ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF WESTFIELD GAS LLC, D/B/A CITIZENS GAS OF WESTFIELD FOR A CHANGE IN ITS GAS COST ADJUSTMENT CHARGE FOR THE PERIOD SEPTEMBER, OCTOBER AND NOVEMBER 2013	)))))	CAUSE NO. 37389 GCA 95 APPROVED: AUG 28 2013

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
Aaron A. Schmoll, Senior Administrative Law Judge

On July 1, 2013, 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 billing cycles of September, October and November 2013. On July 31, 2013, Applicant filed the supplemental direct testimony and updated exhibits of Michael T. Mootz, Rates & Regulatory Analyst, supporting the proposed GCA factor. On August 7, 2013, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of Laura J. Anderson, Utility Analyst.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Indiana Utility Regulatory Commission ("Commission"), an evidentiary hearing was held in this Cause at 9:30 a.m. on August 20, 2013, 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, 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 through November 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 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 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 the proposed gas costs include transport 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 costs 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 the 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 indicates that for the twelve (12) months ending May 31, 2013, Applicant's actual net operating income was ($110,927). Therefore, based upon the evidence of record, we find that Applicant is not earning an excessive return.

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

estimates with the corresponding actual costs. The evidence presented indicates that Applicant's estimating techniques during the reconciliation period of March through May 2013 ("Reconciliation Period") yielded an over-estimated weighted average error of 7.11%. Based upon 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.** Ind. 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 established that the variance for the Reconciliation Period is an under-collection of $4,658 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 an increase in the estimated net cost of gas is $807.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $5,313. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $6,120 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated cost of gas to be recovered during the application period is $385,517. Adjusting this total for the variance yields gas costs to be recovered through the GCA factor of $392,890. After dividing that amount by estimated sales and adjusting for the Indiana Utility Receipts Tax, Applicant's recommended GCA factor is $5.327/Dth.

9. **Effects on Residential Customers- (GCA Cost Comparison).** Applicant requests authority to approve the GCA factor of $5.327/Dth for September, October and November 2013. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (June, July and August 2013 - $6.865/Dth) and a year ago (September, October and November 2012 - $4.708/Dth). The table solely 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 from Current	Gas Costs (10 Dths)	Difference From Year Ago
Sept – Nov 2013	$53.27	$68.65	($15.38)	$47.08	$6.19

10. **Interim Rates.** We are unable to determine whether Applicant will earn an excess return while this GCA factor is in effect. Accordingly, the rate approved in this Order is an interim rate 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 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 Paragraph No. 10.

2. Prior to implementing the GCA factors approved above, Westfield Gas, LLC d/b/a Citizens Gas of Westfield shall file with the Commission under this Cause the applicable rate schedules for the factor.

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

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

APPROVED: AUG 28 2013

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

Brenda A. Howe

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Secretary to the Commission