ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF LAWRENCEBURG GAS COMPANY FOR APPROVAL OF GAS COST ADJUSTMENTS TO BE APPLICABLE DURING THE MONTHS OF AUGUST, SEPTEMBER AND OCTOBER, 2009 PURSUANT TO I.C. §§ 8-1-2-42 AND 8-1-2-42.3	)	CAUSE NO. 37368 GCA 103 APPROVED: JUL 30 2009

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
David E. Veleta, Administrative Law Judge

On June 3, 2009, in accordance with Indiana Code § 8-1-2-42, Lawrenceburg Gas Company ("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 that same day, Petitioner prefiled the direct testimony of John T. Stenger, Consultant, and Alex W. Pardo, Chief Financial Officer supporting the proposed GCA factor. On June 25, 2009, Petitioner filed revised schedules. On July 6, 2009, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Lianne N. Lockhart, Utility Analyst.

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 17, 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 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 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 1155 East Eads Parkway, Greendale, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in Dearborn, Franklin, and Ohio 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 so as to provide gas to its retail

customers at the lowest gas cost reasonably possible. Petitioner's testimony and exhibits show that Petitioner continues to store and transport some of its purchases of natural gas on and with the Texas Gas Transmission Corporation. It also has a contract for firm transportation service with Texas Eastern.

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 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 basic rates and charges were approved. The most recent proceeding in which Petitioner's basic rates and charges were approved is Cause No. 43090. The Commission's June 20, 2007 order in that Cause authorized Petitioner to earn a net operating income of $1,345,858. Petitioner's evidence indicates that for the twelve (12) months ending March, 2009, Petitioner's actual net operating income was $1,796,531. Therefore, based on the evidence of record, the Commission finds that Petitioner is earning in excess of that authorized in its last rate case.

Because Petitioner has earned a return in excess of the amount authorized, Indiana Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded through the variance in this Cause. A refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Indiana Code § 8-1-2-42.3 (a), is greater than zero. Based upon the evidence of record, the Commission finds the sum of the differentials during the relevant period is less than zero, and, therefore, it is not appropriate to require a refund of any of the amount over earned in this Cause.

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 January, 2009 through March, 2009 ("the Reconciliation Period") yielded an over-estimated weighted average error of 7.97%. 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 $321,039 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 a decrease in the estimated net cost of gas is $36,885.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $7,659. Combining this amount with the Reconciliation Period variance, results in a total over-collection of $29,226 to be applied in this GCA as a decrease in the estimated 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.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered during the application period is $523,059. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $489,700. After dividing that amount by estimated sales, adding demand costs, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are:

	August	September	October
Rate GS	$0.44720/Dth	$0.46378/Dth	$0.49670/Dth
Rate WS	$0.44036/Dth	$0.45668/Dth	$0.48910/Dth

9. **Effects on Residential Customers.** The GCA factor for August of $4.4720/Dth represents a decrease of $1.0835/Dth from the current GCA factor of $5.5550/Dth. The GCA factor for September of $4.6378/Dth represents a decrease of $0.9172/Dth from the current GCA factor of $5.5550/Dth. The GCA factor for October of $4.9670/Dth represents a decrease of $0.5880/Dth from the current GCA factor of $5.5550/Dth. The effects of these changes for the three months and for various consumption levels of residential customer bills are shown in the following tables:

Table 1
August 2009
Proposed vs. Currently
Approved GCA Factor for Residential Customers

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 59.59	$ 65.01	$ (5.42)	(8.34%)
10	$ 103.98	$114.82	$ (10.84)	(9.44%)
15	$ 142.43	$158.69	$ (16.26)	(10.25%)
20	$ 180.88	$202.55	$ (21.67)	(10.70%)
25	$ 219.33	$246.42	$ (27.09)	(10.99%)

Table 2
September 2009
Proposed vs. Currently
Approved GCA Factor for Residential Customers

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 60.42	$ 65.01	$ (4.59)	(7.06%)
10	$ 105.63	$114.82	$ (9.19)	(8.00%)
15	$ 144.91	$158.69	$ (13.78)	(8.68%)
20	$ 184.19	$202.55	$ (18.36)	(9.07%)
25	$ 223.47	$246.42	$ (22.95)	(9.31%)

Table 3
October 2009
Proposed vs. Currently
Approved GCA Factor for Residential Customers

