ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS CORPORATION AND CHANDLER NATURAL GAS CORPORATION FOR APPROVAL OF GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF MAY, JUNE AND JULY, 2009, PURSUANT TO I.C. 8-1-2-42, PL 43-1983	)	CAUSE NO. 37369 GCA 89 APPROVED: APR 29 2009

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
Angela Rapp Weber, Administrative Law Judge

On February 27, 2009, in accordance with Indiana Code § 8-1-2-42, Boonville Natural Gas Corporation and Chandler Natural Gas Corporation ("Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its Petition For Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the months of May through July 2009. On March 27, 2009 and April 3, 2009, Petitioner filed revised exhibits with the Commission. On April 6, 2009, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Sherry L. Beaumont, a Utility Analyst in the Natural Gas Division. On April 6, 2009, the Presiding Officers in this Cause issued a Docket Entry that requested responses from Petitioner. In response to the Docket Entry, Petitioner provided the oral testimony of John R. Lewellyn, Petitioner's President and a member of its Board of Directors, at the public hearing held in this Cause.

Pursuant to notice 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 on April 14, 2009 at 11:30 a.m. EDT in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present at the hearing and participated. The testimony and exhibits of both Petitioner and OUCC were admitted into the record. 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 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 is engaged in rendering public utility services in

Warrick County, Indiana, as a small gas utility serving the City of Boonville, the Town of Chandler and surrounding areas. It owns, operates, manages and controls plant and equipment within the State of Indiana used for the distribution and furnishing of such gas service to the public.

3. **Source of Natural Gas.** Indiana Code § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible. According to the Petition, Petitioner's sole interstate pipeline supplier is Texas Gas Transmission, LLC. Petitioner makes spot-market purchases of natural gas. In addition, Petitioner makes reasonable efforts to acquire long-term gas supplies in order to provide customers with gas supplies at the lowest cost reasonably possible.

Further, Petitioner provided revised price estimates for the months of June and July. The evidence indicated that the estimated prices for fixed and stored gas for the months of May and June were considerably lower than its estimates for the month of July. On August 6, 2009, the Presiding Officers issued a Docket Entry, which requested that Petitioner provide evidence to explain and justify the differences in prices.

At the public hearing, Petitioner complied with the Presiding Officers' Docket Entry by offering the oral testimony of John R. Lewellyn. Mr. Lewellyn explained that Petitioner used more storage gas than originally anticipated because of the abnormally cold heating season. Therefore, Petitioner purchased additional storage supply for May and June to refill that which had been used during the heating season. According to Mr. Lewellyn, the lower cost estimates for May and June are the result of the decrease in the cost of natural gas purchased. Storage supply was not purchased for the month of July, so the estimated cost of gas did not decrease.

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, the Commission finds that Petitioner demonstrated that it has and follows a policy of securing natural gas supply at the most economical level possible in order to meet Petitioner's current and anticipated customer requirements. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

4. **Purchased Gas Cost Rates.** Indiana Code § 8-1-2-42(g)(3)(B) requires that Petitioner's pipeline suppliers 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 reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the cost to be reasonable. Accordingly, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Rate of Return.** Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment that results in 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 Commission's Order issued on October 8, 2008 in Cause No. 43342 authorized

Petitioner to earn a net operating income in the amount of $322,530 on an original cost rate base of $3,494,367. This Order also consolidated Boonville Natural Gas ("Boonville") and Chandler Natural Gas ("Chandler") utilities under one rate schedule. The twelve months (12) months ending December 31, 2008 is the period that would be used to calculate Petitioner's actual net operating income. However, that timeframe is not sufficient to calculate Petitioner's net operating income as a consolidated utility. Thus, the Commission must examine the net operating incomes of Boonville and Chandler as individual operating utilities.

Petitioner's evidence indicates that for the twelve (12) months ending December 31, 2008, Boonville's actual net operating income was $25,381. Chandler's actual net operating income was $(66,977). As a result, based on the evidence of record, Boonville and Chandler have not experienced revenues in excess of that authorized in their last rate cases.

6. **Estimation of Purchased Gas Costs.** Indiana 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 from August 2008 through October 2008 ("the Reconciliation Period") yielded an over-estimated weighted average error of 1.27%. 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.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that 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 $173,206 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 $13,718.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $16,688. When this amount is combined with the Reconciliation Period variance, the result is a total under-collection of $30,406 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 Factors.** The estimated net cost of gas to be recovered during the application period is $290,011. When this amount is adjusted for the combined variance and refund amounts, the result is that $320,417 in gas costs should be recovered through the GCA and Base Rates. 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 $9.2970/Dth.

9. **Effects on Residential Customers.** The GCA factor of $9.2970/Dth represents a decrease of $2.7331/Dth from the current GCA factor of $12.0301/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Proposed GCA Factor
vs.
Currently Approved GCA Factor

Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 74.21	$ 87.88	$(13.67)	(15.55)%
10	138.42	165.75	(27.33)	(16.49)%
15	199.73	240.72	(40.99)	(17.03)%
20	261.03	315.69	(54.66)	(17.31)%
25	322.34	390.66	(68.33)	(17.49)%

Further, the GCA factor of $9.2970/Dth represents an increase from the GCA factor of $1.8756/Dth billed one year ago for Boonville and an increase of $2.2528 billed one year ago for Chandler. The effects of this increase for various consumption levels of residential bills, with full adjustment for the effect of the Indiana Utility Receipts Tax, are shown in the following table:

Proposed GCA Factor
vs.
GCA Factor One Year Ago
(Boonville)

Consumption Dth	Bill at New GCA Factor	Bill One Year Ago GCA Factor	Dollar Change	Percent Change
5	$ 74.21	$ 73.86	$ 0.35	0.48%
10	138.42	141.57	(3.15)	(2.22)%
15	199.73	206.36	(6.63)	(3.21)%
20	261.03	271.14	(10.11)	(3.73)%
25	322.34	335.93	(13.59)	(4.05)%

Proposed GCA Factor
vs.
GCA Factor One Year Ago
(Chandler)

Consumption Dth	Bill at New GCA Factor	Bill One Year Ago GCA Factor	Dollar Change	Percent Change
5	$ 74.21	$ 66.35	$ 7.86	11.84%
10	138.42	125.27	13.15	10.50%
15	199.73	184.12	15.60	8.47%
20	261.03	242.98	18.05	7.43%
25	322.34	301.84	20.50	6.79%

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 finds that the approved rates herein should be interim rates subject to refund in the event an excess return is earned.

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

1. The Gas Cost Adjustment factor for Petitioner as set out in Finding No. 8 above shall be and hereby is approved subject to refund in accordance with Finding Paragraph No. 10.

2. Petitioner shall file with the Natural Gas Division of this Commission, prior to placing into effect the gas cost adjustment herein, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedules on these amendments.

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

HARDY, GOLC, LANDIS, SERVER AND ZIEGNER CONCUR:

APPROVED: APR 29 2009

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