

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda			√
Ober	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA GAS COMPANY, INC.)
D/B/A CENTERPOINT ENERGY INDIANA) CAUSE NO. 37394 GCA 150
NORTH (“CEI NORTH”) FOR APPROVAL OF)
CHANGES IN ITS GAS COST ADJUSTMENTS IN) APPROVED: MAY 19 2021
ACCORDANCE WITH I.C. 8-1-2-42(g) and 8-1-2-)
42.3.)**

ORDER OF THE COMMISSION

**Presiding Officer:
David E. Veleta, Senior Administrative Law Judge**

On April 1, 2021, 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 billing cycles of June 2021 through August 2021 with the Indiana Utility Regulatory Commission (“Commission”). Petitioner also pre-filed the verified testimony of Katie J. Tieken, Manager, Regulatory and Rates, Paula J. Grizzle, Director of Gas Supply and Portfolio Administration, and Brittany A. Fleig, Manager, Regulatory Reporting on April 1, 2021. On April 21, 2021 Petitioner pre-filed revised exhibits supporting the proposed GCA factors. On April 29, 2021, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Heather R. Poole, Assistant Director of the Natural Gas Division.

The Commission set this matter for an Evidentiary Hearing to be held on May 11, 2021, at 1:30 p.m. in room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. On May 3, 2021, a docket entry was issued advising due to the ongoing COVID-19 pandemic, the hearing would be conducted via teleconference and provided related participation information. Petitioner and the OUCC participated, by counsel, in the hearing via teleconference. At the hearing, 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 herein, 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 211 NW Riverside Drive, Evansville, Indiana. Petitioner renders natural gas utility service to the public in the State

of 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 Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide gas service to its retail customers at the lowest gas cost reasonably possible.

According to the testimony of Petitioner's Witness Grizzle, a portion of Petitioner's gas purchases are made in advance of the heating season, pursuant to the Advance Purchase Plan as described in her testimony. Witness Grizzle also described Petitioner's financial hedging plan and provided details regarding the financial hedges and associated premiums to date for this GCA quarter. Petitioner relies upon certain contracts for the provision of firm interstate supply services to its city gate in providing firm supply to customers. As part of her testimony, Witness Grizzle presented detail regarding Petitioner's firm transportation services utilized on pipeline systems.

Ms. Grizzle testified that Petitioner has entered into a long-term fixed price purchase transaction pursuant to the Commission's Order in Cause No. 37394 GCA 134 issued on May 31, 2017, which approved CEI North's proposal for a new long-term transaction. She described the long-term fixed-price purchase as a five-year transaction for the term April 2018 through March 2023 for 540,000 Dth per month.

Ms. Grizzle testified that Petitioner has 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 the long-term fixed-price purchase as a five-year transaction for the term April 2019 through March 2024 for 300,000 Dth per month. She stated the transaction will be shown as a separate line item in Schedule 3 for each month for the term of the transaction. She also stated this transaction will be shown as a separate line item in the Schedule 8 supplement for each month of the reconciliation quarter for the term of the transaction.

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 that it has and continues 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 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 factor. The evidence of record indicates that gas costs in the Petition 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 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 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 February 13, 2008 in Cause No. 43298. The Commission authorized Petitioner to earn a net operating income ("NOI") of \$61,827,974. The Commission's Orders in Cause Nos. 44430 TDSIC 1 through TDSIC 13 authorized a cumulative increase of \$41,221,100 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 \$103,049,074.

Petitioner's evidence indicates that for the twelve (12) months ending February 28, 2021, Petitioner's actual NOI was \$90,438,331. Therefore, based on the evidence of record, the Commission finds that Petitioner 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, Petitioner was ordered, along with the statutory NOI earnings test, to also perform the return on equity ("ROE") test calculation as proposed by the Petitioner in the above-mentioned Causes. As illustrated (Petitioner's Exhibit No. 3, Attachment BAF-2), Petitioner's ROE test results in a net income deficit of \$7,071,000 compared to the \$12,610,743 deficit pursuant to the statutorily required earnings test. This computes to an actual ROE of 9.29% compared to Petitioner's authorized ROE of 10.20%. The Commission finds the Petitioner 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 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 a positive 3.20% for the twelve months ending December 2020. Based on Petitioner's historical accuracy in estimating the cost of gas, we find that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliations.**

A. **Variiances.** 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 established that the commodity variance for the reconciliation period of October through December 2020 ("Reconciliation Period") is an under-collection of \$2,468,380 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 commodity variance to be included in this GCA as an increase in the estimated net cost of gas is \$128,726. The commodity variance from prior recovery periods applicable to the current recovery period is an under-collection of \$136,794. Combining this amount with the Reconciliation Period

commodity variance results in a total under-collection of \$265,520 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented established that the demand variance for the Reconciliation Period is an under-collection of \$202,839 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 demand variance to be included in this GCA as an increase in the estimated net cost of gas is \$10,578. The demand variance from prior recovery periods applicable to the current recovery period is an under-collection of \$131,375. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of \$141,953 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. Petitioner has \$22,064 in nomination and balancing charges that are reflected as new refunds during the Reconciliation Period and has \$609 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 \$1,760 as reflected on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered is \$9,363,823. Adjusting this total for the demand costs, variances, bad debt costs and refund amounts yields gas costs to be recovered through the GCA of \$21,226,984. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are as follows:

<u>Estimated GCA Factors Per Therm</u>				
<u>Rate Schedule</u>	<u>Service</u>	<u>Estimated (\$ per Therm) Eff. Jun. 1, 2021</u>	<u>Estimated (\$ per Therm) Eff. Jul. 1, 2021</u>	<u>Estimated (\$ per Therm) Eff. Aug. 1, 2021</u>
210	Sales	\$0.6233	\$0.6427	\$0.6431
211 (1)	Sales	\$0.6233	\$0.6427	\$0.6431
220	Sales	\$0.6233	\$0.6427	\$0.6431
225	Transportation	\$0.0002	\$0.0002	\$0.0002
229	Sales	\$0.6233	\$0.6427	\$0.6431
240	Sales	\$0.4197	\$0.4392	\$0.4395
245	Transportation	\$0.0002	\$0.0002	\$0.0002
260	Transportation	\$0.0002	\$0.0002	\$0.0002
270	Transportation	\$0.0002	\$0.0002	\$0.0002

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

9. Effects on Residential Customers – (GCA Cost Comparison). Petitioner requests authority to approve the GCA factor of \$6.233/Dth for June 2021, \$6.427/Dth for July 2021, and \$6.431/Dth for August 2021. 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 (April 2021 - \$3.670 /Dth) and a year ago (June 2020 - \$5.651/Dth, July 2020 - \$5.542/Dth, and August 2020 - \$5.790/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 From Current	Gas Costs (10 Dth)	Difference From Year Ago
June 2021	\$62.33	\$36.70	\$25.63	\$56.51	\$5.82
July 2021	\$64.27	\$36.70	\$27.57	\$55.42	\$8.85
August 2021	\$64.31	\$36.70	\$27.61	\$57.90	\$6.41

10. Interim Rates. The Commission is unable to determine whether Petitioner 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.

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 later 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. 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 this GCA proceeding. Finally, Petitioner shall file all material which 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 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. 8 is approved, subject to refund in accordance with Paragraph No. 10.

2. Prior to implementing the GCA factors approved above or any future flexed factor, Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North shall file the applicable rate schedules under this Cause for approval by the Commission’s Energy Division.

3. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, OBER, AND ZIEGNER CONCUR; KREVDA ABSENT:

APPROVED: MAY 19 2021

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

**Dana Kosco
Secretary of the Commission**