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 75 APPROVED: JUL 30 2009

BY THE COMMISSION:
James D. Atterholt, Commissioner
Angela Rapp Weber, Administrative Law Judge

On May 28, 2009, in accordance with Indiana Code § 8-1-2-42, Indiana Utilities Corporation ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of August 2009 through October 2009 with the Indiana Utility Regulatory Commission ("Commission"). On June 12, 2009, Petitioner prefiled the direct testimony of its witness Frank Czeschin, President of Petitioner. On July 7, 2009, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Sherry L. Beaumont, a Utility Analyst in the Natural Gas Division, supporting the proposed GCA factor.

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 10:30 a.m. on July 14, 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 the OUCC were admitted into the record. No member of the rate paying 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 123 Chestnut Street, Corydon, Indiana. It is engaged in rendering natural gas utility service to the public in Floyd and Harrison Counties in Indiana. Petitioner 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 gas supplies in order to provide service to its customers at the lowest gas costs reasonably possible.

Mr. Czeschin described Petitioner's hedging activities for this GCA period. He stated that Petitioner has entered into fixed contracts and is currently refilling storage gas during these non-heating months. Mr. Czeschin noted that 90% percent of Petitioner's estimated sales for the August through October period have been covered by these hedging activities.

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 agency 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. Accordingly, 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 that 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 proceeding in which Petitioner's basic rates and charges were approved in Cause No. 43520. The Commission's January 21, 2009 Order in that Cause authorized Petitioner to earn a net operating income of $422,993. Petitioner's evidence herein indicates that for the twelve (12) months ending March 31, 2009, Petitioner's weather adjusted net operating income was $254,240. As a result, 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 evidence indicates that Petitioner's estimating techniques during the reconciliation period of November 2008 through January 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 4.23%. 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 costs 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 $49,087 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and in the next three GCAs. The amount of the Reconciliation Period to be included in this GCA as a decrease in the estimated net cost of gas is $5,264.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $59,945. When this amount is combined this with the Reconciliation Period variance, the result is a total under-collection of $54,681 to be applied in this GCA as an increase to the net cost of gas.

Petitioner received no new refunds during the Reconciliation period and has no refunds from a prior period applicable to this GCA period. 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 that same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is $378,550. When this total is adjusted for the variance and refund amounts, the result is that $433,231 in gas costs are to be recovered through the GCA. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is $11.2522/Dth.

9. **Effects on Residential Customers.** The GCA factor of $11.2522/Dth represents a decrease of $0.0221 from the current GCA factor of $11.2743/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Proposed GCA Factor
vs.
Currently Approved GCA Factor

Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	$85.55	$81.10	$4.45	5.47%
10	$161.10	$153.21	$7.89	5.15%
15	$233.27	$222.56	$10.71	4.81%
20	$305.45	$291.92	$13.53	4.64%
25	$377.63	$361.27	$16.36	4.53%

The GCA factor of $11.2522/Dth represents a decrease of $1.4852 from the GCA factor $12.7374 billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 2
Proposed GCA Factor
vs.
Prior Year GCA Factor

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	$85.55	$88.42	$(2.87)	(3.25)%
10	$161.10	$167.83	$(6.73)	(4.01)%
15	$233.27	$244.51	$(11.24)	(4.58)%
20	$305.45	$321.18	$(15.73)	(4.90)%
25	$377.63	$397.85	$(20.22)	(5.08)%

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 Indiana Utilities Corporation for the gas cost adjustment for natural gas service, as set forth in Finding 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 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, LANDIS, AND ZIEGNER CONCUR; GOLC ABSENT:

APPROVED: JUL 30 2009

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