ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS CORPORATION FOR APPROVAL OF GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF MAY, JUNE AND JULY, 2013 PURSUANT TO I.C. 8-1-2-42, AS AMENDED	CAUSE NO. 37369 GCA 105 APPROVED: APR 24 2013

BY THE COMMISSION:
David E. Ziegner, Commissioner
Gregory R. Ellis, Administrative Law Judge

On March 1, 2013, in accordance with Ind. Code § 8-1-2-42, Boonville Natural Gas Corporation ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with supporting Schedules to be applicable during the billing cycles of May through July 2013 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner filed revised and additional exhibits on March 20, 2013 and the pre-filed testimony of John R. Lewellyn, President of Boonville Natural Gas Corporation, on April 1, 2013 supporting the proposed GCA factor. On April 1, 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.

Pursuant to notice given and 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 on April 9, 2013 at 2:30 P.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 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 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 organized and existing under the laws of the State of Indiana. Petitioner has its principal office 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 where it owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Natural Gas Source.** 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 gas cost reasonably possible. Petitioner's evidence shows that its

interstate pipeline supplier of gas is Texas Gas Transmission LLC ("Texas Gas"). Texas Gas transports natural gas purchased on the spot market and under fixed price contracts for future delivery from one or more natural gas producers and marketers to the Petitioner. Petitioner's transportation and storage contracts with Texas Gas require and specify the gas withdrawal rate from storage at particular levels and times and also restrict the rate at which gas storage can be refilled during the summer months, which can affect its hedging strategy. The purchase of natural gas hedges is further limited by credit available from Petitioner's suppliers and the size of its storage and transportation contracts. These limits influence Petitioner's ability to take advantage of declines in the market price of gas. Petitioner's management consults regularly with multiple gas analysts to anticipate pricing dips and purchase gas at the lowest possible prices, and to monitor predicted weather patterns. Petitioner reviews economic indicators as well.

Petitioner has attempted to hedge approximately 50-60% of its needs through advance hedges, while utilizing spot purchases and gas in storage to meet the remainder of customer needs. Petitioner stated it must balance the amount of gas in storage to ensure overfilling does not occur. The Texas Gas tariff enforces a penalty of $10.00/Dth for each Dth over the 40% fill point as of April 1.

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 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. <u>Purchased Gas Cost Rates</u>. 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 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 costs to be reasonable. Therefore, we find that the requirement of this statutory provision has been fulfilled.

5. <u>Earnings Test</u>. 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 November 7, 2012 in Cause No. 44129. The Commission authorized Petitioner to earn a net operating income of $377,422. Petitioner's evidence indicates that for the twelve (12) months ending December 31, 2012, Petitioner's actual net operating income was $292,091. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that authorized in its last rate case.

6. <u>Estimation of Purchased Gas Costs</u>. 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 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 August, September, and October of 2012 (the "Reconciliation Period") yielded an under-estimated weighted average error of 0.20%.

Based upon 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. **Reconciliations.**

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 is an over-collection of $6,099 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 $467.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $1,482. Combining this amount with the Reconciliation Period variance results in a total under-collection of $1,015 to be applied in this GCA as an increase in the estimated net cost of gas.

B. **Refunds**. Petitioner received no new refunds during the Reconciliation Period and has $566 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is $566 as reflected on Schedule 12A.

8. **Resulting Gas Cost Adjustment Factors.** The estimated net cost of gas to be recovered during the application period is $139,298. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $139,747. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is $4.4345/Dth for the months of May and June 2013 and $4.4340 for July 2013. The GCA factor for July 2013 differs from the May and June factors due to the reduction in Indiana Corporate Adjusted Gross Income Tax rate from 8.0% to 7.5%, effective July 1, 2013.

9. **Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of 4.4345/Dth for May and June 2013 and $4.4340/Dth for July 2013. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February through April 2013 - $4.7852) and a year ago (May through July 2012 - $5.7600/Dth). The table reflects costs that are approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

		Current		**Year Ago**	
Month	**Gas Costs at New GCA Factor at 10 Dths**	**Gas Costs at Current GCA Factor at 10 Dths**	**Dollar Change New vs. Current**	**Gas Cost at Year Ago GCA Factor at 10 Dths**	**Dollar Change New vs. Year Ago**
May 2013	$44.35	$47.85	($3.50)	$57.60	($13.25)
June 2013	$44.35	$47.85	($3.50)	$57.60	($13.25)
July 2013	$44.34	$47.85	($3.51)	$57.60	($13.26)

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.

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 Finding Paragraph No. 8, is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Prior to implementing the GCA factors approved above, Boonville Natural Gas Corporation shall file with the Commission under this Cause the applicable rate schedules for the factors.

3. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, MAYS AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: APR 24 2013

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission