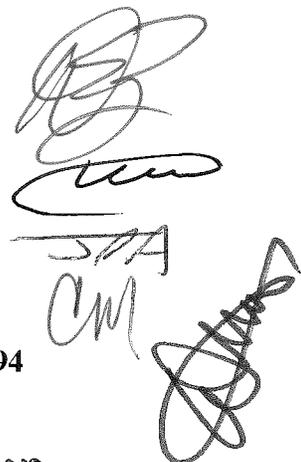


ORIGINAL



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS)
CORPORATION FOR APPROVAL OF GAS) CAUSE NO. 37369 GCA 94
COST ADJUSTMENT TO BE APPLICABLE)
IN THE MONTHS OF AUGUST,) APPROVED:
SEPTEMBER AND OCTOBER, 2010,)
PURSUANT TO I.C. 8-1-2-42, PL 43-1983) JUL 28 2010

BY THE COMMISSION:
Carolene R. Mays, Commissioner
DeAnna Brunner, Administrative Law Judge

On May 27, 2010, 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 August, 2010 through October, 2010 with the Indiana Utility Regulatory Commission (“Commission”). On June 18, 2010, Petitioner prefiled the revised schedules supporting the proposed GCA factor. On June 24, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Sherry L. Beaumont, an OUCC 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 at 2:00 p.m. EDT, on July 13, 2010, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The evidence of the parties was presented and admitted without objection. Petitioner’s witness, Bonnie Mann, a CPA with London Witte Group, offered testimony in response to a July 12, 2010 Docket Entry issued by the Presiding Officers. 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. Petitioner is engaged in rendering natural gas utility service to the public in Warrick County, 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's evidence shows that Petitioner continues to transport its purchases of natural gas and store some of those purchases 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 and our expectation that Petitioner will present a formal plan as discussed in Finding Paragraph No. 11, we find that Petitioner has secured its 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 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. 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. Petitioner's evidence indicates that for the twelve (12) months ending March 31, 2010, Petitioner's actual net operating income was \$450,682. Therefore, based on the evidence of record and after conversion for the effect of applicable taxes, 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, Indiana 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 Indiana 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, and, 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.** 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 for Petitioner during the reconciliation period of November, 2009 through January, 2010, (the "Reconciliation Period") yielded an under-estimated weighted average error of 4.63%. 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 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 \$105,816 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 \$8,561.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$10,822. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$2,261 to be applied in this GCA as a decrease in the estimated net cost of gas.

Petitioner received no new refunds during the Reconciliation Period, and has \$689 in refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has \$689 in refunds to be returned in this Application. While no new refunds were initiated in this proceeding, Petitioner has a refund from a prior GCA and \$689 of that refund is to be returned in this application period (Petitioner's Schedule 12a). 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 \$393,652. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$390,702. 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 \$11.0215/Dth.

9. **Effects on Residential Customers.** The GCA factor of \$11.0215/Dth represents a decrease of \$1.7788/Dth from the currently approved GCA factor of \$12.8003/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	\$ 82.83	\$ 91.73	(\$8.90)	(9.70)%
10	155.67	173.45	(17.78)	(10.26)%
15	225.59	252.28	(26.69)	(10.58)%
20	295.52	331.10	(35.58)	(10.74)%
25	365.45	409.92	(44.47)	(10.85)%

The GCA factor of \$11.0215/Dth represents a decrease of \$0.4110/Dth from the GCA factor of \$11.4325/Dth billed one year ago. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

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

Consumption Dth	Bill at New GCA Factor	Bill One Year Ago GCA Factor	Dollar Change	Percent Change
5	\$ 82.83	\$ 84.89	(\$2.06)	(2.42)%
10	155.67	159.78	(4.11)	(2.57)%
15	225.59	231.76	(6.16)	(2.66)%
20	295.52	303.74	(8.22)	(2.71)%
25	365.45	375.72	(10.28)	(2.73)%

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. Gas Supply Plan. The Commission’s January 27, 2010 Order in Cause No. 37369 GCA 92 noted that “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.” (at p.2) The Commission also encouraged Petitioner “to consider developing a more balanced gas supply plan in the future.” *Id.* Based upon evidence presented in Cause No. 37369 GCA 91, the Commission understands that Petitioner’s fixed gas contracts are set to expire in mid 2011. Therefore, to assist in determining Petitioner’s compliance with Indiana Code § 8-1-2-42(g)(3)(A), the Commission finds that Petitioner shall include in its next GCA filing an update regarding its progress towards formalizing a gas supply plan.

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 shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedule on these amendments.

3. In its next GCA filing, Petitioner shall file testimony regarding its progress towards formalizing a gas supply plan, as set forth in Finding Paragraph No. 11.

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

HARDY, ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED:

JUL 28 2010

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