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, 2012 AND JANUARY, 2013 PURSUANT TO I.C. §§ 8-1-2-42 AND 8-1-2-42.3	)	CAUSE NO. 37368 GCA 116 APPROVED: OCT 31 2012

ORDER OF THE COMMISSION

Presiding Officers:
Carolene Mays, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On September 11, 2012, in accordance with Indiana Code § 8-1-2-42, Sycamore Gas Company, Inc. ("Petitioner") filed its Verified Petition for a Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of November and December, 2012 and January, 2013 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. Petitioner also filed supplemental testimony, with certain revised exhibits, on October 10, 2012 and responded to a Docket Entry on October 17, 2012. On October 15, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Laura J. Anderson, 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 commenced at 9:30 a.m. on October 22, 2012 in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The prefiled testimony and exhibits of both Petitioner and the OUCC were admitted into the record without objection. No members of the general public appeared.

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 Petitioner 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 have a contract in place with a marketer for firm gas supply through the upcoming winter season, which provides supply on a non-interruptible basis to Petitioner's customers. Petitioner has the option to purchase a portion of its portfolio on "first of the month" and/or "daily" prices. Mr. Stenger testified that Petitioner can also purchase a portion of its gas through fixed price contracts. In addition, Petitioner will utilize its interstate pipeline storage throughout the winter season. Petitioner has hedged approximately 43% of its total supply requirements for the upcoming GCA quarter, and continues to review different strategies for future hedging of its gas supply requirements.

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 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 June 30, 2012, Petitioner's actual net operating income was $1,294,299. Therefore, based on the evidence of record, the Commission finds 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 Petitioner's estimating techniques during the reconciliation period of April through June, 2012 (the "Reconciliation Period") yielded an under-estimated weighted average error of 10.97%.

Mr. Stenger testified that the variance for this Reconciliation Period was due mainly to much warmer than normal weather, causing fixed demand costs to be spread out over a smaller than expected sales volume. 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 $135,489 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 $64,009.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $218,931. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $282,940 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner has a negative annual unaccounted-for gas amount of $9,006 as reflected on Schedule 11A. This amount will be refunded to customers in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the refund to be included in this GCA is $4,255. Petitioner has no refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has $4,255 in refunds to be applied in this GCA as a decrease in the net cost of gas.

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 $1,673,072. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $1,951,758. After dividing that amount by estimated sales, adding demand costs, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are:

	November 2012	December 2012	January 2013
Rate GS	$5.9577/Dth	$5.2845/Dth	$5.3007/Dth
Rate WS	$5.8671/Dth	$5.2042/Dth	$5.2201/Dth

9. **Effects on Residential Customers.** The GCA factor for November 2012 of \$5.9577/Dth represents an increase of \$1.2757/Dth from the current GCA factor of \$4.6820/Dth. The GCA factor for December 2012 of \$5.2845/Dth represents an increase of \$0.6025/Dth from the current GCA factor of \$4.6820/Dth. The GCA factor for January 2013 of \$5.3007/Dth represents an increase of \$0.6187/Dth from the current GCA factor of \$4.6820/Dth. The effects of these changes for the three months and for various consumption levels of residential customer bills are shown in the following table:

Table 1
Effect on Residential Customers
Proposed vs. Currently Approved GCA Factor

November 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	\$ 67.02	\$ 60.64	\$ 6.38	10.53%
10	\$118.83	\$106.07	\$12.76	12.03%
15	\$164.71	\$145.57	\$19.14	13.15%
20	\$210.59	\$185.07	\$25.52	13.79%
25	\$256.47	\$224.57	\$31.90	14.20%

December 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	\$ 63.65	\$ 60.64	\$ 3.01	4.97%
10	\$112.10	\$106.07	\$ 6.03	5.68%
15	\$154.61	\$145.57	\$ 9.04	6.21%
20	\$197.13	\$185.07	\$12.06	6.52%
25	\$239.64	\$224.57	\$15.07	6.71%

January 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	\$ 63.73	\$ 60.64	\$ 3.09	5.10%
10	\$112.26	\$106.07	\$ 6.19	5.83%
15	\$154.85	\$145.57	\$ 9.28	6.37%
20	\$197.45	\$185.07	\$12.38	6.69%
25	\$240.04	\$224.57	\$15.47	6.89%

The GCA factor for November 2012 of \$5.9577/Dth represents a decrease of \$0.4756/Dth from the GCA factor of \$6.4333/Dth billed one year ago. The GCA factor for December 2012 of \$5.2845/Dth represents a decrease of \$0.4808/Dth from the GCA factor of

$5.7653/Dth billed one year ago. The GCA factor for January 2013 of $5.3007/Dth represents a decrease of $0.1457/Dth from the GCA factor of $5.4464/Dth billed one year ago. The effects of these changes for the three months for various consumption levels of residential customer bills are shown in the following table:

Table 2
Effect on Residential Customers
Proposed vs. One Year Ago

November 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 67.02	$ 69.40	($ 2.38)	-3.43%
10	$118.83	$123.59	($ 4.76)	-3.85%
15	$164.71	$171.85	($ 7.14)	-4.15%
20	$210.59	$220.10	($ 9.51)	-4.32%
25	$256.47	$268.36	($11.89)	-4.43%

December 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 63.65	$ 66.06	($ 2.41)	-3.65%
10	$112.10	$116.92	($ 4.82)	-4.12%
15	$154.61	$161.84	($ 7.23)	-4.47%
20	$197.13	$206.75	($ 9.62)	-4.65%
25	$239.64	$251.67	($12.03)	-4.78%

January 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 63.73	$ 64.46	($0.73)	-1.13%
10	$112.26	$113.72	($1.46)	-1.28%
15	$154.85	$157.04	($2.19)	-1.39%
20	$197.45	$200.36	($2.91)	-1.45%
25	$240.04	$243.69	($3.65)	-1.50%

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. This 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. In accordance with the Commission's July 30, 2009 Order in Cause No. 37368 GCA 103, the flex is to be filed no less than five (5) 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 Verified Petition of Sycamore Gas Company, Inc. 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, Inc. 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.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: OCT 31 2012

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