objective of improved accuracy. We also encourage Petitioner to determine what additional actions should be implemented in-house or between Petitioner and its accountant to ensure Fountaintown presents accurate and reliable information to the Commission.

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

1. The Petition of Fountaintown Gas Company, 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, Petitioner 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. Petitioner is authorized to prospectively include its unbilled sales on Schedules 6 and 11, as proposed.

4. Petitioner is directed to take those steps needed to markedly improve the accuracy of its GCA filings from the outset.

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

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

APPROVED: MAR 29 2022

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

Dana Kosco Digitally signed by Dana Kosco Date: 2022.03.29 14:09:31 -04'00'

Dana Kosco
Secretary of the Commission