ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner			√

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC FOR APPROVAL OF A GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF MARCH, APRIL, AND MAY 2022, PURSUANT TO IND. CODE § 8-1-2-42(g).	)))))	**CAUSE NO. 43629 GCA 61** **APPROVED: FEB 23 2022**

ORDER OF THE COMMISSION

Presiding Officer:
David E. Veleta, Senior Administrative Law Judge

On December 27, 2021, in accordance with Ind. Code § 8-1-2-42, Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner") filed its Verified Petition for Gas Cost Adjustment ("GCA"), with attached Schedules, to be applicable during the months of March, April, and May 2022. That same date, NIPSCO prefiled the direct testimony and exhibits of the following NIPSCO or NiSource Corporate Services Company ("NiSource") employees: Andrew S. Campbell, Director of Portfolio Planning & Origination for NIPSCO; and Susan Kimmet, Senior Regulatory Analyst for NiSource.

On January 18, 2022 and February 7, 2022, Petitioner filed corrections to Ms. Kimmet's testimony.

On January 26, 2022, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the direct testimony and exhibits of the following: Mark H. Grosskopf, Senior Utility Analyst in the OUCC's Natural Gas Division; and Jerome D. Mierzwa, Principal and Vice President of Exeter Associates, Inc.

NIPSCO filed no rebuttal testimony, but on February 2, 2022, a Docket Entry was issued requesting NIPSCO respond to two questions, to which NIPSCO responded on February 7, 2022.

The Indiana Utility Regulatory Commission ("Commission") noticed this matter for a public evidentiary hearing at 9:30 a.m. on February 10, 2022, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC, by counsel, participated in the evidentiary hearing and the testimony and exhibits of NIPSCO and the OUCC were admitted 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 by the Commission as required by law. NIPSCO 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 NIPSCO's rates and charges related to adjustments in gas costs; therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this Cause.

2. Petitioner's Characteristics. NIPSCO is a limited liability company organized and existing under the laws of the State of Indiana. Petitioner's principal office is located at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO renders natural gas utility service to the public in Indiana 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 NIPSCO 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.

Mr. Campbell testified that NIPSCO manages a balanced and fully diversified gas supply portfolio that includes a variety of commodity, transportation, and storage resources. The commodity portfolio is balanced with a combination of fixed-price (physical and financial) and market-based purchases. NIPSCO diversifies its supply by acquiring gas from multiple suppliers from many supply areas through a competitive bidding process while utilizing a variety of pricing structures. The gas is delivered to NIPSCO pursuant to firm transportation contracts with six interstate gas pipelines, providing access to different supply basins. NIPSCO also has several firm contractual storage services, as well as on-system storage capability, to meet its gas customers' requirements. The storage portfolio is further diversified through a variety of storage service types in both the market area and producing regions.

Mr. Campbell testified NIPSCO has firm transportation contracts with Natural Gas Pipeline Company of America ("Natural"), Panhandle Eastern Pipe Line Company ("Panhandle"), Trunkline Gas Company ("Trunkline"), ANR Pipeline Company ("ANR"), Vector Pipeline ("Vector"), and Crossroads Pipeline ("Crossroads"), which give NIPSCO access to diverse supply regions. After allocations to the Choice Suppliers, the long-term, firm, transportation contracts with Natural, Panhandle, Trunkline, ANR, Vector, and Crossroads have an aggregate maximum quantity during the peak season of approximately 715,000 Dth per day. Mr. Campbell stated the winter season is defined as the peak season, and the summer season is the off-peak season.

With regard to storage, Mr. Campbell testified NIPSCO has firm storage service contracts with Natural, Panhandle, ANR, Washington 10 Storage Corporation, and Egan Hub Partners, L.P. The contracts provide an annual peak working storage capability of approximately 29,892,000 Dth, with maximum daily withdrawal capability of approximately 524,000 Dth to meet winter peaks, after allocations to the Choice Suppliers. He provided a table detailing the storage inventory plan for the contracted storage facilities during the 12-month period beginning November 1, 2021, noting that actual storage inventory generally varies from this plan primarily due to weather and changing market conditions. Mr. Campbell stated that the contracted supplies are reinforced with NIPSCO-owned underground storage (Royal Center Trenton field) with a capacity of 4,000,000 Dth and liquefied natural gas ("LNG") storage with a total capacity of 4,000,000 Dth. He testified that Royal Center and NIPSCO's LNG facility are located within NIPSCO's gas service territory.

Mr. Campbell testified that NIPSCO conducts a Request for Proposal ("RFP") process twice a year to secure bids for term gas supplies for the peak season and the off-peak season. The RFP process, according to Mr. Campbell, is used to contract for firm gas supply at specified points, under known pricing methods, for a defined time, and typically, as a result of this bidding process, NIPSCO will award contracts to commodity suppliers for a significant portion of NIPSCO's projected gas supply needs. He stated that NIPSCO solicits bids from current and potential trading partners on a variety of deal structures and pricing at specific locations. A variety of different structures are combined to create a diversified portfolio, with the objective of achieving reliable, diverse supply at the lowest gas cost reasonably possible.

