

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

PETITION OF OHIO VALLEY GAS)
CORPORATION AND OHIO VALLEY GAS, INC.) CAUSE NO. 44147 GCA 44
FOR APPROVAL OF CHANGES TO THEIR GCA)
RATES IN ACCORDANCE WITH INDIANA) APPROVED: DEC 27 2023
CODE § 8-1-2-42(G))

ORDER OF THE COMMISSION

Presiding Officer:

Kehinde Akinro, Administrative Law Judge

On November 3, 2023, in accordance with Ind. Code § 8-1-2-42, Ohio Valley Gas Corporation (“OVGC”) and Ohio Valley Gas, Inc. (“OVGI”) (collectively “OVG” or “Petitioners”) filed their Application for Gas Cost Adjustment (“GCA”) to be applicable during the months of January, February and March 2024. This filing included attached exhibits, schedules, and the verified testimony of Emily M. Harlow, OVG’s Senior Manager of Finance and Regulatory Services. OVG filed Ms. Harlow’s supplemental testimony and revised exhibits on November 28, 2023. On December 4, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report, factor calculations and testimony of Mohab M. Nouredin, Utility Analyst with the Natural Gas Division of the OUCC.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing on December 14, 2023, at 10:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. OVG and the OUCC, by counsel, attended the hearing, during which the evidence of OVG and the OUCC was 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. Petitioners are public utilities 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 Petitioners’ rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioners and the subject matter of this Cause.

2. Petitioners’ Characteristics. Petitioners are public utility corporations organized and existing under the laws of the State of Indiana. Petitioners’ principal office is located at 111 Energy Park Drive, Winchester, Indiana. Petitioners render natural gas utility service to the public and own, operate, manage, and control plant and equipment used for the distribution and furnishing of such services. OVGC’s ANR Pipeline Company (“ANR”) service area is comprised of natural gas customers in Dubois, Jay, Randolph, Spencer, and Wayne Counties in Indiana. OVGC’s Texas Gas Transmission, LLC (“Texas Gas”) service area is comprised of natural gas customers in Dearborn, Fayette, Franklin, Perry, Ripley, Spencer, and Union Counties in Indiana. OVGI serves

natural gas customers in Greene, Knox, Pike, Sullivan, and Vigo Counties in Indiana. OVG's Midwest Gas Transmission ("MGT") serves Grandview in Spencer County.

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

OVG's witness Emily M. Harlow testified that Petitioners have long-term contracts with ANR and Texas Gas for pipeline capacity and storage.

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 offered, we find that Petitioners have demonstrated that they have and continue 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 Petitioners' 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 factor. The evidence of record indicates that the proposed gas costs include transport rates that have been filed by Petitioners' 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 Petitioners earning a return in excess of the return authorized by the last Commission Order in which Petitioners' basic rates and charges were approved. OVG's current basic rates and charges were approved on October 17, 2017, in Cause No. 44891, with adjustments for ongoing TDSIC filings. The Commission authorized Petitioners to earn a net operating income of \$4,688,887.

The evidence of record indicates that for the 12 months ending August 31, 2023, Petitioners' actual utility operating income was \$98,725. Therefore, based on the evidence of record, we find Petitioners are not earning a return in excess of that authorized in their last rate case with adjustments for ongoing TDSIC filings.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that Petitioners' estimate of their prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, 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 Petitioners' 12-month rolling average comparison for the reconciliation period for its ANR and Texas Gas pipeline service areas was -3.33% due to

increasing cost of gas this past heating period, and its MGT (Grandview) service area was 14.43%. Ms. Harlow states the MGT meter records a smaller volume of gas than is consumed by the Grandview customers leading to higher than typical variances. The Petitioner has spoken with MGT regarding the meter, but MGT has indicated that its meter is sufficiently accurate for MGT's purposes, and since the issue with the meter results in a modest benefit to OVG's Grandview customers, OVG has not pursued the matter further. Based upon OVG's historical accuracy in estimating the cost of gas, we find that Petitioners' estimating techniques are sound, and Petitioners' prospective average estimate of gas costs is reasonable.

7. Reconciliations.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioners reconcile their estimates for a previous recovery period with the actual purchased gas cost for that period. This reconciliation is now done with both OVG's ANR and Texas Gas service areas as one variance and OVG's MGT (Grandview) as a separate variance.

