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

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC. FOR APPROVAL OF CHANGES TO THEIR GCA RATES IN ACCORDANCE WITH INDIANA CODE§ 8-1-2-42(G)	)))))	**CAUSE NO. 44147 GCA 43** **APPROVED: SEP 27 2023**

ORDER OF THE COMMISSION

Presiding Officer:
Kehinde Akinro, Administrative Law Judge

On August 3, 2023, in accordance with Ind. Code § 8-1-2-42, Ohio Valley Gas Corporation ("OVGC") and Ohio Valley Gas, Inc. ("OVGI") (collectively "OVG" or "Petitioners") filed their Application for Gas Cost Adjustment ("GCA") to be applicable during the months of October, November, and December 2023. This filing included attached exhibits, schedules, and the verified testimony of Emily M. Harlow, OVG's Senior Manager of Finance and Regulatory Services. Petitioners filed Ms. Harlow's supplemental testimony and revised appendices B, C, and D on August 30, 2023 and also filed an omitted amended schedule 1 on August 31, 2023. On September 5, 2023, 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.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing on September 15, 2023, at 11:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. OVG and the OUCC, by counsel, attended the hearing, during which the evidence of OVG and the OUCC was 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. Petitioners 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 Petitioners' rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioners and the subject matter of this Cause.

2. Petitioners' Characteristics. Petitioners are public utility corporations organized and existing under the laws of the State of Indiana. Petitioners' principal office is located at 111 Energy Park Drive, Winchester, Indiana. Petitioners 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 Petitioners 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 Emily M. Harlow testified that Petitioners have long-term contracts with ANR and Texas Gas for pipeline capacity and storage. The 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. Petitioners renewed and restructured their four contracts with Texas Gas effective November 1, 2018, which will expire on 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.

Ms. Harlow also testified that Petitioners' contract with Direct Energy regarding OVG's natural gas supply requirements from the production areas expired June 30, 2022. She testified that all subsequent NYMEX contracts (fixed and index) will be with Symmetry Energy Solutions, LLC ("Symmetry"), with the exception of fixed purchase contracts that were entered into with Direct Energy through December 31, 2024. Ms. Harlow added that the new contract with Symmetry became effective July 1, 2022 and is scheduled to expire on March 31, 2027 unless extended. The agreement with Symmetry includes a $0.01 fee per Dth purchased plus a $0.03 management fee per Dth for all gas scheduled.

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 Petitioners 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 Petitioners' 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 Petitioners' 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 Petitioners earning a return in excess of the return authorized by the last Commission Order in which Petitioners' basic rates and charges were approved. OVG's current basic rates and charges were approved on October 17, 2017, in Cause No. 44891, with adjustments for ongoing TDSIC filings. The Commission authorized Petitioners to earn a net operating income of $4,485,404.

The evidence of record indicates that for the 12 months ending May 31, 2023, Petitioners' actual utility operating income was $548,505. Therefore, based on the evidence of record, we find Petitioners are not earning a return in excess of that authorized in their last rate case with adjustments for ongoing TDSIC filings.

6. Estimation of Purchased Gas Costs. Ind. Code § 8 1 2 42(g)(3)(D) requires that Petitioners' 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 Petitioners' 12-month rolling average comparison for the reconciliation period for its ANR and Texas Gas pipeline service areas was 0.84% due to increasing cost of gas this past heating period, and its MGT (Grandview) service area was 9.98%. Based upon OVG's historical accuracy in estimating the cost of gas, we find that Petitioners' estimating techniques are sound, and Petitioners' 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 Petitioners 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 March through May 2023 ("Reconciliation Period") is an over-collection of $218,726 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 a decrease in the estimated net cost of gas is $75,876. The variances from prior recovery periods applicable to the current recovery period is an under-collection of $118,231. Combining this amount with the Reconciliation Period variance results in a total under-collection of $42,355 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 12B-G for the Reconciliation Period is an under-collection of $682 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 $199. The variances from prior recovery periods applicable to the current recovery period is an under-collection of $3,268. Combining this amount with the Reconciliation Period variance results in a total under-collection of $3,467 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. The Petitioners calculated a refund of $512,315 for the ANR pipeline service areas during the Reconciliation Period. Apportioning that amount over this and the three subsequent GCAs, $177,722 should be refunded to customers in this GCA. There are also $195,766 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 $373,488, as reflected on Schedule 12A.

The Petitioners had no new refunds for the MGT (Grandview) pipeline service area during the Reconciliation Period. Petitioners have $1,215 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 $1,215 as reflected on Schedule 12A-G.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for ANR and Texas Gas is $882,362 for October 2023, $1,882,410 for November 2023, and $3,070,463 for December 2023. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $832,295 for October 2023, $1,777,904 for November 2023, and $2,893,903 for December 2023. After dividing that amount by estimated sales, OVG's recommended GCA factors are $4.180/Dth for October 2023, $4.278/Dth for November 2023, and $4.121/Dth for December 2023.

The estimated net cost of gas to be recovered for MGT (Grandview) for October 2023 is $2,030, for November 2023 is $7,060, and for December 2023 is $7,910. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $2,299 for October 2023, $7,995 for November 2023, and $8,958 for December 2023. After dividing that amount by estimated sales, OVG's recommended GCA factors are $4.026/Dth for October, November and December 2023.

9. Effects on Residential Customers. Petitioners request authority to approve the GCA factors of $4.180/Dth for October 2023, $4.278/Dth for November 2023, and $4.121/Dth for December 2023 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 (August 2023 - $9.782/Dth) and a year ago (October 2022 - $8.499/Dth, November 2022 - $6.437/Dth, and December 2022 - $6.450/Dth) for their ANR and Texas Gas pipeline service areas. The table reflects costs approved through the GCA process. It does not include Petitioners' 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
October 2023	$41.80	$97.82	($56.02)	$84.99	($43.19)
November 2023	$42.78	$97.82	($55.04)	$64.37	($21.59)
December 2023	$41.21	$97.82	($56.61)	$64.50	($23.29)

Petitioners request authority to approve the GCA factors of $4.026/Dth for October, November, and December 2023 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 (August 2023 - $3.489/Dth) and a year ago ($7.052/Dth for October, November, and December 2022) for their MGT Grandview pipeline service areas. The table reflects costs approved through the GCA process. It does not include Petitioners' 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**
October 2023	$40.26	$34.89	$5.37	$70.52	($30.26)
November 2023	$40.26	$34.89	$5.37	$70.52	($30.26)
December 2023	$40.26	$34.89	$5.37	$70.52	($30.26)

10. **Interim Rates.** We are unable to determine whether Petitioners 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, Petitioners 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, Petitioners 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 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. This Order shall be effective on and after the date of its approval.

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

APPROVED: SEP 27 2023

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: 2023.09.27 10:12:43 -04'00'

Dana Kosco
Secretary of the Commission