ORIGINAL

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 JULY, AUGUST AND SEPTEMBER 2012 WITH THE CONSUMPTION PERIOD STARTING ON OR ABOUT JUNE 15, 2012.	)	CAUSE NO. 37352 GCA 115 APPROVED: JUN 27 2012

ORDER OF THE COMMISSION

Presiding Officers:
Carolene Mays, Commissioner
Gregory R. Ellis, Administrative Law Judge

On May 11, 2012, in accordance with Indiana Code § 8-1-2-42, Ohio Valley Gas, Inc. ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") to be applicable during the billing cycles of July 2012 through September 2012 with the Indiana Utility Regulatory Commission ("Commission"). On May 11, 2012, Petitioner filed its Supplemental Filing including all Schedules to its Petition and the verified testimony of S. Mark Kerney, Vice President and Chief Financial Officer, supporting the proposed GCA factors. On June 5, 2012, Petitioner filed its Supplemental Filing Amendment No. 1 to Application. On June 11, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its statistical report and the direct testimony of Heather Poole, Utility Analyst.

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 11:00 A.M., local time, on June 20, 2012, in Room 224, PNC 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 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 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 112 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 gas 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 and storage. Mr. Kerney stated the daily contracted amount is 9,584 Dth, and that arrangement includes transportation and storage. Applicant renewed its contracts with TGT effective November 1, 2008 and they are set to expire October 31, 2013. No changes were made to the contract. Petitioner renewed its natural gas supply requirements from the production area contract with British Petroleum ("BP") November 1, 2011. The BP contract contains two components (fixed and index). The contract with BP provides for a fee of $.01 per Dth purchased, whether under the index component or under the fixed-price component. In addition, Petitioner purchases storage gas during summer months as a price hedge during the winter heating season.

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 February 29, 2012, Petitioner's actual net operating income was ($144,504). Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

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 record evidence indicates that the estimating techniques of the Petitioner during the reconciliation period of December 2011 through February 2012 ("Reconciliation Period") yielded an under-estimated weighted average error of 0.18%. 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 under-collection of $1,292 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 $70.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $121. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $191 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner received no new refunds from the current recovery period and has no refunds from prior periods to be applied in this GCA as a decrease in the net cost of gas. Therefore, Petitioner has no refunds to be returned in this Application. Based on the evidence presented, the Commission finds that Petitioner'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 cost of gas to be recovered during the application period is $91,996. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of $92,187. 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:

July 2012	($6.533)/Dth
August 2012	($6.508)/Dth
September 2012	($6.445)/Dth

9. **Effects on Residential Customers.** The July GCA factor of ($6.533)/Dth represents an increase of $0.074/Dth from the current GCA factor of ($6.607)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Effect on Residential Customers
New vs. Current

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.15	$ 49.78	$0.37	0.74%
10	$ 85.80	$ 85.06	$0.74	0.87%
15	$121.45	$120.34	$1.11	0.92%
20	$157.10	$155.62	$1.48	0.95%
25	$192.75	$190.90	$1.85	0.97%

The July GCA factor of ($6.533)/Dth represents a decrease of $1.315/Dth from the prior year GCA factor of ($5.218)/Dth. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 2
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.15	$ 56.73	$ (6.58)	-11.60%
10	$ 85.80	$ 98.95	$(13.15)	-13.29%
15	$121.45	$141.18	$(19.73)	-13.98%
20	$157.10	$183.40	$(26.30)	-14.34%
25	$192.75	$225.63	$(32.88)	-14.57%

The August GCA factor of ($6.508)/Dth represents an increase of $0.099/Dth from the current GCA factor of ($6.607)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 3
Effect on Residential Customers
New vs. Current

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.28	$ 49.78	$0.50	1.00%
10	$ 86.05	$ 85.06	$0.99	1.16%
15	$121.83	$120.34	$1.49	1.24%
20	$157.60	$155.62	$1.98	1.27%
25	$193.38	$190.90	$2.48	1.30%

The August GCA factor of ($6.508)/Dth represents a decrease of $1.295/Dth from the from the prior year GCA factor of ($5.213)/Dth. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 4
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.28	$ 56.75	$ (6.47)	-11.40%
10	$ 86.05	$ 99.00	$(12.95)	-13.08%
15	$121.83	$141.25	$(19.42)	-13.75%
20	$157.60	$183.50	$(25.90)	-14.11%
25	$193.38	$225.75	$(32.37)	-14.34%

The September GCA factor of ($6.445)/Dth represents an increase of $0.162/Dth from the current GCA factor of ($6.607)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 5
Effect on Residential Customers
New vs. Current

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.59	$ 49.78	$0.81	1.63%
10	$ 86.68	$ 85.06	$1.62	1.90%
15	$122.77	$120.34	$2.43	2.02%
20	$158.86	$155.62	$3.24	2.08%
25	$194.95	$190.90	$4.05	2.12%

The September GCA factor of ($6.445)/Dth represents a decrease of $0.723/Dth from the prior year factor of GCA factor of ($5.722)/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 6
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 50.59	$ 54.21	$ (3.62)	-6.68%
10	$ 86.68	$ 93.91	$ (7.23)	-7.70%
15	$122.77	$133.62	$(10.85)	-8.12%
20	$158.86	$173.32	$(14.46)	-8.34%
25	$194.95	$213.03	$(18.08)	-8.49%

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.

11. **Monthly Flex Mechanism.** Petitioner utilizes a flex mechanism each month to adjust the GCA file for the subsequent month. The flex applies only to estimated pricing of estimated market purchases (the initial market price) in the GCA. The flex is to be filed no less than three (3) business days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex are to be priced at NYMEX prices on a day no more than six (6) business days prior to the beginning of said calendar month. Changes in the market price included in the flex are limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

This Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

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 Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, 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.

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED: JUN 27 2012

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission