ORIGINAL

32
[illegible]
[illegible]
Koeb

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN NORTH") FOR APPROVAL OF CHANGES IN ITS GAS RATES THROUGH A GAS COST ADJUSTMENT IN ACCORDANCE WITH I.C. § 8-1-2-42(g) AND 8-1-2-42.3	)	CAUSE NO. 37394 GCA 117 APPROVED: FEB 27 2013

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
David E. Veleta, Administrative Law Judge

On December 28, 2012, in accordance with Indiana Code § 8-1-2-42, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of March, 2013 through May, 2013 with the Indiana Utility Regulatory Commission ("Commission"). On January 31, 2013, Petitioner prefiled the direct testimony and revised schedules and exhibits of Perry M. Pergola, Director, Gas Supply and J. Cas Swiz, Director, Regulatory Implementation and Analysis, supporting the proposed GCAs. On February 5, 2013, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Pamela Sue Sargent Haase, Partner with London Witte Group. On February 11, 2013, Petitioner filed responses to the Commission's February 8, 2013 docket entry.

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 hearing was held in this Cause at 9:45 a.m., on February 12, 2013 in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and OUCC were admitted into the record. No members of the general 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 hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as that term is defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioner's rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics**. Petitioner is a corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at One Vectren Square,

Evansville, Indiana. Petitioner 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 services.

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

According to the testimony of Petitioner's Witness Pergola, a portion of Petitioner's gas purchases are made in advance of the heating season, pursuant to the Advance Purchases Plan as described in his testimony. Witness Pergola also described Petitioner's financial hedging plan and provided details regarding the financial hedges and associated premiums to date for this GCA quarter. Petitioner relies upon certain contracts for the provision of firm interstate supply services to its city gate in providing firm supply to customers. As part of his testimony, Witness Pergola presented detail regarding Petitioner's firm transportation services utilized on pipeline systems.

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 Petitioner 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 Petitioner'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 gas costs in this Petition include transport rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the cost to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Indiana Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in the Petitioner earning a return in excess of the return authorized by the last Commission proceeding in which Petitioner's basic rates and charges were approved. The most recent proceeding in which Petitioner's basic rates and charges were approved is Cause No. 43298. The Commission's February 13, 2008 order in that Cause authorized Petitioner to earn a net operating income of $61,827,974. Petitioner's evidence herein indicates that for the twelve (12) months ending November 30, 2012, Petitioner's actual net operating income was $55,819,076. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

In the Commission's Order in Cause Nos. 42943 and 43046 approved December 1, 2006, Petitioner was ordered, along with the statutory NOI earnings test, to also perform the return on equity ("ROE") test calculation as proposed by the Petitioner in the above mentioned Cause. In this GCA, that comparison was made by Petitioner's Witness Swiz who testified that the result of the NOI return test was a shortfall of $6.0 million whereas the result of the ROE calculation was an excess of $4.8 million. The Commission finds the Petitioner has complied with the required submission of the ROE calculation.

6. **Estimation of Purchased Gas Costs**. Indiana Code § 8-1-2-42(g)(3)(D) requires that Petitioner's estimate of 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. Petitioner's Exhibit No. 2, Schedule 13 indicates that the estimating techniques of Petitioner during the reconciliation period of July through September, 2012 ("the Reconciliation Period") yielded an under-estimated weighted average error of 4.48%. Based upon Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliation**. Indiana Code § 8-1-2-42(g)(3)(D) also requires the Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding established that the commodity variance for the Reconciliation Period is an under-collection of $936,372 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 commodity variance to be included in this GCA as an increase in the estimated net cost of gas is $204,269.

The commodity variance from prior recovery periods applicable to the current recovery period is an under-collection of $115,688. Combining this amount with the Reconciliation Period commodity variance results in a total under-collection of $319,957 to be applied in this GCA as an increase in the estimated net cost of gas.

The evidence presented established that the demand variance for the Reconciliation Period is an under-collection of $7,012,914 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 demand variance to be included in this GCA as an increase in the estimated net cost of gas is $1,529,867.

The demand variance from prior recovery periods applicable to the current recovery period is an under-collection of $581,963. Combining this amount with the Reconciliation Period demand variance results in a total under-collection of $2,111,830 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner has $14,369 in nomination and balancing charges that are reflected as refunds to be returned to customers. These refunds shall be returned, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the refund to be returned in this GCA is $3,135. This amount will be combined with refunds of $2,495 from prior periods applicable to the current recovery period. Therefore, Petitioner has $5,630 in refunds to be applied in this GCA as a decrease in the net cost of gas. Based on the evidence presented, the Commission finds that Petitioner'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 $56,310,917. Adjusting this total for the commodity

variance of $319,957, a demand variance of $2,111,830, bad debt of $506,384 and refunds of ($5,630), yields gas costs to be recovered through the GCA of $59,243,458. After dividing that amount by estimated sales, adding the demand cost per unit of sales, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCAs are:

Estimated GCA Per Therm

Rate Schedule	March 2013	April 2013	May 2013
210	$0.4691	$0.4788	$0.4947
211	$0.4691	$0.4788	$0.4947
220	$0.4691	$0.4788	$0.4947
225	$0.0005	$0.0003	$0.0002
229	$0.4691	$0.4788	$0.4947
240	$0.4084	$0.4181	$0.4340
245	$0.0005	$0.0003	$0.0002
260	$0.0005	$0.0003	$0.0002
270	$0.0005	$0.0003	$0.0002

9. Effects on Residential Customers. Petitioner requests authority to approve the GCA factor of $4.691/Dth for March 2013, $4.788/Dth for April 2013, and $4.947/Dth for May 2013. As illustrated in the table below, a residential customer would incur the following commodity costs based on 10 Dths of usage. Moreover, the table compares the proposed gas costs to the amount a residential customer paid most recently (December 2012 - $4.840/Dth) and a year ago (March 2012 - $4.796/Dth, April 2012 - $3.639/Dth, and May 2012 - $3.672/Dth). The table reflects costs that are approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanism.

		Current		Year Ago	
Month	Gas Costs at New GCA Factor @ 10 Dths	Gas Costs at Current GCA Factor @ 10 Dths	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factor @ 10 Dths	Dollar Change New vs. Year Ago
March	$ 46.91	$ 48.40	$ (1.49)	$ 47.96	$ (1.05)
April	$ 47.88	$ 48.40	$ (0.52)	$ 36.39	$ 11.49
May	$ 49.47	$ 48.40	$ 1.07	$ 36.72	$ 12.75

10. Interim Rates. The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized that the approved rates herein should be 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. Petitioner's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a flex mechanism each month to adjust the GCA for the subsequent month. The flex applies only to estimated pricing of estimated market purchases (the initial market price) in the GCA. The flex is to be filed no less than three (3) days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex are to be priced at NYMEX prices on a day no more than six (6) business days prior to the beginning of said calendar month. Changes in the market price included in the flex are limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

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

1. The Petition of Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. 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. Petitioner shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedule on these amendments.

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

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

APPROVED: FEB 27 2013

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