

# ORIGINAL

STATE OF INDIANA

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

## INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTH EASTERN INDIANA )  
NATURAL GAS COMPANY, INC., FOR ) CAUSE NO. 37785 GCA 117  
APPROVAL OF CHANGES IN ITS GAS )  
COST ADJUSTMENT IN ACCORDANCE ) APPROVED: DEC 23 2020  
WITH I.C. 8-1-2-42(g) )

### ORDER OF THE COMMISSION

**Presiding Officer:**

**Jennifer L. Schuster, Administrative Law Judge**

On October 30, 2020, in accordance with Ind. Code § 8-1-2-42, South Eastern Indiana Natural Gas Company, Inc. ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached schedules to be applicable during the billing cycles of January 2021 through March 2021. Also on October 30, 2020, Petitioner prefiled the direct testimony of Bonnie J. Mann, Certified Public Accountant. On November 19, 2020, Petitioner filed revised schedules. On November 30, 2020, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Cinthia J. Sabillon, Utility Analyst of the Natural Gas Division of the OUCC.

The Indiana Utility Regulatory Commission ("Commission") set this matter for an evidentiary hearing to be held on December 14, 2020 at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. A docket entry was issued on December 8, 2020 advising that, due to the ongoing COVID-19 pandemic, the hearing would be conducted via WebEx. Petitioner and the OUCC, by counsel, participated in the evidentiary hearing via WebEx, 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 106 E. Main Street, Morristown, Indiana. Petitioner renders natural gas utility service to the public in Dearborn and Ripley 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 natural gas supplies so it may provide gas to its retail customers at the lowest gas cost reasonably possible.

Ms. Mann testified about Petitioner's estimating and purchasing strategies related to acquiring natural gas. She also explained the steps Petitioner takes to mitigate natural gas price volatility which include acquiring fixed contracts primarily focused on the heating season, acquiring and using storage gas, flexing GCA factors, keeping apprised of changing market conditions through review of NYMEX prices, and using a normal temperature adjustment mechanism.

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 followed 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 factors. The evidence of record indicates that the proposed gas costs include 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 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 to earn a net operating income of \$149,868 in Cause No. 45027.

Petitioner's evidence indicates that, for the 12 months ended August 31, 2020, Petitioner's actual net operating income was \$98,449. Therefore, based on the evidence of record, we find that 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 variance related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner's 12-month rolling average comparison is 7.00% for the period ended August 31, 2020. Based on Petitioner's historical accuracy in estimating the cost of gas and the testimony offered explaining Petitioner's estimates and purchasing practices, the Commission

finds that Petitioner’s estimating techniques are sound, and Petitioner’s prospective average estimates of gas costs are reasonable.

**7. Reconciliation.**

**A. Variances.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimates 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 June 2020 through August 2020 (“Reconciliation Period”) is an over-collection of \$36,954 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 a decrease in the estimated net cost of gas is \$19,606.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$15,249. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$4,357 to be applied in this GCA as a decrease in the estimated net cost of gas.

**B. Refunds.** Petitioner has no new refunds and no prior period refunds to be returned in this GCA. Petitioner filed Schedule 11A in GCA 117. Petitioner has reported a positive percentage of unaccounted-for gas in the amount of 0.66% or \$3,862; therefore, a refund is not required. The next filing of Schedule 11A will be in GCA 121.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for January 2021 is \$132,931, for February 2021 is \$114,988, and for March 2021 is \$105,462. Adjusting this total for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$131,479 for January 2021, \$113,536 for February 2021, and \$104,010 for March 2021. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$3.3451/Dth for January 2021, \$3.3183/Dth for February 2021, and \$3.2564/Dth for March 2021.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of \$3.3451/Dth for January 2021, \$3.3183/Dth for February 2021, and \$3.2564/Dth for March 2021. 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 (October 2020 – \$3.1408/Dth) and one year ago (January 2020 – \$3.4191/Dth, February 2020 – \$3.4519/Dth, and March 2020 – \$3.3385/Dth). The table 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
January 2021	\$33.45	\$31.41	\$2.04	\$34.19	(\$0.74)
February 2021	\$33.18	\$31.41	\$1.77	\$34.52	(\$1.34)
March 2021	\$32.56	\$31.41	\$1.15	\$33.39	(\$0.83)

**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 has 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 a change in the mix of volumes among spot, fixed, and storage gas if the total volume of gas remains 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. The flex mechanism is to be filed no less than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism related specifically to spot gas 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 market price included in the flex are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial unit price estimated in this GCA proceeding. In addition, Petitioner shall notify the Commission and the OUCC consistent with our findings in Cause No. 44374 if no flex mechanism is to be used for the months of this GCA. 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 South Eastern Indiana Natural 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. Prior to implementing the GCA factors approved above or any future flexed factor, Petitioner shall file the tariff and applicable rate schedules 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, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED: DEC 23 2020**

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

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**Mary M. Schneider  
Secretary of the Commission**