ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR APPROVAL OF A GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF SEPTEMBER, OCTOBER, AND NOVEMBER 2025, PURSUANT TO IND. CODE § 8-1-2-42(g).	))))))	**CAUSE NO. 43629 GCA 75** **APPROVED: AUG 27 2025**

ORDER OF THE COMMISSION

Presiding Officer:
Sean Gorman, Administrative Law Judge

On June 26, 2025, in accordance with Ind. Code § 8-1-2-42, Northern Indiana Public Service Company LLC ("Petitioner") filed its Verified Petition for approval of changes in Petitioner's gas rates through a Gas Cost Adjustment ("GCA"), with attached schedules to be applicable during the months of September, October, and November 2025. On that same day, Petitioner prefiled the Verified Direct Testimony of Susan Kimmet and the Verified Direct Testimony of Patrick J. Pluard.

On July 28, 2025, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled Public's Exhibit No. 1 – Testimony of OUCC Witness Heather R. Poole and Public's Exhibit No. 2 – Testimony of OUCC Witness Jerome D. Mierzwa.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing on August 7, 2025, at 1:00 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated in the evidentiary hearing by counsel, and 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 limited liability company organized and existing under the laws of Indiana. Petitioner's principal office is located at 801 East 86th Avenue in Merrillville, Indiana. Petitioner renders natural gas utility service to the public in Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **<u>Source of Natural Gas</u>.** Ind. Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term gas supplies to provide gas to its retail customers at the lowest gas cost reasonably possible.

Mr. Pluard testified that Petitioner manages a balanced and fully diversified gas supply portfolio that includes a variety of commodity, transportation, and storage resources. He stated that Petitioner's commodity portfolio is balanced with a combination of fixed-price and market-based purchases. He further stated that Petitioner diversifies its supply by acquiring gas from multiple suppliers from many supply areas through a competitive bidding process while utilizing a variety of pricing structures. The gas is delivered to Petitioner pursuant to firm transportation contracts with seven interstate gas pipelines, providing access to different supply basins. Petitioner also has several firm contractual storage services, as well as on-system storage capability, to meet its gas customers' requirements. The storage portfolio is further diversified through a variety of storage service types in both the market area and in producing regions.

Mr. Pluard testified that Petitioner conducts a Request for Proposal ("RFP") process twice a year to secure bids for term gas supplies for the peak season and the off-peak season. The RFP process is used to contract for firm gas supply at specified points, under known pricing methods, for a defined time, and typically, as a result of this bidding process, Petitioner will award contracts to commodity suppliers for a significant portion of its projected gas supply needs. He stated that Petitioner solicits bids from current and potential trading partners on a variety of deal structures and pricing at specific locations. He further stated that Petitioner utilizes a variety of different structures which are combined to create a diversified portfolio, with the objective of achieving reliable, diverse supply at the lowest gas cost reasonably possible.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes consideration of market conditions and the price of natural gas on both current and forward-looking bases. 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. **<u>Purchased Gas Cost Rates</u>.** 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 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. **<u>Return Earned</u>.** 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 July 31, 2024 in Cause No. 45967, in which the Commission authorized Petitioner to earn a net operating income ("NOI") of $253,180,813, excluding the transmission, distribution, and storage system improvement charge ("TDSIC") and federally mandated cost adjustment mechanism ("FMCA"). The Commission approved $156,609 in operating income under Cause Nos. 45330 TDSIC 7 and 8, and $1,139,234 under Cause Nos. 45703 FMCA 2 and 3. Petitioner's total authorized NOI is $254,476,656.

Petitioner's evidence indicates that for the 12 months ending March 31, 2025, Petitioner's actual net operating income was $202,776,598, which does not exceed Petitioner's authorized net operating income. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that amount which the Commission has authorized.

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 10.37% for the period ending May 31, 2025.

Mr. Pluard explained that the main driver of the variance exceeding 10% of total gas costs being reconciled was due to volatility in both demand and market prices during the months of March, April, and May of 2025. A colder than expected 2025 spring season caused demand to be higher on average by 16.8% for those months. While demand was higher during these months, market prices were 2.2% lower for the same period. Overall, the trend of 12-month rolling variance is decreasing. Based on Petitioner's historical accuracy in estimating the cost of gas and the explanations provided in Mr. Pluard's testimony, we find that Petitioner's estimating techniques are sound and that Petitioner's estimated gas costs are 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 March, April, and May of 2025 ("Reconciliation Period") is an over-collection of $16,481,826 from Petitioner's 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 estimated net cost of gas is $3,076,600.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $9,434,646. Combining this amount with the Reconciliation Period variance results in a total under-collection of $6,358,046, to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented establishes that the total demand variance for the Reconciliation Period is an over-collection of $42,916 from Petitioner's customers. The amount of the reconciliation period demand variance to be included in this GCA as a decrease in the estimated net cost of gas is $7,128.

The demand variance from prior recovery periods applicable to the current recovery period is an under-collection of $369,008. Combining this amount with the Reconciliation Period demand variance to be included in this GCA results in a total under-collection of $361,880 to be applied to this GCA as an increase in the estimated net cost of gas.

B. **<u>Refunds</u>.** Petitioner received no refunds during the Reconciliation Period. Petitioner has prior period refunds totaling $1,033,517. The Commission finds that Petitioner has $1,033,517 in refunds to be applied in this GCA as a decrease in the net cost of gas.

8. **<u>Resulting Gas Cost Adjustment Factor</u>.** The estimated net cost of gas to be recovered is $4,514,334 for September 2025, $14,194,158 for October 2025, and $31,161,853 for November 2025. Adjusting this total for the variance and refund amounts yields gas costs of $5,281,629 for September 2025, $15,902,443 for October 2025, and $34,372,682 for November 2025. Petitioner's proposed GCA factors are $4.700/Dth for September 2025, $4.022/Dth for October 2025, and $4.549/Dth for November 2025.

Ms. Poole testified that based on the information Petitioner provided in its filing, the OUCC found nothing to indicate that Petitioner has miscalculated the proposed GCA factors in accordance with all applicable requirements.

9. **<u>Effects on Residential Customers — (GCA Cost Comparison)</u>.** The table below shows the gas 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 (July 2025 - $5.281/Dth) and a year ago ($3.921/Dth for September 2024, $2.851/Dth for October 2024, and $2.971/Dth for November 2024). The information in the table below reflects costs approved through the GCA process and 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**
Sep-25	$ 47.00		$ (5.81)	$ 39.24	$ 7.79
Oct-25	$ 40.22	$ 52.81	$ (12.59)	$ 28.50	$ 11.72
Nov-25	$ 45.49		$ (7.31)	$ 29.71	$ 15.78

10. **<u>Interim Rates</u>.** 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 this concern. Petitioner has elected to utilize a monthly flex mechanism to adjust its GCA factor up to the cap of $2.00 on the total GCA factor monthly. Since Petitioner is utilizing a monthly flex mechanism, Petitioner must file a monthly flex tariff in the applicable GCA proceeding, including a notification of not flexing as warranted. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period.

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

1. The Petition of Northern Indiana Public Service Company LLC 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. Petitioner shall file a monthly flex tariff 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. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, VELETA, AND ZIEGNER CONCUR; FREEMAN ABSENT:

APPROVED: AUG 27 2025

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: 2025.08.27 10:14:44 -04'00'

Dana Kosco
Secretary of the Commission