

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

**VERIFIED PETITION OF INDIANA GAS)
COMPANY, INC. D/B/A CENTERPOINT ENERGY)
INDIANA NORTH (“CEI NORTH”) FOR) CAUSE NO. 37394 GCA 161
APPROVAL OF CHANGES IN ITS GAS COST)
ADJUSTMENTS IN ACCORDANCE WITH I.C. 8-1-) APPROVED: FEB 29 2024
2-42(g) AND 8-1-2-42.3.)**

ORDER OF THE COMMISSION

Presiding Officer:

Jennifer L. Schuster, Senior Administrative Law Judge

On December 29, 2023, in accordance with Ind. Code § 8-1-2-42, Indiana Gas Company, Inc., d/b/a CenterPoint Energy Indiana North (“Petitioner” or “CEI North”), filed its Petition for Gas Cost Adjustment (“GCA”), with attached schedules, to be applicable during the months of March, April, and May 2024 with the Indiana Utility Regulatory Commission (“Commission”). CEI North also pre-filed the verified testimony and exhibits of Katie J. Tieken, Director, Regulatory and Rates; Paula J. Grizzle, Director of Gas Supply; and Marisa J. Johnson, Manager, Regulatory Reporting. On January 19, 2024, CEI North filed revised schedules supporting the proposed GCA factors. On January 29, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Jason D. Kohlmann, Utility Analyst II in the OUCC’s Natural Gas Division.

The Commission set this matter for an evidentiary hearing to be held on February 13, 2024 at 10:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. CEI North and the OUCC participated, by counsel, in the hearing. At the hearing, the testimony and exhibits of CEI North 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. CEI North 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 CEI North’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over CEI North and the subject matter of this Cause.

2. CEI North’s Characteristics. CEI North is a corporation organized and existing under Indiana law. CEI North’s principal office is located at 211 NW Riverside Drive, Evansville, Indiana. CEI North renders natural gas utility service to the public in Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such services.

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

Ms. Grizzle testified that some of CEI North's gas purchases are made in advance of the heating season pursuant to its advance purchase plan. She also described CEI North's financial hedging plan and provided details regarding the financial hedges and associated premiums to date for this GCA quarter. CEI North relies upon certain contracts for the provision of firm interstate supply services to its city gate in providing firm supply to customers. Ms. Grizzle discussed CEI North's firm transportation services utilized on pipeline systems.

Ms. Grizzle testified that, effective December 1, 2023 through November 30, 2026, CEI North entered into a financial transaction for 540,000 Dth per month for the term. She also stated that CEI North entered into a long-term fixed price purchase transaction pursuant to the Commission's order in Cause No. 37394 GCA 135 issued on September 6, 2017, which approved CEI North's proposal for a new long-term transaction and modification to authority levels to the CEI North gas supply hedge plan. She described this purchase as a five-year transaction for the term of April 2019 through March 2024 for 300,000 Dth per month. She stated that these transactions will be shown as separate line items in Schedule 3 and the Schedule 8 supplement for each month of the reconciliation quarter for the terms of the 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 both current and forward-looking bases. Based on the evidence of record, we find that CEI North has demonstrated that it has 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 CEI North'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 in the Petition include transport rates that have been filed by CEI North's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed GCA charge and find the costs 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 CEI North earning a return in excess of the return authorized by the last Commission order in which CEI North's basic rates and charges were approved. CEI North's current basic rates and charges were approved on November 17, 2021 in Cause No. 45468. The Commission authorized CEI North to earn a net operating income ("NOI") of \$98,580,899. The Commission's order in Cause No. 45611, including subdockets, authorized an increase of \$8,104,326 to the authorized NOI for the GCA earnings test based on the schedules provided in said proceedings. Therefore, Petitioner's authorized NOI for this GCA proceeding is \$106,685,225.

CEI North's evidence indicates that, for the 12 months ended November 30, 2023, CEI North's actual NOI was \$97,365,280. Therefore, based on the evidence of record, the Commission finds that CEI North is not earning in excess of that authorized in its last rate case.

In the Commission's order in Cause Nos. 42943 and 43046, approved on December 1, 2006, CEI North was ordered, along with the statutory NOI earnings test, to also perform the return on equity ("ROE") test calculation. The calculation is to be presented only as an illustration for the purpose of review by the Commission. As illustrated in CEI North's Exhibit No. 3, Attachment MJJ-2, CEI North's ROE test results in a net income shortfall of \$25,727,000 compared to the \$9,319,945 deficit pursuant to the statutorily required earnings test. This computes to an actual ROE of 7.18% compared to CEI North's authorized ROE of 9.80%. The Commission finds CEI North has complied with the required submission of the ROE calculation.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that CEI North'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 should 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 of record indicates that CEI North's 12-month rolling average comparison was a positive 2.65% for the period ended September 2023. Based on CEI North's historical accuracy in estimating the cost of gas, we find that CEI North's estimating techniques are sound, and CEI North's prospective average estimate of gas costs is reasonable.

