ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR APPROVAL OF A GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF DECEMBER 2024 AND JANUARY AND FEBRUARY 2025, PURSUANT TO IND. CODE § 8-1-2-42(g)	)	**CAUSE NO. 43629 GCA 72** **APPROVED: NOV 27 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Kristin E. Kresge, Administrative Law Judge

On September 26, 2024, in accordance with Ind. Code § 8-1-2-42, Northern Indiana Public Service Company LLC ("NIPSCO") filed its Verified Petition for Gas Cost Adjustment ("GCA"), with attached Schedules, to be applicable during the months of December 2024, and January and February 2025. Also on September 26, 2024, NIPSCO prefiled the direct testimony and exhibits of Patrick J. Pluard, Director of Portfolio Optimization for NIPSCO, and Susan Kimmet, Lead Regulatory Analyst for NiSource Corporate Services Company.

On October 28, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the direct testimony and exhibits of Zachary D. Leinheiser, Utility Analyst in the OUCC's Natural Gas Division, and Jerome D. Mierzwa, Principal and Vice President of Exeter Associates, Inc.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing in this Cause at 1:30 p.m. on November 18, 2024, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC, by counsel, participated in the evidentiary hearing, during which their respective testimony and exhibits were admitted 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. NIPSCO 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 NIPSCO's rates and charges related to adjustments in gas costs. For this reason, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. Petitioner's Characteristics. NIPSCO is a limited liability company organized and existing under the laws of Indiana. NIPSCO's principal office is located at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO renders natural gas utility service to the public in Indiana and owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service.

3. **<u>Source of Natural Gas</u>.** Ind. Code § 8-1-2-42(g)(3)(A) requires NIPSCO 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. Pluard testified NIPSCO manages a balanced and fully diversified gas supply portfolio that includes a variety of commodity, transportation, and storage resources. The commodity portfolio is balanced with a combination of fixed-price (physical and financial) and market-based purchases. NIPSCO diversifies its supply by acquiring gas from multiple suppliers from various supply areas through a competitive bidding process while utilizing a variety of pricing structures. The gas is delivered to NIPSCO pursuant to firm transportation contracts with seven interstate gas pipelines, providing access to different supply basins. NIPSCO also has several firm contractual storage services, as well as on-system storage capability, to meet its gas customers' requirements. The storage portfolio is further diversified through a variety of storage service types in both the market area and producing regions.

Mr. Pluard testified NIPSCO has firm transportation contracts with Natural Gas Pipeline Company of America ("Natural"), Panhandle Eastern Pipeline Company ("Panhandle"), Trunkline Gas Company ("Trunkline"), ANR Pipeline Company ("ANR"), Vector Pipeline ("Vector"), and Crossroads Pipeline ("Crossroads"), which give NIPSCO access to diverse supply regions. After allocations to NIPSCO's suppliers participating in its Choice Program ("Choice Suppliers"), the long-term, firm, transportation contracts with Natural, Panhandle, Trunkline, ANR, Vector, and Crossroads have an aggregate maximum quantity during the peak season of approximately 794,000 Dth per day. Mr. Pluard stated the winter season is defined as the peak season, and the summer season is the off-peak season.

With regards to storage, Mr. Pluard testified NIPSCO has firm storage service contracts with Natural, Panhandle, ANR, Washington 10 Storage Corporation, and Egan Hub Partners, L.P. The contracts provide an annual peak working storage capability of approximately 28,869,000 Dth, with maximum daily withdrawal capability of approximately 511,000 Dth to meet winter peaks, after allocations to the Choice Suppliers. He provided a table detailing the storage inventory plan for the contracted storage facilities during the 12-month period beginning April 1, 2024, noting that actual storage inventory generally varies from this plan primarily due to weather, changing market conditions, and operational issues. Mr. Pluard stated that the contracted supplies are reinforced with NIPSCO-owned underground storage (Royal Center Trenton field) with a capacity of 4,000,000 Dth and liquefied natural gas ("LNG") storage with a total capacity of 4,000,000 Dth. He testified Royal Center and NIPSCO's LNG facility are located within NIPSCO's gas service territory. NIPSCO expects, during its design peak day, to meet 63% of projected demand with storage, 32% with long-haul and short-haul transportation contracts, and 5% with supply delivered to its city gate.

Mr. Pluard testified NIPSCO conducts a Request for Proposal ("RFP") process twice a year to secure bids for term gas supplies for the peak season and the off-peak season. The RFP process is used to contract for firm gas supply at specified points, under known pricing methods, for a defined time, and typically, as a result of this bidding process, NIPSCO will award contracts to commodity suppliers for a significant portion of NIPSCO's projected gas supply needs. He stated NIPSCO solicits bids from current and potential trading partners on a variety of deal structures and pricing at specific locations. A variety of different structures are combined to create a diversified portfolio, with the objective of achieving reliable, diverse supply at the lowest gas cost reasonably possible.

