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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE BOARD OF DIRECTORS FOR )  
UTILITIES OF THE DEPARTMENT OF PUBLIC )  
UTILITIES OF THE CITY OF INDIANAPOLIS, AS )  
SUCCESSOR TRUSTEE OF A PUBLIC )  
CHARITABLE TRUST, FOR APPROVAL OF GAS )  
COST ADJUSTMENTS TO BE APPLICABLE IN )  
THE MONTHS OF JUNE, JULY AND AUGUST 2009 )**

**CAUSE NO. 37399 GCA 102**

**APPROVED: MAY 27 2009**

**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, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, d/b/a Citizens Gas ("Petitioner" or "Citizens Gas") filed its Verified Petition in this Cause for approval of a Gas Cost Adjustment ("GCA") to be applicable during the months of June, July and August 2009.

On May 8, 2009, Petitioner filed the prepared direct testimony and exhibits constituting its case-in-chief. The filing consisted of the prepared direct testimony and exhibits of Jill A. Phillips and LaTona S. Prentice. On May 13, 2009, the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") filed the prepared direct testimony and exhibits of Pamela Sue Sargent Haase, 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, an evidentiary hearing was held in this Cause at 9:30 a.m. on May 20, 2009, in the Room 224, National City Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing, the prepared testimony and exhibits of Petitioner's witnesses, and revised schedules, as well as those of the Public's witness, were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented, the Commission now finds:

- 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 operates a municipal gas utility, and as such, is subject to the jurisdiction of this Commission as provided by the laws of the State of Indiana, including certain sections of 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 Petitioner and the subject matter of its verified Petition.

2. **Petitioner's Characteristics.** Petitioner is the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, doing business as Citizens Gas. Petitioner has its principal office at 2020 North Meridian Street, Indianapolis, 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 service.

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 natural gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible. In connection with fulfilling that statutory requirement, the Commission has consistently supported reasonable efforts by Indiana gas utilities to mitigate gas price volatility.

Petitioner's witness Jill A. Phillips provided evidence concerning the tariff sheets and supporting schedules filed with Petitioner's gas cost adjustment to be effective for June, July and August 2009. The evidence showed Petitioner's rates and charges reflect recovery of transportation and storage costs based upon filings made with the Federal Energy Regulatory Commission ("FERC"). The majority 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 Petitioner's city gate. The remaining commodity will be priced according to physical or financial hedge transactions. Approximately 29.6% of the actual commodity volumes and 2.1% of the projected commodity volumes were purchased pursuant to physical hedge transactions. Approximately 18.1% of the actual commodity volumes and 20.4% of the projected commodity volumes were purchased pursuant to financial hedge transactions. Petitioner 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 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 supplier(s) of gas to have requested or filed for a change in the 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 proceeding include transportation rates that have been filed by Petitioner's pipeline suppliers in accordance with FERC jurisdiction and 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 a public utility earning a return in excess of the return authorized by the last Commission proceeding in which the gas utility's basic rates and charges were approved. The Commission held in Cause No. 37091 on May 14, 1986, that the earnings test in Indiana Code § 8-1-2-42(g)(3)(C) does not apply to municipally-owned gas utilities. Petitioner is a municipally-owned gas utility; therefore, the earnings test does not apply to Petitioner.

6. **Estimation of Purchased Gas Costs.** Indiana Code § 8-1-2-42(g)(3)(D) requires the Commission to review the reasonableness of a petitioning gas utility's estimation of prospective average gas costs. The Commission has determined that this subsection requires, in part, a comparison of prior estimations with the eventual actual costs.

Jill A. Phillips provided evidence indicating that the estimating techniques during December 2008 through February 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 7.90%. Ms. Phillips' testimony reports Petitioner's estimating accuracy for this period as follows:

Months	Estimated Cost of Gas (\$/Dth)	Actual Cost of Gas (\$/Dth)	Percent Estimate Over or (Under) Actual
December 2008	\$9.240	\$8.680	6.45%
January 2009	\$9.020	\$8.546	5.55%
February 2009	\$9.059	\$7.961	13.79%
Weighted Average	\$9.103	\$8.436	7.90%

