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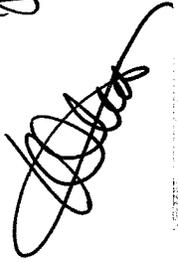

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STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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 SEPTEMBER, OCTOBER AND)
NOVEMBER 2009)

CAUSE NO. 37399 GCA 103

APPROVED: AUG 26 2009



BY THE COMMISSION

James D. Atterholt, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On July 2, 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") with attached Schedules to be applicable during the months of September through November 2009 with the Indiana Utility Regulatory Commission ("Commission"). On August 10, 2009, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") prefiled the direct testimony and exhibits of Pamela Sue Sargent Haase, CPA. On August 3, 2009, Petitioner prefiled revised Schedules and the direct testimony of Jill A. Phillips, Rates Manager and LaTona S. Prentice, Executive Director of Regulatory Affairs.

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 10:00 a.m. on August 18, 2009, in Room 224, National City Center, 101 W. Washington Street, Indianapolis, Indiana. At the hearing, Petitioner and the Public were present and participated. The prepared 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, the Commission now finds:

1. **Commission Notice and 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 in Marion county 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 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 September, October, and November 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 19.7% of the actual commodity volumes and 17.7% of the projected commodity volumes were purchased pursuant to physical hedge transactions. Approximately 49.7% of the actual commodity volumes and 34.8% 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 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 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 proceeding include transport 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 March 2009 through May 2009 (the "Reconciliation Period") yielded an under-estimated weighted average error of 13.13%. 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
March 2009	\$7.501	\$9.142	(17.95%)
April 2009	\$6.116	\$7.991	(23.46%)
May 2009	\$5.785	\$4.145	39.57%
Weighted Average	\$6.856	\$7.892	(13.13%)

Based on the evidence presented, 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 under-collection of \$7,365,449, which results in an increase in the net cost of gas. The total balancing demand variance for the Reconciliation Period was an under-collection of \$219,251, which results in an increase in the net cost of gas. A portion of these variances should be included, based on estimated sales percentages in this GCA, GCA 104, GCA 105 and GCA 106, as follows:

GCA	Gas Supply Variance	Balancing Demand Variance
103	\$1,172,126	\$47,223
104	\$3,973,857	\$82,558
105	\$1,823,447	\$54,058
106	\$ 396,019	\$35,412

The gas supply variance from prior periods applicable to the current recovery period is an over-collection of \$4,346,375 and the balancing demand variance is an under-collection of \$22,698. Therefore, the total gas supply variance including prior periods is an over-collection of \$3,174,249,

which results in a decrease in the net cost of gas. The total balancing demand variance including prior periods is an under-collection of \$69,921, 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. September 2009

The estimated net cost of gas to be recovered during September 2009 is \$5,724,698. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for September only yields variable-rate supply gas costs to be recovered through the GCA of \$5,247,764. 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 September 2009:

Gas Rate	Variable-Rate Supply Charge Per Therm	Balancing Charges Standard Delivery Service Per Therm	Balancing Charges Basic Delivery Service Per Therm
D1 – Residential Domestic	\$0.5005	N/A	N/A
D2 – Residential Heating	\$0.5191	N/A	N/A
D3 – General Non-Heating	\$0.4888	\$0.0117	\$0.0006
D4 – General Heating	\$0.4845	\$0.0094	\$0.0005
D5 – Large Volume	\$0.4474	\$0.0139	\$0.0007
D7–Compressed Natural Gas	\$0.4532	\$0.0125	N/A
D9 – High Volume	N/A	\$0.0564	\$0.0028

Petitioner also recommended the following GCA factors for September 2009:

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

Capacity \$0.0696 Commodity \$0.4745 Gas Supply Charge \$0.5441

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge - Negative Imbalance \$0.5424

Gas Supply Charge - Positive Imbalance (\$0.4591)

The Commission finds the Petitioner's recommended GCA factors for September 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 September 4, 2002, the Amended Stipulation approved by Order in the same Cause on March 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 "GCA75 Stipulation"), the GCA factors for September are subject to change, according to a Monthly Price Update filing.

Using the September 2009 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of \$5.191/Dth represents an increase of \$0.058/Dth from the current (August 2009) GCA factor of \$5.133/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (September 2009)
vs.
Current Approved GCA Factor (August 2009)

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Current GCA Factor	Dollar Change	Percent Change
5	\$ 53.41	\$ 53.12	\$0.29	0.55%
10	\$ 91.33	\$ 90.75	\$0.58	0.64%
15	\$129.24	\$128.37	\$0.87	0.68%
20	\$167.16	\$166.00	\$1.16	0.70%
25	\$205.07	\$203.62	\$1.45	0.71%

The same Residential Heating factor of \$5.191/Dth for September 2009 represents a decrease of \$5.882/Dth from the GCA factor of \$11.073/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

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

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 53.41	\$ 82.56	(\$ 29.15)	(35.30%)
10	\$ 91.33	\$149.62	(\$ 58.29)	(38.96%)
15	\$129.24	\$216.68	(\$ 87.44)	(40.35%)
20	\$167.16	\$283.74	(\$116.58)	(41.09%)
25	\$205.07	\$350.80	(\$145.73)	(41.54%)