Mr. Pluard testified that NIPSCO is negotiating a combination of storage and/or transportation Asset Management Arrangements ("AMAs") that will impact December 2024 and January and February 2025. He testified the existing AMAs began in April or May 2024 and continue through October or November 2024, and one expires in March 2025. Mr. Pluard testified NIPSCO released 25,000 Dth of the Panhandle Eastern Pipeline capacity during the months of June 2024 through August 2024 ("Reconciliation Period"), stating that NIPSCO needs most of the capacity to serve the needs of the system due in part to off-system and on-system maintenance and for the winter months. He testified it is important that NIPSCO retain daily and monthly operational flexibility, as well as optionality, to respond to changes in system demand, pipeline operations, or market conditions. Mr. Pluard stated on and off-system constraints such as maintenance and force majeure events continue to be potential barriers to releasing capacity, with these conditions typically requiring NIPSCO to retain available capacity for system balancing. He testified it can be difficult to forecast the impact that an on or off-system constraint can have to flowing supplies of gas, so NIPSCO has taken a conservative approach to ensure customers continue to be provided with safe and reliable service. Mr. Pluard stated NIPSCO has and will continue to identify opportunities to maximize the value of the pipeline and storage assets, including capacity releases. He stated NIPSCO did have on-system and off-system constraints during the Reconciliation Period.

Mr. Pluard testified NIPSCO is soliciting bids for the acquisition of natural gas supplies for the winter period of November 2024 through March 2025. NIPSCO anticipates entering similar transactions compared to November 2023 through March 2024 for this upcoming winter. Mr. Pluard further explained that the allocation of transportation and storage capacity to Choice Suppliers is adjusted seasonally based on projected peak day usage for the Choice Suppliers' customers. For the upcoming season, NIPSCO will temporarily release approximately 14% of the contracted transport and storage capacity to the Choice Suppliers. He stated in November 2024, NIPSCO will recalculate the capacity to be allocated to those suppliers. Mr. Pluard stated the amount of capacity (and associated costs) flowed through the GCA will be net of that released amount and will vary based on NIPSCO's transportation and storage contracts.

Mr. Pluard testified no contracts are due to expire during December 2024 and January and February 2025. Mr. Pluard further testified that since NIPSCO's last GCA filing, NIPSCO has seen an increase in demand during the winter months in transportation Zone E served by Crossroads Pipeline. As a result, for the months of December 2024 through February 2025, NIPSCO contracted for an additional 11,000 Dth/day on Crossroads with a receipt at Trunkline LaPaz and delivery to Crossroad/Butler city gate in Zone E. He stated to supply this incremental capacity on Crossroads, NIPSCO has contracted with a supplier, Citadel, to nominate supply directly into Crossroads and no additional upstream pipeline capacity is needed. Mr. Pluard stated NIPSCO intends to release the proportionate amount to Choice suppliers and that after exploring various options, NIPSCO determined Trunkline capacity was available at a converted demand charge of $0.15 per Dth/day and that NIPSCO was able to secure a supplier to deliver supply at REX Zone 3, IFERC, First of the Month plus $0.06 per Dth/day premium. Thus, NIPSCO chose the delivered supply option. He stated NIPSCO intends to exclude the delivered supply from gas cost incentive mechanism ("GCIM") treatment explaining NIPSCO chose to commit to paying a premium for a delivered product versus contracting for additional transport, with the difference saving the customer $0.09 Dth/day in pipeline demand charges.

Mr. Pluard testified NIPSCO has entered into a long-term precedent agreement as part of a natural open season to expand its Nominated Firm Storage Services ("NSS") to provide NIPSCO with needed incremental NSS. He explained during negotiations for its Egan storage service in 2023, NIPSCO reduced its storage service from Egan due to run up of the market price for Egan's services. He testified the new Natural NSS agreement benefits customers because it allows NIPSCO to replace some of the storage service reduction from reducing the Egan contract at a lower price compared to Egan. He also stated the precedent agreement provides for more system reliability, particularly during winter months.

Mr. Pluard provided an update to the Natural Gas Act Section 5 rate investigation with Panhandle that resulted in an additional refund. He explained that on May 28, 2024, in Docket Nos. RP19-78-000, *et al*., the Federal Energy Regulatory Commission ("FERC") issued an order rejecting Panhandle's refund report and directed Panhandle to submit a revised refund report. This report reflects the revised refund amount for transportation and storage services covering the period of March 1, 2020 through September 30, 2023. Panhandle issued a refund including interest to NIPSCO totaling $6,338,179.18 on June 27, 2024. He stated that while Panhandle has issued the refund, it continues to challenge the FERC ruling. On September 18, 2024, Panhandle filed a Petition for Review in Case No. 24-1301 with the United States Court of Appeals for the District of Columbia Circuit disputing FERC's Order that prompted the refund (the "Appeal"). He explained that in the interest of the customers and Choice Suppliers, NIPSCO plans to issue refunds subject to the Appeal unless the Commission orders otherwise. Therefore, the refund to GCA customers included in this GCA 72 will begin to be passed back to NIPSCO's GCA customers starting in December 2024. The refund amount due to the NIPSCO Choice Suppliers will be paid consistent with and after the Commission's Order in this filing.

Mr. Pluard testified NIPSCO is committed to a diversified and balanced portfolio approach to satisfy its firm sales customers' requirements. NIPSCO hedged approximately 50% to 65% of its firm sales customers' expected total supply requirements. NIPSCO continues to execute fixed monthly purchases prior to the start of each month adding to the overall hedged position. This level of hedging balances providing protection to customers in the event of an increase in price and allowing customers to benefit from a declination of prices. This also ensures that NIPSCO does not over-hedge or under-hedge.

Mr. Pluard testified NIPSCO's volatility mitigation program remains consistent with the Commission's recommendations in Cause Nos. 37396 GCA 63 and 38431 GCA 51. He stated NIPSCO made discretionary hedge purchases for the Reconciliation Period and has made periodic discretionary hedge purchases for many winters since 2011. The discretionary process allows qualified hedge purchases to be made up to two years earlier than allowed by the non-discretionary hedge plan. Mr. Pluard explained that in addition to NIPSCO's gas volatility mitigation program, NIPSCO implemented a Commission approved long-term hedge program in 2016, at which time, NIPSCO began fixing a portion of its future expected annual purchases. He stated NIPSCO chose a long-term time horizon of 10-years given the historical low prices at that time and the perceived value of "locking in" a fixed price. Mr. Pluard testified these agreements are staggered and will begin to expire in 2026 and will completely terminate in December of 2027. He stated currently, approximately 17% of NIPSCO's annual purchases are fixed at a price of $3.08/Dth.

The Commission has directed Indiana's gas utilities to 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, we find NIPSCO has demonstrated that it has and continues to follow a policy of securing natural gas supply at the lowest gas cost reasonably possible to meet anticipated customer requirements; therefore, we find 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 NIPSCO's pipeline suppliers request or file, pursuant to the jurisdiction and procedures of a duly constituted regulatory authority, the costs proposed to be included in the GCA factor. The evidence shows the proposed gas costs include transport rates that have been filed by NIPSCO's pipeline suppliers in accordance with FERC 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 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 NIPSCO earning a return in excess of the return authorized by the last Commission Order in which NIPSCO's basic rates and charges were approved. NIPSCO's current basic rates and charges were approved on July 27, 2022, in Cause No. 45621 (the "45621 Order"). In the 45621 Order, for Step 2, the Commission authorized for NIPSCO to earn a net operating income ("NOI") of $156,123,700, excluding the transmission, distribution, and storage system improvement charge ("TDSIC") and federally mandated cost adjustment mechanism ("FMCA"). Pursuant to the Commission's Orders in Cause Nos. 45330 TDSIC 4, 45330 TDSIC 6, 45330 TDSIC 7, 45560 FMCA 2, 45703 FMCA 1, and 45703 FMCA 2, NIPSCO added approved TDSIC operating income of $13,106,151 and recovery of approved FMCA operating income of $7,612,512 to its authorized NOI for the 12 months ending June 30, 2024, resulting in a total authorized NOI of $176,842,363. NIPSCO's evidence demonstrates for the 12 months ending June 30, 2024, NIPSCO's actual NOI was $120,698,564, which is $56,143,799 less than NIPSCO's authorized NOI of $176,842,363; therefore, based on the evidence, we find under Ind. Code § 8-1-2-42.3, NIPSCO is not earning a return in excess of that amount authorized.[1]

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that NIPSCO'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 Petitioner's 12-month rolling average ending August 2024 is positive (+) 6.88%. Based on NIPSCO's historical accuracy in estimating the cost of gas, we find NIPSCO's estimating techniques are sound and NIPSCO's prospective average estimate of gas costs is reasonable.

[1] In his testimony, Mr. Leinheiser identified a discrepancy in the sum of differentials shown on Petitioner's Exhibit 1 Attachment 1-F stating that the error has no effect on the GCA factors requested in this proceeding and provided the correct sum of differentials in Public's Exhibit No. 2, Schedule 3. NIPSCO agrees with Mr. Leinheiser's correction and will correct the discrepancy in its next GCA filing.

