

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**APPLICATION OF OHIO VALLEY GAS)
CORPORATION AND OHIO VALLEY GAS,)
INC. FOR APPROVAL OF A GAS COST)
ADJUSTMENT PURSUANT TO INDIANA) CAUSE NO. 44147 GCA 37
CODE 8-1-2-42 TO BE APPLICABLE)
DURING THE MONTHS OF APRIL, MAY,) APPROVED: MAR 29 2022
AND JUNE 2022 WITH THE)
CONSUMPTION PERIOD STARTING ON)
OR ABOUT MARCH 15, 2022.)**

ORDER OF THE COMMISSION

**Presiding Officer:
David E. Veleta, Senior Administrative Law Judge**

On February 4, 2022, in accordance with Ind. Code § 8-1-2-42, Ohio Valley Gas Corporation (“OVGC”) and Ohio Valley Gas, Inc. (“OVGI”) (collectively “OVG” or “Applicants”) filed their Application for Gas Cost Adjustment (“GCA”) to be applicable during the months of April, May, and June 2022, including all Exhibits and Schedules to its GCA, and the verified testimony of Ronald P. Salkie, OVG’s Vice President, CFO and CIO, supporting the proposed GCA factors. On February 24, 2022, Applicants filed their Supplemental Filing Amendment No. 1 to Application. On March 1, 2022, Applicants filed their Supplemental Filing Amendment No. 2 to Application. On March 7, 2022, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report, factor calculations and testimony of Mohab M. Noureldin, Utility Analyst with the Natural Gas Division of the OUCC.

On February 14, 2022 the Indiana Utility Regulatory Commission (“Commission”) set this matter for an Evidentiary Hearing to be held on March 17, 2022 at 2:30 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. OVG and the OUCC, by counsel, participated in the hearing. The testimony and exhibits of OVG reflecting the application filed February 4, 2022 and the amendments filed February 24, 2022 and March 1, 2022, as well as the testimony and exhibits of the OUCC filed March 7, 2022, were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

- Statutory Notice and Commission Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Applicants are public utilities 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 Applicants’ rates and charges related to adjustments in gas

costs. Therefore, the Commission has jurisdiction over Applicants and the subject matter of this Cause.

2. Applicants’ Characteristics. Applicants are public utility corporations organized and existing under the laws of the State of Indiana. Applicants’ principal office is located at 111 Energy Park Drive, Winchester, Indiana. Applicants render natural gas utility service to the public and own, operate, manage, and control plant and equipment used for the distribution and furnishing of such services. OVGC’s ANR Pipeline Company (“ANR”) service area is comprised of natural gas customers in Dubois, Jay, Randolph, Spencer, and Wayne Counties in Indiana. OVGC’s Texas Gas Transmission, LLC (“Texas Gas”) service area is comprised of natural gas customers in Dearborn, Fayette, Franklin, Perry, Ripley, Spencer, and Union Counties in Indiana. OVGI serves natural gas customers in Greene, Knox, Pike, Sullivan, and Vigo Counties in Indiana. OVGC’s Midwest Gas Transmission (“MGT”) serves Grandview in Spencer County.

3. Source of Natural Gas. Ind. Code § 8-1-2-42(g)(3)(A) requires Applicants to make every reasonable effort to acquire long-term natural gas supplies to provide service to their retail customers at the lowest gas cost reasonably possible.

OVG’s witness Ronald P. Salkie testified that Applicants have long-term contracts with ANR and Texas Gas for pipeline capacity and storage. All ANR contracts are not subject to renewal until March 31, 2024. The contracted maximum daily quantity for the ANR service area is 14,970 Dth. Applicants renewed and restructured their four (4) contracts with Texas Gas effective November 1, 2018, to expire October 31, 2023. The maximum daily quantity for the Texas Gas service area will be 18,781 Dth for the OVGC area, and 7,584 Dth for the OVGI area. Applicants renewed their natural gas supply requirements from the production areas contract with Direct Energy on November 1, 2021 for all service areas. The Direct Energy contract contains two components (fixed and index). The contract with Direct Energy provides for a fee of \$.01 per Dth purchased whether under the index component or under the fixed-price component. Applicants’ testimony indicated that gas purchased under NYMEX futures contracts and storage gas used during this GCA period are estimated to represent roughly 35% of total required supply.

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 bases. Based on the evidence offered, we find that Applicants have demonstrated that they have and continue 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 Applicants’ 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 Applicants' 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 Applicants earning a return in excess of the return authorized by the last Commission Order in which Applicants' basic rates and charges were approved. OVG's current basic rates and charges were approved on October 17, 2017 in Cause No. 44891. The Commission authorized Applicants to earn a net operating income of \$4,131,611.

