

ORIGINAL

STATE OF INDIANA

Commissioner	Yes	No	Not Participating
Huston	✓		
Freeman	✓		
Krevda	✓		
Veleta	✓		
Ziegner	✓		

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF WESTFIELD GAS, LLC,)
D/B/A CITIZENS GAS OF WESTFIELD FOR A) CAUSE NO. 37389 GCA 133
CHANGE IN ITS GAS COST ADJUSTMENT)
CHARGE FOR THE PERIOD MARCH, APRIL) APPROVED: FEB 27 2023
AND MAY 2023)

ORDER OF THE COMMISSION

Presiding Officer:

Ann Pagonis, Administrative Law Judge

On December 30, 2022, in accordance with Indiana 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 testimony and attached Schedules, to be applicable during the months of March, April, and May 2023. Applicant also filed the direct testimony of Debi Bardhan-Akala, Director, Regulatory Affairs.

On January 19, 2023, Applicant filed its supplemental testimony and updated exhibits supporting the proposed GCA factors.

On January 26, 2023, 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 2:15 p.m. on February 13, 2023 in Room 224 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 Indiana Code § 8-1-2-1(a). Under Indiana 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.** Indiana Code § 8-1-2-42(g)(3)(A) requires Applicant to make every reasonable effort to acquire long-term gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible. Ms. Bardhan-Akala provided evidence concerning the tariff sheets and supporting Schedules filed with Applicant's GCA to be effective during March, April, and May 2023. That 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 ("NYMEX") 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. This includes 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.** Indiana 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.** Indiana 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.

Applicant's evidence herein indicates that for the 12 months ending November 2022 Applicant's actual net operating income was \$652,702. 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 No. 44731.

6. **Estimation of Purchased Gas Costs.** Indiana 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 positive 1.71% for the period ending November 2022. 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.** Indiana 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 \$7,045 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 \$1,674.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$308,261. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$306,587 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$554,642 for March 2023, \$173,923 for April 2023, and \$96,758 for May 2023. Adjusting this total for the variance and net write-offs yields gas cost to be recovered through the GCA of \$727,403 for March 2023, \$264,832 for April 2023, and \$143,071 for May 2023. After dividing those amounts by estimated sales, Applicant's recommended GCA factors are \$8.732/Dth, \$6.017/Dth, and \$6.384/Dth, respectively for March, April, and May 2023.

9. **Effects on Residential Customers - (GCA Cost Comparison).** Applicant requests approval of the GCA factors of \$8.732/Dth, \$6.017/Dth, and \$6.384/Dth, respectively for March, April, and May 2023. 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 2022 - \$9.368/Dth) and paid during the same period one year ago (March, April, and May 2022 - \$9.314/Dth, \$6.767/Dth, and \$5.605/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 2023	\$87.32	\$93.68	(\$6.36)	\$93.14	(\$5.82)
April 2023	\$60.17	\$93.68	(\$33.51)	\$67.67	(\$7.50)
May 2023	\$63.84	\$93.68	(\$29.84)	\$56.05	\$7.79

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. Applicant's

approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Applicant 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, Applicant 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 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. Prior to implementing the rate(s) or future flexed factor, Applicant shall file the tariff and applicable rate schedules 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, FREEMAN, KREVDA, VELETA, AND ZIEGNER CONCUR:

APPROVED: FEB 27 2023

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

Dana Kosco
Secretary of the Commission