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

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL GAS CO., INC. FOR APPROVAL OF CHANGES IN ITS RATES THROUGH A GAS COST ADJUSTMENT IN ACCORDANCE WITH IND. CODE § 8-1-2-42(g)	)))))	**CAUSE NO. 37488 GCA 162** **APPROVED: OCT 30 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Greg S. Loyd, Administrative Law Judge

On August 22, 2024, pursuant to Ind. Code § 8-1-2-42, Community Natural Gas Co., Inc. ("Petitioner") filed its Petition, with attached schedules, for a gas cost adjustment ("GCA") with attached schedules to be applicable during the months of November 2024 through January 2025. On this same day, Petitioner also filed the direct testimony of Mandy Leach, which Petitioner revised on September 4, 2024. On September 18, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Mark H. Grosskopf, Senior Utility Analyst in the OUCC's Natural Gas Division. On September 26, 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 on October 22, 2024, at 11:30 a.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared by counsel at the 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 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 service office is in Owensville, Indiana. Petitioner renders natural gas utility service to the public in Gibson, Posey, Dubois, Spencer, Greene, Monroe, Pike, Warrick, Owen, and Sullivan 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. Ms. Leach testified that Petitioner's estimating and

purchasing strategies have not changed from that last described to the Commission. She described Petitioner's strategy on estimating natural gas usage and determining appropriate purchases of natural gas, which includes analysis of actual usage by month over a prior ten-year period. She said as part of this analysis, Petitioner also reviews current and future NYMX pricing, discusses trends in natural gas pricing with its marketer, and considers what benefits can be obtained for its customers by hedging through fixed contracts or storage gas. She also set forth Petitioner's methods to mitigate volatility in customers' bills. This includes monitoring the usage of its customers, acquiring fixed contracts for future use, refilling storage during the summer months when gas prices are typically at their lowest, the use of a normal temperature adjustment mechanism, monitoring trends in the natural gas market, and the use of a flexing mechanism to reduce significant variances.

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 current basic rates and charges were approved on October 12, 2022, in Cause No. 45690. The Commission authorized Petitioner to earn 7.95% and a net operating income of $1,376,136 on an original cost rate base of $17,309,920.

Petitioner's evidence indicates that for the 12 months ending June 30, 2024, Petitioner's actual net operating income was $1,073,439. 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 Petitioner's 12-month rolling average comparison was negative 7.35% 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 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 April 2024 through June 2024 ("Reconciliation Period") is an over-collection of $78,206 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 is a decrease in the estimated net cost of gas of $33,578.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $55,648. Combining this amount with the Reconciliation Period variance results in a total over-collection of $89,226 to be applied in this GCA as a decrease in the estimated net cost of gas.

B. Refunds. Petitioner's Schedule 11A reflects unaccounted-for gas in the amount of negative $75,284, which results in a refund. Petitioner has no refunds from prior periods applicable to the current recovery period. Based on the evidence presented, we find that the amount to be refunded to customers in this GCA is $32,555.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered is $377,309 for November 2024, $510,045 for December 2024, and $700,485 for January 2025. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $366,716 for November 2024, $469,451 for December 2024, and $659,892 for January 2025. After dividing those amounts by the estimated sales, Petitioner's recommended GCA factors are $3.1616/Dth for November 2024, $3.6139/Dth for December 2024, and $3.8703/Dth for January 2025.

Mr. Grosskopf testified that the OUCC found nothing to indicate Petitioner has not correctly calculated the proposed GCA 162 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. Effects on Residential Customers - (GCA Cost Comparison). Petitioner requests authority to approve the GCA factor of $3.1616/Dth for November 2024, $3.6139/Dth for December 2024, and $3.8703/Dth for January 2025. The table below illustrates 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 $2.2147/Dth) and a year ago (November 2023 - $2.2385/Dth, December 2023 - $2.4962/Dth, and January 2024 - $2.5292/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	$31.62	$22.15	$9.47	$22.39	$9.23
December 2024	$36.14	$22.15	$13.99	$24.96	$11.18
January 2025	$38.70	$22.15	$16.55	$25.29	$13.41

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 Community Natural Gas Co., 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. 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 10:15:22
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Dana Kosco
Secretary of the Commission