

**ORIGINAL**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

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

**PETITION OF INDIANA NATURAL GAS )  
CORPORATION FOR APPROVAL OF ) CAUSE NO. 37418 GCA 159  
CHANGES IN ITS GAS RATES THROUGH A )  
GAS COST ADJUSTMENT IN ACCORDANCE ) APPROVED: OCT 25 2023  
WITH IND. CODE 8-1-2-42(g) )**

**ORDER OF THE COMMISSION**

**Presiding Officer:**

**Ann Pagonis, Administrative Law Judge**

On August 25, 2023, in accordance with Ind. Code § 8-1-2-42, Indiana Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of November 2023, December 2023, and January 2024. In support of its petition, Petitioner also filed the direct testimony of Cody M. Osmon, Accountant for Petitioner. On September 13, 2023, Petitioner filed updated schedules.

On September 25, 2023, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Linda M. Devine, Utility Analyst II, in the Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this cause on October 18, 2023 at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC, appeared and participated at the hearing at which 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 1080 West Hospital Road in Paoli, Indiana. Petitioner renders natural gas utility service to the public in Bartholomew, Brown, Crawford, Dubois, Harrison, Johnson, Lawrence, and Orange counties in Indiana, and owns, operates, manages, and controls plant and equipment 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 so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's witness Mr. Osmon testified that Petitioner actively purchases fixed contracts, contracts relating to future periods, and appropriately sized contracts. Petitioner also plans for storage. In addition, Mr. Osmon testified that Petitioner monitors market conditions, flexes its GCA factors as appropriate, and uses a normal temperature adjustment mechanism during the heating season. For the months of November 2023, December 2023, and January 2024, Petitioner has hedging in place through fixed contracts. Finally, Mr. Osmon testified Petitioner does have storage gas available which it intends to utilize during all three months of the period covered in this GCA.

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 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 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. Earnings Test.** 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 July 30, 2014 in Cause No. 44453. The Commission authorized Petitioner to earn a net operating income of \$410,038.

Petitioner's evidence indicates that for the 12 months ending June 30, 2023, Petitioner's actual net operating income was \$184,764. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning a return of less than the net operating income authorized in Cause No. 44453.

**6. Estimation of Purchase 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 prior estimates are reasonable when compared to the corresponding actual cost. A 12-month rolling average comparison helps to eliminate the inherent variances related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner's 12-month rolling average comparison was (16.96%) for the period

ending June 30, 2023. Petitioner's previous gas cost adjustment set the level of pricing at about \$5, however in the months of May, June, and July 2023, the price had fallen below the \$1.00 cap. Therefore, Petitioner was only able to partially mitigate the resulting variance through its flex filings, which resulted in an unusually large deviation. 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. Variances.** 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 April, May, and June 2023 ("Reconciliation Period") is an over-collection of \$125,998 from Petitioner's customers. This total 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 is a decrease in the estimated net cost of gas of \$53,348.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$265,613. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$318,961 to be applied in this GCA as a decrease in the estimated net cost of gas.

**B. Refunds.** Petitioner received no refunds during the Reconciliation Period. However, there are \$19,383 in refunds from prior periods applicable to the current recovery period. The total refund to be applied in this GCA is \$19,383, as shown on Schedule 12A.

**C. Unaccounted-For Gas.** Petitioner reported a positive amount of unaccounted-for gas in Schedule 11A of \$1,798, or 0.55%. Thus, no refund is required.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered is \$413,934 for November 2023, \$609,873 for December 2023, and \$739,830 for January 2024. Adjusting this total for the variance, refund, excess earnings, and demand amounts yields gas costs to be recovered through the GCA factor of \$271,882 for November 2023, \$469,491 for December 2023, and \$600,025 for January 2024. After dividing that amount by estimated sales, Petitioner's recommended GCA factors are \$2.7713/Dth for November 2023, \$3.5599/Dth for December 2023, and \$3.9449/Dth for January 2024.

**9. Effects on Residential Customers - (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factors of \$2.7713/Dth for November 2023, \$3.5599/Dth for December 2023, and \$3.9449/Dth for January 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 proposed gas costs to what a residential customer paid most recently (August 2023 - \$2.2811) and a year ago (November 2022 - \$7.1634/Dth, December 2022 - \$6.7633/Dth and January 2023 - \$6.4475/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

<u>Month</u>	<u>Proposed Gas Costs (10 Dth)</u>	<u>Current</u>		<u>Year Ago</u>	
		<u>Gas Costs (10 Dth)</u>	<u>Difference From Current</u>	<u>Gas Cost (10 Dth)</u>	<u>Difference from Year Ago</u>
November 2023	\$27.71	\$22.81	\$4.90	\$71.63	(\$43.92)
December 2023	\$35.60	\$22.81	\$12.79	\$67.63	(\$32.03)
January 2024	\$39.45	\$22.81	\$16.64	\$64.48	(\$25.03)

**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 (3) business days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten (10) 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 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 Indiana Natural Gas Corporation 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 GCA factors approved above or any future flexed factor, Indiana Natural Gas Corporation shall file with the Commission under this Cause the applicable rate schedules for these factors 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, VELETA, AND ZIEGNER CONCUR; FREEMAN ABSENT:**

**APPROVED: OCT 25 2023**

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

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**Dana Kosco  
Secretary of the Commission**