

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS )  
 CORPORATION FOR APPROVAL OF GAS COST ) CAUSE NO. 37369 GCA 104  
 ADJUSTMENT TO BE APPLICABLE IN THE )  
 MONTHS OF FEBRUARY, MARCH AND APRIL, ) APPROVED:  
 2013 PURSUANT TO I.C. 8-1-2-42, AS AMENDED )

JAN 30 2013

ORDER OF THE COMMISSION

**Presiding Officers:**

**Larry S. Landis, Commissioner**

**Gregory R. Ellis, Administrative Law Judge**

On December 3, 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 February, March, and April 2013 with the Indiana Utility Regulatory Commission (“Commission”). On January 3, 2013, Petitioner filed revised schedules supporting the proposed GCA factor and the testimony of John R. Lewellyn in support of its Petition. In conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC” or “Public”) filed on January 8, 2013 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 January 15, 2013 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 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 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 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 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, as a small gas utility, serving the City of Boonville and 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 services.

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 to the Petitioner natural gas purchased on the spot market and under fixed price contracts for future delivery from one or more natural gas producers and marketers. Petitioner indicated that it anticipates it will continue to purchase its natural gas requirements from one or more natural gas producers having points of interconnection with the Texas Gas pipeline.

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 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.** 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 Boonville Natural Gas Corporation'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. 44129 on November 7, 2012. However, Cause No. 43342 was still in effect until November for the purposes of comparing earnings to an authorized net income. 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 September 30, 2012, Petitioner's actual net operating income was \$384,468. 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 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 for Petitioner's gas costs during the reconciliation period of May through July 2012 (the "Reconciliation Period") yielded an over-estimated weighted average error of 0.70%. 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 cost 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 cost for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an over-collection of \$10,466 from its customers. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the estimated net cost of gas is \$3,385.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$7,328. Combining this amount with the Reconciliation Period variance, results in a total over-collection of \$10,713 to be applied in this GCA as a decrease in the estimated net cost of gas.

Petitioner has no refunds applicable to the current recovery period. Petitioner has a negative annual unaccounted-for gas amount of \$7,504 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 \$2,427. 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 Factors.** The estimated net cost of gas to be recovered during the application period is \$649,325. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of \$636,185. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$4.7852/Dth.

9. **Effects on Residential Customers.** The GCA factor of \$4.7852/Dth represents an increase of \$0.4342/Dth from the current GCA factor of \$4.3510/Dth. The effects of this change, in addition to changes from Petitioner's base rates and any applicable rate adjustment mechanisms,<sup>1</sup> are shown in the following table for various consumption levels of residential bills:

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<sup>1</sup> Because changes in other bill rate adjustment mechanisms may exceed the change in the GCA factor, any increase or decrease in the GCA factor may not necessarily result in an increase or decrease in the total bill.

**Table 1**  
**Proposed GCA Factor**  
 vs.  
**Currently Approved GCA Factor**

Consumption Dth	Bill at Proposed GCA Factor	Bill at Currently Approved GCA Factor	Dollar Change	Percent Change
5	\$ 61.28	\$ 59.11	\$ 2.17	3.67%
10	\$109.73	\$105.39	\$ 4.34	4.12%
15	\$154.16	\$147.65	\$ 6.51	4.41%
20	\$198.59	\$189.91	\$ 8.68	4.57%
25	\$243.03	\$232.17	\$10.86	4.68%

The GCA factor of \$4.7852/Dth represents a decrease of \$1.4315/Dth from the GCA factor of \$6.2167/Dth billed one year ago. The effects of this change, in addition to changes from Petitioner's base rates and any applicable rate adjustment mechanisms,<sup>2</sup> are shown in the following table for various consumption levels of residential bills:

**Table 2**  
**Proposed GCA Factor**  
 vs.  
**GCA Factor One Year Ago**

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year Approved GCA Factor	Dollar Change	Percent Change
5	\$ 61.28	\$ 58.81	\$ 2.47	4.20%
10	\$109.73	\$107.62	\$ 2.11	1.97%
15	\$154.16	\$153.52	\$ 0.64	0.42%
20	\$198.59	\$199.42	(\$ 0.83)	(0.42)%
25	\$243.03	\$245.33	(\$ 2.30)	(0.94)%

**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. Prior Interim Rates Finalized.** Counsel for the Petitioner requested that rates determined to be interim rates in previous GCA proceedings be finalized by the Commission. At the evidentiary hearing, the OUCC indicated it has performed a review of Petitioner's records

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<sup>2</sup> Because changes in other bill rate adjustment mechanisms may exceed the change in the GCA factor, any increase or decrease in the GCA factor may not necessarily result in an increase or decrease in the total bill.

pertaining to GCA 99 and that the rates should be finalized.

The Commission's July 31, 2012 Order in Cause No. 37369 GCA 102 finalized Petitioner's Gas Cost Adjustment rates effective for the period ending October 31, 2011, its GCA 98 period. The Commission's Orders in Cause No. 37369 GCA 99 entered on October 25, 2011, authorized Petitioner's Gas Cost Adjustment rates effective for three-month periods from November 1, 2011 to the period ending January 31, 2012. The Commission's July 31, 2012 Order in Cause No. 37369 GCA 102 reconciled those rates. 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 99 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 99 Order as to Petitioner should be removed and the Gas Cost Adjustment rates should be finalized through the period ending January 31, 2012.

**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 Paragraph No. 10.

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:      JAN 30 2013**

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

  
**Brenda A. Howe**  
**Secretary to the Commission**