Mr. Campbell testified there have been no major changes in NIPSCO's contractual agreements for transportation and storage service since NIPSCO's last GCA filing. Mr. Campbell further explained that the allocation of transportation and storage capacity to Choice Suppliers is adjusted seasonally based on projected peak day usage for the Choice Suppliers' customers. For the upcoming season, NIPSCO will temporarily release approximately 14% of the contracted transport and storage capacity to the Choice Suppliers. Mr. Campbell stated the amount of capacity (and associated costs) flowed through the GCA will be net of that released amount and will vary based on NIPSCO's transportation and storage contracts.

Mr. Campbell testified NIPSCO didn't release any excess capacity during the months of September through November 2021. He stated that NIPSCO needs most of the capacity to serve its system needs for the winter months and due, in part, to off-system and on-system maintenance. He testified it is important NIPSCO retain daily and monthly operational flexibility, as well as optionality, to respond to changes in system demand, pipeline operations, or market conditions. Mr. Campbell stated that on and off-system constraints such as maintenance and force majeure events continue to be potential barriers to releasing capacity, with these conditions typically requiring NIPSCO to retain available capacity for system balancing. Mr. Campbell testified it can be difficult to forecast the impact that an on or off-system constraint can have to flowing supplies of gas, so NIPSCO has taken a conservative approach to ensure customers continue to be provided with safe and reliable service. Mr. Campbell stated that NIPSCO has and will continue to identify opportunities to maximize the value of the pipeline and storage assets, including capacity releases.

Mr. Campbell provided an update on the Federal Energy Regulatory Commission's ("FERC") Natural Gas Act Section 5 rate investigation ("Section 5 Investigation") with Panhandle. He testified that in response to the Section 5 Investigation, Panhandle filed a Natural Gas Act Section 4 general rate case ("Section 4 Rate Case") with the FERC (Docket No. RP19-1523), and the FERC combined these two cases into one docket. Mr. Campbell stated NIPSCO has intervened and is participating in the combined case on behalf of its GCA and Choice customers. He testified the formal rate case FERC hearing started August 25, 2020, and concluded on September 16, 2020, and the Administrative Law Judge issued an Initial Decision on March 26, 2021, with Panhandle ordered to make the required compliance filing within 60 days of the issuance of the Initial Decision. Per Mr. Campbell, the parties are waiting for the FERC to issue its Order to see which recommendations from the Initial Decision are ultimately included in FERC's final order.

Mr. Campbell stated NIPSCO's volatility mitigation program remains consistent with the Commission's recommendations in Cause Nos. 37396 GCA 63 and 38431 GCA 51. He testified NIPSCO made discretionary hedge purchases for November 2021 and has made discretionary hedge purchases for many winters since 2011, noting the discretionary process allows qualified hedge purchases to be made up to two years earlier than allowed by the non-discretionary hedge plan.

The Commission has directed Indiana's gas utilities to make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence, we find NIPSCO 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 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 NIPSCO'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 shows the proposed gas costs include transport rates that have been filed by NIPSCO's pipeline suppliers in accordance with FERC 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 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 NIPSCO earning a return in excess of the return authorized by the last Commission Order in which NIPSCO's basic rates and charges were approved. NIPSCO's current basic rates and charges were approved on September 19, 2018, in Cause No. 44988 (the "44988 Order"). In the 44988 Order, for Step 3, the Commission authorized NIPSCO to earn a net operating income ("NOI") of $98,734,717, excluding the Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") and Federally Mandated Cost Adjustment Mechanism ("FMCA"). Pursuant to the Commission's Orders in Cause No. 44403 TDSIC 11, Cause No. 45330 TDSIC 1 and 2, and Cause Nos. 45007 FMCA 4, and 5, NIPSCO added approved TDSIC operating income of $2,261,146 and recovery of approved FMCA costs of $6,046,964 to its authorized NOI for the 12 months ending September 30, 2021, resulting in a total authorized NOI of $107,042,827. Petitioner's evidence demonstrates for the 12 months ending September 30, 2021, NIPSCO's actual NOI was $110,607,104, which is $3,564,277 more than NIPSCO's authorized NOI of $107,042,827; therefore, based on the evidence, we find under Ind. Code § 8-1-2-42.3, NIPSCO is earning a return in excess of that amount authorized.

Because Petitioner's return exceeds the amount authorized, Ind. Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded to customers through the variance in this Cause. A refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Ind. Code § 8-1-2-42.3(a), is greater than zero. NIPSCO's overall earnings bank is a negative $84,919,493; therefore, based on the evidence, we find the sum of the differentials during the relevant period is less than zero, and it is not appropriate to require a refund in this Cause of any of the amount over-earned.

