ORIGINAL

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 MARCH, APRIL AND MAY 2012	)))))	CAUSE NO. 37389 GCA 89 APPROVED: FEB 29 2012

ORDER OF THE COMMISSION

Presiding Officers:
Larry S. Landis, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On December 30, 2011, 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 Application for a Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the months of March, April and May 2012 with the Indiana Utility Regulatory Commission ("Commission"). Also, on December 30, 2011, Applicant filed the prepared direct testimony and exhibits of Jill A. Phillips, Manager, Rates & Regulatory Affairs. On January 31, 2012, Applicant submitted the supplemental direct testimony and updated exhibits of Jill A. Phillips. On February 9, 2012, in accordance with the statute, the Indiana Office of the Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Heather Poole, Utility Analyst, constituting its case-in-chief.

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 evidentiary hearing was held in this Cause on February 15, 2012, at 10:00 a.m., in Room 224, PNC Center, 101 W. Washington St., Indianapolis, Indiana. The 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 member of the 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 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 Petitioner and the subject matter herein.

2. **Applicant's Characteristics.** Westfield Gas is a corporation duly organized and existing under the laws of the State of Indiana, and has its principal office at 2020 N. Meridian Street, Indianapolis, Indiana. Applicant is engaged in rendering 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 natural gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Ms. Phillips provided evidence concerning the tariff sheet and supporting Schedules filed with Applicant's GCA to be effective during March through May 2012. 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 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 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 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 that Applicant's pipeline supplier(s) 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 Gas' pipeline suppliers in accordance with FERC 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 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 twelve (12) months ending November 30, 2011, Applicant's actual net operating income was

$425,397. Therefore, based upon the evidence of record, the Commission finds that Applicant is not earning 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 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 September 2011 through November 2011 ("Reconciliation Period") yielded an over-estimated weighted average error of 1.79 percent.

The Commission's November 22, 2012 Order in Cause No. 37389 GCA 88 required Applicant to file testimony in this Cause explaining its accounting for heating degree days in its unbilled true-up adjustment during months when there are typically zero heating degree days. Ms. Phillips explained Applicant utilizes normal heating degree day information published by the National Oceanic and Atmospheric Administration ("NOAA"), which is updated every ten years based upon a 30-year average. She stated that although July and August have little to no heating degree days, NOAA's published data provided for two heating degree days in July and four in August.

Based upon the evidence presented and Applicant's historical accuracy in estimating the cost of gas, the Commission finds 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 the Applicant reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding established that the variance for the Reconciliation Period is an under-collection of $5,597 from Applicant's customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as an increase in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as an increase in the estimated net cost of gas is $1,089.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $11,093. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $12,182 to be applied in this GCA as an increase in the estimated net cost of gas.

Applicant received no new refunds during the Reconciliation Period, and has no refunds from prior periods applicable to the current recovery period. Therefore, Applicant has no refunds to be returned in this Application. 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 $430,848. Adjusting this total for the variance, refund, and net write off recovery amounts yields gas costs to be recovered through the GCA of

$444,448. After dividing that amount by estimated sales, adjusting for other related cost factors and the Indiana Utility Receipts Tax, Applicant's recommended GCA factor is $5.513/Dth.

9. **Effects on Residential Customers.** The GCA factor of $5.513/Dth represents a decrease of $0.437/Dth from the current GCA factor of $5.950/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 (March, April and May 2012)
vs.
Currently Approved GCA Factor (December 2011, January and February 2012)

Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$60.00	$62.19	$(2.19)	(3.52)%
10	114.21	118.58	(4.37)	(3.69)%
15	163.48	170.03	(6.55)	(3.85)%
20	209.45	218.19	(8.74)	(4.01)%
25	255.43	266.35	(10.92)	(4.10)%

The GCA factor of $5.513/Dth represents a decrease of $0.327/Dth from the GCA factor of $5.840/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 (March, April and May 2012)
vs.
Prior Year GCA Factor (March, April and May 2011)

Consumption Dth	Bill At Proposed GCA Factor	Bill at GCA Factor One Year Ago[1]	Dollar Change	Percent Change
5	$60.00	$58.90	$1.10	1.87%
10	114.21	112.00	2.21	1.97%
15	163.48	160.16	3.32	2.07%
20	209.45	205.03	4.42	2.16%
25	255.43	249.90	5.53	2.21%

10. **Interim Rates.** The Commission is unable to determine whether Applicant will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized 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.

[1] Although the prior year's GCA factor is less than Applicant's proposed GCA factor, the change is reflected as an increase (rather than a decrease) based upon an increase in the Energy Efficiency Factor this year.

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

1. The Application of Westfield Gas Corporation 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. Westfield Gas Corporation d/b/a Citizens Gas of Westfield shall file with the Commission under this Cause, prior to placing into effect the gas cost adjustment factors herein approved, separate amendments to its rate schedules 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.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: FEB 29 2012

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

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Shala M. Coe
Acting Secretary to the Commission