ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC. FOR APPROVAL OF A GAS COST ADJUSTMENT PURSUANT TO INDIANA CODE 8-1-2-42 TO BE APPLICABLE DURING THE MONTHS OF JANUARY, FEBRUARY, AND MARCH 2023 WITH THE CONSUMPTION PERIOD STARTING ON OR ABOUT DECEMBER 15, 2022	)	**CAUSE NO. 44147 GCA 40** **APPROVED: JAN 04 2023**

ORDER OF THE COMMISSION

Presiding Officer:
Greg S. Loyd, Administrative Law Judge

On November 7, 2022, in accordance with Ind. Code § 8-1-2-42, Ohio Valley Gas Corporation ("OVGC") and Ohio Valley Gas, Inc. ("OVGI") (collectively "OVG" or "Applicants") filed their Application for Gas Cost Adjustment ("GCA") to be applicable during the months of January, February, and March 2023, including exhibits, schedules, and the verified testimony of Ronald P. Salkie, OVG's Regulatory Consultant. On November 28, 2022, Applicants filed their Supplemental Filing Amendment No. 1 to Application. On December 7, 2022, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report, factor calculations and testimony of Mohab M. Noureldin, Utility Analyst with the Natural Gas Division of the OUCC.

On November 23, 2022, the Indiana Utility Regulatory Commission ("Commission") set this matter for an evidentiary hearing to be held on December 19, 2022, at 11:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On December 15, 2022 the presiding administrative law judge issued a docket entry requesting additional information from OVG, to which OVG responded on December 16, 2022. OVG and the OUCC, by counsel, participated in the December 19, 2022 hearing. OVG's verified application and accompanying testimony and exhibits filed on November 7, 2022, and the amendment filed November 28, 2022, as well as the testimony and exhibits of the OUCC filed December 7, 2022, and OVG's response to the ALJ's December 15, 2022 docket entry were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

1. <u>Statutory Notice and Commission Jurisdiction</u>. Notice of the hearing in this Cause was given and published by the Commission as required by law. Applicants are public utilities 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 Applicants' rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Applicants and the subject matter of this Cause.

2. Applicants' Characteristics. Applicants are public utility corporations organized and existing under the laws of the State of Indiana. Applicants' principal office is located at 111 Energy Park Drive, Winchester, Indiana. Applicants render natural gas utility service to the public and own, operate, manage, and control plant and equipment used for the distribution and furnishing of such services. OVGC's ANR Pipeline Company ("ANR") service area is comprised of natural gas customers in Dubois, Jay, Randolph, Spencer, and Wayne Counties in Indiana. OVGC's Texas Gas Transmission, LLC ("Texas Gas") service area is comprised of natural gas customers in Dearborn, Fayette, Franklin, Perry, Ripley, Spencer, and Union Counties in Indiana. OVGI serves natural gas customers in Greene, Knox, Pike, Sullivan, and Vigo Counties in Indiana. OVGC's Midwest Gas Transmission ("MGT") serves Grandview in Spencer County.

3. Source of Natural Gas. Ind. Code § 8-1-2-42(g)(3)(A) requires Applicants to make every reasonable effort to acquire long-term natural gas supplies to provide service to their retail customers at the lowest gas cost reasonably possible.

OVG's witness Ronald P. Salkie testified that Applicants have long-term contracts with ANR and Texas Gas for pipeline capacity and storage. All ANR contracts are not subject to renewal until March 31, 2024. The contracted maximum daily quantity for the ANR service area is 14,970 Dth. Applicants renewed and restructured their four contracts with Texas Gas effective November 1, 2018, to expire October 31, 2023. The maximum daily quantity for the Texas Gas service area will be 18,781 Dth for the OVGC area, and 7,584 Dth for the OVGI area. Applicants renewed their natural gas supply requirements from the production areas contract with Direct Energy on November 1, 2021 for all service areas. The Direct Energy contract contains two components, one based upon fixed prices and the second based upon index prices. The contract with Direct Energy provides for a fee of $0.01 per Dth purchased whether under the index component or under the fixed-price component. Applicants' testimony indicated that gas purchased under NYMEX futures contracts and storage gas used during this GCA period are estimated to represent roughly 80% of total required supply.

OVG's witness Ronald P. Salkie also testified that the Direct Energy contract expired June 30, 2022, at which time all future NYMEX contracts (fixed and index) will be under Symmetry Energy Solutions, LLC with the exception of fixed purchase contracts that were entered into with Direct Energy through December 31, 2024. The new contract with Symmetry Energy Solutions, LLC was effective July 1, 2022 and is scheduled to terminate on March 31, 2027 unless extended. The agreement with Symmetry includes a $0.01 fee per Dth purchased plus a $0.03 management fee per Dth for all gas scheduled. Applicants' evidence in this GCA included both Direct Energy and Symmetry Energy contracts for fixed purchases in the estimated months of January, February, and March, 2023.

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 Applicants have demonstrated that they have and continue 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 Applicants' 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 Applicants' 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 Applicants earning a return in excess of the return authorized by the last Commission Order in which Applicants' basic rates and charges were approved. OVG's current basic rates and charges were approved on October 17, 2017 in Cause No. 44891, with adjustments for ongoing TDSIC filings. The Commission authorized Applicants to earn a net operating income of $4,511,483.