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that NIPSCO'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 25.48% for the period ending November 30, 2021, with the variance for September through November 2021 exceeding 10%. Mr. Campbell testified that, as discussed in NIPSCO's previous GCAs (Cause Nos. 43629 GCA 58 and 59), this variance is due to the February 2021 winter storm that affected natural gas prices. Per the Commission's Order in Cause No. 43629 GCA 58, the Commission approved NIPSCO's proposal for a 12-month alternative reconciliation process under which the variance will be evenly split between a fixed and variable calculation, and NIPSCO anticipates this variance dissipating and returning to normal levels at the end of this 12-month period. We find that NIPSCO's estimating techniques and its prospective average estimate of gas costs are reasonable based on the evidence presented and its historical gas cost estimates.

7. Reconciliations.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that NIPSCO 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 commodity and bad debt variance for the months of September 2021 through November 2021 ("Reconciliation Period") is an under-collection of $27,467,745 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 as an increase in the estimated net cost of gas is $5,410,521.

The commodity and bad debt variance from prior recovery periods applicable to the current recovery period is an under-collection of $18,982,741. Combining this amount with the Reconciliation Period commodity and bad debt variance to be included in this GCA results in a total under-collection of $24,393,262 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented establishes that the demand variance for the Reconciliation Period is an under-collection of $2,236,170 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 demand variance to be included in this GCA as an increase in the estimated net cost of gas is $422,165.

The demand variance from prior recovery periods applicable to the current recovery period is an over-collection of $1,079,998. Combining this amount with the Reconciliation Period demand variance to be included in this GCA results in a total over-collection of $657,833 to be applied to this GCA as a decrease in the estimated net cost of gas.

B. Refunds. Petitioner has no new refunds applicable to this GCA. Petitioner has no prior period refunds to be refunded in this GCA; therefore, the Commission finds that NIPSCO has no refunds to customers in this GCA as reflected on Schedule 12A.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered for March 2022 is $34,969,194, for April 2022 is $15,619,487, and for May 2022 is $7,480,546. Adjusting these totals for the variance and refund amounts yields gas costs to be recovered through the GCA factor of $45,383,926 for March 2022, $23,063,738 for April 2022, and $13,356,992 for May 2022.

9. Effects on Residential Customers. Petitioner requests authority to approve the GCA factor of $5.974/Dth for March 2022, $6.686/Dth for April 2022, and $7.512/Dth for May 2022. The table below shows the gas 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 (December 2021 - $5.628/Dth) and a year ago (March 2021 - $3.603/Dth, or April 2021 - $3.318/Dth, and May 2021 - $4.158/Dth). The table reflects costs approved through the GCA process. It does not include NIPSCO'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
March 2021	$59.74	$56.28	$3.46	$36.03	$23.71
April 2022	$66.86	$56.28	$10.58	$33.18	$33.68
May 2022	$75.12	$56.28	$18.84	$41.58	$33.54

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 indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. NIPSCO's approved monthly flex mechanism is designed to address the Commission's concerns; therefore, NIPSCO may utilize a monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of $1.00 from the initial market price in this GCA proceeding. Finally, NIPSCO shall file all material that supports its decision to flex or not to flex as outlined in our Order in Cause No. 44374.

12. Gas Cost Incentive Mechanism ("GCIM"). Mr. Mierzwa testified the GCIM benchmarking procedures in place during the GCA 61 review period were those set forth in the Stipulation and Agreement in Cause No. 41338 GCA 5, as modified by the Stipulation and Settlement Agreement the Commission approved in Cause No. 43629 GCA 48. He stated NIPSCO reasonably administered the GCIM benchmarking procedures. Mr. Mierzwa testified that in total, during the GCA 61 review period, NIPSCO experienced a gain of $1,314,791 under the GCIM which was shared 50 percent with NIPSCO's GCA customers.

Mr. Mierzwa also testified that since tagging procedures were implemented in Cause No. 41338 GCA 9 ("GCA 9") for exchange transactions, NIPSCO's exchange activities have not had an adverse impact on GCA costs; therefore, the tagging procedures should continue. He noted that since GCA 9, NIPSCO has significantly reduced its exchange transaction activity, and Mr. Mierzwa testified that NIPSCO engaged in no such activity during the GCA 61 review period, although NIPSCO has indicated to the OUCC that it may begin to enter into exchange transactions in the near future.

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

1. The Petition of Northern Indiana Public Service Company LLC for the gas cost adjustment for natural gas service, as set forth in Finding No. 8, is approved, subject to refund in accordance with Finding No. 10.

2. Prior to implementing the rates or future flexed factors, NIPSCO shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the Order date, subject to Energy Division review and agreement with the amounts reflected.

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

HUSTON, FREEMAN, KREVDA, AND OBER CONCUR; ZIEGNER ABSENT:

APPROVED: FEB 23 2022

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: 2022.02.23 10:20:49 -05'00'

Dana Kosco
Secretary of the Commission