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 MARCH, APRIL AND MAY 2012	)	CAUSE NO. 37399 GCA 113 APPROVED: FEB 29 2012

ORDER OF THE COMMISSION

Presiding Officers:
Larry S. Landis, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On December 30, 2011, 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 Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the months of March through May 2012 with the Indiana Utility Regulatory Commission ("Commission"). On January 31, 2012, Petitioner filed revised Schedules and the prepared direct testimony of Brenda T. Royal, Rates & Regulatory Analyst of Regulatory Affairs, and Korlon L. Kilpatrick II, Manager, Rates and Business Applications. On February 9, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed 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 10:00 a.m. on February 15, 2012 in Room 224, PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated at the hearing. The prepared testimony and exhibits of Petitioner and 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:

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 Petitioner and the subject matter herein.

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 and around 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 Brenda T. Royal provided evidence concerning the tariff sheets and supporting schedules filed with Petitioner's gas cost adjustment to be effective for March, April and May 2012. 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 7.63% of the actual commodity volumes and 13.71% of the projected commodity volumes were purchased pursuant to physical hedge transactions. Approximately 35.36% of the actual commodity volumes and 19.24% 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 followed 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 suppliers 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, in its May 14, 1986 Order in Cause No. 37091, found 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 the estimating techniques of Petitioner during the reconciliation period of September 2011 through November 2011 ("Reconciliation Period") yielded an under-estimated weighted average error of (3.90%). Ms. Royal's 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
September 2011	$6.078	$6.083	(0.08%)
October 2011	$5.157	$5.069	1.74%
November 2011	$5.196	$5.686	(8.62%)
Weighted Average	$5.324	$5.540	(3.90%)

In addition, the Commission's November 22, 2012 Order in Cause No. 37399 GCA 112 required Petitioner to file testimony in this Cause explaining its accounting for heating degree days in its unbilled true-up adjustment during months when there are typically zero heating degree days. Ms. Royal explained Petitioner utilizes normal heating degree day information published by the National Oceanic and Atmospheric Administration ("NOAA"), which is updated every ten years based upon a 30-year average. She stated that although June, July and August have little to no heating degree days, NOAA's published data provided for 16 heating degree days in June, two in July and four in August.

Based upon the evidence presented and Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound and its prospective average estimate of gas costs is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding established that the total gas supply variance[1] for the Reconciliation Period is an under-collection of $2,152,272, which results in an increase in the net cost of gas. The total balancing demand variance for the Reconciliation Period is an under-collection of $108,908, which results in an increase in the net cost of gas. A portion of these respective variances should be included, based on estimated sales percentages in this GCA, and the next three GCAs, as follows:

[1] This includes an under-collection of $4,699 from net write-offs.

GCA	Gas Supply Variance	Balancing Demand Variance
113	$ 542,986	$ 27,208
114	$ 100,849	$ 11,054
115	$ 347,742	$ 21,086
116	$ 1,160,695	$ 49,560

The gas supply variance from prior periods applicable to the current recovery period is an over-collection of $711,070 and the balancing demand variance from prior periods is an over-collection of $38,702. Therefore, the total gas supply variance including prior periods is an over-collection of $168,084, which results in a decrease in the net cost of gas. The total balancing demand variance including prior periods is an over-collection of $11,494, which results in a decrease in the net cost of gas.

Petitioner received no new refunds during the Reconciliation Period, and has no refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has no refunds 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 and demand costs for the Reconciliation Period and the gas supply and demand costs recovered during that same period.

8. Resulting Gas Cost Adjustment Factor.

A. March 2012

The estimated net cost of gas to be recovered during March 2012 is $23,910,207. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for March 2012 yields gas costs to be recovered through the GCA of $24,054,195. 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 March 2012:

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	$0.5421	N/A	N/A
D2 – Residential Heating	$0.5384	N/A	N/A
D3 – General Non-Heating	$0.5524	$0.0030	$0.0002
D4 – General Heating	$0.5421	$0.0018	$0.0001
D5 – Large Volume	$0.5289	$0.0077	$0.0004
D7– Compressed Natural Gas	$0.4407	$0.0032	N/A
D9 – High Volume	N/A	$0.0455	$0.0023

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

Capacity $0.0758 Commodity $0.4569 Gas Supply Charge $0.5327

Using the March 2012 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of $5.384/Dth represents an increase of $0.395/Dth from the current (February 2012) GCA factor of $4.989/Dth. The effects of this change for various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (March 2012)
vs.
Currently Approved GCA Factor (February 2012)

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Current GCA Factor	Dollar Change	Percent Change
5	$ 56.67	$ 54.69	$ 1.98	3.62%
10	$ 96.84	$ 92.89	$ 3.95	4.25%
15	$ 137.01	$131.08	$ 5.93	4.52%
20	$ 177.18	$169.28	$ 7.90	4.67%
25	$ 217.35	$207.47	$ 9.88	4.76%

The same Residential Heating factor of $5.384/Dth for March 2012 represents a decrease of $0.320/Dth from the GCA factor of $5.704/Dth billed one year ago. The effects of this change for various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (March 2012)
vs.
GCA Factor One Year Ago (March 2011)

