

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF SOUTHERN)
INDIANA GAS AND ELECTRIC COMPANY)
D/B/A CENTERPOINT ENERGY INDIANA) CAUSE NO. 37366 GCA 160
SOUTH (“CEI SOUTH”) FOR APPROVAL OF)
CHANGES IN ITS GAS COST) APPROVED: OCT 25 2023
ADJUSTMENTS IN ACCORDANCE WITH)
I.C. 8-1-2-42(g) AND 8-1-2-42.3.)**

ORDER OF THE COMMISSION

**Presiding Officer:
Jennifer L. Schuster, Senior Administrative Law Judge**

On August 31, 2023, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“CEI South”) filed its Petition for Gas Cost Adjustment (“GCA”), with attached schedules, to be applicable during the months of November and December 2023 and January 2024 with the Indiana Utility Regulatory Commission (“Commission”). CEI South also pre-filed the verified testimony and exhibits of Katie J. Tieken, Director, Regulatory and Rates; Paula J. Grizzle, Director of Gas Supply; and Marisa J. Johnson, Manager, Regulatory Reporting supporting the proposed GCA factors. On September 20, 2023, CEI South filed the supplemental testimony of Katie J. Tieken and revised schedules. On October 2, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Jason D. Kohlmann, Utility Analyst.

The Commission set this matter for an evidentiary hearing to be held on October 16, 2023 at 9:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. CEI South and the OUCC participated, by counsel, in the hearing. At the hearing, the testimony and exhibits of CEI South and the OUCC were admitted into the record without objection.

Based upon the applicable law and the evidence of record, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. CEI South 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 CEI South’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over CEI South and the subject matter of this Cause.

2. CEI South’s Characteristics. CEI South is a corporation organized and existing under Indiana law. CEI South’s principal office is located at 211 NW Riverside Drive, Evansville, Indiana. CEI South 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 services.

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

Ms. Grizzle testified that some of CEI South's gas purchases are made in advance of the heating season, pursuant to its Advance Purchase Plan. CEI South relies upon certain contracts for the provision of firm interstate supply services to its city gate in providing firm supply to customers. Ms. Grizzle testified about CEI South's firm transportation services utilized on pipeline systems.

According to Ms. Grizzle, as a result of a competitive request for proposals, CEI South has entered into a long-term fixed price purchase transaction for the term of December 2023 through November 2026 for a price of \$3.829 per Dth. The volume is for 90,000 Dth per month. She also stated that CEI South has entered into an additional long-term fixed price purchase transaction pursuant to the Commission's Order in Cause No. 37366 GCA 136 (Oct. 25, 2017) for the term of April 2019 through March 2024 for a price not to exceed \$3.25 per Dth. The volume is for 50,000 Dth per month. Both transactions will be shown as separate line items in Schedule 3 for each month for the term of the transaction and will be shown as separate line items in the Schedule 8 supplement for each month of the reconciliation quarter for the term of the transactions.

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 of record, we find that CEI South has demonstrated that it has followed and continues to follow a policy of securing natural gas supply at the lowest 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 CEI South'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 CEI South'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. Earnings Test. Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in CEI South earning a return in excess of that authorized by the last Commission Order in which CEI South's basic rates and charges were approved. CEI South's current basic rates and charges were approved on October 6, 2021 in Cause No. 45447. The Commission authorized CEI South to earn a net operating income ("NOI") of \$27,174,087. The Commission's Order in Cause No. 45612, including subdockets, authorized an increase of \$691,068 to the authorized NOI for the GCA Earnings Test based on the schedules provided in said proceedings. Therefore, Petitioner's authorized NOI for this GCA proceeding is \$27,865,155.

CEI South's evidence indicates that, for the 12 months ended June 30, 2023, CEI South's actual net operating income was \$24,660,507. Therefore, based on the evidence of record, the

Commission finds that CEI South is not earning in excess of that authorized in its last rate case.

Pursuant to the Commission's orders in Cause Nos. 42943 and 43046, CEI South conducted a return on equity ("ROE") earnings test. As a result of the earnings test, CEI South's ROE was 5.92%, which is below the 9.70% ROE authorized in CEI South's last rate case. The Commission finds CEI South complied with the requirement for submission of the ROE calculation.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that CEI South'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 that CEI South's 12-month rolling average comparison, which included significant fluctuations in the natural gas market from November 2022 to April 2023, was negative 15.57% for the period ended May 31, 2023. Based on CEI South's historical accuracy in estimating the cost of gas, we find that CEI South's estimating techniques are sound, and CEI South's prospective average estimate of gas costs is reasonable.

7. Reconciliations. Ind. Code § 8-1-2-42(g)(3)(D) also requires that CEI South 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 total demand variance for the months of March, April, and May 2023 ("Reconciliation Period") is an under-collection in the amount of \$359,506 from its customers.

This amount is to be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation period demand variance to be included in this GCA as an increase in the estimated net cost of gas is \$179,753. The demand variance from prior periods totals an under-collection of \$100,535. The total demand variance to be recovered in this GCA is an under-collection of \$280,288 to be applied to this GCA as an increase in the estimated net cost of gas.

The total commodity and bad debt variance for the Reconciliation Period is an over-collection in the amount of \$1,436,784. The amount to be included in this GCA as a decrease in the estimated net cost of gas is \$718,393. The commodity and bad debt variance from prior periods total an over-collection of \$3,230,835. The total commodity and bad debt variance to be recovered in this GCA is an over-collection of \$3,949,228 which results in a decrease in the estimated net cost of gas.

8. Resulting Gas Cost Adjustment Factors. The estimated net commodity cost of gas to be recovered is \$17,691,540. Adjusting this total for the demand costs, variances, bad debt costs, and refund amounts yields gas costs to be recovered through the GCA of \$15,842,076. After dividing that amount by estimated sales CEI South's recommended GCA factors are as follows:

Rate Schedule	Service	November 2023 (\$ per therm)	December 2023 (\$ per therm)	January 2024 (\$ per therm)
110	Sales	\$0.2634	\$0.2773	\$0.3337
120	Sales	\$0.2634	\$0.2773	\$0.3337
125	Transportation	\$0	\$0	\$0
129	Sales	\$0.2634	\$0.2773	\$0.3337
145	Transportation	\$0	\$0	\$0
160	Transportation	\$0	\$0	\$0
170	Transportation	\$0	\$0	\$0

9. Effects on Residential Customers. CEI South requests authority to approve the GCA factors of \$2.634/Dth for November 2023, \$2.773/Dth for December 2023, and \$3.337/Dth for January 2024. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dth of usage. Moreover, the table also compares the proposed gas costs to what a residential customer paid most recently (August 2023 – \$4.018/Dth) and a year ago (November 2022 – \$6.716/Dth, December 2022 – \$7.618/Dth, and January 2023 – \$7.018/Dth). The table solely reflects costs that are approved through the GCA process. It does not include CEI South’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
November 2023	\$26.34	\$40.18	(\$13.84)	\$67.16	(\$40.82)
December 2023	\$27.73	\$40.18	(\$12.45)	\$76.18	(\$48.45)
January 2024	\$33.37	\$40.18	(\$6.81)	\$70.18	(\$36.81)

10. Interim Rates. We are unable to determine whether CEI South 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. CEI South’s approved monthly flex mechanism is designed to address the Commission’s concerns. Therefore, CEI South 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, CEI South shall file all material that supports its 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 Petition of Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South 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. Such gas cost adjustment charges shall remain in effect until replaced by different gas cost adjustment factors that are approved in a subsequent filing.

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

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

APPROVED: OCT 25 2023

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

Dana Kosco
Secretary of the Commission