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

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES CORPORATION FOR APPROVAL OF CHANGES IN ITS GAS RATES THROUGH A GAS COST ADJUSTMENT IN ACCORDANCE WITH IND. CODE §8-1-2-42(g)	)))))	**CAUSE NO. 37357 GCA 117** **APPROVED: OCT 30 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Greg S. Loyd, Administrative Law Judge

On August 30, 2024, in accordance with Ind. Code § 8-1-2-42, Indiana Utilities Corporation ("Petitioner") filed its Petition, with attached schedules, for a gas cost adjustment ("GCA") to be applicable during the months of November 2024 through April 2025. Also on August 30, 2024, Petitioner prefiled the direct testimony of its President, Frank Czeschin. Petitioner filed revisions to its case-in-chief on September 24, 2024, and September 25, 2024. On October 2, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its GCA factor calculations, statistical calculations, testimony of Heather R. Poole, Director of the OUCC's Natural Gas Division, and Petitioner's Responses to OUCC Data Requests. On October 3, 2024, Petitioner filed its Notice of Intent Not to File Rebuttal Testimony.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing in this Cause at 9:30 a.m. on October 22, 2024, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared by counsel at the evidentiary hearing, during which their respective 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 evidentiary 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-l-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 123 West Chestnut Street, Corydon, Indiana. Petitioner renders natural gas utility service to the public in Harrison and Floyd 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 gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible. Mr. Czeschin described Petitioner's estimating and purchasing strategies in acquiring natural gas for its customers. He explained that Petitioner analyzes actual historical sales, which Petitioner then adjusts based upon known customer changes, such as load characteristics, to arrive at its estimate of future monthly sales by customer class. Petitioner then considers its fixed contracts, the amount of storage gas available, and estimated NYMEX spot gas prices. He said Petitioner also reviews gas price trends as provided by its marketer to determine the appropriate mix of source of supply to use for the upcoming GCA period. He added that Petitioner historically purchases fixed contracts and manages the usage of the gas provided by those contracts. Petitioner uses storage gas which is priced at typically low summer prices. Petitioner regularly reviews NYMEX prices to try to stay abreast of any significant changes in natural gas pricing. Mr. Czeschin testified that Petitioner has acquired natural gas based upon NYMEX estimates; relies upon rick analysis; and uses fixed contracts, storage, and spot gas as part of its supply mix. Additionally, Petitioner uses GCA flex and normal temperature adjustment mechanism.

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 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-l-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 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-l-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor which 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 February 20, 2019, in Cause No. 45116. The Commission authorized Petitioner to earn a rate of return of 9.04% and a net operating income of $675,418 on an original cost rate base of $7,471,437.

Petitioner's evidence indicates that for the 12-months ending June 30, 2024, Petitioner's actual net operating income was $13,418. Therefore, based on the evidence of record, the Commission finds that Petitioner did not earn a return in excess of that authorized in its last rate case.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-l-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 1.43% for the period ending April 30, 2024. Based on Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. Reconciliations. Ind. Code § 8-l-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 November 2023 through April 2024 ("Reconciliation Period") is an over-collection of $30,382 from its customers. This amount is included in the current GCA as a decrease in the estimated net cost of gas.

The Commission finds the above factors are properly calculated and should be approved, subject to refund in accordance with Paragraph 10 below.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered is $189,379 for November 2024, $220,517 for December 2024, $265,304 for January 2025, $226,928 for February 2025, $167,207 for March 2025, and $96,060 for April 2025. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $184,315 for November 2024, $215,453 for December 2024, $260,240 for January 2025, $221,864 for February 2025, $162,143 for March 2025, and $90,996 for April 2025. After dividing those amounts by estimated sales, Petitioner's recommended GCA factors are $3.5762/Dth for November 2025, $3.6146/Dth for December 2024, $3.6539/Dth for January 2025, $3.5565/Dth for February 2025, $3.4652/Dth for March 2025, and $3.3717/Dth for April 2025.

Ms. Poole testified that based on information Petitioner provided in the revisions filed on September 24, 2024, and September 25, 2024, the OUCC found nothing to indicate Petitioner has incorrectly calculated the proposed GCA 117 monthly factors in accordance with all applicable requirements.

9. Effects on Residential Customers. 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 (August 2024 - $3.5758/Dth) and a year ago (November 2023 - $3.6740/Dth, December 2023 - $3.7872/Dth, January 2024 - $4.0126/Dth, February 2024 - $3.7200/Dth, March 2024 - $3.7063/Dth, and April 2024 - $3.2753/Dth). The table solely reflects costs that are 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	Gas Costs (10 Dth)	Difference
November 2024	$35.76	$35.76	$0.00	$36.74	($0.98)
December 2024	$36.15	$35.76	$0.39	$37.87	($1.72)
January 2025	$36.54	$35.76	$0.78	$40.13	($3.59)
February 2025	$35.57	$35.76	($0.19)	$37.20	($1.63)
March 2025	$34.65	$35.76	($1.11)	$37.06	($2.41)
April 2025	$33.72	$35.76	($2.04)	$32.75	$0.97

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 Utilities 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: OCT 30 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: 2024.10.30 10:14:35 -04'00'

Dana Kosco
Secretary of the Commission