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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES)
CORPORATION FOR APPROVAL OF) CAUSE NO. 37357 GCA 78
CHANGES IN ITS GAS COST)
ADJUSTMENT IN ACCORDANCE WITH) APPROVED: APR 30 2010
IND. CODE § 8-1-2-42 (g))

BY THE COMMISSION:
Aaron Schmoll, Administrative Law Judge

On February 25, 2010, 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 May 2010 through July 2010 with the Indiana Utility Regulatory Commission (“Commission”). Petitioner filed the Verified Testimony of Frank Czeschin, on March 5, 2010. On March 29, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Sherry L. Beaumont. On April 20, 2010, the Petitioner responded to the Commission’s April 19, 2010 Docket Entry.

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 20, 2010, 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 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 123 West Chestnut Street, Corydon, Indiana. Petitioner 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 natural gas 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 injecting natural gas into storage. Petitioner's schedules reflect that all of Petitioner's estimated sales for the May through July period have been covered by fixed contracts.

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 supplier(s) 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 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 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 December 31, 2009, Petitioner's weather adjusted net operating income was \$391,176. Therefore, based on the evidence of record, the Commission finds that Petitioner did not earn 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 presented indicates that the estimating techniques of Petitioner during the reconciliation period of August through October 2009 ("Reconciliation Period"), yielded an under-estimated weighted average error of 2.98%. 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 under-collection of \$13,870. 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 \$1,305.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$6,816. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$8,121 to be applied in this GCA as an increase in the net cost of gas.

Petitioner received no new refunds during the Reconciliation Period, and has no refunds from prior periods applicable to the current recovery 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.

In Petitioner's response to the Commission's April 19, 2010 Docket Entry, Petitioner stated that the difference between Schedule 6 (line 1) and Schedule 11 (line 5) is due to "company usage often described as transportation fuel . . ." Upon review of Petitioner's past GCA filings, Petitioner's schedules in those GCAs show no difference due to "company usage." In its next GCA, Petitioner shall include an explanation of the utility's current practice, compared to past practice, of flowing company-used transportation fuel through the GCA schedules.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is \$373,191. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of \$381,312. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$11.0010/Dth.

9. **Effects on Residential Customers.** The GCA factor of \$11.0010/Dth represents an increase of \$0.4539/Dth from the current GCA factor of \$10.5471/Dth. The effects of this increase 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	\$84.30	\$82.03	\$2.27	2.77%
10	\$158.58	\$154.04	\$4.54	2.95%
15	\$229.51	\$222.70	\$6.81	3.06%
20	\$300.43	\$291.35	\$9.08	3.12%
25	\$371.36	\$360.01	\$11.35	3.15%

The GCA factor of \$11.0010/Dth represents a decrease of \$0.2733/Dth from the GCA factor \$11.2743 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.
GCA Factor One Year Ago
For Residential Customers

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$84.30	\$85.66	(\$1.36)	(1.59%)
10	\$158.58	\$161.31	(\$2.73)	(1.69%)
15	\$229.51	\$233.60	(\$4.09)	(1.75%)
20	\$300.43	\$305.90	(\$5.47)	(1.79%)
25	\$371.36	\$378.19	(\$6.83)	(1.81%)

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 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 schedules on these amendments.

3. In its next GCA filing, Indiana Utilities Corporation shall include an explanation of the utility's current practice, compared to past practice, of flowing company-used transportation fuel through the GCA schedules.

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

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

APPROVED: APR 30 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