

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA UTILITIES)	
CORPORATION FOR APPROVAL OF)	CAUSE NO. 37357 GCA 92
CHANGES IN ITS GAS COST)	
ADJUSTMENT IN ACCORDANCE)	APPROVED:
WITH IND. CODE § 8-1-2-42 (g))	OCT 10 2013

ORDER OF THE COMMISSION

Presiding Officers:

Kari A.E. Bennett, Commissioner

Marya E. Jones, Administrative Law Judge

On August 23, 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 November 2013 through January 2014. On August 30, 2013, Petitioner prefiled the direct testimony of its President, Frank Czeschin, supporting the proposed GCA factors. On September 20, 2013, Petitioner prefiled the supplemental testimony of Benjamin E. Duke, Manager at London Witte Group, supporting the proposed GCA factors. On September 23, 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 Indiana Utility Regulatory Commission (“Commission”), an Evidentiary Hearing was held in this Cause at 10:30 a.m. on October 2, 2013, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the 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. 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’s principal office is located at 123 West Chestnut Street, Corydon, Indiana. Petitioner renders 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 Petitioner anticipates using both fixed contracts and storage gas as well as purchasing spot gas for the upcoming GCA period. He explained Petitioner continues to monitor gas pricing through NYMEX futures and current NYMEX spot gas pricing. Mr. Czeschin stated Petitioner also reviews trends in the market as described by Atmos Energy as well as the general economy described by the Dow Jones Industrial Average.

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, we find 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. We have reviewed the cost of gas included in the proposed gas cost adjustment charge and find the cost to be reasonable. Therefore, we find the requirement of this statutory provision has been fulfilled.

5. **Earnings Test.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's basic rates and charges were approved. Petitioner's current basic rates and charges were approved on September 5, 2012 in Cause No. 44062. The Commission authorized Petitioner to earn a net operating income of \$492,244. Petitioner's evidence indicates that for the twelve (12) months ending June 30, 2013, Petitioner's actual net operating income was \$204,803. Therefore, based upon the evidence of record, we find that 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 that this requires, in part, a comparison of prior estimates with the corresponding actual costs. The evidence presented indicates that Petitioner's estimating techniques during the Reconciliation Period yielded an under-estimated weighted average error of 9.99%.

Based on Petitioner's historical accuracy in estimating the cost of gas, we find that 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 that Petitioner reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the Reconciliation Period is an under-collection of \$56,460 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 \$25,797.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$19,928. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$5,869 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 for November 2013 is \$172,116, for December 2013 is \$275,933, and for January 2014 is \$343,662. Adjusting this total for the variance yields gas costs to be recovered through the GCA factor of \$174,072 for November 2013, \$277,889 for December 2013, and \$345,618 for January 2014. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$5.1983/Dth for November 2013, \$5.1114/Dth for December 2013, and \$5.1005/Dth for January 2014.

9. **Effects on Residential Customers – (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factors of \$5.1983/Dth for November 2013, \$5.1114/Dth for December 2013, and \$5.1005/Dth for January 2014. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (August 2013 - \$4.0442/Dth) and a year ago (November 2012 - \$5.4617/Dth, December 2012 - \$5.5183/Dth, and January 2013 - \$5.3348/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

Month	Gas Costs at New GCA Factor @ 10 Dths	Current		Year Ago	
		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
November 13	\$ 51.98	\$ 40.44	\$11.54	\$54.62	\$ (2.64)
December 13	\$ 51.11	\$ 40.44	\$10.67	\$55.18	\$ (4.07)
January 14	\$ 51.01	\$ 40.44	\$10.57	\$53.35	\$ (2.34)

10. **Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while these GCA factors are in effect. Accordingly, the rates approved in this Order are 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, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: OCT 10 2013

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



**Brenda A. Howe
Secretary to the Commission**