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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 77

APPROVED: JAN 20 2010

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
Aaron Schmoll, Administrative Law Judge

On December 1, 2009, in accordance with Indiana Code § 8-1-2-42, Indiana Utilities Corporation ("Petitioner") filed its Petition for Gas Cost Adjustment to be applicable during the billing cycles of February 2010 through April 2010 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner filed the testimony of its witness Frank Czeschin on December 3, 2009. On December 29, 2009, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the Testimony and Exhibits of its witness Sherry L. Beaumont in conformance with the above statute. On January 12, 2010, the Petitioner filed its response to the Commission's Data Request responding to issues relative to spot gas purchases.

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 on January 13, 2010 at 10:00 a.m. in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The prefiled Testimony and Exhibits of both parties 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, the evidence presented herein, and being duly advised, 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 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, and 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 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 gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible.

Mr. Czeschin testified about Petitioner's procurement practices which include acquiring fixed contracts and use of stored gas. Mr. Czeschin described Petitioner's hedging activities for this GCA period as including fixed contracts and storage gas. Petitioner's schedules reflect that all of Petitioner's estimated sales for the February through April 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 sound 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 supplier(s) of gas to have requested or filed for the costs proposed to be included in the GCA factor pursuant to the jurisdiction and procedures of a duly constituted regulatory agency. The evidence of record indicates that gas costs in this application include transportation rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission ("FERC") 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 base rates and charges were approved. The most recent proceeding in which Petitioner's base rates and charges were approved is Cause No. 43520. The Commission's 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 September 30, 2009, Petitioner's weather adjusted net operating income was \$290,224. Based on the evidence of record, the Commission finds that Petitioner did not earn in excess of that authorized in its last rate case during the twelve-month review period.

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 the estimating techniques during the reconciliation period of May through July 2009 (the "Reconciliation Period"), yielded an under-estimated weighted average error of 11.52%. Petitioner's witness Czeschin's testimony indicated that this variance

was created by the timing of these estimates in February 2009 and the impact of expected native Indiana gas which ultimately was not produced, but had to be replaced at a higher price. He also noted that Petitioner had a significant amount of fixed contracts in place for this reconciliation period. Based upon Petitioner's historical accuracy, the Commission finds that Petitioner's estimating techniques are sound and its estimate of gas costs reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the petitioning utility reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence of record established that the variance for the Reconciliation Period is an under-collection of \$68,813. 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 \$26,706.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$10,218. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$36,924 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 prior periods 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 \$1,432,648. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of \$1,469,572. After dividing that amount by estimated sales and correcting for Indiana Utility Receipts Tax, Petitioner recommends a GCA factor of \$10.5471/Dth. The Commission finds Petitioner's recommended GCA factor should be accepted.

9. **Effects on Residential Customers.** The GCA factor of \$10.5471/Dth represents a decrease of \$1.6468/Dth from the current GCA factor of \$12.1939/Dth. The effects of this decrease for various consumption levels of residential customer bills are shown in the following table:

Table 1
Proposed vs. Currently Approved GCA Factor
For Residential Customers

Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$82.03	\$90.26	(\$8.23)	(9.12%)
10	\$154.04	\$170.51	(\$16.47)	(9.66%)
15	\$222.70	\$247.40	(\$24.70)	(9.98%)
20	\$291.35	\$324.29	(\$32.94)	(10.16%)
25	\$360.01	\$401.18	(\$41.17)	(10.26%)

The GCA factor of \$10.5471/Dth represents a decrease of \$2.2421/Dth from the GCA factor \$12.7892 billed one year ago. The effects of this decrease for various consumption levels of residential bills are shown in the following table:

Table 2
Proposed vs. Prior Year Approved GCA Factor
For Residential Customers

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$82.03	\$93.24	(\$11.21)	(12.02%)
10	\$154.04	\$176.46	(\$22.42)	(12.71%)
15	\$222.70	\$256.33	(\$33.63)	(13.12%)
20	\$291.35	\$336.19	(\$44.84)	(13.34%)
25	\$360.01	\$416.06	(\$56.05)	(13.47%)

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 finds that the approved rates herein should be interim rates subject to refund 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.

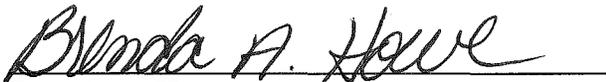
2. Indiana Utilities Corporation shall file with the Natural Gas Division of this Commission, prior to placing in effect the gas cost adjustment factors approved herein, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate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

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

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

APPROVED: JAN 20 2010

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


Brenda A. Howe,
Secretary to the Commission