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, 2011, PURSUANT TO I.C. 8-1-2-42, PL 43-1983	)	**CAUSE NO. 37369 GCA 96** **APPROVED:** JAN 26 2011

BY THE COMMISSION:
Gregory R. Ellis, Administrative Law Judge

On November 30, 2010, in accordance with Indiana Code § 8-1-2-42, Boonville Natural Gas Corporation ("Petitioner") filed its verified Petition for approval of a Gas Cost Adjustment ("GCA"), with attached schedules to be applicable during the billing cycles of February, March and April, 2011 with the Indiana Utility Regulatory Commission ("Commission"). On January 7, 2011, in conformance with the statute, the Indiana Office of the Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Sherry L. Beaumont, Utility Analyst. On January 12, 2011 Petitioner filed its submission of Revised Schedules 15 and 16 to its Exhibit B, correcting the cause number shown for Petitioner's last rate case.

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 1:00 p.m. Eastern Daylight Time, on January 13, 2011, in Judicial Courtroom 224, PNC 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. 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 the City of Boonville and the Town of Chandler, and in surrounding areas 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 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 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 September 30, 2010, Petitioner's actual net operating income was $335,849. Therefore, based on the evidence of record, 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 of Petitioner during the reconciliation period of May 2010 through July 2010 (the "Reconciliation Period") yielded an over-estimated weighted average error of 13.82%. The over-estimation is due to market fluctuations in gas costs which caused the price to be lower than estimated. 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 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 $23,686 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 $7,972.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $57,625. Combining that amount with the Reconciliation Period variance, results in a total under-collection of $49,652 to be applied in this GCA period as an increase in the net cost of gas.

Petitioner has no refunds applicable to the current recovery period. Petitioner has a negative annual unaccounted-for gas amount of $24,299 as reflected on Schedule 11A. This amount will be refunded to customers in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the refund to be included in this GCA is $8,180.

Petitioner has no refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has $8,180 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 Factor.** The estimated net cost of gas to be recovered during the application period is $1,103,925. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of $1,145,398. 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 $8.4289/Dth.

9. **Effects on Residential Customers.** The GCA factor of $8.4289/Dth represents a decrease of $0.9411/Dth from the current GCA factor of $9.3700/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Proposed GCA Factor (February, March and April, 2011)
vs.
Currently Approved GCA Factor (November and December, 2010 and January, 2011)

Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 69.87	$ 74.58	$(4.71)	-6.31%
10	129.74	139.15	(9.41)	-6.76%
15	186.70	200.82	(14.12)	-7.03%
20	243.67	262.49	(18.82)	-7.17%
25	300.63	324.16	(23.53)	-7.26%

Further, the GCA factor of $8.4289/Dth represents a decrease of $2.6712/Dth from the GCA factor of $11.1001/Dth billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

Proposed GCA Factor (February, March and April, 2011)
vs.
GCA Factor One Year Ago (February, March and April, 2010)

Consumption Dth	Bill at New GCA Factor	Bill at One Year Ago GCA Factor	Dollar Change	Percent Change
5	$ 69.87	$ 83.23	$(13.36)	-16.05%
10	129.74	156.45	(26.71)	-17.07%
15	186.70	226.77	(40.07)	-17.67%
20	243.67	297.09	(53.42)	-17.98%
25	300.63	367.41	(66.78)	-18.18%

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: JAN 26 2011

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