7. Reconciliations. Ind. Code § 8-1-2-42(g)(3)(D) also requires that CEI North 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 total commodity and bad debt variance for the reconciliation period of July through September 2023 ("Reconciliation Period") is an under-collection of \$3,894,383 from its customers. This amount is to be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period commodity and bad debt variance to be included in this GCA as an increase in the estimated net cost of gas is \$871,602. The commodity and bad debt variance from prior recovery periods applicable to the current recovery period is an under-collection of \$590,231. Combining this amount with the Reconciliation Period commodity variance results in a total under-collection of \$1,461,833 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence of record establishes that the total demand variance for the Reconciliation Period is an under-collection of \$2,250,143 from its customers. This amount is to 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 \$503,605. The demand variance from prior recovery periods applicable to the current recovery period is an over-collection of \$26,580. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of \$477,025 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence of record establishes that the total company use gas cost variance for the Reconciliation Period is an under-collection of \$61,355 from its transportation customers. This amount is to be included, based on estimated sales percentages, in this GCA and the next three

GCA. The amount of the Reconciliation Period company use gas cost variance to be included in this GCA as an increase in the estimated net cost of gas is \$14,030. The company use gas cost variance from prior recovery periods applicable to the current recovery period is an over-collection of \$2,267. Combining this amount with the Reconciliation Period company use gas cost variance results in a total under-collection of \$11,763 to be applied in this GCA as an increase in the estimated net cost of gas.

8. Refunds. CEI North has \$4,198 in nomination and balancing charges that are reflected as new refunds during the Reconciliation Period and has \$225,884 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 \$226,824 as reflected on Schedule 12A, resulting in a decrease in the estimated net cost of gas.

9. Resulting Gas Cost Adjustment Factors. The estimated net commodity cost of gas to be recovered is \$43,515,854. Adjusting this total for the demand costs, variances, bad debt costs, and refund amounts yields gas costs to be recovered through the GCA of \$61,161,422. After dividing that amount by estimated sales, CEI North’s recommended GCA factors are as follows:

Rate Schedule	Service	March 2024 (\$ per therm)	April 2024 (\$ per therm)	May 2024 (\$ per therm)
210	Sales	\$0.4259	\$0.3461	\$0.3548
211 (1)	Sales	\$0.4259	\$0.3461	\$0.3548
220	Sales	\$0.4259	\$0.3461	\$0.3548
225	Transportation	\$0.0006	\$0.0004	\$0.0003
229	Sales	\$0.4259	\$0.3461	\$0.3548
240	Sales	\$0.3657	\$0.2859	\$0.2946
245	Transportation	\$0.0006	\$0.0004	\$0.0003
260	Transportation	\$0.0006	\$0.0004	\$0.0003
270	Transportation	\$0.0006	\$0.0004	\$0.0003

(1) The GCA for Rate 211 is stated in \$ per gas lighting fixture.

10. Effects on Residential Customers. CEI North requests authority to approve the GCA factors of \$4.259/Dth for March 2024, \$3.461/Dth for April 2024, and \$3.548/Dth for May 2024. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dth of usage. Moreover, the table compares the proposed gas costs to what a residential customer paid most recently (December 2023 – \$3.812/Dth) and a year ago (March 2023 – \$4.835/Dth, April 2023 – \$3.138/Dth, and May 2023 – \$3.078/Dth). The table solely reflects costs approved through the GCA process. It does not include CEI North’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 2024	\$42.59	\$38.12	\$4.47	\$48.35	(\$5.76)
April 2024	\$34.61	\$38.12	(\$3.51)	\$31.38	\$3.23
May 2024	\$35.48	\$38.12	(\$2.64)	\$30.78	\$4.70

11. **Interim Rates.** The Commission is unable to determine whether CEI North will earn an excess return while this GCA is 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.

12. **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. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period.

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

1. The Petition of Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North for the gas cost adjustment for natural gas service, as set out in Paragraph No. 9 is approved, subject to refund in accordance with Paragraph No. 11. Such gas cost adjustment charges shall remain in effect until replaced by different gas cost adjustment factors that are approved in a subsequent filing.
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: FEB 29 2024

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

**Dana Kosco
Secretary of the Commission**