

# ORIGINAL

## STATE OF INDIANA

### INDIANA UTILITY REGULATORY COMMISSION

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

PETITION OF BOONVILLE NATURAL GAS )  
CORPORATION FOR APPROVAL OF GAS )  
COST ADJUSTMENT TO BE APPLICABLE ) CAUSE NO. 37369 GCA 130  
FOR THE MONTHS OF NOVEMBER 2023 )  
THROUGH APRIL 2024 PURSUANT TO ) APPROVED: OCT 31 2023  
INDIANA CODE § 8-1-2-42 (g) )

### ORDER OF THE COMMISSION

**Presiding Officer:**  
**Kehinde Akinro, Administrative Law Judge**

On August 31, 2023, Boonville Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with schedules to be applicable during the months of November 2023 through April 2024. Also on August 31, 2023, Petitioner prefiled the testimony of its vice president, Paul M. Lewellyn, and Brian D. Cherry of LWG CPAs and Advisors. On September 22, 2023, Petitioner filed revised schedules. On October 2, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and attachments of Mohab M. Noureldin, Utility Analyst with the OUCC’s Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause on October 18, 2023 at 10:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated in the evidentiary hearing. The testimony and attachments 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. Notice and 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 corporation organized and existing under Indiana law. Petitioner’s principal office is located at 1425 North Rockport Road, Boonville, Indiana. Petitioner renders natural gas utility service to the public in the City of Boonville, the Town of Chandler, and adjacent areas in Warrick County, Indiana. Petitioner owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service.

**3. Source of Natural Gas.** 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 cost reasonably possible. The Commission has further indicated that each natural gas utility should describe on an annual basis its purchasing and estimating strategies.

Mr. Lewellyn described Petitioner's purchasing and estimating strategies. He explained that Petitioner's estimating strategy begins with a review of gas usage over the last 3 years, and may then include adjustment based upon new information related to the customers expected to serve which may include a change in the number of customers served, or changes in customer energy usage. He said Petitioner's purchasing strategy is designed to meet those estimates and to acquire gas, well ahead of usage. He explained going into winter months, Petitioner prefers to have at least 50% of the anticipated sales hedged by fixed contracts or storage gas. He said since Petitioner does not own storage facilities, storage gas is through Texas Gas. He explained Petitioner must carefully balance the amount of gas available in storage to ensure that sufficient natural gas is available when needed, but also must balance the withdrawals of storage gas to avoid penalties.

Mr. Lewellyn also explained processes Petitioner has in place to mitigate gas price volatility, including purchasing fixed contract gas and acquiring storage gas well in advance of usage, monitoring natural gas prices through NYMEX Futures, using a normal temperature adjustment and flexing for GCA factors, and monitoring customer's historical usage and changes in such usage. He also indicated that the Petitioner has not changed its estimating or purchasing strategies from that previously described to the Commission.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility including considerations market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence of record, we find that Petitioner 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 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 GCA factors 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 which results in the Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's base rates and charges were approved. Petitioner's current base rates and charges were approved on October 29, 2019 in Cause No. 45215. The Commission authorized Petitioner to earn a net operating income of \$460,604 in that prior base rate case.

Petitioner's evidence indicates that for the 12 months ended April 30, 2023, Petitioner's actual net operating income was \$385,243. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

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 that Petitioner's 12-month rolling average comparison was a positive 8.15% for the period ended April 30, 2023. Based on Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliations.** 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 November 2022 through April 2023 ("Reconciliation Period") is an over-collection of \$128,011 from its customers. This amount should be included in the current GCA as a decrease in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factors.** As shown on Petitioner's Revised Schedule 1, the estimated net cost of gas to be recovered (including after adjustments for variance and refund amounts) is as follows:

Month	Net Cost of Gas	Total Cost of Gas After Adjustments
November 2023	\$187,436	\$166,101
December 2023	\$263,558	\$242,223
January 2024	\$342,448	\$321,113
February 2024	\$291,251	\$269,916
March 2024	\$194,383	\$173,048
April 2024	\$99,202	\$77,867

After dividing the total costs shown above by the estimated sales, the recommended GCA factors are as follows:

<b>Month</b>	<b>GCA Factor (\$/Dth)</b>
<b>November 2023</b>	\$3.2569
<b>December 2023</b>	\$3.5621
<b>January 2024</b>	\$3.7339
<b>February 2024</b>	\$3.6475
<b>March 2024</b>	\$3.5316
<b>April 2024</b>	\$2.7810

Mr. Nouredin testified that the OUCC found nothing to indicate Boonville has not correctly calculated the proposed GCA 130 factors in accordance with all applicable requirements.

The Commission finds the above factors are properly calculated and should be approved, subject to refund in accordance with Paragraph 10 below.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors identified above. The table below shows the commodity costs a residential customer will incur under the GCA factors based on 10 Dth of usage. The table also compares the gas costs to what a residential customer paid most recently (August 2023 - \$3.7553/Dth) and a year ago (November 2022 - \$5.3896/Dth, December 2022 - \$5.5839/Dth, January 2023 - \$5.3792/Dth, February 2023 - \$5.2321/Dth, March 2023 - \$4.3130/Dth, and April 2023 - \$3.5770/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

<b>Month</b>	<b>Proposed Gas Costs (10 Dth)</b>	<b>Current</b>		<b>Year Ago</b>	
		<b>Gas Costs (10 Dth)</b>	<b>Difference</b>	<b>Gas Costs (10 Dth)</b>	<b>Difference</b>
November 2023	\$32.57	\$37.55	(\$4.98)	\$53.90	(\$21.33)
December 2023	\$35.62	\$37.55	(\$1.93)	\$55.84	(\$20.22)
January 2024	\$37.34	\$37.55	(\$0.21)	\$53.79	(\$16.45)
February 2024	\$36.48	\$37.55	(\$1.07)	\$52.32	(\$15.84)
March 2024	\$35.32	\$37.55	(\$2.23)	\$43.13	(\$7.81)
April 2024	\$27.81	\$37.55	(\$9.74)	\$35.77	(\$7.96)

**10. Interim Rates.** 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 the Commission's concerns. Therefore, Petitioner 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. Market purchases in the flex mechanisms 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 unit price for spot, fixed, or storage gas included in the flex are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial unit price estimated in this GCA. In addition, Petitioner shall file all materials that support 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 Boonville Natural Gas Corporation 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, Boonville Natural Gas Corporation 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: OCT 31 2023**

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

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**Dana Kosco  
Secretary of the Commission**