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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF WESTFIELD GAS ) CORPORATION, D/B/A CITIZENS GAS OF ) WESTFIELD FOR A CHANGE IN ITS GAS ) COST ADJUSTMENT CHARGE FOR THE ) PERIOD JUNE, JULY AND AUGUST 2009 )	CAUSE NO. 37389 GCA 78  APPROVED: MAY 27 2009
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**BY THE COMMISSION:**

**Jeffrey L. Golc, Commissioner**  
**Aaron A. Schmoll, Administrative Law Judge**

On March 31, 2009, in accordance with Indiana Code § 8-1-2-42, Westfield Gas Corporation d/b/a Citizens Gas of Westfield (“Applicant” or “Westfield Gas”) filed its verified Application in this Cause for approval of a Gas Cost Adjustment (“GCA”) to be applicable during the months of June, July and August 2009.

On March 31, 2009, Westfield Gas also filed its case-in-chief, consisting of the prepared direct testimony and exhibits of Jill A. Phillips. On May 8, 2009, Westfield Gas submitted its supplemental direct testimony and updated exhibits of Jill A. Phillips. May 13, 2009, the Office of the Utility Consumer Counselor (“OUCC” or “Public”) filed the prepared direct testimony and exhibits of Sherry L. Beaumont, constituting its case-in-chief.

Pursuant to notice, a public evidentiary hearing was commenced in this Cause on May 20, 2009, at 9:30 a.m., in Room 224, 101 W. Washington St., Indianapolis, Indiana. At the hearing, Applicant and the OUCC presented their respective evidence. No member of the rate paying public was present at the hearing.

Based upon the applicable law, the evidence presented herein, and being duly advised, the Commission now finds:

1. **Statutory Notice and Commission Jurisdiction.** Legal and timely notice of the commencement of the public 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. The provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over the Applicant and the subject matter of its application.
  
2. **Applicant’s Characteristics.** Westfield Gas is a corporation organized and existing under the laws of the State of Indiana, and has its principal office at 2020 N. Meridian Street, Indianapolis, Indiana. It is engaged in rendering natural gas utility service to the public within 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 natural gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible.

Jill A. Phillips provided evidence concerning the tariff sheet and supporting schedules filed with Applicant's gas cost adjustment to be effective during June, July and August 2009. The evidence showed that Applicant's rates and charges reflect recovery of transportation and storage costs based upon filings with the Federal Energy Regulatory Commission. The estimated index purchases will be priced using NYMEX futures settlement 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. Applicant also pays commodity reservation charges in return for performance guarantees, which are treated in the gas cost adjustment in the same manner as pipeline reservation charges. The evidence established that Petitioner 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 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 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, 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 the pipeline supplier(s) of gas to Applicant to have requested or filed for a change of cost of gas pursuant to the jurisdiction and procedures of a duly constituted regulatory agency. The evidence of record indicates that gas costs in this Application include transport rates that have been filed by Westfield's pipeline suppliers in accordance with the Federal Energy Regulatory Commission procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the costs to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Indiana Code § 8-12-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in the Applicant earning a return in excess of the return authorized by the last Commission proceeding in which Applicant's basic rates and charges were approved. The most recent proceeding in which Applicant's basic rates and charges were approved is Cause No. 42095 U. The Commission's February 27, 2002 Order in that Cause authorized Applicant to earn a net operating income of \$180,450. Applicant's evidence herein indicates that for the twelve (12) months ending February 28, 2009, Applicant's actual net operating income was \$(204,768). Therefore, based upon the evidence of record, the Commission finds that Applicant is not earning in excess of the amount that was authorized in its last general rate case.

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 prior estimations with the eventual actual costs.

