

Bartholomew and Lawrence counties in Indiana. Petitioner 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 supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's gas supplies are currently acquired through contractual arrangements with natural gas marketers. According to Phillip Ross, Petitioner receives its natural gas supply from three different pipelines: Texas Gas Transmission, Texas Eastern Transmission Company and ANR Pipeline. He testified that Petitioner purchased fixed price contracts for future periods. In addition, Mr. Ross stated that Petitioner monitors its purchasing practices and considers weather and other variable load factor elements in an attempt to keep purchased gas costs as low as reasonably possible.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Based on the evidence offered, the Commission finds that Petitioner 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 suppliers 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 Petition include transport rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. The Commission reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the cost to be reasonable. Accordingly, 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 that results in Petitioner earning a return in excess of that authorized in the last Commission proceeding in which Petitioner's basic rates and charges were approved. The most recent proceeding in which Petitioner's basic rates and charges were approved is Cause No. 43434. The Commission's October 8, 2008 Order in that Cause authorized Petitioner to earn a net operating income of \$454,590. Petitioner's evidence indicates that for the twelve (12) months ended December 31, 2008, Petitioner's actual net operating income was \$801,878. Petitioner is earning more than was authorized in its last rate case. However, based on the sum of the differentials method calculated pursuant to I.C. 8-1-2-42.3, the Petitioner is not earning an excess return at this time.

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 indicates that the estimating techniques during the reconciliation period of October 2008 through December 2008 (the "Reconciliation Period") yielded an under-estimated weighted average error of 9.76%. Based on 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 cost is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42 (g)(3)(D) also requires that the petitioning utility reconcile its estimation for a previous recovery period with the actual purchased gas costs for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an under-collection in the amount of \$213,135. This amount shall be included, based on estimated sales percentages, in this GCA and the next three GCAs as an increase in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as an increase in the estimated net cost of gas is \$19,225.

The variance from prior recovery periods applicable to this recovery period is an over-collection in the amount of \$24,231. When this amount is combined with the Reconciliation Period variance, the result is an over-collection in the amount of \$5,006 to be applied in this GCA as an increase in the estimated 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. Thus, Petitioner has no refunds to be returned in this Application. Based on the evidence presented, the Commission finds that Petitioner's proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period and the gas costs recovered during that same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered during the application period is \$500,052. When this total is adjusted for variance and refund amounts, the result is \$495,046 in gas costs are to be recovered through this GCA. After adding demand costs, dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$6.4692/Dth for May, \$7.2116/Dth for June, and \$7.9812/Dth for July.

9. **Effects on Residential Customers.** The GCA factor for May 2009 in the amount of \$6.4692/Dth represents a decrease of \$2.6129 from the current GCA factor of \$9.0821/Dth. The GCA factor for June 2009 in the amount of \$7.2116/Dth represents a decrease of \$1.8705 from the current GCA factor of \$9.0821/Dth. The GCA factor for July 2009 in the amount of \$7.9812/Dth represents a decrease of \$1.1009 from the current average GCA factor of \$9.0821/Dth. The effects of these decreases for the three months and for various consumption levels of residential customer bills are shown in the following tables:

Table 1
May 2009
Effect on Residential Customers
New vs. Current

Consumption Dth	Bill at Proposed GCA Factor	Bill at Current Year GCA Factor	Dollar Change	Percent Change
5	\$ 57.79	\$ 70.85	\$(13.06)	(18.43)%
10	\$102.31	\$128.44	\$(26.13)	(20.34)%
15	\$146.83	\$186.03	\$(39.20)	(21.07)%
20	\$191.36	\$243.62	\$(52.26)	(21.45)%
25	\$235.88	\$301.21	\$(65.33)	(21.69)%

Table 2
June 2009
Effect on Residential Customers
New vs. Current

Consumption Dth	Bill at Proposed GCA Factor	Bill at Current Year GCA Factor	Dollar Change	Percent Change
5	\$ 61.50	\$ 70.85	\$(9.35)	(13.20)%
10	\$109.73	\$128.44	\$(18.71)	(14.57)%
15	\$157.97	\$186.03	\$(28.06)	(15.08)%
20	\$206.21	\$243.62	\$(37.41)	(15.36)%
25	\$254.44	\$301.21	\$(46.77)	(15.53)%

Table 3
July 2009
Effect on Residential Customers
New vs. Current

Consumption Dth	Bill at Proposed GCA Factor	Bill at Current Year GCA Factor	Dollar Change	Percent Change
5	\$ 65.35	\$ 70.85	\$(5.50)	(7.76)%
10	\$117.43	\$128.44	\$(11.01)	(8.57)%
15	\$169.51	\$186.03	\$(16.52)	(8.88)%
20	\$221.60	\$243.62	\$(22.02)	(9.04)%
25	\$273.68	\$301.21	\$(27.53)	(9.14)%

The GCA factor for May 2009 of \$6.4692/Dth represents an increase of \$3.2172 from the GCA factor of \$3.2520/Dth billed one year ago. The GCA factor for June 2009 of \$7.2116/Dth represents an increase of \$3.9596 from the GCA factor of \$3.2520/Dth billed one year ago. The GCA factor for July 2009 of \$7.9812/Dth represents an increase of \$4.7292 from the GCA factor of \$3.2520/Dth billed one year ago. The increase in each GCA

factor is attributed to Petitioner's removal of the cost of gas from its base rates as approved by the Commission in Cause No. 43434. The effects of this increase for various consumption levels of residential customer bills are shown in the following table:

Table 4
May 2009
Effect on Residential Customers
New vs. One Year Ago

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 57.79	\$ 66.88	\$(9.09)	(13.59)%
10	\$102.31	\$123.39	\$(21.08)	(17.08)%
15	\$146.83	\$179.91	\$(33.08)	(18.39)%
20	\$191.36	\$236.43	\$(45.07)	(19.06)%
25	\$235.88	\$292.94	\$(57.06)	(19.48)%

Table 5
June 2009
Effect on Residential Customers
New vs. One Year Ago

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 61.50	\$ 66.88	\$(5.38)	(8.04)%
10	\$109.73	\$123.39	\$(13.66)	(11.07)%
15	\$157.97	\$179.91	\$(21.94)	(12.19)%
20	\$206.21	\$236.43	\$(30.22)	(12.78)%
25	\$254.44	\$292.94	\$(38.50)	(13.14)%

Table 6
July 2009
Effect on Residential Customers
New vs. One Year Ago

Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$ 65.35	\$ 66.88	\$(1.53)	(2.29)%
10	\$117.43	\$123.39	\$(5.96)	(4.83)%
15	\$169.51	\$179.91	\$(10.40)	(5.78)%
20	\$221.60	\$236.43	\$(14.83)	(6.27)%
25	\$273.68	\$292.94	\$(19.26)	(6.57)%

10. **Interim Rates.** The Commission is unable to determine whether Applicant will earn an excess return while this GCA is in effect. Accordingly, the Commission finds

that the approved rates herein should be interim rates subject to refund in the event an excess return is earned.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Petition of Indiana Natural Gas Corporation for the gas cost adjustment factor for natural gas service, as set forth in Finding No. 8, shall be, and hereby is approved, subject to refund in accordance with Finding Paragraph No. 10.

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

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

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

APPROVED: APR 15 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**