Monthly Consumption DTH	Bill At Proposed GCA Factor	Bill At Prior Year GCA Factor	Dollar Change	Percent Change
5	$ 56.67	$ 56.18	$ 0.49	0.87%
10	$ 96.84	$ 96.86	($ 0.02)	(0.02%)
15	$137.01	$137.54	($ 0.53)	(0.39%)
20	$177.18	$178.22	($ 1.04)	(0.58%)
25	$217.35	$218.90	($ 1.55)	(0.71%)

B. <u>April 2012</u>

The estimated net cost of gas to be recovered during April 2012 is $10,958,690. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for April 2012 yields gas costs to be recovered through the GCA of $11,031,777. 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 April 2012:

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	$0.4176	N/A	N/A
D2 – Residential Heating	$0.4160	N/A	N/A
D3 – General Non-Heating	$0.4294	$0.0030	$0.0002
D4 – General Heating	$0.4203	$0.0018	$0.0001
D5 – Large Volume	$0.4072	$0.0077	$0.0004
D7 – Compressed Natural Gas	$0.3218	$0.0032	N/A
D9 – High Volume	N/A	$0.0455	$0.0023

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

Capacity $0.0758 Commodity $0.3356 Gas Supply Charge $0.4114

Using the April 2012 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of $4.160/Dth represents a decrease of $0.829/Dth from the current (February 2012) GCA factor of $4.989/Dth. The effects of this change for various consumption levels within this customer classification are shown below:

Proposed GCA Factor (April 2012)
vs.
Currently Approved GCA Factor (February 2012)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 50.55	$ 54.69	($ 4.14)	(7.57%)
10	$ 84.60	$ 92.89	($ 8.29)	(8.92%)
15	$118.65	$131.08	($12.43)	(9.48%)
20	$152.70	$169.28	($16.58)	(9.79%)
25	$186.75	$207.47	($20.72)	(9.99%)

The same Residential Heating factor of $4.160/Dth for April 2012 represents a decrease of $1.375/Dth from the GCA factor of $5.535/Dth billed one year ago. The effects of this change for various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (April 2012)
vs.
GCA Factor One Year Ago (April 2011)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	$ 50.55	$ 55.33	($ 4.78)	(8.64%)
10	$ 84.60	$ 95.17	($ 10.57)	(11.11%)
15	$118.65	$135.00	($ 16.35)	(12.11%)
20	$152.70	$174.84	($ 22.14)	(12.66%)
25	$186.75	$214.67	($ 27.92)	(13.01%)

C. <u>May 2012</u>

The estimated net cost of gas to be recovered during May 2012 is $5,551,852. Adjusting this total for the variance, refund amounts, and net write-off recovery costs for May 2012 yields gas costs to be recovered through the GCA of $5,597,852. 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 May 2012.

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	$0.4246	N/A	N/A
D2 – Residential Heating	$0.4259	N/A	N/A
D3 – General Non-Heating	$0.4352	$0.0031	$0.0002
D4 – General Heating	$0.4304	$0.0019	$0.0001
D5 – Large Volume	$0.4142	$0.0078	$0.0004
D7–Compressed Natural Gas	$0.3314	$0.0037	N/A
D9 – High Volume	N/A	$0.0456	$0.0023

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

Capacity $0.0758 Commodity $0.3445 Gas Supply Charge $0.4203

Using the May 2012 GCA factor for "Gas Rate D2 – Residential Heating" to illustrate the effects on residential customers, a factor of $4.259/Dth represents a decrease of $0.730/Dth from the current (February 2012) GCA factor of $4.989/Dth. The effects of this change for various consumption levels within this customer classification are shown below:

Proposed GCA Factor (May 2012)
vs.
Currently Approved GCA Factor (February 2012)

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 51.04	$ 54.69	($ 3.65)	(6.67%)
10	$ 85.59	$ 92.89	($ 7.30)	(7.86%)
15	$120.13	$131.08	($10.95)	(8.35%)
20	$154.68	$169.28	($14.60)	(8.62%)
25	$189.22	$207.47	($18.25)	(8.80%)

The same Residential Heating factor of $4.259/Dth for May 2012 represents a decrease of $1.494/Dth from the GCA factor of $5.753/Dth billed one year ago. The effects of this change for various consumption levels of residential heating bills are shown below:

Proposed GCA Factor (May 2012)
vs.
GCA Factor One Year Ago (May 2011)

Monthly Consumption DTH	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	$ 51.04	$ 56.42	($ 5.38)	(9.54%)
10	$ 85.59	$ 97.35	($11.76)	(12.08%)
15	$120.13	$138.27	($18.14)	(13.12%)
20	$154.68	$179.20	($24.52)	(13.68%)
25	$189.22	$220.12	($30.90)	(14.04%)

9. **Interim Rates.** The Commission is unable to determine whether Applicant will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized that the rates approved herein should be interim rates subject to refund pending reconciliation of the gas costs in a subsequent GCA and in the event an excess return is earned.

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 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.

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 schedules on these amendments.

3. In accordance with Indiana Code § 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:

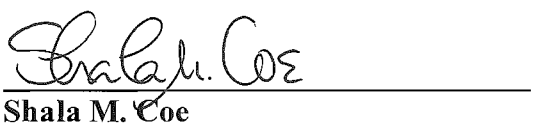
Commission Charges:	$ 652.13
OUCC Charges:	$ 5,487.97
Legal Advertising Charges:	$ 31.06
Total:	$ 6,171.16

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

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

APPROVED: FEB 29 2012

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



Shala M. Coe
Acting Secretary to the Commission