Applicants' evidence indicates that for the 12 months ending November 30, 2021, Applicants' actual utility operating income was \$2,413,175. Therefore, based on the evidence of record, we find OVG are not earning a return in excess of that authorized in their last rate case.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that Applicants' estimate of their prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, 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 Applicants' 12-month rolling average comparison for the reconciliation period was 1.38%. Based upon OVG's historical accuracy in estimating the cost of gas, we find that Applicants' estimating techniques are sound, and Applicants' prospective average estimate of gas costs is reasonable.

7. Reconciliations.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that the Applicants reconcile their estimates for a previous recovery period with the actual purchased gas cost for that period. This reconciliation is now done with both OVG's ANR and Texas Gas service areas as one variance and OVG's MGT (Grandview) as a separate variance.

The evidence presented in this proceeding establishes that the ANR and Texas Gas variance on Schedule 12B for the reconciliation period of September 2021 through November 2021 ("Reconciliation Period") is an under-collection of \$348,114 from their 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 an increase in the estimated net cost of gas is \$25,900. The variances from prior recovery periods applicable to the current recovery period is an over-collection of \$14,738. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$11,162 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented in this proceeding establishes that the MGT variance on

Schedule 12BG for the reconciliation period of September 2021 through November 2021 (“Reconciliation Period”) is an under-collection of \$3,085 from their 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 an increase in the estimated net cost of gas is \$259. There are no variances from prior recovery periods applicable to the current recovery period. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$259 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. The Applicants had no new refunds during the Reconciliation Period. There are \$21,378 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is \$21,378, as reflected on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for ANR and Texas Gas for April 2022 is \$935,573, for May 2022 is \$462,399, and for June 2022 is \$311,337. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$929,240 for April 2022, \$459,774 for May 2022, and \$310,079 for June 2022. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, OVG’s recommended GCA factors for its ANR and Texas Gas pipeline service areas are \$5.503/Dth for April 2022, \$6.567/Dth for May 2022, and \$9.250/Dth for June 2022.

The estimated net cost of gas to be recovered for MGT (Grandview) for April 2022 is \$4,463, for May 2022 is \$1,688, and for June 2022 is \$653. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$4,633 for April 2022, \$1,752 for May 2022, and \$678 for June 2022. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, OVG’s recommended GCA factors for its MGT pipeline servicing Grandview are \$4.622/Dth for April 2022, \$4.622/Dth for May 2022, and \$4.621/Dth for June 2022.

9. Effects on Residential Customers. Applicants request authority to approve the GCA factors of \$5.503/Dth for April 2022, \$6.567/Dth for May 2022, and \$9.250/Dth for June 2022 for their ANR and Texas Gas pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February 2022 - \$3.523/Dth) and a year ago (April 2021 - \$3.983/Dth, May 2021 - \$4.925/Dth, and June 2021 - \$9.005/Dth) for their ANR and Texas Gas pipeline service areas. The table reflects costs approved through the GCA process. It does not include Applicants’ base rates or any applicable rate adjustment mechanisms.

ANR and Texas Gas		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	\$55.03	\$35.23	\$19.80	\$39.83	\$15.20
May 2022	\$65.67	\$35.23	\$30.44	\$49.25	\$16.42
June 2022	\$92.50	\$35.23	\$57.27	\$90.05	\$2.45

Applicants request authority to approve the GCA factors of \$4.622/Dth for April 2022, \$4.622/Dth for May 2022, and \$4.621/Dth for June 2022 for their MGT pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February 2022 - \$5.960/Dth). There is not yet a comparison to a year ago for their MGT pipeline service areas. The table reflects costs approved through the GCA process. It does not include Applicants' base rates or any applicable rate adjustment mechanisms.

MGT Grandview		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	\$46.22	\$59.60	(\$13.38)	N/A	N/A
May 2022	\$46.22	\$59.60	(\$13.38)	N/A	N/A
June 2022	\$46.21	\$59.60	(\$13.39)	N/A	N/A

10. Interim Rates. We are unable to determine whether Applicants 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 indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. OVG's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Applicants may utilize a monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain 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 purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism 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 the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial market price in this GCA proceeding. Finally, Applicants shall file all material which supports their decision to flex or not to flex as outlined in our Order in Cause No. 44374.

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

1. The Application of Ohio Valley Gas Corporation and Ohio Valley Gas, 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, Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. shall file with the Commission under this Cause the applicable rate schedules for the factor.

3. 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
Secretary of the Commission