

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF FOUNTAINTOWN GAS)
COMPANY, INC. FOR APPROVAL OF) CAUSE NO. 37913 GCA 137
CHANGES IN ITS GAS COST)
ADJUSTMENT IN ACCORDANCE WITH) APPROVED: JUN 28 2022
INDIANA CODE § 8-1-2-42(G))**

ORDER OF THE COMMISSION

Presiding Officer:

James F. Huston, Chairman

Carol Sparks Drake, Senior Administrative Law Judge

On May 2, 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 July 2022 through September 2022. Also on May 2, 2022, Petitioner prefiled the direct testimony and exhibits of Bonnie J. Mann, Certified Public Accountant and a Principal with LWG CPAs and Advisors.

On May 18, 2022, Petitioner filed revised schedules and supplemental testimony from Ms. Mann. This filing included revised schedules 1, 6, 11, and 12b, along with revised bill comparison charts.

On June 1, 2022, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the direct testimony and exhibits of Scott O. Viefhaus, a Utility Analyst I in the OUCC’s Natural Gas Division. Petitioner filed no rebuttal.

The Commission set this matter for an evidentiary hearing to be held on June 9, 2022, at 1:00 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Under a docket entry dated May 24, 2022, the evidentiary hearing was continued and rescheduled to commence at 9:30 a.m. on June 13, 2022, in Room 222 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.

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. She stated Petitioner refills storage on a regular basis during the summer months when gas prices historically are lower. Petitioner also stays apprised of changing market conditions by regularly reviewing NYMEX prices and uses 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 as authorized by 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 February 28, 2022, actual net operating income was \$279,575; therefore, based on the evidence, 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 February 28, 2022. Ms. Mann explained that the variance continues to be 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 December 2021 through February 2022 ("Reconciliation Period") is an over-collection of \$182,540 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 \$8,470.

Based on the evidence, the variance from prior recovery periods applicable to the current recovery period is an over-collection of \$7,280. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$15,750 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 July 2022 is \$52,883, for August 2022 is \$53,766, and for September 2022 is \$73,753. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factors of \$47,633 for July 2022, \$48,516 for August 2022, and \$68,503 for September 2022. After dividing that amount by estimated sales, the approved GCA factors are \$8.0679/Dth for July 2022, \$8.0779/Dth for August 2022, and \$8.2059/Dth for September 2022.

9. Effects on Residential Customers. 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 (May 2022 – \$5.6304/Dth) and one year ago (July 2021 – \$4.0609/Dth, August 2021 – \$4.6194/Dth, and September 2021 – \$4.7453 /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 from Current	Gas Costs (10 Dth)	Difference from Year Ago
July 2022	\$80.68	\$56.30	\$24.38	\$40.61	\$40.07
August 2022	\$80.78	\$56.30	\$24.48	\$46.19	\$34.59
September 2022	\$82.06	\$56.30	\$25.76	\$47.45	\$34.61

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. Indiana Utility Receipts Tax (“IURT”). Ms. Mann testified Petitioner removed from Schedule 1 the calculation adjusting its GCA factor for collection of the IURT because this GCA will be applicable after the effective date of the IURT’s repeal. This calculation is no longer appropriate.

13. Other Matters. Ms. Mann testified Petitioner has temporarily put a hold on changes to its GCA calculation methodologies while it focuses on making sure previous changes are implemented with fewer errors. She acknowledged that in preparing this GCA, Petitioner discovered customers were billed in December 2021 using the December 2020 GCA factor; consequently, Petitioner has also changed its internal processes to add more controls to its GCA factor implementation to prevent billing errors from recurring. OUCC witness Viefhaus, however, identified errors in Petitioner’s original Schedules filed in this Cause that Petitioner corrected by filing supplemental testimony and revised exhibits on May 18, 2022, after the OUCC brought these discrepancies to Petitioner’s attention, but in filing these revised Schedules, Mr. Niefhaus testified Petitioner erroneously changed the May 2022 GCA factor of \$5.6304 in the original Schedules to the April 2022 GCA factor of \$5.9531 resulting in the revised Schedules also being incorrect.

Fountaintown was ordered in Cause No. 37913 GCA 136 to take the steps needed to markedly improve the accuracy of its GCA filings. The Commission finds Fountaintown again filed inaccurate Schedules until the OUCC brought these inaccuracies to Petitioner's attention, and in then correcting its inaccuracies, Petitioner inexplicably also changed information that had not been inaccurate. More specifically, Petitioner changed the GCA factors in the "Bill at Currently Approved GCA Factor" for all three months from the May 2022 factor of \$5.6304 shown in its original Schedules to the April 2022 GCA factor of \$5.9531 notwithstanding that the May factor should be used because the Petition was filed on May 2, 2022. We reiterate, it is Petitioner's responsibility to file accurate testimony and Schedules. Fountaintown shall, therefore, evaluate its GCA process and determine what actions need to be implemented in-house or between Petitioner and its accountant to ensure Fountaintown presents accurate and reliable information to the Commission in its GCA filings. In its next GCA filing (GCA 138), Fountaintown shall explain the actions taken to improve the accuracy of its GCA filings, including identifying all such actions taken after our order in GCA 136 and any additional actions implemented after this Order.

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 again directed to take the actions needed to markedly improve the accuracy of its GCA filings from the outset and shall explain and identify these actions in Petitioner's next GCA filing (GCA 138) consistent with Paragraph No. 13 above.

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

HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR:

APPROVED: JUN 28 2022

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

Dana Kosco
Secretary of the Commission