

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

APPLICATION OF WESTFIELD GAS, LLC,)
D/B/A CITIZENS GAS OF WESTFIELD FOR A) CAUSE NO. 37389 GCA 137
CHANGE IN ITS GAS COST ADJUSTMENT)
CHARGE FOR THE PERIOD MARCH, APRIL) APPROVED: FEB 29 2024
AND MAY 2024)

ORDER OF THE COMMISSION

Presiding Officer:

Ann S. Pagonis, Administrative Law Judge

On December 29, 2023, in accordance with Ind. Code § 8-1-2-42, Westfield Gas, LLC d/b/a Citizens Gas of Westfield (“Applicant” or “Westfield Gas”) filed its Application for Gas Cost Adjustment (“GCA”) with attached Schedules, to be applicable during the months of March, April, and May 2024. Applicant also filed the direct testimony of David M. Peck, Manager, Regulatory Affairs.

On January 18, 2024, Applicant filed its supplemental testimony and updated exhibits supporting the proposed GCA factors.

On January 29, 2024, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Mohab M. Noureldin, Utility Analyst.

The Commission set this matter for an evidentiary hearing to be held at 2:30 p.m. on February 13, 2024 in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Applicant and the OUCC appeared by counsel and participated in the hearing. The testimony and exhibits of Applicant 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. Applicant 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 Applicant’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Applicant and the subject matter of this Cause.

2. Applicant’s Characteristics. Westfield Gas is a limited liability company organized and existing under the laws of Indiana and has its principal office at 2020 North Meridian Street, Indianapolis, Indiana. Applicant renders natural gas utility service to the public in Boone and Hamilton Counties in Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Source of Natural Gas.** Ind. Code § 8-1-2-42(g)(3)(A) requires Applicant 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. Peck provided evidence concerning the tariff sheets and supporting Schedules filed with Applicant's GCA to be effective during March, April, and May 2024. The evidence showed Applicant's rates and charges reflect recovery of transportation and storage costs based upon filings with the Federal Energy Regulatory Commission ("FERC"). A portion of the commodity will be priced using New York Mercantile Exchange futures prices at Henry Hub for the three-month period, adjusted for basis, fuel, and transportation for delivery to Applicant's city-gate. The remaining commodity will be priced according to hedged transactions.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility, including a program that considers market conditions and the price of natural gas on a current and forward-looking basis. Based on the evidence offered, we find that Applicant has demonstrated that it has and continues 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 Applicant's pipeline suppliers have requested or filed pursuant to the jurisdiction and procedures of a duly constituted regulatory agency the costs proposed to be included in the GCA factor. The evidence of record indicates that the proposed gas costs include transportation rates that have been filed by Applicant's pipeline suppliers in accordance with FERC procedures. We 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 Applicant earning a return in excess of the return authorized by the last Commission Order in which Applicant's basic rates and charges were approved. The Commission's April 26, 2017 Order in Cause No. 44731 authorized Applicant to earn a net operating income of \$761,544, while the Commission's April 14, 2023 Order in Cause No. 45761 authorized Applicant to earn a net operating income of \$1,400,063. A prorated net operating income of \$1,165,648 was calculated in GCA 137 blending the authorized net operating income from Cause Nos. 44731 and 45761.

Applicant's evidence herein indicates that for the 12 months ending November 2023, its actual net operating income was \$1,082,087. Therefore, based upon the evidence of record, the Commission finds that Applicant is not earning in excess of the net operating income authorized in Cause Nos. 44731 and 45761.

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that Applicant'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 Applicant's 12-month rolling average comparison for the reconciliation period was negative 11.86% for the period ending November 2023. Applicant witness David M. Peck testified the months contributing the largest amount to these variances are December 2022 and March 2023. Mr. Peck stated the December 2022 variance had several contributing factors, including hedging gains that were \$52,108 greater than projected and volumes for the month that were 19% higher than projected, which led to increased withdrawals from storage at a lower-cost supply compared to the average used to forecast the Monthly Price Update rate. He stated the March 2023 variance was due to Applicant regularly consulting with its pipeline capacity asset manager, Excelon, and storage service supplier, Citizens Gas, to secure monthly supply from low-cost sources. Based on Applicant's evidence, we find that Applicant's estimating techniques are sound and Applicant's prospective average estimate of gas costs is reasonable.

7. **Reconciliation.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Applicant reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding established that the variance for the Reconciliation Period is an over-collection of \$49,562 from Applicant'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 \$11,682.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$89,540. Combining this amount with the Reconciliation Period variance, results in a total over-collection of \$101,222 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$565,892 for March 2024, \$151,944 for April 2024, and \$90,777 for May 2024. Adjusting this total for the variance and net write-offs yields gas cost to be recovered through the GCA of \$510,194 for March 2024, \$122,604 for April 2024, and \$76,574 for May 2024. After dividing those amounts by estimated sales, Applicant's recommended GCA factors are \$5.401/Dth, \$2.498/Dth, and \$3.212/Dth, for March, April, and May 2024, respectively.

9. **Effects on Residential Customers - (GCA Cost Comparison).** Applicant requests approval of the GCA factors of \$5.401/Dth, \$2.498/Dth, and \$3.212/Dth, for March, April, and May 2024, respectively. 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 GCA factors to what a residential customer paid most recently (December 2023 - \$4.741/Dth) and paid during the same period one year ago (March, April, and May 2023 - \$8.420/Dth, \$5.309/Dth, and \$5.990/Dth, respectively). The table reflects costs approved through the GCA process. It does not include Applicant'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
March 2024	\$54.01	\$47.41	\$6.60	\$84.20	(\$30.19)
April 2024	\$24.98	\$47.41	(\$22.43)	\$53.09	(\$28.11)
May 2024	\$32.12	\$47.41	(\$15.29)	\$59.90	(\$27.78)

10. Interim Rates. We are unable to determine whether Applicant will earn an excess return while the 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. The monthly flex mechanism is designed to address this concern. Applicant 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 Applicant is utilizing a monthly flex mechanism, Applicant 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 Application of Westfield Gas, LLC d/b/a Citizens Gas of Westfield for the gas cost adjustment for natural gas service, as set forth in Finding Paragraph No. 8, is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Applicant shall file a monthly flex tariff under this Cause for approval by the Commission's Energy Division. Such rate(s) 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: FEB 29 2024

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

Dana Kosco
Secretary of the Commission