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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS )  
CORPORATION FOR APPROVAL OF GAS COST )  
ADJUSTMENT TO BE APPLICABLE IN THE ) CAUSE NO. 37369 GCA 116  
MONTHS OF NOVEMBER AND DECEMBER, )  
2016, AND JANUARY, FEBRUARY, MARCH AND ) APPROVED: OCT 26 2016  
APRIL, 2017, PURSUANT TO IC 8-1-2-42(g), AS )  
AMENDED )

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Marya E. Jones, Administrative Law Judge**

On September 1, 2016, in accordance with Ind. Code § 8-1-2-42, Boonville Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”), with attached schedules to be applicable during the months of November 2016 through April 2017. On September 1, 2016, Petitioner also prefiled the testimony of Paul M. Lewellyn, Vice President of Boonville. On September 22, 2016, Petitioner filed its Submission of Revised Exhibits. On October 3, 2016, in conformance with the statute, the Indiana Office of the Utility Consumer Counselor (“OUCC”) filed its case-in-chief consisting the testimony and exhibits of Debra K. Wilcox, OUCC Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on October 12, 2016, at 10:30 a.m. in Room 224, 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 offered and 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, the Commission 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 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 organized and existing under the laws of the State of Indiana. Petitioner’s principal office is located at 1425 North Rockport Road, Boonville, Indiana. Petitioner renders natural gas utility

service to the public in the City of Boonville, the Town of Chandler, and surrounding areas in Warrick County, 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 Section 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies so as to provide gas to its customers at the lowest gas cost reasonably possible.

Mr. Lewellyn testified that Petitioner attempts to mitigate price volatility through managing its natural gas storage levels and hedging natural gas contracts by purchasing “layers” so the storage gas and hedges combined provide as much as 60-80% of its anticipated winter load. Mr. Lewellyn explained that Petitioner attempts to hedge 50-60% of its needs through advance hedges, while utilizing spot purchases and gas in storage to meet the remainder of its anticipated needs. He noted that Petitioner’s management consults regularly with multiple gas analysts to anticipate pricing dips, purchase gas at the lowest possible prices, and monitor predicted weather patterns.

The Commission has indicated that Indiana’s gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence offered, we find 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 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 the proposed gas costs include transport rates that have been filed by Petitioner’s pipeline supplier in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charges and find the cost to be reasonable. Therefore, we find that 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 which 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 November 7, 2012, in Cause No. 44129, where the Commission authorized Petitioner to earn a net operating income of \$377,422.

Petitioner’s evidence indicates that for the 12 months ending April 30, 2016, Petitioner’s actual net operating income was \$108,058. Therefore, based on the evidence in the record, the Commission finds that Petitioner is not earning in excess of the amount authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** Ind. 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 a comparison of the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates Petitioner's 12-month rolling average comparison was 0.98% for the period ending April 30, 2016. 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.**

A. **Variances.** 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 of November 2015 to April 2016 ("Reconciliation Period") is an under-collection of \$21,008 from its customers. This amount should be included in the current GCA as an increase in the estimated net cost of gas.

B. **Refunds.** Petitioner received no new refunds during the Reconciliation Period and has \$2,383 in refunds from prior periods applicable to the current recovery period. We find the amount to be refunded to customers in this GCA is \$2,383 as reflected on Schedule 12a.

8. **Resulting Gas Cost Adjustment Factors.** The estimated net cost of gas to be recovered by Petitioner for November 2016 is \$182,009, for December 2016 is \$240,621, for January 2017 is \$331,762, for February 2017 is \$294,582, for March 2017 is \$192,383 and for April 2017 is \$82,534. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA for November 2016 of \$185,113, for December 2016 of \$243,725, for January 2017 of \$334,866, for February 2017 of \$297,686, for March 2017 of \$195,487 and for April 2017 of \$85,638. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$3.9981/Dth for November 2016, \$3.9272/Dth for December 2016, \$3.9527/Dth for January 2017, \$3.9762/Dth for February 2017, \$4.0499/Dth for March 2017, and \$3.9515/Dth for April 2017.

9. **Effects on Residential Customers - (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factor of \$3.9981/Dth for November 2016, \$3.9272/Dth for December 2016, \$3.9527/Dth for January 2017, \$3.9762/Dth for February 2017, \$4.0499/Dth for March 2017, and \$3.9515/Dth for April 2017. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (September 2016 - \$4.0316/Dth) and a year ago (November 2015 - \$3.6385/Dth, December 2015 - \$3.6367/Dth, January 2016 - \$3.7422/Dth, February

2016 - \$3.6921/Dth, March 2016 - \$3.7224/Dth, and April 2016 - \$1.3867/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	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
November 2016	\$39.98	\$40.32	(\$0.34)	\$36.39	\$ 3.59
December 2016	\$39.27	\$40.32	(\$1.05)	\$36.37	\$ 2.90
January 2017	\$39.53	\$40.32	(\$0.79)	\$37.42	\$ 2.11
February 2017	\$39.76	\$40.32	(\$0.56)	\$36.92	\$ 2.84
March 2017	\$40.50	\$40.32	(\$0.18)	\$37.22	\$ 3.28
April 2017	\$39.52	\$40.32	(\$0.80)	\$13.87	\$25.65

**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 monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial market price in this GCA proceeding. Finally, Petitioner shall file all material which supports its decision to flex or not to flex as outlined in our Order in Cause No. 44374.

**12. Other Matters.** The OUCC found several discrepancies in Petitioner's originally filed schedules and communicated with Petitioner about them. Ms. Wilcox testified that upon inquiry, Petitioner advised that it did not receive a stamped copy of the tariff for the January GCA Flex Filing. Therefore, Petitioner billed its customers at the GCA rate of \$3.7422, instead of the Revised Flex GCA rate of \$3.7022. The factor that was used resulted in an under billing of \$21,008.

Petitioner's revised schedules submitted on September 22, 2016, addressed the OUCC's concerns. However, the Commission has no record of an inquiry from Petitioner regarding the stamped tariff not being received. In the future, if a stamped tariff is not received prior to the first day of the month, Petitioner must contact the Commission's Energy Division staff to request the stamped tariff. Not only will this ensure that Petitioner's customers are properly billed using the correct rate, but it will also avoid discrepancies in Petitioner's GCA reconciliation process and preparation for approval of GCA factors in the next GCA period.

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

1. The Petition of Boonville Natural Gas Corporation for the gas cost adjustment for natural gas service, as set forth in Paragraph No. 8, is approved, subject to refund in accordance with Paragraph No. 10.
2. Prior to implementing the GCA factor approved above, or any flexed factor, Boonville Natural Gas Corporation shall file with the Commission under this Cause the applicable rate schedules for the factor.
3. This Order shall be effective on and after the date of its approval.

**STEPHAN, FREEMAN, HUSTON, WEBER, AND ZIEGNER CONCUR:**

APPROVED:           **OCT 26 2016**

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

  
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**Mary M. Becerra**  
**Secretary of the Commission**