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 FEBRUARY, MARCH AND APRIL, 2010, PURSUANT TO I.C. 8-1-2-42, PL 43-1983	))))))	**CAUSE NO. 37369 GCA 92** **APPROVED:** JAN 27 2010

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
DeAnna Brunner, Administrative Law Judge

On November 30, 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 February, March and April, 2010 with the Indiana Utility Regulatory Commission ("Commission"). On January 5, 2010, Petitioner filed its submission of revised Schedule 11a, and, on January 11, 2010, its submission of revised Schedules 1, 6, 7, and 12b, and revised Appendix A.

On January 5, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the prepared Testimony of Sherry L. Beaumont, an OUCC Utility Analyst, the statistical report, schedules and review she prepared upon her review of Petitioner's application for gas cost adjustment and supporting exhibits in this GCA proceeding, and Petitioner's Response to the OUCC Data Requests No. 1 and No. 2.

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 at 9:00 a.m. local time on January 11, 2010 in Judicial Courtroom 222, National City 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. 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. The Petitioner owns and 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, and pursuant to the order of the Commission entered January 30, 2009 in Cause No. 43611, merged with Chandler Natural Gas Corporation. Petitioner Boonville Natural Gas Corporation is the surviving corporation. Petitioner is engaged in rendering natural gas utility service in Warrick County in Indiana as a gas utility serving the City of Boonville and serving the recently merged gas utility service area in the Town of Chandler, and in surrounding areas; and owns, operates, manages and controls plant and equipment used for the distribution and furnishing of such services.

3. **Natural Gas Source**. 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's evidence reflects 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. We have consistently stated in previous orders that, "[t]he Commission does not intend to detail any company specific portfolio content."[1] However, the Commission is concerned with the term and amount of fixed gas contracts that Petitioner has recently entered into and the effect it may have on Petitioner's efforts and/or ability to acquire gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible. The Commission encourages Petitioner to consider developing a more balanced gas supply plan in the future.

Based on the facts presented and a review of the entire record, we find that Petitioner has fulfilled the requirements of Indiana Code § 8-1-2-42(g)(3)(A).

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 Petitioner's 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.

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[1] *See e.g.*, Commission Orders in Cause Nos. 37352 GCA 76, 37352 GCA 78, 37354 GCA 78, 37357 GCA 56, and 37396 GCA 46.

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. This Order also consolidated Petitioner Boonville Natural Gas ("Boonville") and Chandler Natural Gas ("Chandler") utilities under one rate schedule. The twelve (12) months ending September 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 must examine the net operating incomes of Boonville and Chandler as individual operating utilities up to the time of their merger.

That examination 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 indicates that for the twelve (12) months ending September 30, 2009, Boonville's actual net operating income, after its merger with Chandler Natural Gas, was $187,885. As a result, based on the evidence of record, Petitioner has not experienced revenues 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 indicates that the estimating techniques for Petitioner's combined gas costs during the reconciliation period of May, June and July of 2009 (the "Reconciliation Period") yielded an over estimated weighted average error of 19.78 %. The total overestimated weighted average error for the Reconciliation Period was impacted by an error that was found in the billing of storage gas for Petitioner. Petitioner has indicated that during the winter season of 2008 and 2009, their pipeline supplier made errors in billing. These errors led Petitioner to believe they were significantly under filled in storage gas and had used all of their no-notice storage allowance. This led Petitioner to purchase more gas to be placed in storage. In June 2009, Petitioner was informed by the pipeline supplier that a mistake was made and Petitioner was now overfilled in storage gas. This error has led Petitioner to dramatically overestimate the net cost of gas for the month of July 2009 by 210.73%. 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. Petitioner's evidence (combined Schedule 12b to Exhibit B of Petitioner's Exhibit 1) established that Petitioner's variance for the Reconciliation Period is an over collection of $116,157, and based on estimated sales percentages in this GCA and the next three GCA periods, the amount of the Reconciliation Period variance to be included in this GCA is $36,926, as a decrease in the net cost of gas in this GCA period.

The combined variance from the past three recovery period variances applicable to the current recovery period is an under collection of $44,971, and combining that amount with the Reconciliation Period over collection variance results in a total net under recovery variance of $8,045 to be applied in this GCA period as a net increase in the net cost of gas in this GCA period.

Petitioner has $6,222 in refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has $1,978 in refunds to be applied in this GCA as a decrease in the net cost of gas. 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 $1,502,315, with the consideration that Petitioner's base cost of gas as authorized in the Commission's August 27, 2008, rate order in Cause No. 43342 is now $0. Adjusting this total for the combined variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of $1,508,382. After dividing that amount by estimated sales, and adjusting for Indiana Utility Receipts Tax, Petitioner's requested GCA factor is $11.1001/Dth. Accordingly, the Commission finds Petitioner's requested GCA factor should be approved.

9. Effects on Residential Customers. The GCA factor of $11.1001/Dth represents a decrease of $0.1044 over the current GCA factor of $11.2045/Dth. The effects of this decrease for various consumption levels of residential customer bills are shown in the following table:

Proposed GCA Factor (February, March and April, 2010)
vs.
Currently Approved GCA Factor (November and December, 2009 and January, 2010)

Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percentage Change
5	$ 83.23	$ 83.75	($0.52)	(0.62%)
10	156.45	157.50	($1.05)	(0.66%)
15	226.77	228.34	($1.57)	(0.69%)
20	297.09	299.18	($2.09)	(0.70%)
25	367.41	370.02	($2.61)	(0.71%)

The GCA factor of $11.1001/Dth represents a decrease of $0.9300/Dth from the GCA factor of $12.0301/Dth billed one year ago. The effects of this decrease for various consumption levels of residential bills are shown in table on the following page:

Proposed GCA Factor (February, March and April, 2010)
vs.
GCA Factor One Year Ago (February, March and April, 2009)
(Boonville and Chandler)

Consumption Dth	Bill at New GCA Factor	Bill One Year Ago GCA Factor	Dollar Change	Percentage Change
5	$ 83.23	$ 87.88	($4.65)	(5.29%)
10	156.45	165.75	($9.30)	(5.61%)
15	226.77	240.72	($13.95)	(5.80%)
20	297.09	315.69	($18.60)	(5.89%)
25	367.41	390.66	($23.25)	(5.95%)

10. **Interim Rates.** The Commission is unable to determine whether Petitioner will earn an excess return while this GCA 92 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 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 Natural Gas Division of the Commission prior to placing into effect the Gas Cost Adjustment herein approved in accord with Finding No. 8 above, separate amendments to its rate schedules with reasonable references thereon reflecting that such change is applicable to the rate schedules reflected on these amendments.

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

HARDY, ATTERHOLT, GOLC, LANDIS AND ZIEGNER CONCUR:

APPROVED: JAN 27 2010

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission