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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR APPROVAL OF GAS COST) CAUSE NO. 37369 GCA 111
ADJUSTMENT TO BE APPLICABLE IN THE)
MONTHS OF NOVEMBER AND DECEMBER, 2014)
AND JANUARY, 2015, PURSUANT TO I.C. 8-1-2-42,) APPROVED:
AS AMENDED)

OCT 22 2014

ORDER OF THE COMMISSION

Presiding Officer:
Gregory R. Ellis, Administrative Law Judge

On August 29, 2014, 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 2014 through January 2015. On September 15, 2014, Petitioner filed revised schedules and exhibits. Petitioner pre-filed the testimony of John R. Lewellyn, President of Boonville Natural Gas Corporation in support of the proposed GCA factor on September 16, 2014. On September 29, 2014, in conformance with the statute, the Indiana Office of the Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Heather R. Poole, Senior Utility Analyst. On September 29, 2014, Petitioner filed its second revision of exhibits.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause at 11:00 a.m. on October 1, 2014, 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 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

where it owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

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.

Texas Gas Transmission transports and stores 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 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. Petitioner’s management consults regularly with multiple gas analysts to anticipate pricing dips and purchase gas at the lowest possible prices. Petitioner also monitors predicted weather patterns. Petitioner’s gas purchases in the current GCA period appear to correspond to its described gas procurement plan.

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 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. 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 suppliers in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charge 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 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 June 30, 2014, Petitioner’s actual net operating income was \$329,706. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that 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 this requires, in part, a comparison of prior estimates with the corresponding actual costs. The evidence presented indicates that Petitioner’s estimating techniques during the reconciliation period of February through April 2014 (“Reconciliation Period”) yielded an under-estimated weighted average error of 18.02%. April 2014 was colder than normal so estimated sales were lower than actual which caused the high under-estimated weighted average error. 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. **Reconciliations.** 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 under-collection of \$253,280 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 \$125,980.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$21,987. Combining this amount with the Reconciliation Period variance results in a total under-collection of \$147,967 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for November 2014 through January 2015 is \$1,018,988. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of \$1,166,955 for November 2014 through January 2015. After dividing that amount by estimated sales and adjusting for the Indiana Utility Receipts Tax, Petitioner’s recommended GCA factor is \$5.9242/Dth for November 2014 through January 2015.

9. **Effects on Residential Customers – (GCA Cost Comparison).** Petitioner requests authority to approve the GCA factor of \$5.9242/Dth for November 2014 through January 2015. 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 (October 2014 - \$5.4720) and a year ago (November 2013 through January 2014 - \$4.9111/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 from Current	Gas Costs (10 Dth)	Difference from Year Ago
Nov 2014 – Jan 2015	\$59.24	\$54.72	\$4.52	\$49.11	\$10.13

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. **Prior Interim Rates Finalized.** In this Cause, Petitioner requests all its prior GCA rates which have been determined to be reconciled in prior orders of the Commission be finalized pursuant to Ind. Code § 8-1-2-42(g)(2). The prefiled testimony of OUCC witness Heather R. Poole indicated that since this GCA falls between annual reviews, the OUCC has not performed an examination, review, or compilation procedures of Petitioner's books and records. Ms. Poole noted that since those additional procedures have not yet been performed, it is important that Petitioner's GCA rates only be finalized after gas costs have been reconciled and the books and records have been examined in accordance with Ind. Code § 8-1-28-42(g)(2). The OUCC's next scheduled examination, review, or compilation of data for Petitioner will be performed during Cause No. 37369 GCA 114. Therefore, we find Petitioner's rates cannot be finalized beyond those previously finalized in Cause No. 37369 GCA 110.

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.

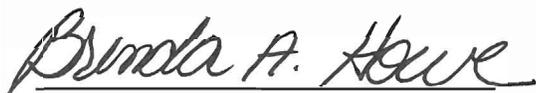
2. Prior to implementing the GCA factor approved above, Boonville Natural Gas Corporation shall file with the Commission under this Cause the applicable rate schedule for the factor.

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

STEPHAN, MAYS-MEDLEY, WEBER, AND ZIEGNER CONCUR; HUSTON NOT PARTICIPATING:

APPROVED: OCT 22 2014

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



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