

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR APPROVAL OF GAS)
COST ADJUSTMENT TO BE APPLICABLE) CAUSE NO. 37369 GCA 91
IN THE MONTHS OF NOVEMBER AND)
DECEMBER 2009, AND JANUARY, 2010,)
PURSUANT TO I.C. 8-1-2-42, PL 43-1983) APPROVED: OCT 28 2009

BY THE COMMISSION:

Jeffrey L. Golc, Commissioner
DeAnna Brunner, Administrative Law Judge

On August 31, 2009, in accordance with Indiana 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 billing cycles of months of November and December, 2009 and January, 2010 with the Indiana Utility Regulatory Commission ("Commission"). On August 31, 2009, Petitioner prefiled the revised schedules supporting the proposed GCA factor. In conformance with the statute, on September 29, 2009, the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") filed the direct testimony of Sherry L. Beaumont ("Public's Exhibit 1"), an OUCC Utility Analyst. On October 8, 2009, Petitioner prefiled the direct testimony of Bonnie J. Mann, a London Witte Group LLC certified public accountant.

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 October 8, 2009, at 2:00 PM., EDT, in Judicial Courtroom 224, 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. 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 the parties 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. Pursuant to the Commission's January 30, 2009 order in Cause No. 43611, the Chandler Natural Gas Corporation merged with the Petitioner, leaving the Petitioner, Boonville Natural Gas Corporation, as the sole surviving corporation. Petitioner is engaged in rendering natural gas utility service to the public in Warrick County in Indiana; and owns, operates, manages and controls plant and equipment used for the distribution and furnishing of such services.

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 gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner offered as Petitioner's Exhibits its verified petition and the various standard schedules and appendix, as revised, supporting Petitioner's Petition. These exhibits show 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 system.

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 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, 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 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 Texas Gas 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 cost to be reasonable. Therefore, 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 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. This Order also consolidated Petitioner Boonville Natural Gas ("Boonville") and Chandler Natural Gas ("Chandler") utilities under one rate schedule. The twelve (12) months ending June 30, 2009, 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 has examined the net operating incomes of Boonville and Chandler as individual operating utilities up to the time of their merger.

That examination, Appendix B to Boonville's Petition, shows that individually and as a combined entity, there is no earning in excess of that authorized in the last rate case. Petitioner's evidence herein indicates that for the twelve (12) months ending June 30, 2009, Boonville's actual net operating income, after its merger with Chandler Natural Gas, was \$51,620. 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.** 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 the estimating techniques of Petitioner during the reconciliation period of February, March and April of 2009 (the "Reconciliation Period"), yielded an over-estimated weighted average error of 3.28%. Based upon Petitioner's historic 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 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 over-collection of \$28,847 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 \$13,380.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$76,042. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$62,662 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 \$2,276,359. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$2,339,021. 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 \$11.2045/Dth.

9. **Effects on Residential Customers.** The GCA factor of \$11.2045/Dth represents a decrease of \$0.2280/Dth from the current GCA factor of \$11.4325/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 (November and December 2009, and January, 2010)
 vs.
Currently Approved GCA Factor (August, September and October, 2009)

Consumption in Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percentage Change
5	\$ 83.75	\$ 84.89	-\$1.14	-1.34%
10	157.50	159.78	-2.28	-1.43%
15	228.34	231.76	-3.42	-1.48%
20	299.18	303.74	-4.56	-1.50%
25	370.02	375.72	-5.70	-1.52%

The GCA factor of \$11.2045/Dth represents an decrease of \$1.4740/Dth from the GCA factor of \$12.6785/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 (November and December, 2009 and January, 2010)
 vs.
GCA Factor One Year Ago (November and December 2008, and January, 2009)
 (Boonville and Chandler)

Consumption in Dth	Bill at New GCA Factor	Bill at One Year Ago GCA Factor	Dollar Change	Percentage Change
5	\$ 83.75	\$ 91.12	-\$7.37	-8.09%
10	157.50	172.24	-14.74	-8.56%
15	228.34	250.45	-22.11	-8.83%
20	299.18	328.66	-29.48	-8.97%
25	370.02	406.87	-36.85	-9.06%

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.

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

1. The Gas Cost Adjustment factor for Petitioner, Boonville Natural Gas Corporation, as set out in Finding No. 8 above is hereby approved, on an interim basis, subject to refund in the event an excess rate of return is earned.

2. Before implementing the Gas Cost Adjustment factor approved herein on an interim basis, as described in Finding No. 8 above, the Petitioner shall file with the Commission's Natural Gas Division separate amendments to all rate schedules included in its approved Tariff, with reasonable references on each amendment indicating that the GCA factor approved in GCA-91 is applicable to the rate schedule referenced therein.

3. Petitioner's GCA rates approved on an interim basis in Cause No. 37369 GCA 84 through 87, for the periods between February 1, 2008 and January 31, 2009, are hereby made final.

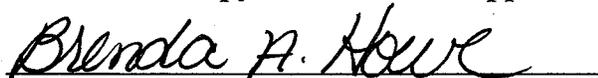
4. The pre-merger GCA rates approved on an interim basis in Cause No. 37370 GCA 84 through 87, for the period between February 1, 2008 and January 31, 2009, for Chandler Natural Gas Corporation before it was merged with and into the Petitioner, Boonville Natural Gas Corporation, are hereby made final.

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

HARDY, ATTERHOLT, GOLC, LANDIS AND ZIEGNER CONCUR:

APPROVED: OCT 28 2009

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



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