7. **Reconciliations.**

A. **Variances**. Ind. Code § 8-1-2-42(g)(3)(D) also requires NIPSCO 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 commodity and bad debt variance for the Reconciliation Period is an under-collection of $5,113,462 from its 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 an increase in the estimated net cost of gas is $2,568,511.

The commodity and bad debt variance from prior recovery periods applicable to the current recovery period is an under-collection of $7,869,166. Combining this amount with the Reconciliation Period commodity and bad debt variance to be included in this GCA results in a total under-collection of $10,437,677 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented establishes that the demand variance for the Reconciliation Period is an under-collection of $178,065 from Petitioner'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 demand variance to be included in this GCA as an increase in the estimated net cost of gas is $103,050.

The demand variance from prior recovery periods applicable to the current recovery period is an under-collection of $821,215. Combining this amount with the Reconciliation Period demand variance to be included in this GCA results in a total under-collection of $924,265 to be applied to this GCA as an increase in the estimated net cost of gas.

B. **Refunds.** NIPSCO received new refunds in the amount of $5,451,878. These refunds should be returned, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period refund to be returned in this GCA is $2,765,891. NIPSCO has $10,340,082 of prior period refunds to be refunded in this GCA. The Commission finds that NIPSCO has $13,105,973 in refunds to be applied in this GCA as a decrease in the net cost of gas as reflected on Schedule 12A.

C. **Unaccounted for Gas.** Petitioner's Schedule 11A in this Cause reflects an unaccounted-for gas in the amount of $2,844,240 or 0.95%. The maximum allowable unaccounted for gas percentage per the 45621 Order is 0.90%. This results in a refund to customers of $149,697, which is included in the refunds referenced above.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for December 2024 is $39,417,979, for January 2025 is $47,700,786, and for February 2025 is $41,877,635. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $38,854,622 for December 2024, $47,026,312 for January 2025, and $41,371,435 for February 2025.

9. Effects on Residential Customers. NIPSCO requests authority to approve the GCA factor of $3.156/Dth for December 2024, $3.187/Dth for January 2025 and $3.290/Dth for February 2025. The table below shows the gas costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (September 2024 - $3.921/Dth) and a year ago (December 2023 - $3.746/Dth, January 2024 - $3.322/Dth, and February 2024 - $3.509/Dth). The table reflects costs approved through the GCA process. It does not include NIPSCO's base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
December 2024	$31.56	$39.21	($7.65)	$37.46	($5.90)
January 2025	$31.87	$39.21	($7.34)	$33.22	($1.35)
February 2025	$32.90	$39.21	($6.31)	$35.09	($2.19)

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. The monthly flex mechanism is designed to address this concern. NIPSCO 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 NIPSCO is utilizing a monthly flex mechanism, NIPSCO 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.

12. Gas Cost Incentive Mechanism. Mr. Mierzwa testified the GCIM benchmarking procedures in place during the GCA 72 review period were those approved as part of the Stipulation and Agreement in Cause No. 41338 GCA 5, as modified by the settlement approved in Cause No. 43629 GCA 48, and the Commission's November 29, 2023, Order in GCA 68. He stated NIPSCO has administered the GCIM benchmarking procedures during the GCA 72 review period consistent with the approved procedures. Mr. Mierzwa testified that in total, during the GCA 72 review period, NIPSCO experienced a gain of $2,169,235 (including prior period adjustments) under the GCIM, which was shared 50% with NIPSCO's GCA customers.

Mr. Mierzwa also testified that since tagging procedures were implemented in Cause No. 41338 GCA 9 ("GCA 9"), NIPSCO's exchange activities have not had an adverse impact on GCA costs; therefore, the tagging procedures should continue. He noted that, until recently, NIPSCO had not engaged in exchange activities for several years. Mr. Mierzwa testified that during the GCA 72 review period, NIPSCO's exchange transactions did not have an adverse impact on GCA costs, and he recommended the tagging procedures continue. No objections were made concerning NIPSCO's use of tagging procedures; therefore, we approve NIPSCO's use of tagging procedures.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petition of Northern Indiana Public Service Company LLC for the gas cost adjustment for natural gas service, as set forth in Finding No. 8, is approved, subject to refund in accordance with Finding No. 10.

2. Petitioner shall file a monthly flex tariff 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 in 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: NOV 27 2024

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

Dana Kosco Digitally signed by Dana Kosco
Date: 2024.11.27 10:17:05
-05'00'

Dana Kosco
Secretary of the Commission