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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY )  
NATURAL GAS CO., INC. FOR ) CAUSE NO. 37791 GCA 93  
APPROVAL OF CHANGES IN ITS GAS )  
COST ADJUSTMENT IN ACCORDANCE ) APPROVED:  
WITH IND. CODE 8-1-2-42 (g) )

APR 29 2015

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Jeffery A. Earl, Administrative Law Judge**

On February 26, 2015, in accordance with Indiana Code § 8-1-2-42, Switzerland County Natural Gas Company Inc. (“Petitioner” or “Switzerland”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of May through October 2015. Also on February 26, 2015, Petitioner prefiled the direct Testimony of Bonnie J. Mann supporting the proposed GCA factor. On March 17, 2015, Petitioner filed the Supplemental Testimony of Ms. Mann and certain revised schedules. On March 30, 2015, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Farheen Ahmed, Utility Analyst.

Pursuant to notice given and published as required by law, the Commission held an Evidentiary Hearing in this Cause at 9:30 a.m. on April 13, 2015, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

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. Petitioner is a public utility as defined in Indiana Code § 8-1-2-1(a). Under Indiana 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 office is located at 105 East Seminary Street, Vevay, Indiana. Petitioner renders natural gas utility service to the public in Switzerland County, Indiana and owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such service.

**3. Source of Natural Gas.** Indiana 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. Mann said that Petitioner continues to focus its hedging strategy on the heating season of November through March. Since the period of the GCA is May through October 2015, Petitioner has not purchased any fixed contracts and will not have any storage gas for this GCA period. Ms. Mann described how Petitioner has successfully obtained its natural gas supplies. Finally Ms. Mann opined that Petitioner has taken all reasonable steps to acquire gas at the lowest reasonable cost.

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 current and forward-looking bases. 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.** Indiana 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 rates that have either been requested or billed 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. Earnings Test.** Indiana 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 May 15, 2013, in Cause No. 44293. The Commission authorized Petitioner to earn a net operating income of \$60,885.

Petitioner's evidence indicates that for the twelve (12) months ending October 31, 2014, Petitioner's actual net operating income was \$36,188. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that authorized in its last rate case.

**6. Estimation of Purchase 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 2.71% for the period ending October 31, 2014.

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 October 2014 ("Reconciliation Period") is an over-collection of \$9,163 from its customers. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the amount of estimated net cost of gas is \$9,163.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$10,347. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$1,184 to be applied in this GCA as an increase in the estimated net cost of gas.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for May 2015 is \$33,091, for June 2015 is \$26,062, for July 2015 is \$22,704, for August 2015 is \$26,497, for September 2015 is \$26,420 and for October 2015 is \$41,636. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$33,289 for May 2015, \$26,259 for June 2015, \$22,902 for July 2015, \$26,694 for August 2015, \$26,617 for September 2015, and \$41,833 for October 2015. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$3.7554/Dth for May 2015, \$3.8088/Dth for June 2015, \$3.8751/Dth for July 2015, \$3.8716/Dth for August 2015, \$3.8603/Dth for September 2015, and \$3.8609/Dth for October 2015.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of \$3.7554/Dth for May 2015, \$3.8088/Dth for June 2015, \$3.8751/Dth for July 2015, \$3.8716/Dth for August 2015, \$3.8603/Dth for September 2015, and \$3.8609/Dth for October 2015. 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 (February 2015 - \$5.1415/Dth) and a year ago (May 2014 through July 2014 - \$5.9948/Dth and August through October 2014 - \$6.0459/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
May 2015	\$37.55	\$51.42	(\$13.87)	\$59.95	(\$22.40)
June 2015	\$38.09	\$51.42	(\$13.33)	\$59.95	(\$21.86)
July 2015	\$38.75	\$51.42	(\$12.67)	\$59.95	(\$21.20)
August 2015	\$38.72	\$51.42	(\$12.70)	\$60.46	(\$21.74)
September 2015	\$38.60	\$51.42	(\$12.82)	\$60.46	(\$21.86)
October 2015	\$38.61	\$51.42	(\$12.81)	\$60.46	(\$21.85)

10. **Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while this GCA factor is 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.

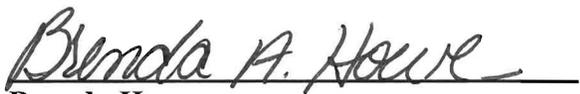
**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The Petition of Switzerland County 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. Prior to implementing the GCA factor approved above, Switzerland County Natural Gas Company, Inc. shall file with the Commission under this Cause the applicable rate schedules for this factor.
3. This Order shall be effective on and after the date of its approval.

**STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:**

**APPROVED: APR 29 2015**

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

  
**Brenda Howe**  
**Secretary to the Commission**