The Commission finds that Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. Petitioner's evidence established that the total gas supply variance for the Reconciliation Period was an over-collection of \$17,360,138, which results in a decrease in the net cost of gas. The total balancing demand variance for the Reconciliation Period was an over-collection of \$573,373, which results in a decrease in the net cost of gas. A portion of these variances should be included, based on estimated sales percentages in this GCA, GCA 103, GCA 104 and GCA 105, as follows:

GCA	Gas Supply Variance	Balancing Demand Variance
102	(\$ 925,038)	(\$ 22,895)
103	(\$3,250,347)	(\$105,617)
104	(\$9,470,092)	(\$322,545)
105	(\$3,714,661)	(\$122,316)

The gas supply variance from prior periods applicable to the current recovery period is an over-collection of \$205,294 and the balancing demand variance is an under-collection of \$108,150. Therefore, the total gas supply variance including prior periods is an over-collection of \$1,130,332, which results in a decrease in the net cost of gas. The total balancing demand variance including prior periods is an under-collection of \$85,255, which results in an increase in the net cost of gas.

Petitioner did not receive a refund during the Reconciliation Period. Petitioner has no refunds from prior periods applicable to the current recovery period that will be returned in this GCA proceeding.

Based upon the evidence presented, the Commission finds that Petitioner’s proposed GCA properly reconciles the difference between the actual gas supply costs for the Reconciliation Period and the gas supply costs recovered during that same period.

**8. Resulting GCA Factors and Effects on Customers.**

**A. June 2009**

The estimated net cost of gas to be recovered during June 2009 is \$4,487,412. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for June only yields variable-rate supply gas costs to be recovered through the GCA of \$4,169,694. After dividing that amount by estimated sales for the same period, and correcting for the application of the Indiana Utility Receipts Tax, Petitioner recommended the following GCA factors for June 2009:

<b>Gas Rate</b>	<b>Variable-Rate Supply Charge Per Therm</b>	<b>Balancing Charges Standard Delivery Service Per Therm</b>	<b>Balancing Charges Basic Delivery Service Per Therm</b>
D1 – Residential Domestic	\$0.4860	N/A	N/A
D2 – Residential Heating	\$0.5031	N/A	N/A
D3 – General Non-Heating	\$0.4827	\$0.0122	\$0.0006
D4 – General Heating	\$0.4806	\$0.0101	\$0.0005
D5 – Large Volume	\$0.4415	\$0.0131	\$0.0007
D7–Compressed Natural Gas	\$0.4648	\$0.0124	N/A
D9 – High Volume	N/A	\$0.0618	\$0.0031

Petitioner also recommended the following GCA factors for June 2009:

**Back-up Gas Supply Charge (\$ Per Therm):**

Capacity \$0.0618

Commodity \$0.4595

Gas Supply Charge \$0.5213

**Usage Balancing Charge (\$ Per Therm):**

Gas Supply Charge - Negative Imbalance \$0.5260  
Gas Supply Charge - Positive Imbalance (\$0.4426)

The Commission finds the Petitioner's recommended GCA factors for June 2009 should be approved.

Pursuant to the Stipulation and Settlement Agreement on Gas Cost Adjustment Modification Issue approved by Order in Cause No. 37399 GCA 75 on December 4, 2002, the Amended Stipulation approved by Order in the same Cause on June 17, 2004, the Second Amended and Restated Stipulation and Settlement Agreement filed on August 23, 2005, and the Third Amended and Restated Stipulation and Settlement Agreement filed on August 3, 2007 ("collectively the "GCA 75 Stipulation"), the GCA factors for June are subject to change, according to a Monthly Price Update filing.

Using the June 2009 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of \$5.031/Dth represents a decrease of \$0.157 from the current (May 2009) GCA factor of \$5.188/Dth. The effects of this decrease on various consumption levels within this customer classification are shown below:

**Proposed GCA Factor (June 2009)**  
**vs.**  
**Currently Approved GCA Factor (May 2009)**

<b>Monthly 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	\$ 52.61	\$ 53.40	(\$0.79)	(1.48%)
10	\$ 89.73	\$ 91.30	(\$1.57)	(1.72%)
15	\$126.84	\$129.20	(\$2.36)	(1.83%)
20	\$163.96	\$167.10	(\$3.14)	(1.88%)
25	\$201.07	\$205.00	(\$3.93)	(1.92%)

