

ORIGINAL


DA
JLS

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 DECEMBER 2009, JANUARY)
AND FEBRUARY 2010)

CAUSE NO. 37399 GCA 104

APPROVED: NOV 24 2009



BY THE COMMISSION

James D. Atterholt, Commissioner

Aaron A. Schmoll, Administrative Law Judge

On October 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 December 2009 through February 2010 with the Indiana Utility Regulatory Commission ("Commission"). On November 2, 2009, Petitioner prefled revised Schedules and the direct testimony of Jill A. Phillips, Rates Manager and LaTona S. Prentice, Executive Director of Regulatory Affairs. On November 6, 2009, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC" or "Public") prefled the direct testimony and exhibits of Pamela Sue Sargent Haase, CPA.

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 1:30 p.m. on November 12, 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 Petitioner, with certain revisions that were made at the hearing, and the prepared testimony and exhibits of the OUCC 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:

- 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 December 2009, January and February 2010. 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 2.46% of the actual commodity volumes and 28.70% of the projected commodity volumes were purchased pursuant to physical hedge transactions. Approximately 49.65% of the actual commodity volumes and 13.02% 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 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 June 2009 through August 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 23.24%. 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
June 2009	\$6.572	\$5.157	27.44%
July 2009	\$6.505	\$5.346	21.68%
August 2009	\$6.348	\$5.274	20.36%
Weighted Average	\$6.475	\$5.254	23.24%

Ms. Phillips testified that for June, July and August 2009, the estimated net cost of gas sold per unit is higher than the actual net cost of gas sold per unit due to the true-up of ADS 1-Unnominated Seasonal Gas. Typically, ADS 1-Unnominated Seasonal Gas is delivered at no cost to the Utility during November through March and the Utility repays this gas with gas in-kind during April through October. The Utility values the no-cost ADS 1-Unnominated Seasonal Gas delivered November through March to customers using an average future estimated cost to replace the gas during April through October. The ADS 1-Unnominated Seasonal Gas true-up is the difference between the estimated cost of the delivered gas compared to the actual replacement cost of the gas. In the true-up period, when estimated costs are in excess of actual replacement costs, customers are credited back the excess which causes the actual cost of gas per unit sold to retail customers to be lower than it otherwise would have been. In June, July, and August 2009, customers were credited back excess estimated gas costs gas resulting from the true-up of ADS 1-Unnominated Seasonal Gas.

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 over-collection of \$3,785,207, which results in a decrease in the net cost of gas. The total balancing demand variance for the Reconciliation Period was an under-collection of \$319,368, 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 105, GCA 106 and GCA 107, as follows:

GCA	Gas Supply Variance	Balancing Demand Variance
104	(\$1,959,474)	\$123,504
105	(\$ 943,032)	\$ 79,554
106	(\$ 254,162)	\$ 50,243
107	(\$ 628,539)	\$ 66,067

The gas supply variance from prior periods applicable to the current recovery period is an over-collection of \$10,330,518 and the balancing demand variance is an over-collection of \$155,711. Therefore, the total gas supply variance including prior periods is an over-collection of \$12,289,992, which results in a decrease in the net cost of gas. The total balancing demand variance including prior periods is an over-collection of \$32,207, which results in a decrease 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. December 2009

The estimated net cost of gas to be recovered during December 2009 is \$37,146,939. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for December only yields variable-rate supply gas costs to be recovered through the GCA of \$33,670,572. 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 December 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	\$0.6136	N/A	N/A
D2 – Residential Heating	\$0.6318	N/A	N/A
D3 – General Non-Heating	\$0.5834	\$0.0092	\$0.0005
D4 – General Heating	\$0.6176	\$0.0073	\$0.0004
D5 – Large Volume	\$0.5262	\$0.0090	\$0.0005
D7 – Compressed Natural Gas	\$0.5460	\$0.0078	N/A
D9 – High Volume	N/A	\$0.0506	\$0.0025

Petitioner also recommended the following GCA factors for December 2009:

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

Capacity \$0.0695 Commodity \$0.6105 Gas Supply Charge \$0.6800

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge - Negative Imbalance \$0.6725
 Gas Supply Charge - Positive Imbalance (\$0.5993)

The Commission finds the Petitioner’s recommended GCA factors for December 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 December are subject to change, according to a Monthly Price Update filing.

Using the December 2009 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$6.318/Dth represents a decrease of \$0.007/Dth from the current (November 2009) GCA factor of \$6.325/Dth. The effects of this decrease on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (December 2009)
 vs.
Currently Approved GCA Factor (November 2009)

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Current GCA Factor	Dollar Change	Percent Change
5	\$ 59.05	\$ 59.08	(\$ 0.03)	(0.05%)
10	\$102.60	\$102.67	(\$ 0.07)	(0.07%)
15	\$146.15	\$146.25	(\$ 0.10)	(0.07%)
20	\$189.70	\$189.84	(\$ 0.14)	(0.07%)
25	\$233.25	\$233.42	(\$ 0.17)	(0.07%)

The same Residential Heating factor of \$6.318/Dth for December 2009 represents a decrease of \$3.364/Dth from the GCA factor of \$9.682/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

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

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 59.05	\$ 74.61	(\$ 15.56)	(20.86%)
10	\$102.60	\$133.73	(\$ 31.13)	(23.28%)
15	\$146.15	\$192.84	(\$ 46.69)	(24.21%)
20	\$189.70	\$251.96	(\$ 62.26)	(24.71%)
25	\$233.25	\$311.07	(\$ 77.82)	(25.02%)

