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 ADJUSTMENT IN ACCORDANCE WITH IND. CODE §§ 8-1-2-42(g) AND 8-1-2-42.3 FOR THE MONTHS OF MAY 2024 THROUGH JULY 2024.	))))))	**CAUSE NO. 37368 GCA 162** **APPROVED: APR 24 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Kehinde Akinro, Administrative Law Judge

On February 29, 2024, 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 May 2024 through July 2024. On that same day, Petitioner filed the direct testimony of its Vice President of Gas Supply, Craig C. Colombo, and its Controller, David C. Ream, supporting the proposed GCA factors. On March 19, 2024, Petitioner filed a Notice of Corrections that corrected certain pages of the Petition, Mr. Colombo's testimony, and corrected data to certain schedules/exhibits attached to the testimony of Mr. Colombo.

On April 1, 2024, the Indiana Office of Utility Consumer Counselor's ("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 on April 9, 2024 at 1:00 p.m., in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated in the evidentiary hearing by counsel, 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. Colombo testified that Petitioner can also purchase a portion of its gas through fixed price contracts. Petitioner has hedged approximately 48% 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 $1,995,659.

Petitioner's evidence indicates that for the 12 months ending December 31, 2023, Petitioner's actual net operating income was $1,609,730, 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 3.20% for the period ending December 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 October through December 2023 ("Reconciliation Period") is an under-collection of $12,608 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 an increase in the estimated net cost of gas is $1,179.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $14,060. Combining this amount with the Reconciliation Period variance results in a total over-collection of $12,881 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 $104,300 for May 2024, $87,762 for June 2024, and $87,995 for July 2024. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $72,455 for May 2024, $56,610 for June 2024, and $56,151 for July 2024. Petitioner's recommended GCA factors are $2.7668/Dth for May 2024, $3.2006/Dth for June 2024, and $3.5502/Dth for July 2024.

9. Effects on Residential Customers — (GCA Cost Comparison). Petitioner requests authority to approve the GCA factors of $2.7668/Dth for May 2024, $3.2006/Dth for June 2024, and $3.5502/Dth for July 2024. 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 (February 2024 - $4.1013/Dth) and a year ago (May 2023 - $3.1428/Dth, June 2023- $3.4232/Dth, and July 2023 - $4.0615/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

		Current		Year Ago	
	Proposed Gas Costs (10 Dth)	Gas Costs (10 Dth)	Difference from Current	Gas Costs (10 Dth)	Differen ce From a Year
May 2024	$27.67	$41.01	$(13.34)	$31.43	$(3.76)
June 2024	$32.01	$41.01	$(9.00)	$34.23	$(2.22)
July 2024	$35.50	$41.01	$(5.51)	$40.62	$(5.12)

10. **<u>Interim Rates</u>.** 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. **<u>Monthly Flex Mechanism</u>.** 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 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. The flex mechanism is to be filed no later than three 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 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. 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.

<u>HUSTON, BENNETT, VELETA AND ZIEGNER CONCUR; FREEMAN ABSENT</u>:

APPROVED: APR 24 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: 2024.04.24 10:18:31 -04'00'

Dana Kosco
Secretary of the Commission