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 AUGUST, SEPTEMBER AND OCTOBER, 2012, PURSUANT TO I.C. § 8-1-2-42, PL 43-1983	CAUSE NO. 37369 GCA 102 APPROVED: JUL 31 2012

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Gregory R. Ellis, Administrative Law Judge

On May 31, 2012, 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 and Appendices to be applicable during the billing cycles of August 2012 through October 2012 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner filed Revised Schedules and Appendices on June 21, 2012. On June 22, 2012, Petitioner filed the Testimony of John R. Lewellyn in support of its Petition. In conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed on July 2, 2012 the statistical report, supporting documentation, and direct testimony of Sherry L. Beaumont, 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 on July 11, 2012 at 10:30 A.M., in Room 224 of the 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 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 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 1425 North

Rockport Road, Boonville, Indiana. Petitioner is engaged in rendering natural gas utility service to the public, serving the City of Boonville and 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 services.

3. **Source of Natural Gas.** 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 Petitioner continues to transport its purchases of natural gas and store some of its purchases of natural gas on and with the Texas Gas Transmission LLC ("Texas Gas") interstate pipeline company. Petitioner employs a hedging strategy and purchases gas in layers. Petitioner also attempts to hedge at least 50% of gas supply needs when possible and more when futures are competitively priced. The remaining portion of gas supply consists of spot gas.

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 made reasonable effort to acquire long term gas supplies so as to provide gas to its retail customers 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.** 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 supplier 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.** Ind. 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. 43342. The Commission's October 8, 2008 Order in that Cause authorized Petitioner to earn a net operating income of $322,530. Petitioner's evidence indicates that for the twelve (12) months ending March 31, 2012, Petitioner's actual net operating income was $352,045. 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, Ind. 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 Ind. 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 a negative $3,798,559 and less than zero. 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.** 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 the estimating techniques of Petitioner during the reconciliation period of November 2011, December 2011 and January 2012, (the "Reconciliation Period") yielded an over-estimated weighted average error of 0.86%. 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.** Ind. 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 $2,090 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 $180.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $3,673. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $3,853 to be applied in this GCA as an increase 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 cost of gas to be recovered during the application period is $208,152. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $212,005. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is $5.9805/Dth.

9. **Effects on Residential Customers.** The GCA factor of $5.9805/Dth represents an increase of $0.2205/Dth from the current GCA factor of $5.7600/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Proposed GCA Factor
Vs.
Currently Approved GCA Factor

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 57.63	$ 56.53	$ 1.10	1.95%
10	$105.26	$103.05	$ 2.21	2.14%
15	$149.98	$146.67	$ 3.31	2.26%
20	$194.70	$190.29	$ 4.41	2.32%
25	$239.42	$233.91	$ 5.51	2.36%

The GCA factor of $5.9805/Dth represents a decrease of $1.8895/Dth from the GCA factor of $7.8700/Dth billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 2
Proposed GCA Factor
Vs.
GCA Factor One Year Ago

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Prior Yr GCA Factor	Dollar Change	Percent Change
5	$ 57.63	$ 67.08	($9.45)	-14.09%
10	$105.26	$124.15	($18.89)	-15.22%
15	$149.98	$178.32	($28.34)	-15.89%
20	$194.70	$232.49	($37.79)	-16.25%
25	$239.42	$286.66	($47.24)	-16.48%

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. **Interim Rates Finalized**. At the evidentiary hearing, Counsel for Petitioner requested that rates determined to be interim rates in previous GCA proceedings be finalized by the Commission. The Commission notes that the prefiled testimony of OUCC witness Sherry L. Beaumont indicated the OUCC has not performed an on-site review of Petitioner's records pertaining to GCAs 99 through 102. A review of those records will be performed during GCA 103. Ms. Beaumont's testimony indicated that Petitioner's GCA rates should only be finalized after gas costs have been reconciled and Petitioner's books and records have been examined in accordance with Ind. Code § 8-1-2-42(g)(2).

The Commission's July 27, 2011 Order in Cause No. 37369 GCA 98 finalized Petitioner's Gas Cost Adjustment rates effective for the period ending January 31, 2011, its GCA 95 period. Since January 31, 2011, the Commission's Orders in Cause No. 37369 GCA 96 through 98 have authorized Petitioner's Gas Cost Adjustment rates effective for three-month periods from January 31, 2011 to the period ending October 31, 2011. Based on testimony and evidence submitted by Petitioner and the OUCC, the Commission finds that Petitioner has since received the actual gas costs applicable during the GCA 96 through 98 time periods, which have been addressed and reconciled in this current proceeding.

Since Petitioner properly complied with the statutory earnings test set forth in Ind. Code § 8-1-2-42(g)(3)(C) during these periods, the Commission finds the "subject to refund" provisions contained in the Cause No. 37369 GCA 96 through 98 Orders as to Petitioner should be removed and the Gas Cost Adjustment rates should be finalized through the period ending October 31, 2011.

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, shall be and hereby is approved, subject to refund in accordance with Finding Paragraphs No. 10 and No. 11.

2. Boonville Natural Gas Corporation shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein or 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: JUL 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