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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 DECEMBER 2010, JANUARY )  
AND FEBRUARY 2011 )

CAUSE NO. 37399 GCA 108

APPROVED: NOV 30 2010

BY THE COMMISSION

**Carolene R. Mays, Commissioner**  
**Gregory R. Ellis, Administrative Law Judge**

On October 1, 2010, 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 2010 through February 2011 with the Indiana Utility Regulatory Commission ("Commission"). On October 29, 2010, Petitioner prefled revised Schedules and the direct testimony of Jill A. Phillips, Manager, Rates & regulatory Affairs and LaTona S. Prentice, Executive Director of Regulatory Affairs. On November 3, 2010, the Indiana Office of the Utility Consumer Counselor ("OUCC" or "Public") filed its Motion to Create Subdocket for the purpose of allowing the OUCC additional time to investigate the issues surrounding Petitioner's changes to its Pressure Correction Factor ("PCF"). On November 4, 2010, in conformance with the statute, the OUCC 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, a public evidentiary hearing was held in this Cause at 9:45 a.m. on November 9, 2010, in Room 224, PNC Center, 101 W. Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated in the public evidentiary hearing. Prior to going on the record at the hearing, the Petitioner and the OUCC discussed the OUCC's Motion to Create Subdocket and agreed that the issues related to the Petitioner's PCF could be addressed in Petitioner's next GCA proceeding--GCA-109. As a result of this agreement, the OUCC moved to withdraw its Motion. The Motion was granted. The testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection. No member of the public appeared or sought to testify at the hearing. The testimony and exhibits of Petitioner 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 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 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.

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 2010, January and February 2011. 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 3.33% of the actual commodity volumes and 37.17% of the projected commodity volumes were purchased pursuant to physical hedge transactions. Approximately 24.65% of the actual commodity volumes and 6.24% 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 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

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 that Petitioner’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 estimations with the eventual actual costs. The evidence presented indicates that the estimating techniques of Petitioner during the reconciliation period of June 2010 through August 2010 (the “Reconciliation Period”) yielded an over-estimated weighted average error of 7.32%. 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 2010	\$6.882	\$6.181	11.34%
July 2010	\$7.718	\$7.358	4.89%
August 2010	\$7.581	\$7.177	5.63%
Weighted Average	\$7.386	\$6.882	7.32%

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 presented in this current proceeding established that the total gas supply variance for the Reconciliation Period was an under-collection of \$487,615, 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 \$335,587, 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 109, GCA 110 and GCA 111, as follows:

GCA	Gas Supply Variance	Balancing Demand Variance
108	\$ 313,609	\$ 130,450
109	\$ 113,155	\$ 82,652
110	\$ 671	\$ 53,000
111	\$ 60,180	\$ 69,575

The gas supply variance from prior periods applicable to the current recovery period is an over-collection of \$4,193,879 and the balancing demand variance is an over-collection of \$473,547. Therefore, the total gas supply variance including prior periods is an over-collection of \$3,880,270, which results in a decrease in the net cost of gas. The total balancing demand variance including prior periods is an over-collection of \$343,097, 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 to 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 Gas Cost Adjustment Factor.**

**A. December 2010**

The estimated cost of gas to be recovered during December 2010 is \$32,028,341. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for December only yields gas costs to be recovered through the GCA of \$30,967,450. 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 2010:

<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	\$0.5435	N/A	N/A
D2 – Residential Heating	\$0.5604	N/A	N/A
D3 – General Non-Heating	\$0.4954	\$0.0074	\$0.0004
D4 – General Heating	\$0.5499	\$0.0065	\$0.0003
D5 – Large Volume	\$0.5318	\$0.0018	\$0.0001
D7–Compressed Natural Gas	\$0.4736	\$0.0079	N/A
D9 – High Volume	N/A	\$0.0160	\$0.0008

Petitioner also recommended the following GCA factors for December 2010:

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

Capacity \$0.0682

Commodity \$0.4972

Gas Supply Charge \$0.5654

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

Gas Supply Charge - Negative Imbalance \$0.5601  
Gas Supply Charge - Positive Imbalance (\$0.4868)

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 2010, January and February 2011 are subject to change, according to a Monthly Price Update filing (“Monthly Flex Mechanism”).

Using the December 2010 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$5.604/Dth represents an increase of \$0.513/Dth from the current (November 2010) GCA factor of \$5.091/Dth. The effects of this increase on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (December 2010)**  
vs.  
**Currently Approved GCA Factor (November 2010)**

<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	\$ 55.24	\$ 52.67	\$ 2.57	4.88%
10	\$ 94.98	\$ 89.85	\$ 5.13	5.71%
15	\$134.72	\$127.02	\$ 7.70	6.06%
20	\$174.46	\$164.20	\$10.26	6.25%
25	\$214.20	\$201.37	\$12.83	6.37%

The same Residential Heating factor of \$5.604/Dth for December 2010 represents a decrease of \$0.316/Dth from the GCA factor of \$5.920/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 2010)**  
**vs.**  
**GCA Factor One Year Ago (December 2009)**

<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	\$ 55.24	\$ 57.06	(\$ 1.82)	(3.19%)
10	\$ 94.98	\$ 98.62	(\$ 3.64)	(3.69%)
15	\$134.72	\$140.18	(\$ 5.46)	(3.89%)
20	\$174.46	\$181.74	(\$ 7.28)	(4.01%)
25	\$214.20	\$223.30	(\$ 9.10)	(4.08%)

**B. January 2011**

The estimated cost of gas to be recovered during January 2011 is \$40,236,808. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for January only yields gas costs to be recovered through the GCA of \$38,944,055. 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:

