

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF WESTFIELD GAS, LLC)	
D/B/A CITIZENS GAS OF WESTFIELD FOR)	CAUSE NO. 37389 GCA 107
A CHANGE IN ITS GAS COST)	
ADJUSTMENT CHARGE FOR THE PERIOD)	
SEPTEMBER, OCTOBER AND NOVEMBER)	APPROVED: AUG 24 2016
2016)	

ORDER OF THE COMMISSION

Presiding Officer:
Aaron A. Schmoll, Senior Administrative Law Judge

On July 1, 2016, in accordance with Indiana Code § 8-1-2-42, Westfield Gas, LLC d/b/a Citizens Gas of Westfield (“Applicant” or “Westfield Gas”) filed its Application for Gas Cost Adjustment (“GCA”) with attached schedules, to be applicable during the months of September, October, and November 2016. Applicant also filed the direct testimony of Michael T. Mootz, Rates & Regulatory Analyst on July 1, 2016. On July 21, 2016, Applicant filed the supplemental direct testimony and updated exhibits of Mr. Mootz, supporting the proposed GCA factors. On July 27, 2016, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Farheen Ahmed, Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) conducted an evidentiary hearing in this Cause at 9:30 a.m. on August 17, 2016, in Room 222, PNC Center, 101 W. Washington St., Indianapolis, Indiana. Applicant and the OUCC were present and participated. The testimony and exhibits of Applicant and the OUCC were admitted into the record without objection. No members of the public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Statutory Notice and Commission Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Applicant 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. Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Applicant’s rates and charges related to adjustments in gas costs. The Commission, therefore, has jurisdiction over Applicant and the subject matter of this Cause.

2. Applicant’s Characteristics. Westfield Gas is a limited liability company organized and existing under the laws of the State of Indiana and has its principal office at

2020 N. Meridian Street, Indianapolis, Indiana. Applicant renders natural gas utility service to the public in Boone and Hamilton Counties in the State of Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Source of Natural Gas.** Indiana Code § 8-1-2-42(g)(3)(A) requires Applicant 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.

Mr. Mootz provided evidence concerning the tariff sheet and supporting Schedules filed with Applicant's GCA to be effective during September, October, and November 2016. That evidence showed Applicant's rates and charges reflect recovery of transportation and storage costs based upon filings with the Federal Energy Regulatory Commission ("FERC"). A portion of the commodity will be priced using NYMEX futures prices at Henry Hub for the three-month period, adjusted for basis, fuel and transportation for delivery to Applicant's city-gate. The remaining commodity will be priced according to fixed price agreements. The evidence established that Applicant has made physical hedge purchases and has secured storage gas as part of its supply portfolio.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on current and forward-looking bases. Based on the evidence offered, we find that Applicant 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, we find 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 Applicant'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 the proposed gas costs include transportation rates that have been filed by Westfield Gas' pipeline suppliers in accordance with FERC procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charge and find the cost to be reasonable. Therefore, we find that the requirement of this statutory provision has been fulfilled.

5. **Earnings Test.** Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in Applicant earning a return in excess of the return authorized by the last Commission Order in which Applicant's basic rates and charges were approved. The Commission's March 10, 2010 Order in Cause No. 43624 authorized Applicant to earn a net operating income of \$586,924.

Applicant's evidence herein indicates that for the 12 months ending May 31, 2016 Applicant's actual net operating income was \$727,366. Therefore, based upon the evidence

of record, the Commission finds that Applicant is earning in excess of that authorized in its last rate case.

Because Applicant has earned a return in excess of that authorized, Ind. 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 Ind. Code § 8-1-2-42.3(a), is greater than zero. Based on the evidence of record, the Commission finds the sum of the differentials during the relevant period is less than zero. 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 Applicant'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 the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates Applicant's 12-month rolling average comparison was negative 5.49% for the period ending May 31, 2016.

Based on Applicant's historical accuracy in estimating the cost of gas, we find that Applicant's estimating techniques are sound and Applicant's prospective average estimate of gas costs is reasonable.

7. Reconciliation. Indiana Code § 8-1-2-42(g)(3)(D) also requires that Applicant reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the months of March 2016 through May 2016 ("Reconciliation Period") is an over-collection of \$6,566 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 \$1,135.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$12,324. Combining this amount with the Reconciliation Period variance, results in a total over-collection of \$13,459 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. Resulting Gas Cost Adjustment Factor. The estimated net cost of gas to be recovered is \$53,887 for September, \$98,220 for October, and \$183,140 for November. Adjusting this total for the variance and net write-offs yields gas costs to be recovered through the GCA of \$52,147 for September, \$94,619 for October, and \$176,052 for November. After dividing that amount by estimated sales and adjusting for the Indiana Utility Receipts Tax, Applicant's recommended GCA factors are \$4.238/Dth, \$3.756/Dth and \$3.566/Dth respectively for September, October and November 2016.

9. **Effects on Residential Customers - (GCA Cost Comparison).** Applicant requests authority to approve the GCA factors of \$4.238/Dth, \$3.756/Dth and \$3.566/Dth respectively for September, October and November, 2016. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed GCA factors to what a residential customer paid most recently for (July, 2016 - \$5.439) and a year ago (September, October, and November 2015 - \$5.098/Dth, \$4.156/Dth, and \$3.886/Dth). The table reflects costs approved through the GCA process. It does not include Applicant's base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dths)	Current		Year Ago	
		Gas Costs (10 Dths)	Difference	Gas Costs (10 Dths)	Difference
September 2016	\$42.38	\$54.39	(\$12.01)	\$50.98	(\$8.60)
October 2016	\$37.56	\$54.39	(\$16.83)	\$41.56	(\$4.00)
November 2016	\$35.66	\$54.39	(\$18.73)	\$38.86	(\$3.20)

10. **Interim Rates.** We are unable to determine whether Applicant will earn an excess return while the GCA factors are in effect. Accordingly, the rates approved in this Order are interim rates subject to refund pending reconciliation in the event an excess return is earned.

11. **Monthly Flex Mechanism.** The Commission has indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Applicant's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Applicant may utilize a monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial market price in this GCA proceeding. Finally, Applicant shall file all material that supports its decision to flex or not to flex as outlined in our Order in Cause No. 44374.

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

1. The Application of Westfield Gas, LLC d/b/a Citizens Gas of Westfield for the gas cost adjustment for natural gas service, as set forth in Paragraph No. 8, is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Prior to implementing the GCA factors approved above or any future flexed factor, Applicant shall file the applicable rate schedules for the factors for approval by the Commission's Energy Division.

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

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: AUG 24 2016

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



Mary M. Becerra
Secretary of the Commission