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 62.06	$ 65.01	$ (2.95)	(4.54%)
10	$ 108.93	$114.82	$ (5.89)	(5.13%)
15	$ 149.86	$158.69	$ (8.83)	(5.56%)
20	$ 190.78	$202.55	$ (11.77)	(5.82%)
25	$ 231.71	$246.42	$ (14.71)	(5.97%)

The GCA factor for August 2009 of $4.4720/Dth represents a decrease of $10.3859/Dth from the GCA factor of $14.8579/Dth billed one year ago. The GCA factor for September 2009 of $4.6378/Dth represents a decrease of $10.2201/Dth from the GCA factor of $14.8579/Dth billed one year ago. The GCA factor for October 2009 of $4.9670/Dth represents a decrease of $9.8909/Dth from the GCA factor of $14.8579/Dth billed one year ago. The effects of these changes for various consumption levels of residential customer bills are shown in the following tables:

Table 4
August 2009
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	$ 59.59	$111.52	$ (51.93)	(46.57%)
10	$ 103.98	$207.84	$ (103.86)	(49.97%)
15	$ 142.43	$298.22	$ (155.79)	(52.24%)
20	$ 180.88	$388.60	$ (207.72)	(53.45%)
25	$ 219.33	$478.98	$ (259.65)	(54.21%)

Table 5
September 2009
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	$ 60.42	$111.52	$ (51.10)	(45.82%)
10	$ 105.63	$207.84	$ (102.21)	(49.18%)
15	$ 144.91	$298.22	$ (153.31)	(51.41%)
20	$ 184.19	$388.60	$ (204.41)	(52.60%)
25	$ 223.47	$478.98	$ (255.51)	(53.34%)

Table 6
October 2009
Effect on Residential Customers
New vs. One Year Ago

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	$ 62.06	$111.52	$ (49.46)	(44.35%)
10	$ 108.93	$207.84	$ (98.91)	(47.59%)
15	$ 149.86	$298.22	$ (148.36)	(49.75%)
20	$ 190.78	$388.60	$ (197.82)	(50.91%)
25	$ 231.71	$478.98	$ (247.27)	(51.62%)

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.** In this GCA proceeding, Petitioner requested authority to implement a flexing mechanism applicable to gas rates within the GCA period. The process described by Mr. Stenger is similar to that which the Commission previously approved for Citizens Gas and Coke in Cause No. 37399 GCA 75 and Midwest Natural Gas in Cause No. 37440 GCA 97. Petitioner believes that allowing this form of limited flexing of an authorized GCA will help reduce future variances.

Lianne Lockhart testified on behalf of the OUCC, and she indicated that she reviewed Petitioner's GCA application, including its proposed authority to change its GCA through a flexing mechanism. Ms. Lockhart noted that the NYMEX price would be a daily settlement price for the month in question, occurring no more than six business days before the beginning of that month. Ms. Lockhart noted that the Commission approved a similar flexing mechanism for Citizens Gas and Coke and Midwest Natural Gas mentioned above.

Based on the evidence of record, the Commission finds Petitioner's proposal to flex its GCA up or down within the limits set forth below to be reasonable and should be approved. Petitioner's situation differs from Citizens Gas and Coke and Midwest Natural Gas mentioned above because of its close relationship with Aurora Municipal Gas Utility ("Aurora"). Petitioner is the sole supplier of natural gas to Aurora through a year-to-year contract. Because Petitioner is Aurora's sole supplier, it is necessary for Petitioner's deadline to file revised schedules to be earlier than the typical three business days before the beginning of the month of a GCA in order to allow Aurora sufficient opportunity to revise its GCA. Therefore, Petitioner will be authorized to flex the GCA factor up or down based on NYMEX price and shall file revised schedules and notice with the Commission, the OUCC and Aurora no less than five business days before the beginning of each month of a GCA. This monthly flex mechanism will be limited to no more than $1 per Dekatherm and relate only to that portion of its estimated sales anticipated to be purchased as spot gas. In order to support any change, Petitioner shall file revised Schedules 1 and 3, bill comparisons, subsequent tariff related sheets, and information on its weighted average cost of gas ("WACOG") calculations. The WACOG calculation shall be submitted in a separate schedule.

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

1. The Petition of Lawrenceburg Gas Company 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. Lawrenceburg Gas Company 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. Petitioner shall be authorized to flex this GCA and future GCAs by the process identified in Finding Paragraph No. 11 until further order on this issue from the Commission.

4. 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