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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF OHIO VALLEY GAS,)
INC. FOR APPROVAL OF A GAS COST)
ADJUSTMENT PURSUANT TO INDIANA)
CODE 8-1-2-42 TO BE APPLICABLE TO)
CERTAIN GAS CONSUMPTION IN THE)
CALENDAR MONTHS OF OCTOBER,)
NOVEMBER AND DECEMBER 2009 WITH)
THE CONSUMPTION PERIOD STARTING)
ON OR ABOUT SEPTEMBER 15, 2009.)

CAUSE NO. 37352 GCA 104

APPROVED:
SEP 23 2009

BY THE COMMISSION:

James D. Atterholt, Commissioner
DeAnna L. Brunner, Administrative Law Judge

On July 23, 2009, in accordance with Indiana Code § 8-1-2-42, Ohio Valley Gas, Inc. ("Petitioner") filed its Petition for Gas Cost Adjustment with attached Schedules to be applicable during the billing cycles of October 2009 through December 2009 with the Indiana Utility Regulatory Commission ("Commission"). On July 24, 2009, Petitioner filed its Supplemental Filing including all Schedules to its Petition. On that same date, Petitioner prefiled the verified testimony of S. Mark Kerney, Vice President and Chief Financial Officer, supporting the proposed GCA factors. On August 20, 2009, Petitioner filed its Supplemental Filing Amendment No. 1 to Application to revise its estimated gas costs to reflect more current market prices. On August 20, 2009, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its Motion for Extension of Time to file GCA Report and Testimony ("Motion") from August 24, 2009, up to and including August 28, 2009, following Petitioner's earlier notification to the OUCC that Petitioner intended to revise its estimated gas costs no later than August 20, 2009. The Motion was granted August 24, 2009. On August 28, 2009, in conformance with the statute, the OUCC filed the statistical report and direct testimony of Pamela Sue Sargent Haase, CPA.

Pursuant to notice duly published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause at 9:30 a.m. EDT, on September 8, 2009, in Suite 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and OUCC were admitted into the record. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented herein, the Commission now finds:

1. **Statutory Notice and Commission Jurisdiction.** Due, legal and timely notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner operates a public gas utility, and as such, is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act, as amended. The provisions of said Act authorize the Commission to act in this proceeding. The Commission therefore has jurisdiction over the parties and the subject matter herein.

2. **Petitioner's Characteristics.** Petitioner is a corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 111 Energy Park Drive, Winchester, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in portions of Greene, Knox, Pike, Sullivan and Vigo counties in Indiana, and owns, operates, manages and controls plant and equipment used for the distribution and furnishing of such services.

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 natural gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible.

Petitioner's witness S. Mark Kerney testified Petitioner has a long-term contract with Texas Gas Transmission, LLC ("TGT") for transportation. Mr. Kerney stated the maximum daily contracted amount is 9,584 Dth and that arrangement includes pipeline capacity and storage. Petitioner has no storage facilities and was allocated foreign storage on the TGT system under their Federal Energy Regulatory Commission ("FERC") Order 636 compliance filing tariff. Applicant renewed its contracts with Texas Gas effective November 1, 2008 to expire October 31, 2013. No changes were made to the contract.

Pursuant to this contract, Petitioner will utilize TGT during the three-month period beginning October 1, 2009, for transportation services and will purchase its natural gas from natural gas broker(s) and/or producers in the spot market, under fixed price purchasing arrangements, and pipeline storage arrangements.

The testimony of Petitioner's witness S. Mark Kerney indicated Texas Gas Transmission, LLC is the nearest and most economical pipeline passing through Petitioner's general service area. Transmission facilities are in place to transport the purchased gas to Petitioner's distribution facilities. Mr. Kerney further testified utilizing another pipeline for transportation services would require a large investment in transmission facilities, offsetting any potential savings through decreased gas costs and also would require various approvals from FERC. Witness Kerney also stated Petitioner monitors its purchasing practices to keep purchased gas costs as low as economically feasible given weather and other variable load factor elements. Mr. Kerney testified Petitioner bought the cheapest available gas for the month regardless of the original estimated cost for that particular month.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that works to mitigate gas price volatility and 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 in order to meet anticipated customer requirements. Therefore, the Commission finds 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 gas costs in this Petition include transport rates that have been filed by Ohio Valley Gas, Inc.'s pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the cost to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in the Petitioner earning a return in excess of the return authorized by the last Commission proceeding in which Petitioner's basic rates and charges were approved. The most recent applicable proceeding in which Petitioner's basic rates and charges were approved is Cause No. 43208. The Commission's October 10, 2007 order in that Cause authorized Petitioner to earn a net operating income of \$199,373. Petitioner's evidence herein indicates that for the twelve (12) months ending May 31, 2009, Petitioner's actual net operating income was \$228,406. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning in excess of that authorized in its last rate case.

Because Petitioner has earned a return in excess of the amount authorized, Indiana Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded 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 Indiana Code § 8-1-2-42.3 (a), is greater than zero. Based upon the evidence of record, the Commission finds the sum of the differentials during the relevant period is less than zero, and, therefore, it is not appropriate to require a refund of any of the amount over earned in this Cause.

