

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

**PETITION OF THE BOARD OF DIRECTORS FOR)
UTILITIES OF THE DEPARTMENT OF PUBLIC)
UTILITIES OF THE CITY OF INDIANAPOLIS, AS) CAUSE NO. 37399 GCA 161
SUCCESSOR TRUSTEE OF A PUBLIC)
CHARITABLE TRUST, FOR APPROVAL OF GAS) APPROVED: FEB 29 2024
COST ADJUSTMENTS TO BE APPLICABLE IN)
THE MONTHS OF MARCH, APRIL AND MAY 2024)**

ORDER OF THE COMMISSION

Presiding Officer:

Ann S. Pagonis, Administrative Law Judge

On December 29, 2023, in accordance with Indiana Code § 8-1-2-42, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, d/b/a Citizens Gas (“Petitioner” or “Citizens Gas”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months March, April and May 2024. Also, on December 29, 2023, Petitioner filed the direct testimony of John F. Lamb, Manager of Rates and Business Applications. On January 18, 2024, Petitioner filed the supplemental direct testimony and revised attachments of Mr. Lamb. On January 29, 2024, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of LaCresha N. Vaulx, Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) conducted an evidentiary hearing at 3:00 p.m. on February 13, 2024 in Room 222, PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated in the evidentiary hearing. The testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

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. Petitioner is a municipally owned utility as defined in Indiana Code § 8-1-2-1(h). Under Indiana 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's principal office is located at 2020 North Meridian Street, Indianapolis, Indiana. Petitioner renders natural gas utility service to the public in and around Marion County, 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 Petitioner to make every reasonable effort to acquire long-term natural gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's witness John F. Lamb provided evidence that Petitioner's rates and charges reflect recovery of transportation and storage costs based upon filings made with the Federal Energy Regulatory Commission ("FERC"). The majority of the commodity will be priced using New York Mercantile Exchange futures prices at Henry Hub for the three-month period, adjusted for basis, fuel, and transportation for delivery to Petitioner's city gate. The remaining commodity will be priced according to hedged transactions. None of the projected commodity volumes was purchased pursuant to fixed hedge 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 Petitioner has demonstrated it has and continues to follow a policy of securing natural gas at the lowest gas cost reasonably possible in order to meet anticipated customer requirements. Therefore, we find that the requirement of this statutory provision was fulfilled.

4. **Purchased Gas Cost Rates.** Indiana 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 for a change in the cost of gas proposed to be included in the GCA factor. The evidence of record indicates that proposed gas costs include transportation rates that have been filed by Petitioner'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 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 a public utility earning a return in excess of the return authorized by the last Commission Order in which the gas utility's basic rates and charges were approved. The Commission, in its May 14, 1986 Order in Cause No. 37091, found that the earnings test in Indiana Code § 8-1-2-42(g)(3)(C) does not apply to municipally owned gas utilities. Petitioner is a municipally owned gas utility; therefore, the earnings test does not apply to Petitioner.

6. **Estimation of Purchased Gas Costs.** Indiana 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 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 that Petitioner's 12-month rolling average comparison was negative 4.30% for the period ending November 30, 2023. Based on Petitioner's historical accuracy in estimating the cost of gas, we find Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. Reconciliations. Indiana 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 total gas supply variance for the reconciliation period of September, October, and November 2023 ("Reconciliation Period") is an over-collection of \$2,070,953. The amount to be included in this GCA as a decrease in the net cost of gas is \$560,071. The gas supply variance from the prior periods totals an over-collection of 1,130,933. Combining this amount with the gas supply variance amount to be included in this GCA results in an over-collection of \$1,691,004, which results in a decrease in the estimated net cost of gas.

The total balancing demand cost variance for the Reconciliation Period is an over-collection of \$37,222. The amount to be included in this GCA is a decrease in the net cost of gas of \$9,482. The balancing demand cost variance from the prior periods totals an over-collection of \$22,846. Combining this amount with the balancing demand cost variance amount to be included in this GCA results in an over-collection of \$32,328, which results in a decrease in the estimated net cost of gas.

Combining the gas supply and balancing demand variances results in a total over-collection of \$1,723,332 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. Resulting Gas Cost Adjustment Factors. The estimated net cost of gas to be recovered for March 2024 is \$15,033,222, for April 2024 is \$7,898,784 and for May 2024 is \$4,960,921. Adjusting the foregoing gas cost amounts for variances, refunds, and net write-off amounts, yields net gas costs to be recovered through the GCA factor of \$14,280,987 for March 2024, \$7,462,313 for April 2024, and \$4,714,161 for May 2024. After dividing the foregoing monthly amounts by estimated sales, Petitioner recommended approval of the GCA factors set forth in table below:

	March 2024	April 2024	May 2024
Variable Rate Supply per Dth			
D1 – Residential Domestic	\$3.220	\$2.900	\$3.062
D2 – Residential Heating	\$3.510	\$3.213	\$3.603
D3 – General Non-Heating	\$2.624	\$2.271	\$2.222
D4 – General Heating	\$3.225	\$2.951	\$3.334
D7 – CNG	\$2.624	\$2.271	\$2.222
Balancing Charges per Dth			
D3 – General Non-Heating	\$0.011	\$0.017	\$0.021
D4 – General Heating	\$0.015	\$0.021	\$0.025
D5 – Large Volume	\$0.023	\$0.029	\$0.033
D7 – CNG	\$0.011	\$0.017	\$0.021
D9 – High Load	\$0.253	\$0.259	\$0.263
Basic Balancing Charges per Dth			
D3 – General Non Heating	\$0.001	\$0.001	\$0.001
D4 – General Heating	\$0.001	\$0.001	\$0.001
D5 – Large Volume	\$0.001	\$0.001	\$0.002
D9 – High Load	\$0.013	\$0.013	\$0.013
Back Up Supply per Dth			
Gas Supply	\$3.486	\$3.203	\$3.508
Commodity	\$2.887	\$2.652	\$2.664
Capacity	\$0.599	\$0.551	\$0.844

9. Effects on Residential Customers. Petitioner requests authority to approve the GCA factors of \$3.510/Dth for March 2024, \$3.213/Dth for April 2024, and \$3.603/Dth for May 2024. 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 gas costs to what a residential customer paid most recently (December 2023 - \$3.935/Dth) and a year ago (March

2023 - \$4.461/Dth, April 2023 - \$3.933/Dth, and May 2023 - \$4.190/Dth). The table solely reflects costs approved through the GCA process. It does not include Petitioner'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
March 2024	\$ 35.10	\$ 39.35	(\$ 4.25)	\$ 44.61	(\$ 9.51)
April 2024	\$ 32.13	\$ 39.35	(\$ 7.22)	\$ 39.33	(\$ 7.20)
May 2024	\$ 36.03	\$ 39.35	(\$ 3.32)	\$ 41.90	(\$ 5.87)

10. Interim Rates. The Commission finds that the rates approved herein should be interim rates, subject to refund, pending reconciliation of the gas costs in a subsequent GCA.

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. 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 Citizens Gas for the gas cost adjustments 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 rate(s) shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

3. In accordance with Indiana Code § 8-1-2-70, Petitioner shall pay the following itemized charges within 20 days from the date of the Order to the Secretary of this Commission, as well as any additional costs which were incurred in connection with this Cause:

Commission Charges:	\$ 1,910.33
OUCG Charges:	\$ 2,715.47
Legal Advertising Charges:	\$ <u>29.14</u>
Total:	\$ 4,654.94

4. 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**