The evidence presented in this proceeding establishes that the ANR and Texas Gas variance on Schedule 12B for the reconciliation period of June through August 2023 ("Reconciliation Period") is an over-collection of \$251,641 from their 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 \$133,017. The variances from prior recovery periods applicable to the current recovery period is an over-collection of \$146,885. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$279,902 to be applied in this GCA as a decrease in the estimated net cost of gas.

The evidence presented in this proceeding establishes that the MGT variance on Schedule 12B-G for the Reconciliation Period is an under-collection of \$597 from their 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 \$336. The variances from prior recovery periods applicable to the current recovery period is an under-collection of \$8,267. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$8,603 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. Petitioners calculated a refund of \$591,602 for the ANR and Texas Gas pipeline service areas during the Reconciliation Period. Apportioning that amount over this and the three subsequent GCAs, \$312,721 should be refunded to customers in this GCA. There are also \$282,388 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is \$595,109, as reflected on Schedule 12A.

Petitioners calculated a refund of \$7,912 for the MGT (Grandview) pipeline service area during the Reconciliation Period. Apportioning that amount over this and the three subsequent GCAs, \$4,458 should be refunded to customers in this GCA. There are no refunds from prior

periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is \$4,458, as reflected on Schedule 12A-G.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for ANR and Texas Gas for January 2024 is \$3,105,063, for February 2024 is \$2,590,989, and for March 2024 is \$2,062,011. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$2,749,459 for January 2024, \$2,304,073 for February 2024, and \$1,829,520 for March 2024. After dividing that amount by estimated sales, OVG's recommended GCA factors are \$3.542/Dth for January 2024, \$3.679/Dth for February 2024, and \$3.603/Dth for March 2024.

The estimated net cost of gas to be recovered for MGT (Grandview) for January 2024 is \$12,837, for February 2024 is \$9,887, and for March 2024 is \$7,331. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$14,607 for January 2024, \$11,250 for February 2024, and \$8,343 for March 2024. After dividing that amount by estimated sales, OVG's recommended GCA factors for MGT are \$3.940/Dth for January and February 2024, and \$3.941 for March 2024.

9. Effects on Residential Customers. Petitioners request authority to approve the GCA factors of \$3.542/Dth for January 2024, \$3.679/Dth for February 2024, and \$3.603/Dth for March 2024 for their ANR and Texas Gas pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2023 - \$4.294/Dth) and a year ago (January 2023 - \$6.141/Dth, February 2023 - \$6.135/Dth, and March 2023 - \$6.304/Dth) for their ANR and Texas Gas pipeline service areas. The table reflects costs approved through the GCA process. It does not include Petitioners' base rates or any applicable rate adjustment mechanisms.

ANR and Texas Gas		Current		Year Ago	
Month	Proposed Gas Costs (10 Dth)	Gas Costs (10 Dth)	Difference From Current	Gas Costs (10 Dth)	Difference From Year Ago
January 2024	\$35.42	\$42.94	(\$7.52)	\$61.41	(\$25.99)
February 2024	\$36.79	\$42.94	(\$6.15)	\$61.35	(\$24.56)
March 2024	\$36.03	\$42.94	(\$6.91)	\$63.04	(\$27.01)

Petitioners request authority to approve the GCA factors of \$3.940/Dth for January and February 2024 and \$3.941/Dth for March 2024 for their MGT pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2023 - \$4.026/Dth) and a year ago (\$6.538/Dth for January, February, and March 2023) for their MGT Grandview pipeline service areas. The table reflects costs approved through the GCA process. It does not include Petitioners' base rates or any applicable rate adjustment mechanisms.

MGT Grandview		Current		Year Ago	
Month	Proposed Gas Costs (10 Dth)	Gas Costs (10 Dth)	Difference From Current	Gas Costs (10 Dth)	Difference From Year Ago
January 2024	\$39.40	\$40.26	(\$0.86)	\$65.38	(\$25.98)
February 2024	\$39.40	\$40.26	(\$0.86)	\$65.38	(\$25.98)
March 2024	\$39.41	\$40.26	(\$0.85)	\$65.38	(\$25.97)

10. Interim Rates. We are unable to determine whether Petitioners 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. Petitioner 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 Petitioner is utilizing a monthly flex mechanism, Petitioner must file a monthly flex tariff in the applicable GCA proceeding, including a notification of not flexing as warranted.

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

1. The Application of Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. 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. 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 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: DEC 27 2023

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

_____ on behalf of
Dana Kosco
Secretary of the Commission