

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF SOUTH EASTERN INDIANA)
 NATURAL GAS CO., INC. FOR APPROVAL OF) CAUSE NO. 37785 GCA 131
 CHANGES TO ITS GCA RATES IN)
 ACCORDANCE WITH INDIANA CODE § 8-1-2-) APPROVED: JUN 26 2024
 42(G))**

ORDER OF THE COMMISSION

Presiding Officer:

David E. Veleta, Commissioner

Kristin E. Kresge, Administrative Law Judge

On, May 6, 2024, South Eastern Indiana Natural Gas Company, Inc. (“South Eastern” or “Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the July through September 2024 billing cycles. Also on May 6, 2024, Petitioner prefiled the direct testimony of Emily M. Harlow, Senior Manager of Finance and Regulatory Services of Ohio Valley Gas Corporation, which is an affiliate of Petitioner.

On May 17, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed a Motion for Subdocket concerning recovery of a large variance in previously incurred gas storage cost. On May 24, 2024, South Eastern filed its Response in Opposition to OUCC Motion for Subdocket. On May 31, 2024, the OUCC filed its Reply to Petitioner’s Response in Opposition to OUCC’s Motion for Subdocket. On June 4, 2024 the OUCC filed a Motion to Extend Filing Deadline for Testimony Related to Under Collection Issue and to Expedite Ruling Upon Motion for Subdocket. On June 5, 2024, Petitioner filed its Joinder in OUCC Motion and Clarification Regarding Continuation Request. On June 5, 2024, the Indiana Utility Regulatory Commission (“Commission”) issued a Docket Entry granting OUCC’s Motion and Creating Subdocket.

On June 5, 2024, the OUCC prefiled the testimony and exhibits of Jason D. Kohlmann, Assistant Director of the OUCC’s Natural Gas Division.

The Commission held an evidentiary hearing in this Cause on June 17, 2024, at 9:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing, at which 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. Statutory 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 with its principal office located at 106 East Main Street, Morristown, Indiana. Petitioner renders natural gas utility service to the public in Dearborn and Ripley 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 natural gas supplies to provide gas to its retail customers at the lowest gas cost reasonably possible. Ms. Harlow testified Petitioner's approach in acquiring natural gas for its customers includes: (a) utilizing borrowed gas storage on a regular basis; (b) staying apprised of market conditions by regularly reviewing New York Mercantile Exchange ("NYMEX") prices; (c) monitoring customers' usage; (d) using a normal temperature adjustment mechanism to normalize weather based on National Oceanic and Atmospheric Administration data (e) using monthly flexing for its GCA factors, both up and down as appropriate, and (f) using fixed contracts and storage inventories to minimize gas cost fluctuations. Ms. Harlow stated these activities help mitigate volatility and assist Petitioner in acquiring a reasonably priced natural gas supply.

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. The subdocket created under this Cause will review the reasonableness of South Eastern's historical and borrowed storage valuation and practices. Based on the evidence, excluding the variance for borrowed gas storage cost, 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. 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 indicates the proposed gas costs include transport rates that have been filed by Petitioner's pipeline suppliers as authorized by Federal Energy Regulatory Commission procedures; therefore, we find 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 a public utility earning a return in excess of the return authorized by the last Commission Order in which the Petitioner's base rates and charges were approved. Petitioner's current base rates and charges were approved on October 3, 2018, in Cause No. 45027, where the Commission authorized Petitioner to earn a net operating income of \$149,868.

South Eastern's evidence indicates that for the 12 months ended February 29, 2024, Petitioner's reported net operating income was negative \$512,383, which is \$662,251 less than its authorized net operating income, and the sum of the differentials during the relevant period is negative \$1,912,881; therefore, based on the evidence, we find Petitioner is not earning a return 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 variances related to cycle billing and seasonal fluctuations. The evidence presented indicates that Petitioner’s 12-month rolling average comparison was negative 10.24% for the period ended February 29, 2024. Ms. Harlow testified that the main driver of the higher rate was the adjustment to borrowed gas storage for December 2023. Based on Petitioner’s historical accuracy in estimating the cost of gas with the exclusion of the borrowed gas valuation to be evaluated in the subdocket, we find that Petitioner’s estimating techniques are sound, and Petitioner’s prospective average estimate of gas costs are reasonable.

7. Reconciliation.

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 establishes that the variance for the reconciliation period of December 2023 through February 2024 (“Reconciliation Period”) is an under-collection of \$85,625 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 \$4,054.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$49. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$4,103 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. Petitioner received no refunds during the Reconciliation Period and has no refunds from prior periods applicable to this GCA.

8. Resulting Gas Cost Adjustment Factor. The subdocket created under this Cause will address the large variance related to prior storage cost. For this reason, the large variance was removed from the GCA factors. In his testimony, Mr. Kohlmann calculated the GCA factors without inclusion of the variance.

The estimated net cost of gas to be recovered is \$10,784 for July 2024, \$10,834 for August 2024, and \$11,847 for September 2024. Adjusting these totals for the variance and refund amounts yields net gas costs to be recovered through the GCA factor of \$12,124 for July 2024, \$12,152 for August 2024, and \$13,293 for September 2024. The OUCC and Petitioner request approval of the following GCA factors: \$4.0779/Dth for July 2024, \$4.1558/Dth for August 2024, and \$4.1436/Dth for September 2024.

9. Effects on Residential Customers. 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 the proposed gas costs to what a residential customer paid most recently (May 2024 - \$1.9451/Dth) and one year ago (July 2023 - \$2.2982/Dth; August 2023 - \$2.3368 /Dth; September 2023 - \$2.3857/Dth). 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
July 2024	\$40.78	\$19.45	\$21.33	\$22.98	\$17.80
August 2024	\$41.56	\$19.45	\$22.11	\$23.37	\$18.19
September 2024	\$41.44	\$19.45	\$21.99	\$23.86	\$17.58

10. Interim Rates. 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. 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, which must be filed no later than 3 business days before the beginning of each calendar month during the GCA period.

12. Other Matters. Ind. Code 8-1-2-42(g)(1) provides that “[i]n addition, before such an adjustment to the gas cost charge becomes effective, the commission shall hold a summary hearing on the sole issue of the gas cost adjustment. The utility consumer counselor shall conduct the utility consumer counselor’s review and make a report to the commission within 30 days after the utility’s request for the gas cost adjustments is filed. The commission shall hold the summary hearing and issue its order within 30 days after it receives the utility consumer counselor’s report.” Petitioner filed this matter on May 6, 2024, which would give the Commission until July 5, 2024 to issue its order, according to statute. Petitioner requested approval of GCA factors for July, August, and September, only giving the Commission until the end of June to issue the Order. To allow the Commission the allotted time under statute, South Eastern shall file its next Petition for Gas Cost Adjustment by August 1, 2024.

In previous GCA Orders, including 37785 GCA 125, 37785 GCA 126 and 37785 GCA 127, the Commission stated that it is crucial that South Eastern’s GCA filings be accurate. Petitioner’s filings need to be prioritized and not regress. Recent GCA filings have contained

inaccuracies and misstatements, which have required supplemental filings. South Eastern is directed to earnestly work toward and demonstrate increased accuracy in its GCA filings.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petition of South Eastern Indiana Natural Gas Company, Inc. 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 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. Petitioner is directed to file its next GCA on or before August 1, 2024.

4. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: JUN 26 2024

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

Dana Kosco
Secretary of the Commission