B. January 2010

The estimated net cost of gas to be recovered during January 2010 is \$46,504,046. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for January only yields variable rate supply gas costs to be recovered through the GCA of \$42,167,075. 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 January 2010:

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	\$0.6375	N/A	N/A
D3 – General Non-Heating	\$0.5886	\$0.0092	\$0.0005
D4 – General Heating	\$0.6224	\$0.0073	\$0.0004
D5 – Large Volume	\$0.5317	\$0.0090	\$0.0005
D7 – Compressed Natural Gas	\$0.5576	\$0.0078	N/A
D9 – High Volume	N/A	\$0.0506	\$0.0025

Petitioner also recommended the following GCA factors for January 2010:

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

Capacity \$0.0695 Commodity \$0.6154 Gas Supply Charge \$0.6849

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge – Negative Imbalance \$0.6776
 Gas Supply Charge – Positive Imbalance (\$0.6042)

The Commission finds the Petitioner's recommended GCA factors for January 2010 should be approved.

Pursuant to the GCA75 Stipulation, the GCA factors for January 2010 are subject to change, according to a Monthly Price Update filing.

Using the January 2010 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of \$6.375/Dth represents an increase of \$0.050/Dth from the current (November 2009) GCA factor of \$6.325/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (January 2010)
vs.
Currently Approved GCA Factor (November 2009)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 59.33	\$ 59.08	\$0.25	0.42%
10	\$103.17	\$102.67	\$0.50	0.49%
15	\$147.00	\$146.25	\$0.75	0.51%
20	\$190.84	\$189.84	\$1.00	0.53%
25	\$234.67	\$233.42	\$1.25	0.54%

The same Residential Heating factor of \$6.375/Dth for January 2010 represents a decrease of \$3.118/Dth from the GCA factor of \$9.493/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (January 2010)
vs.
GCA Factor One Year Ago (January 2009)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 59.33	\$ 74.92	(\$ 15.59)	(20.81%)
10	\$103.17	\$134.35	(\$ 31.18)	(23.21%)
15	\$147.00	\$193.77	(\$ 46.77)	(24.14%)
20	\$190.84	\$253.20	(\$ 62.36)	(24.63%)
25	\$234.67	\$312.62	(\$ 77.95)	(24.93%)

C. February 2010

The estimated net cost of gas to be recovered during February 2010 is \$38,957,822. Adjusting this total for the variance, refund amounts, and for net write-off recovery costs for February only yields variable-rate gas costs to be recovered through the GCA of \$35,331,251. 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 February 2010.

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	\$0.6163	N/A	N/A
D2 – Residential Heating	\$0.6357	N/A	N/A
D3 – General Non-Heating	\$0.5864	\$0.0092	\$0.0005
D4 – General Heating	\$0.6202	\$0.0073	\$0.0004
D5 – Large Volume	\$0.5295	\$0.0090	\$0.0005
D7 – Compressed Natural Gas	\$0.5417	\$0.0074	N/A
D9 – High Volume	N/A	\$0.0506	\$0.0025

Petitioner also recommended the following GCA factors for February 2010:

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

Capacity \$0.0695 Commodity \$0.6132 Gas Supply Charge \$0.6827

Usage Balancing Charge (\$ Per Therm):

Gas Supply Charge – Negative Imbalance \$0.6755
 Gas Supply Charge – Positive Imbalance (\$0.6021)

The Commission finds Petitioner’s recommended GCA factors for February 2010 should be approved.

Pursuant to the GCA 75 Stipulation, the GCA factors for February 2010 are subject to change, according to a Monthly Price Update filing.

Using the February 2010 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$6.357/Dth represents an increase of \$0.032/Dth from the current (November 2009) GCA factor of \$6.325/Dth. The effects of this increase on various consumption levels within this customer classification are shown below:

Proposed GCA Factor (February 2010)
vs.
Currently Approved GCA Factor (November 2009)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 59.24	\$ 59.08	\$ 0.16	0.27%
10	\$102.99	\$102.67	\$ 0.32	0.31%
15	\$146.73	\$146.25	\$ 0.48	0.33%
20	\$190.48	\$189.84	\$ 0.64	0.34%
25	\$234.22	\$233.42	\$ 0.80	0.34%

The same Residential Heating factor of \$6.357/Dth for February 2010 represents a decrease of \$3.119/Dth from the GCA factor of \$9.476/Dth approved one year ago. The effects of this decrease on various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (February 2010)
vs.
GCA Factor One Year Ago (February 2009)

Monthly Consumption DTH	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 59.24	\$ 74.84	(\$ 15.60)	(20.84%)
10	\$102.99	\$134.18	(\$ 31.19)	(23.24%)
15	\$146.73	\$193.52	(\$ 46.79)	(24.18%)
20	\$190.48	\$252.86	(\$ 62.38)	(24.67%)
25	\$234.22	\$312.20	(\$ 77.98)	(24.98%)

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 102 period. Accordingly, the Commission finds that Applicant's Gas Cost Adjustments shall be finalized for June 2009 through August 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:

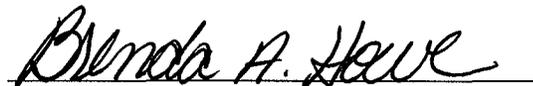
Commission Charges:	\$ 519.44
OUCC Charges:	\$ 5,923.11
Legal Advertising Charges:	\$ <u>23.44</u>
Total:	\$ 6,465.99

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

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

APPROVED: NOV 24 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**