<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	\$0.5559	N/A	N/A
D2 – Residential Heating	\$0.5734	N/A	N/A
D3 – General Non-Heating	\$0.5085	\$0.0074	\$0.0004
D4 – General Heating	\$0.5622	\$0.0065	\$0.0003
D5 – Large Volume	\$0.5447	\$0.0018	\$0.0001
D7 – Compressed Natural Gas	\$0.4792	\$0.0081	N/A
D9 – High Volume	N/A	\$0.0160	\$0.0008

Petitioner also recommended the following GCA factors for January 2011:

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

Capacity \$0.0684                      Commodity \$0.5094                      Gas Supply Charge \$0.5778

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

Gas Supply Charge – Negative Imbalance \$0.5726  
Gas Supply Charge – Positive Imbalance (\$0.4989)

Using the January 2011 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$5.734/Dth represents an increase of \$0.643/Dth from the current (November 2010) GCA factor of \$5.091/Dth. The effects of this increase on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (January 2011)**  
vs.  
**Currently Approved GCA Factor (November 2010)**

<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	\$ 55.89	\$ 52.67	\$ 3.22	6.11%
10	\$ 96.28	\$89.85	\$ 6.43	7.16%
15	\$136.67	\$127.02	\$ 9.65	7.60%
20	\$177.06	\$164.20	\$ 12.86	7.83%
25	\$217.45	\$201.37	\$ 16.08	7.99%

The same Residential Heating factor of \$5.734/Dth for January 2011 represents a decrease of \$0.625/Dth from the GCA factor of \$6.359/Dth approved one year ago. The effects of this increase on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (January 2011)**  
vs.  
**GCA Factor One Year Ago (January 2010)**

<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	\$ 55.89	\$ 59.01	(\$ 3.12)	(5.29%)
10	\$ 96.28	\$102.53	(\$ 6.25)	(6.10%)
15	\$136.67	\$146.04	(\$ 9.37)	(6.42%)
20	\$177.06	\$189.56	(\$12.50)	(6.59%)
25	\$217.45	\$233.07	(\$15.62)	(6.70%)

**C. February 2011**

The estimated cost of gas to be recovered during February 2011 is \$33,680,584. Adjusting this total for the variance, refund amounts, and for net write-off recovery costs for February only yields gas costs to be recovered through the GCA of \$32,624,640. 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 2011.

<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	\$0.5614	N/A	N/A
D2 – Residential Heating	\$0.5795	N/A	N/A
D3 – General Non-Heating	\$0.5136	\$0.0075	\$0.0004
D4 – General Heating	\$0.5681	\$0.0066	\$0.0003
D5 – Large Volume	\$0.5502	\$0.0019	\$0.0001
D7–Compressed Natural Gas	\$0.4909	\$0.0078	N/A
D9 – High Volume	N/A	\$0.0161	\$0.0008

Petitioner also recommended the following GCA factors for February 2011:

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

Capacity \$0.0685      Commodity \$0.5150      Gas Supply Charge \$0.5835

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

Gas Supply Charge – Negative Imbalance \$0.5782

Gas Supply Charge – Positive Imbalance (\$0.5043)

Using the February 2011 GCA factor for “Gas Rate D2 – Residential Heating” to illustrate the effects on residential customers, a factor of \$5.795/Dth represents an increase of \$0.704/Dth from the current (November 2010) GCA factor of \$5.091/Dth. The effects of this increase on various consumption levels of residential heating bills are shown below:

**Proposed GCA Factor (February 2011)  
vs.  
Currently Approved GCA Factor (November 2010)**

<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	\$ 56.19	\$ 52.67	\$ 3.52	6.68%
10	\$ 96.89	\$ 89.85	\$ 7.04	7.84%
15	\$137.58	\$127.02	\$10.56	8.31%
20	\$178.28	\$164.20	\$14.08	8.57%
25	\$218.97	\$201.37	\$17.60	8.74%

The same Residential Heating factor of \$5.795/Dth for February 2011 represents a decrease of \$0.482/Dth from the GCA factor of \$6.277/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 2011)**  
**vs.**  
**GCA Factor One Year Ago (February 2010)**

<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	\$ 56.19	\$ 58.60	(\$ 2.41)	(4.11%)
10	\$ 96.89	\$101.71	(\$ 4.82)	(4.74%)
15	\$137.58	\$144.81	(\$ 7.23)	(4.99%)
20	\$178.28	\$187.92	(\$9.64)	(5.13%)
25	\$218.97	\$231.02	(\$12.05)	(5.22%)

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 Petitioner shall be removed for the GCA 106 period. Accordingly, the Commission finds that Petitioner's Gas Cost Adjustments shall be finalized for June 2010 through August 2010. The Commission further finds that the rates approved by this Order should be subject to reconciliation based upon the resolution of PCF issues in GCA 109.

10. **Monthly Flex Mechanism.** Petitioner utilizes 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 is 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 is limited to a maximum adjustment (up or down) of \$1.00 from the initial market price.

This Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

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

1. The Petition of Citizens Gas for the gas cost adjustment for natural gas service, as set forth in Finding No. 8, shall be and hereby is approved, subject to refund and reconciliation in accordance with Finding Paragraph No. 9.

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. 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:	\$	427.81
OUCG Charges:	\$	6,079.07
Legal Advertising Charges:	\$	<u>24.98</u>
Total:	\$	6,531.86

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

**ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:**

**APPROVED: NOV 30 2010**

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

  
**Brenda A. Howe**  
**Secretary to the Commission**