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

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF MIDWEST NATURAL GAS 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. 37440 GCA 163** **APPROVED: OCT 30 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Ann S. Pagonis, Administrative Law Judge

On August 21, 2024, in accordance with Ind. Code § 8-1-2-42, Midwest 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, December 2024, and January 2025. In support of its Petition, Petitioner filed the direct testimony of Cody M. Osmon, Accountant for Petitioner.

On September 18, 2024, in conformance with the GCA statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony and exhibits of LaCresha N. Vaulx, Utility Analyst in the OUCC's Natural Gas Division. Petitioner filed its notice indicating that it did not intend to file rebuttal testimony on September 20, 2024.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing in this Cause on October 17, 2024, at 11:00 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 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. **Notice and 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 Indiana law. Petitioner's principal office is located at 101 S.E. Third Street, Washington, Indiana. Petitioner renders natural gas utility service to the public in Clark, Daviess, Greene, Knox, Jackson, Jennings, Monroe, Orange, Scott, and Washington counties in Indiana, and owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service.

3. **<u>Source of Natural Gas</u>.** Ind. Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's witness Mr. Osmon testified that Petitioner actively purchases fixed contracts, contracts relating to future periods, and appropriately sized contracts. Petitioner also plans for efficient use of storage. 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.

Mr. Osmon also described the purchasing and estimating strategies for this petitioner and indicated that he believed the techniques continue to be reasonable. He explained Petitioner first considers total throughput (i.e. sales service and transport customers) of the prior year adjusted for degree-day data. He said this information is compared to the prior five years of actual sales volumes for reasonableness, again considering sales service volumes, transportation volumes and the combination of the two. The comparison considers unusual weather activity as well as other known changes. He explained from this information, a final estimate of expected gas needs is determined. Next, Petitioner examines the fixed contract gas it has in place and the storage gas that would be available to meet the expected sales. Next, Petitioner examines NYMEX pricing and also discusses trends in that pricing with its marketer. Next, Petitioner determines what additional gas should be purchased from spot gas, or whether additional fixed contracts should be acquired. He said, based on such strategies, Petitioner prepares the schedules included in its GCA filings. He said historically, this approach has been found to be reasonable by this Commission. Finally, he explained that Petitioner is diligent in reviewing pricing, reviewing information on trends from its marketer, considering estimates of volumes to be sold, taking into account the hedging in place, and where appropriate, flexing its estimates.

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 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 to meet anticipated customer requirements. Therefore, we find that the requirement of this statutory provision has been fulfilled.

4. **<u>Purchased Gas Cost Rates</u>.** 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 for a change in the cost of gas proposed to be included in the GCA factor. The evidence of record indicates that the proposed gas costs include transportation 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. **<u>Earnings Test</u>.** Ind. Code § 8-1-2-42(g)(3)(C) prohibits approval of a GCA factor that results in a public utility earning a return in excess of the return authorized by the last Commission Order in which the gas utility's basic rates and charges were approved. The

Commission, in its January 10, 2024, Order in Cause No. 45888, authorized Petitioner to earn a net operating income of $1,816,020.

Petitioner's evidence indicates that for the 12 months ending June 30, 2024, Petitioner's actual net operating income was $691,910. Therefore, based upon the evidence of record, the Commission finds that Petitioner is not earning a return in excess of that authorized.

6. **<u>Estimation of Purchased Gas Costs</u>.** 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 variances related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner's 12-month rolling average comparison was negative 5.57% for the period ending June 30, 2024. 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 are reasonable.

7. **<u>Reconciliations</u>.**

A. **<u>Variances</u>.** 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 established that the variance for the reconciliation period of April, May, and June 2024 ("Reconciliation Period") is an under-collection of $1,247 from Petitioner's 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 $553.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $174,017. Combining this amount with the Reconciliation Period variance results in a total over-collection of $173,464, to be applied in this GCA as a decrease in the estimated net cost of gas.

B. **<u>Refunds</u>.** Petitioner received one refund during the Reconciliation Period but had no refund from prior periods applicable to the current recovery period. We find the amount to be refunded in this GCA is $38,202, as reflected on Petitioner's Exhibit 2 Schedule 12A, line 15.

8. **<u>Resulting Gas Cost Adjustment Factor</u>.** The table below shows the estimated total net commodity cost of gas to be recovered for each month of the GCA period, the net gas costs to be recovered through the GCA factor after adjusting this total for the variance, refunds, excess earnings, and demand amounts (the total variable costs to recover), and Petitioner's recommended GCA factors after dividing the total variable costs to recover by estimated sales.

	November 2024	December 2024	January 2025
Estimated net commodity cost of gas	$904,532	$1,218,510	$1,529,902
Total variable costs to recover	$619,916	$927,908	$1,242,096
Petitioner's recommended GCA factors	$4.1171/Dth	$4.4948/Dth	$4.7409/Dth

Ms. Vaulx testified that, based on the information provided by Petitioner in its initial filing, the OUCC found nothing to indicate Petitioner has not correctly calculated the proposed GCA 163 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 10 below.

9. <u>Effects on Residential Customers - (GCA Cost Comparison)</u>. The table below shows the commodity costs a residential customer will incur under the approved GCA factors based on 10 Dth of usage. The table also compares those GCA factors to what a residential customer paid most recently (August 2024 - $3.5085/Dth) and a year ago (November 2023 - $2.9349/Dth, December 2023 - $3.2820/Dth, and January 2024 - $3.4504/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**	**Gas Costs (10 Dth)**	**Difference**
November 2024	$41.17	$35.09	$6.08	$29.35	$11.82
December 2024	$44.95	$35.09	$9.86	$32.82	$12.13
January 2025	$47.41	$35.09	$12.32	$34.50	$12.91

10. <u>Interim Rates</u>. The Commission is unable to determine whether Petitioner will earn an excess return while the 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 concerns. 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 Midwest Natural Gas Corporation for the gas cost adjustments 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 no later than three business days before the beginning of each calendar month 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
10:16:59 -04'00'

Dana Kosco
Secretary of the Commission