

**ORIGINAL**

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

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF BOONVILLE NATURAL GAS )  
CORPORATION FOR APPROVAL OF GAS COST ) CAUSE NO. 37369 GCA 132  
ADJUSTMENT TO BE APPLICABLE FOR THE )  
MONTHS OF NOVEMBER 2024 THROUGH APRIL ) APPROVED: OCT 30 2024  
2025 PURSUANT TO INDIANA CODE § 8-1-2-42 (g) )**

**ORDER OF THE COMMISSION**

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

On August 30, 2024, Boonville Natural Gas 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 testimony of its Vice President, Paul M. Lewellyn, and Brian D. Cherry of LWG CPAs & Advisors (“LWG”). On September 13, 2024, and September 25, 2024, Petitioner filed revised schedules and corrections to its case-in-chief. On October 2, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and attachments of Heather R. Poole, Division Director of the OUCC’s Natural Gas Division. On October 4, 2024, Petitioner filed its notice indicating that it did not intend to file rebuttal testimony.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause on October 22, 2024, at 11:00 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared by counsel at the evidentiary hearing, during which their respective exhibits were admitted into the record without objection.

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

- 1. Statutory Notice and 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 Indiana law. Petitioner’s principal office is located at 1425 North Rockport Road, Boonville, Indiana. Petitioner renders natural gas utility service to the public in the City of Boonville, the Town of Chandler, and various unincorporated areas in Warrick County, Indiana. Petitioner 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 to provide gas to its retail customers at the lowest cost reasonably possible. The Commission has further indicated that each natural gas utility should describe on an annual basis its purchasing and estimating strategies.

Mr. Lewellyn described Petitioner's purchasing and estimating strategies. He explained that Petitioner's estimating strategy begins with a review of gas usage over the last three years, and may then be adjusted based upon new information related to the customers that Petitioner is expected to serve, such as, a change in the number of customers served or changes in customer energy usage. He said Petitioner's purchasing strategy is designed to meet those estimates and to acquire gas well ahead of usage. He explained that going into winter months, Petitioner prefers to have at least 50% of the anticipated sales hedged by fixed contracts or storage gas. He said since Petitioner does not own storage facilities, storage gas is provided through Texas Gas. He explained Petitioner must carefully balance the amount of gas available in storage against the withdrawals of stored gas to ensure that sufficient natural gas is available when needed and to avoid penalties.

Mr. Lewellyn also explained Petitioner's practices to mitigate gas price volatility, including purchasing fixed contract gas and acquiring storage gas well in advance of usage, monitoring natural gas prices through NYMEX Futures, using a normal temperature adjustment and flexing for GCA factors, and monitoring its customer's historical usage and changes in such usage. He also indicated that Petitioner has not changed its estimating or purchasing strategies from that previously described to the Commission.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility including considering market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence of record, we find that Petitioner has demonstrated that it has followed and continues to follow a policy of securing natural gas supply at the lowest 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 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 GCA factors 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 which results in the 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 September 18, 2024 in Cause No. 45985 U. The Commission authorized Petitioner to earn a net operating income of \$542,561 on a rate base of \$6,960,846.

Petitioner’s evidence indicates that for the 12 months ended April 30, 2024, Petitioner’s actual net operating income was \$435,061. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning 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 was a negative 2.94% 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.**

**A. Variance.** 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 November 2023 through April 2024 (“Reconciliation Period”) is an over-collection of \$95,949 from its customers. This amount should be included in the current GCA as a decrease in the estimated net cost of gas.

**B. Refunds.** Petitioner has no new refunds during the Reconciliation Period and has \$7,669 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 \$7,669 as reflected on Schedule 12A.

**8. Resulting Gas Cost Adjustment Factors.** The estimated net cost of gas to be recovered (including after adjustments for variance and refund amounts) is as follows:

| <b>Month</b>         | <b>Net Cost of Gas</b> | <b>Total Cost of Gas After Adjustments</b> |
|----------------------|------------------------|--|
| <b>November 2024</b> | \$166,467              | \$149,198                                  |
| <b>December 2024</b> | \$248,106              | \$230,837                                  |
| <b>January 2025</b>  | \$343,327              | \$326,058                                  |
| <b>February 2025</b> | \$260,438              | \$243,169                                  |
| <b>March 2025</b>    | \$183,484              | \$166,215                                  |
| <b>April 2025</b>    | \$92,759               | \$75,490                                   |

After dividing the total costs shown above by the estimated sales, the recommended GCA factors are as follows:

| <b>Month</b>         | <b>GCA Factor (\$/Dth)</b> |
|----------------------|----------------------------|
| <b>November 2024</b> | \$3.2434                   |
| <b>December 2024</b> | \$3.4453                   |
| <b>January 2025</b>  | \$3.5831                   |
| <b>February 2025</b> | \$3.4738                   |
| <b>March 2025</b>    | \$3.4628                   |
| <b>April 2025</b>    | \$2.7959                   |

Ms. Poole testified that after Boonville filed the revisions to its case-in-chief on September 25, 2024, the OUCC found nothing to indicate Boonville has incorrectly calculated the proposed GCA 132 factors in accordance with all applicable requirements.