The same Residential Heating factor of \$5.031/Dth for June 2009 represents a decrease of \$9.383/Dth from the GCA factor of \$14.414/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (June 2009)**  
vs.  
**GCA Factor One Year Ago (June 2008)**

<b>Monthly Consumption DTH</b>	<b>Bill At Proposed GCA Factor</b>	<b>Bill At Prior Year GCA Factor</b>	<b>Dollar Change</b>	<b>Percent Change</b>
5	\$ 52.61	\$ 94.34	(\$ 41.73)	(44.23%)
10	\$ 89.73	\$174.99	(\$ 85.26)	(48.72%)
15	\$126.84	\$255.63	(\$128.79)	(50.38%)
20	\$163.96	\$336.28	(\$172.32)	(51.24%)
25	\$201.07	\$416.92	(\$215.85)	(51.77%)

**B. July 2009**

The estimated net cost of gas to be recovered during July 2009 is \$4,530,588. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for July only yields variable rate supply gas costs to be recovered through the GCA of \$4,215,808. After dividing that amount by estimated sales for the same period and correcting for the application of the Indiana Utility Receipts Tax, Petitioner recommended the following GCA factors for July 2009:

<b>Gas Rate</b>	<b>Variable-Rate Supply Charge Per Therm</b>	<b>Balancing Charges Standard Delivery Service Per Therm</b>	<b>Balancing Charges Basic Delivery Service Per Therm</b>
D1 – Residential Domestic	\$0.4951	N/A	N/A
D2 – Residential Heating	\$0.5127	N/A	N/A
D3 – General Non-Heating	\$0.4919	\$0.0122	\$0.0006
D4 – General Heating	\$0.4897	\$0.0101	\$0.0005
D5 – Large Volume	\$0.4509	\$0.0131	\$0.0007
D7 – Compressed Natural Gas	\$0.4744	\$0.0124	N/A
D9 – High Volume	N/A	\$0.0618	\$0.0031

Petitioner also recommended the following GCA factors for July 2009:

**Back-up Gas Supply Charge (\$ Per Therm):**

Capacity \$0.0618                      Commodity \$0.4687                      Gas Supply Charge \$0.5305

**Usage Balancing Charge (\$ Per Therm):**

Gas Supply Charge – Negative Imbalance \$0.5351  
Gas Supply Charge – Positive Imbalance (\$0.4518)

The Commission finds the Petitioner's recommended GCA factors for July 2009 should be approved.

Pursuant to the GCA 75 Stipulation, the GCA factors for July 2009 are subject to change, according to a Monthly Price Update filing.

Using the July 2009 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of \$5.127/Dth represents a decrease of \$0.061 from the current (May 2009) GCA factor of \$5.188/Dth. The effects of this decrease on various consumption levels within this customer classification are shown below:

**Proposed GCA Factor (July 2009)**  
vs.  
**Currently Approved GCA Factor (May 2009)**

<b>Monthly 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	\$ 53.09	\$ 53.40	(\$0.31)	(0.58%)
10	\$ 90.69	\$ 91.30	(\$0.61)	(0.67%)
15	\$128.28	\$129.20	(\$0.92)	(0.71%)
20	\$165.88	\$167.10	(\$1.22)	(0.73%)
25	\$203.47	\$205.00	(\$1.53)	(0.75%)

The same Residential Heating factor of \$5.127/Dth for July 2009 represents a decrease of \$9.423 from the GCA factor of \$14.550/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (July 2009)**  
vs.  
**GCA Factor One Year Ago (July 2008)**

<b>Monthly Consumption Dth</b>	<b>Bill at Proposed GCA Factor</b>	<b>Bill at Prior Year GCA Factor</b>	<b>Dollar Change</b>	<b>Percent Change</b>
5	\$ 53.09	\$ 95.02	(\$ 41.93)	(44.13%)
10	\$ 90.69	\$176.35	(\$ 85.66)	(48.57%)
15	\$128.28	\$257.67	(\$129.39)	(50.22%)
20	\$165.88	\$339.00	(\$173.12)	(51.07%)
25	\$203.47	\$420.32	(\$216.85)	(51.59%)

**C. August 2009**

The estimated net cost of gas to be recovered during August 2009 is \$4,650,013. Adjusting this total for the variance, refund amounts, and for net write-off recovery costs for August only yields variable-rate gas costs to be recovered through the GCA of \$4,338,422. After dividing that amount by estimated sales for the same period and correcting for the application of the Indiana Utility Receipts Tax, Petitioner recommended the following GCA factors for August 2009.

