ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTH EASTERN INDIANA NATURAL GAS CO., INC. FOR APPROVAL OF CHANGES TO ITS GCA RATES IN ACCORDANCE WITH INDIANA CODE § 8-1-2-42(G)	)))))	**CAUSE NO. 37785 GCA 130** **APPROVED: MAR 27 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Kristin E. Kresge, Administrative Law Judge

On, February 5, 2024, South Eastern Indiana Natural Gas Company, Inc. ("South Eastern" or "Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached schedules to be applicable during the April through June 2024 billing cycles. Also on February 5, 2024, Petitioner prefiled the direct testimony of Emily M. Harlow, Senior Manager of Finance and Regulatory Services of Ohio Valley Gas Corporation, which is an affiliate of Petitioner.

On March 6, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits of Jason D. Kohlmann, Utility Analyst in the OUCC's Natural Gas Division.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing in this Cause on March 11, 2024, at 10:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing at which 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 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 Indiana law with its principal office located at 106 East Main Street, Morristown, Indiana. Petitioner renders natural gas utility service to the public in Dearborn and Ripley Counties 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 natural gas supplies to provide gas to its retail customers at the lowest gas cost reasonably possible. Ms. Harlow testified Petitioner's approach in acquiring natural gas for its customers includes: (a) utilizing borrowed gas storage on a regular basis; (b) staying apprised of market conditions by regularly reviewing New York Mercantile Exchange ("NYMEX") prices; (c) monitoring customers' usage; (d) using a normal temperature adjustment mechanism to normalize weather based on National Oceanic and Atmospheric Administration data (e) using monthly flexing for its GCA factors, both up and down as appropriate, and (f) using fixed contracts and storage inventories to minimize gas cost fluctuations. Ms. Harlow stated these activities help mitigate volatility and assist Petitioner in acquiring a reasonably priced natural gas supply.

The Commission has indicated that Indiana's natural 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 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 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 indicates the proposed gas costs include transport rates that have been filed by Petitioner's pipeline suppliers as authorized by Federal Energy Regulatory Commission procedures; therefore, we find 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 a public utility earning a return in excess of the return authorized by the last Commission Order in which the Petitioner's base rates and charges were approved. Petitioner's current base rates and charges were approved on October 3, 2018, in Cause No. 45027. The Commission authorized Petitioner in Cause No. 45027 to earn a net operating income of $149,868.

South Eastern's evidence indicates that for the 12 months ended November 30, 2023, Petitioner's reported net operating income was negative $12,330, which is $162,198 less than its authorized net operating income, and the sum of the differentials during the relevant period is negative $1,250,630; therefore, based on the evidence, we find Petitioner is not earning a return in excess of that authorized in its last rate case.

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 variances related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner's 12-month rolling average comparison was negative 23.77% for the period ended November 30, 2023. Ms. Harlow testified that the main drivers of the negative variance were higher collected cost from the customers than the cost of gas delivered in prior GCAs within the last 12 months and the $1 limitation in the flex filing process did not allow for the drop in gas prices to be fully included. 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 are 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 establishes that the variance for the reconciliation period of September 2023 through November 2023 ("Reconciliation Period") is an over-collection of $11,404 from Petitioner's 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 $1,515.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $24,018. Combining this amount with the Reconciliation Period variance results in a total over-collection of $25,533 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 and has no refunds from prior periods applicable to this GCA.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered is $48,956 for April 2024, $20,728 for May 2024, and $10,536 for June 2024. Adjusting these totals for the variance and refund amounts yields net gas costs to be recovered through the GCA factor of $32,681 for April 2024, $14,406 for May 2024, and $7,600 for June 2024. After dividing that amount by estimated sales, Petitioner's recommended GCA factors are $1.9797/Dth for April 2024, $2.2471/Dth for May 2024, and $2.5519/Dth for June 2024.

9. Effects on Residential Customers. The table below shows the commodity costs a residential customer will incur under the approved GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February 2024 - $2.3534 /Dth) and one year ago (April 2023 - $2.8617/Dth; May 2023 - $2.8503/Dth; June 2023 - $2.5767/Dth). 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
April 2024	$19.80	$23.53	($3.73)	$28.62	($8.82)
May 2024	$22.47	$23.53	($1.06)	$28.50	($6.03)
June 2024	$25.52	$23.53	$1.99	$25.77	($0.25)

10. **Interim Rates.** The Commission is unable to determine whether Petitioner will earn an excess return while the 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 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, which must be filed no later than 3 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 South Eastern Indiana Natural Gas Company, Inc. 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 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, AND ZIEGNER CONCUR; VELETA ABSENT:

APPROVED: MAR 27 2024

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

Dana Kosco

Digitally signed by Dana Kosco
Date: 2024.03.27 10:16:39 -04'00'

Dana Kosco
Secretary of the Commission