The evidence indicates that the estimating techniques during the reconciliation period of December 2008 through February 2009 (the "Reconciliation Period") yielded an overestimated weighted average error of 9.92 percent. The Commission finds that Applicant's prospective average estimate of gas cost is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the Commission find that a petitioning gas utility reconciled its estimation for a previous recovery period with the actual purchased gas cost for that period. Petitioner had a GCA 77 under-recovery adjustment in the amount of \$30,243. This adjustment was required to reflect the appropriate ADS1 purchased and delivered volumes as well as the ADS3 net to city-gate withdrawals volumes that were invoiced by Proliance but not reflected in GCA 77. The evidence presented in this proceeding established that the total variance is an over-collection \$225,102 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the Reconciliation Period variance is an over-collection of \$8,994, to be applied in this GCA as a decrease in the estimated net cost of gas.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$1,221. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$7,773 to be applied in this GCA as a decrease in the estimated net cost of gas.

Applicant received no new refunds and has no refunds from prior periods applicable to the current recovery period.

Based on the evidence presented, the Commission finds that Applicant'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 \$141,721. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$133,948. After dividing that amount by estimated sales for the application period and adjusting for Indiana Utility Receipts Tax, Applicant's recommended GCA factor is \$1.189/Dth. Accordingly, the Commission finds Applicant's recommended GCA factor should be approved.

9. **Effects on Residential Customers.** The GCA factor of \$1.189/Dth represents a decrease of \$1.862 from the current GCA factor of \$3.051/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 (June, July and August 2009)**  
 vs.  
**Currently Approved GCA Factor (March, April and May 2009)**

<b>Consumption Dth</b>	<b>Bill at Proposed GCA Factor</b>	<b>Bill at Current GCA Factor</b>	<b>Dollar Change</b>	<b>Percent Change</b>
5	\$ 46.43	\$ 55.74	(\$ 9.31)	(16.70%)
10	87.61	106.23	( 18.62)	(17.53%)
15	124.31	152.24	( 27.93)	(18.35%)
20	158.03	195.27	( 37.24)	(19.07%)
25	191.74	238.29	( 46.55)	(19.54%)

The GCA factor of \$1.189/Dth represents a decrease of \$7.803/Dth from the GCA factor of \$8.992/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 (June, July and August 2009)**  
 vs.  
**Prior Year GCA Factor (June, July and August 2008)**

<b>Consumption Dth</b>	<b>Bill At Proposed GCA Factor</b>	<b>Bill at GCA Factor One Year Ago</b>	<b>Dollar Change</b>	<b>Percent Change</b>
5	\$ 46.43	\$ 85.45	(\$39.02)	(45.66%)
10	87.61	165.64	( 78.03)	(47.11%)
15	124.31	241.36	(117.05)	(48.50%)
20	158.03	314.09	(156.06)	(49.69%)
25	191.74	386.82	(195.08)	(50.43%)

**10. Interim Rates.** The Commission finds that the rates approved herein should be interim rates, subject to refund, until the gas costs are reconciled in a subsequent GCA. Also, the Commission is unable to determine whether Applicant will earn an excess return while this GCA is in effect. Accordingly, the Commission finds that the rates approved herein should be interim rates, subject to refund, pending reconciliation of the gas costs in a subsequent GCA and in the event an excess return is earned. The Commission further finds that the subject to refund provisions of its prior GCA Orders for Applicant shall be removed for reconciling periods

included in GCA 75 through GCA 78 period. Accordingly, the Commission finds that Applicant's Gas Cost Adjustments shall be finalized for March 2008 through February 2009.

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

1. The Application of Westfield Gas d/b/a Citizens Gas of Westfield 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.

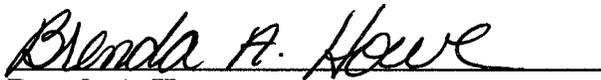
2. Applicant shall file with the Natural Gas Division of the Commission, prior to placing into effect the gas cost adjustments herein approved, a separate amendment to its rate schedule with reasonable reference therein reflecting that such charge is applicable to the rate schedules reflected on the amendment.

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

**GOLC, LANDIS, SERVER AND ZIEGNER CONCUR; HARDY ABSENT:**

**APPROVED: MAY 27 2009**

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



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