<b>Gas Rate</b>	<b>Variable-Rate Supply Charge Per Therm</b>	<b>Balancing Charges Standard Delivery Service Per Therm</b>	<b>Balancing Charges Basic Delivery Service Per Therm</b>
D1 – Residential Domestic	\$0.5124	N/A	N/A
D2 – Residential Heating	\$0.5360	N/A	N/A
D3 – General Non-Heating	\$0.5061	\$0.0134	\$0.0007
D4 – General Heating	\$0.5080	\$0.0113	\$0.0006
D5 – Large Volume	\$0.4655	\$0.0143	\$0.0007
D7–Compressed Natural Gas	\$0.4883	\$0.0143	N/A
D9 – High Volume	N/A	\$0.0630	\$0.0032

Petitioner also recommended the following GCA factors for August 2009:

**Back-up Gas Supply Charge (\$ Per Therm):**

Capacity \$0.0618      Commodity \$0.4857      Gas Supply Charge \$0.5475

**Usage Balancing Charge (\$ Per Therm):**

Gas Supply Charge – Negative Imbalance \$0.5539  
 Gas Supply Charge – Positive Imbalance (\$0.4650)

The Commission finds Petitioner’s recommended GCA factors for August 2009 should be approved.

Pursuant to the GCA 75 Stipulation, the GCA factors for August 2009 are subject to change, according to a Monthly Price Update filing.

Using the August 2009 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$5.360/Dth represents an increase of \$0.172 from the current (May 2009) GCA factor of \$5.188/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

**Proposed GCA Factor (August 2009)**

vs.

**Currently Approved GCA Factor (May 2009)**

<b>Monthly 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	\$ 54.26	\$ 53.40	\$0.86	1.61%
10	\$ 93.02	\$ 91.30	\$1.72	1.88%
15	\$131.78	\$129.20	\$2.58	2.00%
20	\$170.54	\$167.10	\$3.44	2.06%
25	\$209.30	\$205.00	\$4.30	2.10%

The same Residential Heating factor of \$5.360/Dth for August 2009 represents a decrease of \$7.098 from the GCA factor of \$12.458/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (August 2009)**

vs.

**GCA Factor One Year Ago (August 2008)**

<b>Monthly 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	\$ 54.26	\$ 84.56	(\$ 30.30)	(35.83%)
10	\$ 93.02	\$155.43	(\$ 62.41)	(40.15%)
15	\$131.78	\$226.29	(\$ 94.51)	(41.76%)
20	\$170.54	\$297.16	(\$126.62)	(42.61%)
25	\$209.30	\$368.02	(\$158.72)	(43.13%)

9. **Interim Rates.** 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. The Commission further finds that the subject to refund provisions of its prior GCA Order for Applicant shall be removed for the reconciling period included in the GCA 100 period. Accordingly, the Commission finds that Applicant's Gas Cost Adjustments shall be finalized for December 2008 through February 2009.

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

1. The Petition of Citizens Gas for approval of the gas cost factors for natural gas service, reflected in its tariff sheets and, as set forth in Finding No. 8 above, shall be, and hereby is approved subject to refund in accordance with Finding Paragraph No. 9.

2. Petitioner shall file with the Natural Gas Division of this Commission, prior to placing into effect the gas cost adjustment factors herein approved, separate amendments to its rate schedules with reasonable references therein reflecting that such charges are applicable to the rate schedules reflected on these amendments.

3. In accordance with I.C. 8-1-2-70, Petitioner shall pay the following itemized charges within twenty days from the date of the Order to the Secretary of this Commission, as well as any additional costs which were incurred in connection with this Cause:

Commission Charges:	\$ 715.99
OUCG Charges:	\$5,880.79
Advertising	<u>\$ 21.22</u>
Total:	\$6,618.00

4. 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**