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 DECEMBER 2012, JANUARY AND FEBRUARY 2013	))))))	CAUSE NO. 37389 GCA 92 APPROVED: NOV 28 2012

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ORDER OF THE COMMISSION

Presiding Officers:
Larry S. Landis, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On September 28, 2012, in accordance with Indiana Code § 8-1-2-42, Westfield Gas, LLC d/b/a Citizens Gas of Westfield f/k/a Westfield Gas Corporation ("Applicant" or "Westfield Gas") filed its Application for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the months of December 2012, January and February 2013 with the Indiana Utility Regulatory Commission ("Commission"). Also, on September 28, 2012, Applicant filed the prepared direct testimony and exhibits of Jill A. Phillips, Manager, Rates & Regulatory Affairs. On October 25, 2012, Applicant submitted a Notice of Correction, containing certain corrections to the testimony of Jill A. Phillips previously submitted on September 28, 2012. On October 26, 2012, Applicant submitted the supplemental direct testimony and updated exhibits of Jill A. Phillips. On October 31, 2012, in accordance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Laura J. Anderson, Utility Analyst, constituting its case-in-chief. On November 7, 2012, Applicant submitted the rebuttal testimony of Aaron D. Johnson.

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 November 8, 2012, at 2:00 p.m., in Room 222, 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. <u>**Statutory Notice and Commission Jurisdiction**</u>. 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 the parties and the subject matter herein.

2. **<u>Applicant's Characteristics</u>.** Westfield Gas, LLC is a limited liability 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. **<u>Source of Natural Gas</u>.** 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 December 2012 through February 2013. 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. **<u>Purchased Gas Cost Rates</u>.** 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. **<u>Return Earned</u>.** Indiana Code § 8-1-2-42(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 August 31, 2012, Applicant's actual net operating was $228,987. Therefore, based upon the evidence of record, the Commission finds that Applicant is not earning in excess of the amount 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 June through August 2012 (the "Reconciliation Period") yielded an over-estimated weighted average error of 6.67 percent. 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 gas cost and net write off variances for the Reconciliation Period is an under-collection of $48,448 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 $28,227.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $22,110. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $6,117 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 cost of gas to be recovered during the application period is $1,094,982. Adjusting this total for the variance, refund, and net write off recovery amounts yields gas costs to be recovered through the GCA of $1,104,623. After dividing that amount by estimated sales, and adjusting for the application of the Indiana Utility Receipts Tax, Applicant's recommended GCA factor is $5.141/Dth.

9. **Effects on Residential Customers.** The GCA factor of $5.141/Dth represents an increase of $0.433/Dth from the current GCA factor of $4.708/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 (December 2012, January and February 2013)
vs.
Currently Approved GCA Factor (September, October and November 2012)

Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$58.14	$55.98	$2.16	3.86%
10	110.49	106.16	4.33	4.08%
15	157.90	151.40	6.50	4.29%
20	202.01	193.35	8.66	4.48%
25	246.13	235.30	10.83	4.60%

The GCA factor of $5.141/Dth represents a decrease of $0.809/Dth from the GCA factor of $5.950/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 (December 2012, January and February 2013)
vs.
Prior Year GCA Factor (December 2011, January and February 2012)

Consumption Dth	Bill At Proposed GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	$58.14	$59.45	$(1.31)	(2.20)%
10	110.49	113.10	(2.61)	(2.31)%
15	157.90	161.81	(3.91)	(2.42)%
20	202.01	207.23	(5.22)	(2.52)%
25	246.13	252.65	(6.52)	(2.58)%

10. **<u>Interim Rates</u>.** 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.

11. **<u>Applicant's Conversion to a Limited Liability Company</u>.** In her supplemental testimony, Ms. Phillips noted that on September 25, 2012, Applicant filed with the Indiana Secretary of State "Articles of Entity Conversion of Westfield Gas Corporation Into Westfield Gas, LLC." Ms. Phillips stated that Applicant's conversion to a limited liability company became effective September 30, 2012. She explained that as a result of the conversion Applicant would no longer be subject to federal or state income taxes. She further explained that in order to effect the conversion, Applicant is required to make a one-time tax payment of approximately $956,000 to the federal government and another one-time tax payment of approximately $204,000 to the State of Indiana. Ms. Phillips testified that in future GCA proceedings there will be an impact on the calculation of the earnings test as a result of the fact that Applicant's income will no longer be subject to federal and state income taxes as well as the accrual of the one-time tax payments required to effect the conversion. In the OUCC's testimony, Ms. Anderson recommended that "Applicant submit a revision to [its] current tariff to account for these federal and state income taxes that Westfield will not be required to pay in the future." In Applicant's rebuttal testimony, Mr. Johnson objected to the OUCC's recommendation, stating that it "runs counter to the Commission's policy and the policy the OUCC itself has consistently advocated regarding 'single issue ratemaking.'"

We believe it would be appropriate to address this issue in a subdocket to this proceeding rather than in a summary GCA proceeding. Accordingly, the Commission will establish a subdocket under Cause No. 37389 GCA 92 S1 and convene an Attorneys' Conference to discuss the appropriate procedure for addressing this issue.

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 Finding Paragraph No. 8, shall be and hereby is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Westfield Gas, LLC 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. The Commission will conduct an Attorneys' Conference in Cause No. 37389 GCA 92 S1 on December 11, 2012 at 2:00 p.m. in Room 222, PNC Center, 101 W. Washington St., Indianapolis, IN, as discussed in Paragraph 11 of this Order.

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

ATTERHOLT, BENNETT, LANDIS AND ZIEGNER CONCUR; MAYS NOT PARTICIPATING:

APPROVED: NOV 28 2012

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