ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES CORPORATION FOR APPROVAL OF CHANGES IN ITS GAS COST ADJUSTMENT IN ACCORDANCE WITH IND. CODE § 8-1-2-42 (g)	)))))	**CAUSE NO. 37357 GCA 90** **APPROVED:** APR 24 2013

ORDER OF THE COMMISSION

Presiding Officers:
Kari A.E. Bennett, Commissioner
Marya E. Jones, Administrative Law Judge

On February 27, 2013, in accordance with Ind. Code § 8-1-2-42, Indiana Utilities Corporation ("Petitioner") filed its Petition for a gas cost adjustment ("GCA") with attached schedules to be applicable during the months of May 2013 through July 2013 with the Indiana Utility Regulatory Commission ("Commission"). On March 15, 2013, Petitioner prefiled the direct testimony of its President, Frank Czeschin, supporting the proposed GCA factors. On April 1, 2013, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Sherry L. Beaumont, Utility Analyst in the Natural Gas Division.

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. on April 8, 2013, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and the 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 is a public utility as that term is 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 duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 123 West Chestnut Street, Corydon, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in Harrison and Floyd counties in Indiana and owns, operates, manages, and controls plant and equipment used 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 gas supplies so as to provide gas to its retail customers at the lowest cost reasonably possible.

Mr. Czeschin testified that Petitioner continues to monitor gas pricing through NYMEX futures and current NYMEX spot gas prices. He stated that Petitioner reviews trends such as those described by Atmos Energy and also considers the general economy as described by the Dow Jones Industrial Average. Mr. Czeschin concluded that Petitioner also considers its customers' needs as it makes decisions on purchasing natural gas.

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.** Ind. Code § 8-1-2-42(g)(3)(B) requires Petitioner's pipeline suppliers to 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 Petitioner'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 the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment that results in 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 proceeding in which Petitioner's basic rates and charges were approved is Cause No. 44062. The Commission's September 5, 2012 Order in that Cause authorized Petitioner to earn a net operating income of $492,244. Petitioner's evidence indicates for the twelve (12) months ending December 31, 2012, Petitioner's actual net operating income was $441,523. Therefore, based upon the evidence of record, the Commission finds Petitioner is not earning 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 Petitioner's estimate of its prospective average gas costs for each future recovery period to be reasonable. The Commission has determined this requires, in part, a comparison of prior estimations with the eventual actual costs. The evidence presented indicates the estimating techniques of Petitioner during the reconciliation period of August through October 2012 (the "Reconciliation Period") yielded an under-estimated weighted average error of -16.88%. Mr. Czeschin testified that the variances in August and October were primarily due to changes in the mix of supply from that estimated when these GCA factors were established. The change in mix, coupled with the small load during these non-heating months, caused the variances reflected for August and October.

Mr. Czeschin testified that September's variance is unique. He stated that Petitioner planned to inject gas into storage in September, but was unable to inject the estimated amount because the storage was full. Mr. Czeschin testified that because the storage was full, Petitioner resold one fixed contract to Conoco which lead to the variance. He stated that Petitioner does not usually have variance issues with storage injection. Mr. Czeschin opined that this particular problem arose from the warmer than normal winter which led to lower draw-downs from storage than typically occurs.

Based upon the evidence presented in this Cause and Petitioner's historical accuracy in estimating the cost of gas, the Commission finds Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliation.** Ind. Code § 8-1-2-42(g)(3)(D) also requires Petitioner to 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 $6,213. This amount should be included, based upon 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 $591.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $3,229. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $2,638 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 during the application period is $148,249. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $150,886. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are $4.5889/Dth for May, $4.6808/Dth for June, and $4.7218/Dth for July.

9. **Effects on Residential Customers – (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factor of $4.5889/Dth for May 2013, $4.6808/Dth for June 2013, and $4.7218/Dth for July 2013. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dths of usage. Moreover, the table compares the proposed gas costs to what a residential customer paid recently (February 2013 - $5.5080/Dth) and a year ago (May 2012 - $5.0125/Dth, June 2012 - $4.9705/Dth, and July 2012 - $4.9568/Dth). The table solely reflects costs that are approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

		Current		Year Ago	
Month	Gas Costs at New GCA Factor @ 10 Dths	Gas Costs at Current GCA Factor @ 10 Dths	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factors @ 10 Dths	Dollar Change New vs. Year Ago
May 2013	$ 45.89	$ 55.08	$ (9.19)	$ 50.13	$ (4.24)
June 2013	$ 46.81	$ 55.08	$ (8.27)	$ 49.71	$ (2.90)
July 2013	$ 47.22	$ 55.08	$ (7.86)	$ 49.57	$ (2.35)

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

Petitioner may utilize a flex mechanism each month to adjust the GCA 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) 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

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

1. The Petition of Indiana Utilities Corporation for a 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. Indiana Utilities Corporation shall file with the Commission under this Cause, 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 schedule on these amendments.

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

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

APPROVED: APR 24 2013

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