

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA NATURAL GAS)
CORPORATION FOR APPROVAL OF CHANGES) CAUSE NO. 37418 GCA 160
IN ITS RATES THROUGH A GAS COST)
ADJUSTMENT IN ACCORDANCE WITH IND.) APPROVED: JAN 31 2024
CODE § 8-1-2-42(g))**

ORDER OF THE COMMISSION

**Presiding Officer:
Greg S. Loyd, Administrative Law Judge**

On November 27, 2023, in accordance with Ind. Code § 8-1-2-42, Indiana Natural Gas Corporation (“Petitioner”) filed its Petition for a gas cost adjustment (“GCA”) with attached schedules to be applicable during the months of February through April 2024. On this same day, Petitioner also filed the direct testimony of Cody M. Osmon, Accountant for Petitioner. On December 15, 2023, Petitioner filed updated schedules.

On December 21, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of LaCresha N. Vaultx, a Utility Analyst II in the OUCC’s Natural Gas Division. On December 27, 2023, Petitioner filed a notice of intent not to file rebuttal testimony.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this cause on January 18, 2024, at 10:00 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing, during which Petitioner’s and the OUCC’s testimony and exhibits 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 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, Paoli, Indiana. Petitioner renders natural gas utility service to the public in Bartholomew, Brown, Crawford, Dubois, Harrison, 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. Mr. Osmon testified that Petitioner actively purchases fixed contracts, contracts relating to future periods, and appropriately sized contracts. Petitioner will have storage gas available for use in this GCA. 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. Petitioner has hedging in place through fixed contracts for the months of February, March, and April 2024. Finally, Mr. Osmon testified Petitioner does have storage gas available which it intends to utilize during 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 a current and a 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 as authorized by the Federal Energy Regulatory Commission. 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 applicable 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 September 30, 2023, Petitioner's actual net operating income was \$207,222. 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 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 (22.25%) for the period ending September 30, 2023. Mr. Osmon testified that the variance was primarily driven by changes in

natural gas prices, which could only be partially mitigated through Petitioner's flex filings. 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 July, August, and September 2023 ("Reconciliation Period") is an over-collection of \$285 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 as a decrease in the estimated net cost of gas of \$101.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$307,535. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$307,636 to be applied in this GCA as a decrease in the estimated net cost of gas.

B. Refunds. Petitioner received no new refunds during the Reconciliation Period and has \$16,973 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is \$16,973 as reflected on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered is \$616,934 for February 2024, \$398,640 for March 2024, and \$250,324 for April 2024. Adjusting this total for the variance, refund, excess earnings, and demand amounts yields gas costs to be recovered through the GCA factor of \$482,193 for February 2024, \$261,089 for March 2024, and \$127,542 for April 2024. After dividing that amount by estimated sales, Petitioner's recommended GCA factors are \$3.2436/Dth for February 2024, \$2.6063/Dth for March 2024, and \$2.1434/Dth for April 2024. Ms. Vaulx testified that the OUCC found nothing to indicate Petitioner has not correctly calculated the proposed factors in accordance with all applicable requirements.

9. Effects on Residential Customers - (GCA Cost Comparison). Petitioner requests authority to approve the GCA factors of \$3.2436/Dth for February 2024, \$2.6063/Dth for March 2024, and \$2.1434/Dth for April 2024. 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 2023 - \$2.7713) and a year ago (February 2023 - \$5.7428/Dth, March 2023 - \$5.5719/Dth and April 2023 - \$5.8698/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>
February 2024	\$32.44	\$27.71	\$4.73	\$57.43	(\$24.99)
March 2024	\$26.06	\$27.71	(\$1.65)	\$55.72	(\$29.66)
April 2024	\$21.43	\$27.71	(\$6.28)	\$58.70	(\$37.27)

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. 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.

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. 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, VELETA, AND ZIEGNER CONCUR:

APPROVED: JAN 31 2024

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

Dana Kosco
Secretary of the Commission