

**ORIGINAL**

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA NATURAL GAS )  
CORPORATION FOR APPROVAL OF ) CAUSE NO. 37418 GCA 152  
CHANGES IN ITS GAS RATES THROUGH A )  
GAS COST ADJUSTMENT IN ACCORDANCE ) APPROVED: JAN 26 2022  
WITH IND. CODE § 8-1-2-42(g) )

**ORDER OF THE COMMISSION**

**Presiding Officers:**

**Jennifer L. Schuster, Administrative Law Judge**

On November 18, 2021, Indiana Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of February 2022 through April 2022 and the direct testimony of Cody M. Osmon supporting the proposed GCA factors. On December 8, 2021, Petitioner prefiled updated schedules. On December 20, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and exhibits of Heather R. Poole, Director of the Natural Gas Division of the OUCC.

The Indiana Utility Regulatory Commission (“Commission”) set this matter for an evidentiary hearing to be held January 11, 2022 at 10:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On December 21, 2021, the Presiding Officer issued a docket entry granting the motion filed by Petitioner’s counsel seeking permission to appear remotely at the hearing and setting the hearing for WebEx. Petitioner and the OUCC, by counsel, participated in the hearing via WebEx, and the testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection.

Based upon the applicable law and the evidence of record, 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. 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 1080 West Hospital Road in Paoli, Indiana. Petitioner renders natural gas utility service to the public in Bartholomew, Brown, Crawford, Dubois, Harrison, Johnson, Lawrence, and Orange counties in Indiana, and 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.

Mr. Osmon testified that Petitioner is active in purchasing fixed contracts, purchasing contracts relating to periods well into the future, purchasing appropriately sized contracts, and planning for efficient use of storage. He stated that Petitioner monitors market conditions, flexes its GCA factors both up and down as appropriate, and uses a normal temperature adjustment mechanism during the heating season. For the months of February 2022 through April 2022, Petitioner has hedging in place through fixed contracts. Finally, Mr. Osmon testified that Petitioner will have storage gas available for use in the period covered in this GCA.

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 Petitioner has demonstrated that it has followed 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 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 that results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's basic rates and charges were approved. Petitioner's current basic rates and charges were approved on July 30, 2014 in Cause No. 44453. The Commission authorized Petitioner to earn a net operating income of \$410,038.

Petitioner's evidence indicates that, for the 12 months ended September 30, 2021, Petitioner's actual net operating income was \$404,881. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that authorized.

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 prior estimates are reasonable when compared to the corresponding actual cost. A 12-month rolling average comparison helps to eliminate the inherent variances related to cycle billing and seasonal fluctuations. The evidence of record indicates that Petitioner's 12-month rolling average comparison was 1.72% for the period ended September 30, 2021. Based on Petitioner's historical accuracy in estimating the cost of gas, we

find that Petitioner’s estimating techniques are sound, and Petitioner’s prospective average estimate of gas costs is reasonable.

**7. Reconciliations.**

**A. Variances.** 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 of record in this proceeding establishes that the variance for the reconciliation period of July 2021 through September 2021 (“Reconciliation Period”) is an under-collection of \$14,789 from its customers. This total 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 \$5,664.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$17,049. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$22,713, to be applied in this GCA as an increase in the estimated net cost of gas.

**B. Refunds.** Petitioner received \$0 in new refunds during the Reconciliation Period and has \$0 in refunds from prior periods applicable to the current recovery period. We find the amount to be refunded to customers in this GCA is \$0 as reflected on Schedule 12A.

**8. Resulting Gas Cost Adjustment Factors.** The estimated net commodity cost of gas to be recovered for February 2022 is \$716,214, for March 2022 is \$437,288, and for April 2022 is \$296,567. Adjusting these totals for the variance, refund, excess earnings, and demand amounts yields gas costs to be recovered through the GCA factors for February 2022 of \$693,340, for March 2022 of \$410,999, and for April 2022 of \$292,093. After dividing that amount by estimated sales and adjusting for the Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$4.3390/Dth for February 2022, \$4.0860/Dth for March 2022, and \$4.3412/Dth for April 2022.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of \$4.3390/Dth for February 2022, \$4.0860/Dth for March 2022, and \$4.3412/Dth for April 2022. The table below shows the commodity costs a residential customer would incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2021 – \$5.2063/Dth) and a year ago (February 2021 – \$3.3713/Dth, March 2021 – \$3.3656/Dth and April 2021 – \$3.1578/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’s base rates or any applicable rate adjustment mechanisms.

<u>Month</u>	<u>Proposed Gas Costs (10 Dth)</u>	<u>Current</u>		<u>Year Ago</u>	
		<u>Gas Costs (10 Dth)</u>	<u>Difference From Current</u>	<u>Gas Cost (10 Dth)</u>	<u>Difference from Year Ago</u>
February 2022	\$43.39	\$52.06	(\$8.67)	\$33.71	\$9.68
March 2022	\$40.86	\$52.06	(\$11.20)	\$33.66	\$7.20
April 2022	\$43.41	\$52.06	(\$8.65)	\$31.58	\$11.83

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 if 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 less than three business days before the beginning of each calendar month during the GCA quarter. 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, Petitioner 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 Indiana 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, Indiana 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 Energy Division review and agreement with the amounts reflected.
3. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED: JAN 26 2022**

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

---

**Dana Kosco  
Secretary of the Commission**