

**ORIGINAL**

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

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF FOUNTAINTOWN GAS )  
COMPANY, INC. FOR APPROVAL OF ) CAUSE NO. 37913 GCA 145  
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:**

**Kristin E. Kresge, Administrative Law Judge**

On May 6, 2024, Fountaintown Gas Company, Inc. (“Fountaintown” 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 23, 2024, Petitioner filed supplemental testimony of Ms. Harlow and revised exhibits, including Revised Schedules 1, 2, 12a, 12b, and Appendix A.

On June 5, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and exhibits of Jason D. Kohlmann, Assistant Director of the Natural Gas Division.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause on June 17, 2024, at 1:45 p.m. in Room 224 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. 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 Decatur, Hancock, Henry, Rush, and Shelby 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 storage on a regular basis when gas prices are historically lower; (b) staying apprised of market conditions by regularly reviewing New York Mercantile Exchange (“NYMEX”) prices; (c) flexing GCA factors both up and down, as appropriate, and (d) using a normal temperature adjustment mechanism to normalize weather based on National Oceanic and Atmospheric Administration data. 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 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. 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 May 3, 2023, in Cause No. 45802-U. The Commission authorized Petitioner in Cause No. 45802-U to earn a net operating income of \$619,056.

Fountaintown’s evidence indicates that for the 12 months ended February 29, 2024, Petitioner’s reported net operating income was \$245,118, which is \$373,938 less than its authorized net operating income. 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 4.32% for the period ending February 29, 2024.

Based on Petitioner’s historical accuracy in estimating the cost of gas, the Commission finds that Petitioner’s estimating techniques and prospective average estimate of gas costs are reasonable.

**7. Reconciliations.**

**A. Variiances.** Ind. Code § 8-1-2-42(g)(3)(D) requires 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 over-collection of \$123,065 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 a decrease in the estimated net cost of gas is \$5,897.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$1,000. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$4,897 to be applied in this GCA as a decrease in the estimated net cost of gas.

**B. Refunds.** Petitioner has prior period refunds of \$5,828 to be refunded this period, which results in a decrease in the estimated net cost of gas.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered for July 2024 is \$19,483, August 2024 is \$27,819, and September 2024 is \$34,502. Adjusting this total for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$16,931 for July 2024, \$24,183 for August 2024 and \$29,964 for September 2024. After dividing that amount by estimated sales, Petitioner’s recommended GCA factors are \$3.6140/Dth for July 2024, \$3.6229/Dth for August 2024, and \$3.5963/Dth for September 2024.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of \$3.6140/Dth for July 2024, \$3.6229/Dth for August 2024, and \$3.5963/Dth for September 2024. 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 (May 2024 - \$1.8233/Dth) and one year ago (July 2023 - \$2.0103/Dth; August 2023 - \$2.1210/Dth; September 2023 – (\$2.6479)/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
July 2024	\$36.14	\$18.23	\$17.91	\$20.10	\$16.04
August 2024	\$36.23	\$18.23	\$18.00	\$21.21	\$15.02
September 2024	\$35.96	\$18.23	\$17.73	\$26.48	\$9.48

**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 according to statute would give the Commission until July 5, 2024 to issue its order. Petitioner requested for approval of GCA factors for July, August, and September, which only gives the Commission until the end of June to issue the Order. To allow the Commission the allotted time under statute, it is ordered that South Eastern file its next Petition for Gas Cost Adjustment by August 1, 2024.

In previous GCA Orders, the Commission stated that it is crucial that Fountaintown’s GCA filings be accurate. Petitioner’s filings need to be prioritized and not regress. Recent GCA filings have contained inaccuracies and misstatements. Fountaintown 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 Fountaintown 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 in the amounts reflected.

3. Petitioner shall 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.**

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**Dana Kosco  
Secretary of the Commission**