ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SYCAMORE GAS COMPANY FOR APPROVAL OF GAS COST ADJUSTMENTS TO BE APPLICABLE DURING THE MONTHS OF NOVEMBER AND DECEMBER, 2010, AND JANUARY 2011 PURSUANT TO I.C. §§ 8-1-2-42 AND 8-1-2-42.3	)	**CAUSE NO. 37368 GCA 108** **APPROVED:** OCT 27 2010

BY THE COMMISSION:
Carolene Mays, Commissioner
David E. Veleta, Administrative Law Judge

On September 3, 2010, in accordance with Indiana Code § 8-1-2-42, Sycamore Gas Company ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of November, 2010 through January, 2011 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 October 4, 2010, 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 11:00 a.m., on October 19, 2010, in Suite 224, PNC 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, formerly known as Lawrenceburg Gas Company, 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 herein indicates that for the twelve (12) months ending June 2010, Petitioner's actual net operating income was $1,010,566. Therefore, 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 presented indicates that the estimating techniques of Petitioner during the reconciliation period of April, 2010 through June, 2010 ("the Reconciliation Period") yielded an over-estimated weighted average error of 7.56%. 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 petitioning utility reconcile its estimation for a previous recovery period with the actual purchased gas costs for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an over-collection of $37,250 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 $16,601.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $45,607. Combining this amount with the Reconciliation Period variance, results in a total over-collection of $62,208 to be applied in this GCA as a decrease in the estimated net cost of gas.

Although Petitioner has no refunds from prior periods applicable to the current recovery period, it filed with this GCA its Schedule 11A, the annual reconciliation of unaccounted for gas. Because this schedule yielded a negative percentage of unaccounted for gas for the year ended June 30, 2010, the Petitioner is refunding $68,908, of which $30,710 is 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 each month from all customers is $2,128,471. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $2,018,738. After dividing that amount by estimated sales, adding demand costs, subtracting the base cost of gas, and adjusting for the Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are:

	November 2010	December 2010	January 2011
Rate GS	$4.6704/Dth	$4.9906/Dth	$5.2188/Dth
Rate WS	$4.5989/Dth	$4.9142/Dth	$5.1390/Dth

9. **Effects on Residential Customers**. The GCA factor for November, 2010 of $4.6704 per Dth represents a decrease of $1.1819 per Dth from the current GCA factor of $5.8523 per Dth. The GCA factor for December, 2010 of $4.9906 per Dth represents a decrease of $0.8617 per Dth from the current GCA factor of $5.8523 per Dth. The GCA factor for January, 2011 of $5.2188 per Dth represents a decrease of $0.6335 per Dth from the current GCA factor of $5.8523 per Dth. The effects of these changes for various consumption levels of residential customer bills are shown in the following tables:

Table 1
November 2010
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	$ 60.58	$ 66.49	($ 5.91)	(8.89%)
10	$ 105.96	$ 117.79	($ 11.83)	(10.04%)
15	$ 145.40	$ 163.14	($ 17.74)	(10.87%)
20	$ 184.84	$ 208.49	($ 23.65)	(11.34%)
25	$ 224.29	$ 253.84	($ 29.55)	(11.64%)

Table 2
December 2010
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	$ 62.18	$ 66.49	($ 4.31)	(6.48%)
10	$ 109.16	$ 117.79	($ 8.63)	(7.33%)
15	$ 150.20	$ 163.14	($ 12.94)	(7.93%)
20	$ 191.25	$ 208.49	($ 17.24)	(8.27%)
25	$ 232.29	$ 253.84	($ 21.55)	(8.49%)

Table 3
January 2011
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	$ 63.33	$ 66.49	($ 3.16)	(4.75%)
10	$ 111.45	$ 117.79	($ 6.34)	(5.38%)
15	$ 153.63	$ 163.14	($ 9.51)	(5.83%)
20	$ 195.82	$ 208.49	($ 12.67)	(6.08%)
25	$ 238.00	$ 253.84	($ 15.84)	(6.24%)

The GCA factor for November, 2010 of $4.6704 per Dth represents a decrease of $0.2138 per Dth from the factor of $4.8842 per Dth billed one year ago. The GCA factor for December, 2010 of $4.9906 per Dth represents a decrease of $0.4031 per Dth from the GCA factor of $5.3937 per Dth billed one year ago. The GCA factor for January, 2011 of $5.2188 per Dth represents a decrease of $0.8080 per Dth from the GCA factor of $6.0268 per Dth billed one year ago. The effects of these GCA factor changes for various consumption levels of residential bills are shown in the following tables:

Table 4
November 2010
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	$ 60.58	$ 61.65	($ 1.07)	(1.74%)
10	$ 105.96	$ 108.10	($ 2.14)	(1.98%)
15	$ 145.40	$ 148.61	($ 3.21)	(2.16%)
20	$ 184.84	$ 189.12	($ 4.28)	(2.26%)
25	$ 224.29	$ 229.63	($ 5.34)	(2.33%)

Table 5
December 2010
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	$ 62.18	$ 64.20	($ 2.02)	(3.15%)
10	$ 109.16	$ 113.20	($ 4.04)	(3.57%)
15	$ 150.20	$ 156.26	($ 6.06)	(3.88%)
20	$ 191.25	$ 199.32	($ 8.07)	(4.05%)
25	$ 232.29	$ 242.38	($ 10.09)	(4.16%)

Table 6
January 2011
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	$ 63.33	$ 67.36	($ 4.03)	(5.98%)
10	$ 111.45	$ 119.53	($ 8.08)	(6.76%)
15	$ 153.63	$ 165.75	($ 12.12)	(7.31%)
20	$ 195.82	$ 211.98	($ 16.16)	(7.62%)
25	$ 238.00	$ 258.20	($ 20.20)	(7.82%)

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.** Petitioner utilizes 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 is 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 is limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

This Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

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

1. The Petition of Sycamore 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. Sycamore Gas Company shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, 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.

LANDIS, MAYS AND ZIEGNER CONCUR; ATTERHOLT ABSENT:

APPROVED: OCT 27 2010

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

Brenda A. Howe

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Secretary to the Commission