6. **Estimation of Purchased Gas Costs.** Indiana 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 this requires, in part, a comparison of prior estimations with the eventual actual costs. The evidence presented indicates that the estimating techniques of the Petitioner during the reconciliation period of March 2009 through May 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 21.76%. This was primarily due to a large variance in estimated May 2009 unit gas costs due to abnormally low actual system supply costs. The low May gas costs were primarily due to the injection into storage of most of the May 2009 gas purchases at an average refill price greater than the average actual May purchase price. Based upon Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas cost is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an over-collection of \$115,884 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 a decrease in the estimated net cost of gas is \$36,040.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$151,195. Combining this amount with the Reconciliation Period variance, results in a total over-collection of \$187,235 to be applied in this GCA as a decrease in the estimated net cost of gas.

Petitioner received no new refunds during the Reconciliation Period ending May 31, 2009; however, Petitioner has a refund from a prior period applicable to the current recovery period. The amount of the refund to be returned in this Application is \$26,623.

Based on the evidence presented, the Commission finds that Ohio Valley Gas, Inc's proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period, and the gas costs recovered during the same period.

8. Resulting Gas Cost Adjustment Factor. The estimated net commodity cost of gas to be recovered during the application period is \$1,061,486. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$847,628. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are:

October, 2009	(\$5.454)/Dth
November, 2009	(\$4.696)/Dth
December, 2009	(\$4.744)/Dth

9. Effects on Residential Customers. The October GCA factor of (\$5.454)/Dth represents an increase of \$0.408/Dth from the current GCA factor of (\$5.862)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following tables:

Table No. 1-Proposed GCA Factor Vs. Currently Approved GCA Factor

October 2009	(\$5.454)/Dth	(\$5.862)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$ 55.55	\$ 53.51	\$ 2.04	3.81%
10	96.59	92.51	4.08	4.41%
15	137.64	131.52	6.12	4.65%
20	178.68	170.52	8.16	4.79%
25	219.73	209.53	10.20	4.87%

The GCA factor of (\$5.454)/Dth represents a decrease of \$5.010/Dth from the GCA factor of (\$0.444)/Dth billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table No. 2-Proposed GCA Factor Vs. GCA Factor One Year Ago

October 2009	(\$5.454)/Dth	(\$0.444)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$ 55.55	\$ 80.60	(\$ 25.05)	(31.08%)
10	96.59	146.69	(50.10)	(34.15%)
15	137.64	212.79	(75.15)	(35.32%)
20	178.68	278.88	(100.20)	(35.93%)
25	219.73	344.98	(125.25)	(36.31%)

The November GCA factor of (\$4.696)/Dth represents an increase of \$1.166/Dth from the current GCA factor of (\$5.862)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table No. 3-Proposed GCA Factor Vs. Currently Approved GCA Factor

November 2009	(\$4.696)/Dth	(\$5.862)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$ 59.34	\$ 53.51	\$ 5.83	10.90%
10	104.17	92.51	\$11.66	12.60%
15	149.01	131.52	\$17.49	13.30%
20	193.84	170.52	\$23.32	13.68%
25	238.68	209.53	\$29.15	13.91%

The GCA factor of (\$4.696)/Dth represents a decrease of \$4.236/Dth from the GCA factor of (\$0.460)/Dth billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table No. 4-Proposed GCA Factor Vs. GCA Factor One Year Ago

November 2009	(\$4.696)/Dth	(\$0.460)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$ 59.34	\$ 80.52	(\$ 21.18)	(26.30%)
10	104.17	146.53	(42.36)	(28.91%)
15	149.01	212.55	(63.54)	(29.89%)
20	193.84	278.56	(84.72)	(30.41%)
25	238.68	344.58	(105.90)	(30.73%)

The December GCA factor of (\$4.744)/Dth represents an increase of \$1.118/Dth from the current GCA factor of (\$5.862)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table No.5-Proposed GCA Factor Vs. Currently Approved GCA Factor

December 2009	(\$4.744)/Dth	(\$5.862)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$ 59.10	\$ 53.51	\$ 5.59	10.45%
10	103.69	92.51	\$11.18	12.09%
15	148.29	131.52	\$16.77	12.75%
20	192.88	170.52	\$22.36	13.11%
25	237.48	209.53	\$27.95	13.34%

The GCA factor of (\$4.744)/Dth represents a decrease of \$4.112/Dth from the GCA factor of (\$0.632)/Dth billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table No.6-Proposed GCA Factor Vs. GCA Factor One Year Ago

December 2009	(\$4.744)/Dth	(\$0.632)/Dth		
Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$ 59.10	\$ 79.66	(\$ 20.56)	(25.81%)
10	103.69	144.81	(41.12)	(28.40%)
15	148.29	209.97	(61.68)	(29.38%)
20	192.88	275.12	(82.24)	(29.89%)
25	237.48	340.28	(102.80)	(30.21%)

10. **Interim Rates.** The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized that the approved rates herein should be 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 Ohio Valley Gas, Inc. for the gas cost adjustment for natural gas service, as set forth in Finding Paragraph No. 8 shall be and hereby is approved, subject to refund in accordance with Finding Paragraph No. 10.

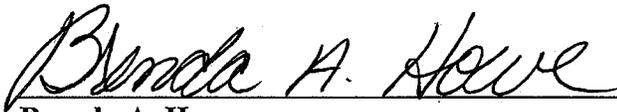
2. Ohio Valley Gas, Inc. shall file with the Natural Gas Division of this Commission, prior to placing in effect the gas cost adjustment factors approved herein, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedules on these amendments.

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

HARDY, ATTERHOLT, GOLC, AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: SEP 23 2009

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



Brenda A. Howe
Secretary to the Commission