The evidence of record indicates that for the 12 months ending August 31, 2022, Applicants' actual utility operating income was $4,180,892. Therefore, based on the evidence of record, we find Applicants are not earning a return in excess of that authorized in their last rate case with adjustments for ongoing TDSIC filings.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that Applicants' estimate of their prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, 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 Applicants' 12-month rolling average comparison for the reconciliation period for its ANR and Texas Gas pipeline service areas was 13.82% due to increasing cost of gas this past heating period, and its MGT (Grandview) service area was 6.33%. Based upon OVG's historical accuracy in estimating the cost of gas, we find that Applicants' estimating techniques are sound, and Applicants' prospective average estimate of gas costs is reasonable.

7. Reconciliations.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that the Applicants reconcile their estimates for a previous recovery period with the actual purchased gas cost for that period. This reconciliation is now done with both OVG's ANR and Texas Gas service areas as one variance and OVG's MGT (Grandview) as a separate variance.

The evidence presented in this proceeding establishes that the ANR and Texas Gas variance on Schedule 12B for the reconciliation period of June 2022 through August 2022 ("Reconciliation

Period") is an under-collection of $402,588 from their 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 an increase in the estimated net cost of gas is $228,630. The variances from prior recovery periods applicable to the current recovery period is an under-collection of $881,983. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $1,110,613 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented in this proceeding establishes that the MGT (Grandview) variance on Schedule 12BG for the reconciliation period of June 2022 through August 2022 ("Reconciliation Period") is an over-collection of $4,504 from their 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 $2,448. The variances from prior recovery periods applicable to the current recovery period is an under-collection of $5,643. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $3,195 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. The Applicants received $589,835 in refunds for the ANR and Texas Gas pipeline service areas during the Reconciliation Period. There are no refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is $334,967, as reflected on Schedule 12A.

The Applicants received $3,702 in refunds for the MGT (Grandview) pipeline service area during the Reconciliation Period. There are no refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is $2,012, as reflected on Schedule 12A-G.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for ANR and Texas Gas for January 2023 is $5,312,233, for February 2023 is $4,316,988, and for March 2023 is $3,181,895. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $5,638,702 for January 2023, $4,580,397 for February 2023, and $3,367,663 for March 2023. After dividing that amount by estimated sales, OVG's recommended GCA factors are $6.402/Dth for January 2023, $6.445/Dth for February 2023, and $6.721/Dth for March 2023.

The estimated net cost of gas to be recovered for MGT (Grandview) for January 2023 is $29,054, for February 2023 is $20,560, and for March 2023 is $12,298. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $29,609 for January 2023, $20,953 for February 2023, and $12,533 for March 2023. After dividing that amount by estimated sales, OVG's recommended GCA factors are $6.538/Dth for January 2023, $6.538/Dth for February 2023, and $6.538/Dth for March 2023.

9. Effects on Residential Customers. Applicants request authority to approve the GCA factors of $6.402/Dth for January 2023, $6.445/Dth for February 2023, and $6.721/Dth for March 2023 for their ANR and Texas Gas pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2022 - $6.437/Dth) and a year ago (January 2022 - $3.508/Dth, February 2022 - $3.523/Dth, and March 2022 - $4.020/Dth) for their ANR and Texas Gas pipeline service areas. The table reflects costs approved through the GCA process. It does not include Applicants' base rates or any applicable rate adjustment mechanisms.

ANR and Texas Gas		Current		Year Ago	
Month	**Proposed Gas Costs (10 Dth)**	**Gas Costs (10 Dth)**	**Difference From Current**	**Gas Costs (10 Dth)**	**Difference From Year Ago**
January 2023	$64.02	$64.37	($0.35)	$35.08	$28.94
February 2023	$64.45	$64.37	$0.08	$35.23	$29.22
March 2023	$67.21	$64.37	$2.84	$40.20	$27.01

Applicants request authority to approve the GCA factors of $6.538/Dth for January 2023, $6.538/Dth for February 2023, and $6.538/Dth for March 2023 for their MGT (Grandview) pipeline service areas. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2022 - $7.052/Dth) and a year ago (January 2022 - $5.960/Dth, February 2022 - $5.960/Dth, and March 2022 - $5.960/Dth) for their MGT (Grandview) pipeline service areas. The table reflects costs approved through the GCA process. It does not include Applicants' base rates or any applicable rate adjustment mechanisms.

MGT (Grandview)		Current		Year Ago	
Month	**Proposed Gas Costs (10 Dth)**	**Gas Costs (10 Dth)**	**Difference From Current**	**Gas Costs (10 Dth)**	**Difference From Year Ago**
January 2023	$65.38	$70.52	($5.14)	$59.60	$5.78
February 2023	$65.38	$70.52	($5.14)	$59.60	$5.78
March 2023	$65.38	$70.52	($5.14)	$59.60	$5.78

10. Interim Rates. We are unable to determine whether Applicants 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. OVG's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Applicants 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, Applicants shall file all material which supports their 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 Application of Ohio Valley Gas Corporation and Ohio Valley Gas, 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, Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. shall file the tariff and applicable rate schedules 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. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, VELETA, AND ZIEGNER CONCUR:

APPROVED: JAN 04 2023

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: 2023.01.04 14:08:45 -05'00'

Dana Kosco
Secretary of the Commission