B. October 2009

The estimated net cost of gas to be recovered during October 2009 is \$9,772,015. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for October only yields variable rate supply gas costs to be recovered through the GCA of \$8,961,485. 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 October 2009:

Gas Rate	Variable-Rate Supply Charge Per Therm	Balancing Charges Standard Delivery Service Per Therm	Balancing Charges Basic Delivery Service Per Therm
D1 – Residential Domestic	\$0.5281	N/A	N/A
D2 – Residential Heating	\$0.5335	N/A	N/A
D3 – General Non-Heating	\$0.5182	\$0.0100	\$0.0005
D4 – General Heating	\$0.5117	\$0.0078	\$0.0004
D5 – Large Volume	\$0.4768	\$0.0123	\$0.0006
D7 – Compressed Natural Gas	\$0.4823	\$0.0106	N/A
D9 – High Volume	N/A	\$0.0548	\$0.0027

Petitioner also recommended the following GCA factors for October 2009:

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

Capacity \$0.0696

Commodity \$0.5021

Gas Supply Charge \$0.5717

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge – Negative Imbalance \$0.5650
Gas Supply Charge – Positive Imbalance (\$0.4885)

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

Pursuant to the GCA75 Stipulation, the GCA factors for October 2009 are subject to change, according to a Monthly Price Update filing.

Using the October 2009 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$5.335/Dth represents an increase of \$0.202/Dth from the current (August 2009) GCA factor of \$5.133/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (October 2009)
vs.
Current Approved GCA Factor (August 2009)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 54.13	\$ 53.12	\$1.01	1.90%
10	\$ 92.77	\$ 90.75	\$2.02	2.23%
15	\$131.40	\$128.37	\$3.03	2.36%
20	\$170.04	\$166.00	\$4.04	2.43%
25	\$208.67	\$203.62	\$5.05	2.48%

The same Residential Heating factor of \$5.335/Dth for October 2009 represents a decrease of \$4.948 from the GCA factor of \$10.283/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

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

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 54.13	\$ 77.34	(\$ 23.21)	(30.01%)
10	\$ 92.77	\$139.19	(\$ 46.42)	(33.35%)
15	\$131.40	\$201.03	(\$ 69.63)	(34.64%)
20	\$170.04	\$262.88	(\$ 92.84)	(35.32%)
25	\$208.67	\$324.72	(\$116.05)	(35.74%)

C. November 2009

The estimated net cost of gas to be recovered during November 2009 is \$20,269,463. Adjusting this total for the variance, refund amounts, and for net write-off recovery costs for November only yields variable-rate gas costs to be recovered through the GCA of \$18,713,894. 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 November 2009.

Gas Rate	Variable-Rate Supply Charge Per Therm	Balancing Charges Standard Delivery Service Per Therm	Balancing Charges Basic Delivery Service Per Therm
D1 – Residential Domestic	\$0.6186	N/A	N/A
D2 – Residential Heating	\$0.6223	N/A	N/A
D3 – General Non-Heating	\$0.6089	\$0.0094	\$0.0005
D4 – General Heating	\$0.5975	\$0.0072	\$0.0004
D5 – Large Volume	\$0.5670	\$0.0117	\$0.0006
D7 – Compressed Natural Gas	\$0.5692	\$0.0097	N/A
D9 – High Volume	N/A	\$0.0542	\$0.0027

Petitioner also recommended the following GCA factors for November 2009:

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

Capacity \$0.0696 Commodity \$0.5896 Gas Supply Charge \$0.6592

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge – Negative Imbalance \$0.6519
 Gas Supply Charge – Positive Imbalance (\$0.5782)

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

Pursuant to the GCA75 Stipulation, the GCA factors for November 2009 are subject to change, according to a Monthly Price Update filing.

Using the November 2009 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$6.223/Dth represents an increase of \$1.090/Dth from the current (August 2009) GCA factor of \$5.133/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (November 2009)
vs.
Current Approved GCA Factor (August 2009)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 58.57	\$ 53.12	\$ 5.45	10.26%
10	\$101.65	\$ 90.75	\$10.90	12.01%
15	\$144.72	\$128.37	\$16.35	12.74%
20	\$187.80	\$166.00	\$21.80	13.13%
25	\$230.87	\$203.62	\$27.25	13.38%

The same Residential Heating factor of \$6.223/Dth for November 2009 represents a decrease of \$3.979 from the GCA factor of \$10.202/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

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

Monthly Consumption DTH	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 58.57	\$ 76.94	(\$ 18.37)	(23.88%)
10	\$101.65	\$138.38	(\$ 36.73)	(26.54%)
15	\$144.72	\$199.82	(\$ 55.10)	(27.57%)
20	\$187.80	\$261.26	(\$ 73.46)	(28.12%)
25	\$230.87	\$322.70	(\$ 91.83)	(28.46%)

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 GCA 101 period. Accordingly, the Commission finds that Applicant's Gas Cost Adjustments shall be finalized for March 2009 through May 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:	\$ 524.35
OUCG Charges:	\$ 5945.02
Legal Advertising Charges:	\$ <u>23.44</u>
Total:	\$ \$ 6492.81

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

HARDY, ATTERHOLT, GOLC, AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: AUG 26 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**