

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SYCAMORE GAS COMPANY)
FOR APPROVAL OF CHANGES IN ITS GAS)
RATES THROUGH A GAS COST) CAUSE NO. 37368 GCA 159
ADJUSTMENT IN ACCORDANCE WITH)
IND. CODE § 8-1-2-42(g) FOR THE PERIOD) APPROVED: JUL 26 2023
AUGUST THROUGH OCTOBER 2023.)

ORDER OF THE COMMISSION

Presiding Officer:
Kristin Kresge, Administrative Law Judge

On May 31, 2023, in accordance with Ind. Code § 8-1-2-42, Sycamore Gas Company, Inc. (“Petitioner”) filed its Verified Petition for Approval of Changes in Gas Cost Adjustment (“GCA”) Factors, with attached schedules to be applicable during the months of August through October 2023. On that same day, Petitioner filed the direct testimony of its President, John T. Stenger, and its Controller, David C. Ream, supporting the proposed GCA factors. On June 29, 2023, Petitioner filed a Notice of Corrections that corrected and updated schedules/exhibits attached to the testimony of Mr. Stenger.

On July 7, 2023, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Zachary D. Leinheiser, Utility Analyst in the OUCC’s Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) set this matter for an evidentiary hearing to be held at 9:30 a.m. on July 12, 2023, in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Counsel for Petitioner and the OUCC participated in the evidentiary hearing, and the testimony and exhibits of Petitioner 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. Petitioner 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 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 is a corporation organized and existing under the laws of the State of Indiana. Petitioner’s principal office is located at 370 Industrial Drive, Suite 200, Lawrenceburg, Indiana. Petitioner renders natural gas utility service to the public in Dearborn, Franklin, and Ohio 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.** Ind. Code § 8-1-2-42(g)(3)(A) requires Petitioner 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.

Petitioner's testimony and exhibits show that Petitioner has a contract with a marketer for firm gas supply on a non-interruptible basis. Petitioner has the option to purchase a portion of its portfolio on "first of the month" and/or "daily" indices. Mr. Stenger testified that Petitioner can also purchase a portion of its gas through fixed price contracts. Petitioner has hedged approximately 46% of its total supply requirements for the upcoming GCA quarter and continues to review different strategies for future hedging of its gas supply requirements.

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 Petitioner 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 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 Petitioner'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 include transport rates that have been filed by Petitioner's 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. **Return Earned.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's basic rates and charges were approved. Petitioner's current basic rates and charges were approved on March 6, 2019, in Cause No. 45072. After adjusting for the increases authorized in its federal mandate tracker proceedings under Cause No. 45131, Petitioner's authorized net operating income for this GCA is \$1,952,821.

Petitioner's evidence indicates that for the 12 months ending March 31, 2023, Petitioner's actual net operating income was \$1,490,873, which does not exceed Petitioner's authorized net operating income. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that authorized.

6. **Estimation of Purchased Gas Costs.** Ind. 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 Petitioner's 12-month rolling average comparison was negative 2.34% for the period ending March 31, 2023. Accordingly, we find that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliations.** Ind. 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 evidence presented in this proceeding establishes that the variance for the reconciliation period of January through March 2023 (“Reconciliation Period”) is an over-collection of \$45,426 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 a decrease in the estimated net cost of gas is \$4,555.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$9,550. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$14,105 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$102,059 for August 2023, \$104,938 for September 2023, and \$206,042 for October 2023. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$67,400 for August 2023, \$70,971 for September 2023, and \$119,479 for October 2023. Petitioner’s recommended GCA factors are \$3.9842/Dth for August 2023, \$3.8610/Dth for September 2023, and \$4.8420/Dth for October 2023.

9. **Effects on Residential Customers – (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factors of \$3.9842/Dth for August 2023, \$3.8610/Dth for September 2023, and \$4.8420/Dth for October 2023. The table below shows the gas costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (May 2023 - \$3.1428/Dth) and a year ago (August 2022 - \$8.9452/Dth, September 2022 - \$8.8341/Dth, and October 2022 - \$8.8741/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’s base rates or any applicable rate adjustment mechanisms.

	Proposed	Current		Year Ago	
	Proposed Gas Costs (10 Dth)	Gas Costs (10 Dth)	Difference from Current	Gas Costs (10 Dth)	Difference From a Year Ago
August 2023	\$39.84	\$31.43	\$8.41	\$89.45	\$(49.61)
September 2023	\$38.61	\$31.43	\$7.18	\$88.34	\$(49.73)
October 2023	\$48.42	\$31.43	\$16.99	\$88.74	\$(40.32)

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 indicated in prior Orders that Indiana’s gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner’s approved monthly flex mechanism is designed to address the Commission’s concerns. Therefore, Petitioner 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 less 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. Pursuant to the Commission's August 27, 2014 Order in Cause No. 44374, 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 the GCA proceeding. This limitation applies to fixed and storage gas prices. If Petitioner ever has a reason for making purchases during times of significant market volatility that will exceed the \$1.00 cap, it must communicate its intention in the relevant GCA proceeding and provide details about the cost savings reasons to make fixed price purchases. Petitioner also shall continue to 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 Petition of Sycamore Gas Company, 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. Prior to implementing the rates or future flexed factor, Sycamore Gas Company, Inc. shall file the tariff and applicable rate schedules 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: JUL 26 2023

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

**Dana Kosco
Secretary of the Commission**