The Commission finds the above factors are properly calculated and should be approved, subject to refund in accordance with Paragraph 11 below.

**9. Effects on Residential Customers.** The table below shows the commodity costs a residential customer will incur under the GCA factors based on 10 Dth of usage. The table also compares the gas costs to what a residential customer paid most recently (August 2024 - \$0.0742/Dth) and a year ago (November 2023 - \$3.2569/Dth, December 2023 - \$3.5621/Dth, January 2024 - \$3.7339/Dth, February 2024 - \$3.3579/Dth, March 2024 - \$3.3834/Dth, and April 2024 - \$2.7810/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’s base rates or any applicable rate adjustment mechanisms.

| <b>Month</b>         | <b>Proposed Gas Costs (10 Dth)</b> | <b>Current</b>            |                   | <b>Year Ago</b>           |                   |
|----------------------|------------------------------------|---------------------------|-------------------|---------------------------|-------------------|
|                      |                                    | <b>Gas Costs (10 Dth)</b> | <b>Difference</b> | <b>Gas Costs (10 Dth)</b> | <b>Difference</b> |
| <b>November 2024</b> | \$32.43                            | \$0.74                    | \$31.69           | \$32.57                   | (\$0.14)          |
| <b>December 2024</b> | \$34.45                            | \$0.74                    | \$33.71           | \$35.62                   | (\$1.17)          |
| <b>January 2025</b>  | \$35.83                            | \$0.74                    | \$35.09           | \$37.34                   | (\$1.51)          |
| <b>February 2025</b> | \$34.74                            | \$0.74                    | \$34.00           | \$33.58                   | \$1.16            |
| <b>March 2025</b>    | \$34.63                            | \$0.74                    | \$33.89           | \$33.83                   | \$0.80            |
| <b>April 2025</b>    | \$27.96                            | \$0.74                    | \$27.22           | \$27.81                   | \$0.15            |

**10. Other Matters.**

**A. Petitioner's Response to Cause No. 37369 GCA 131 Directive.** Through its April 30, 2024 Order in Cause No. 37369 GCA 131, the Commission noted evidence and testimony that identified discrepancies in Petitioner's prefiled schedules. The Commission also noted that Mr. Lewellyn described the steps the utility was taking to make changes in its data gathering procedures and that the utility may change its billing software, both of which he said should improve the accuracy of Petitioner's future GCA filings. The Commission therefore directed Petitioner to provide an update on its process improvements (as well as its evaluation of a new billing software vendor) as part of the current GCA proceeding.

Petitioner explained that documentation it provided LWG regarding previous GCA proceedings was sometimes inaccurate and that these reports lost the accuracy necessary after a Texas Gas billing system change. Petitioner stated that it worked with LWG to identify new documentation that could be used to improve the accuracy of the information Petitioner provides to LWG for the preparation of GCA filings. Petitioner also noted that LWG changed its processes to ensure that the documents it receives are accurate. Mr. Cherry asserted that these combined new steps resulted in improved accuracy.

Mr. Lewellyn explained Petitioner also searched for a new software provider, researched alternative billing software options to better meet its needs in an economical fashion, and spoke with other Indiana utilities about the possibility of developing joint custom software. Unfortunately, none of these efforts yielded viable options. He added that pressure applied by Petitioner and other utilities upon their common software vendor resulted in a commitment from the vendor to increase its levels of service.

The Commission acknowledges Petitioner's submission of this information and respectfully directs Petitioner to continue prioritizing process improvements. The Commission further directs Petitioner to provide an update in its next GCA proceeding about its process improvements and whether it has resolved the impacts of Texas Gas' billing system changes..

**B. Flex Filing.** Ms. Poole testified that Petitioner did not file a Flex Filing nor a Notice of No Flex Filing in April 2024. Petitioner is respectfully requested to take steps to ensure future notices of its utilization or non-utilization of monthly flex mechanisms is timely filed.

**C. December 2023 and January 2024 Rate.** Ms. Poole stated that the OUCC discovered Petitioner incorrectly charged all customers the GCA rate approved in Cause No. 37369 GCA 130, instead of the flex filing rate, for December 2023 and January 2024. After an OUCC inquiry regarding this issue, Petitioner confirmed the incorrect rates were used for these months. Petitioner subsequently revised Schedule 6 prefiled in this Cause to reflect the true amount actually billed. We emphasize that Petitioner should take steps to ensure such billing mistakes are not repeated in the future.

**11. 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.

**12. 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 Boonville 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. 11.

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.**

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**Dana Kosco**  
**Secretary of the Commission**