

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 reasonable possible.

Petitioner's gas supplies are currently acquired through contractual arrangements with natural gas marketers. Petitioner's Executive Vice President, David A. Osmon, testified that Petitioner has continued purchasing fixed price contracts for future periods. In addition, Petitioner monitors its purchasing practices in an attempt to keep purchased gas costs as low as economically feasible.

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 suppliers 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 Petition include transport rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the cost to be reasonable. As a result, 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 the Petitioner earning a return in excess of that authorized in the last Commission proceeding in which the 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 March 31, 2009, Petitioner's actual net operating income was \$790,632. Based on the evidence of record, the Commission finds that Petitioner is earning in excess of that authorized in its last rate case.

Because Petitioner has earned a return in excess of the amount authorized, Indiana Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded through the variance in this Cause. A refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Indiana Code § 8-1-2-42.3 (a), is greater than zero. Based upon the evidence of record, the Commission finds the sum of the differentials during the relevant period is less than zero, and, therefore, it is not appropriate to require a refund of any of the amount over earned in this Cause.

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 Petitioner's estimating techniques during the reconciliation period of January 2009 through March 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 22.16%. Mr. Osmon explained that this high percentage was a result in an unexpected decline in the cost of gas. Based on Petitioner's historical estimating accuracy in estimating the cost of gas, the Commission finds that Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas cost 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 costs for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an over-collection of \$737,666 from its customers. This amount shall be included, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the estimated net cost of gas is \$79,889.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$22,702. When this amount is combined with the Reconciliation Period variance, the result is a total over-collection of \$57,187 to be applied in this GCA as a decrease 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. Therefore, 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 \$651,414. When this total is adjusted to include the variance and refund amounts, the result is that \$594,227 in gas costs are yields to be recovered through this GCA. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$6.7538/Dth for August, \$6.6051/Dth for September, and \$7.4260/Dth for October.

9. **Effects on Residential Customers.** The GCA factor for August 2009 of 6.7538/Dth represents an increase of \$0.0039 from the current average GCA factor of \$6.7499/Dth. The GCA factor for September 2009 of \$6.6051/Dth represents a decrease of \$0.1448/Dth from the current average GCA factor of \$6.7499/Dth. The GCA factor for October 2009 of \$7.4260/Dth represents an increase of \$0.6761/Dth from the current average GCA factor of \$6.7499/Dth. The effects of

these changes for the three months and for various consumption levels of residential customer bills are shown in the following tables:¹

Table 1
Proposed vs. Currently Approved GCA Factor
For Residential Customers

August 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$59.21	\$59.19	\$0.02	0.03%
10	105.16	105.12	0.04	0.04%
15	151.10	151.05	0.05	0.03%
20	197.05	196.97	0.08	0.04%
25	243.00	242.90	0.10	0.04%

September 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$58.47	\$59.19	\$(0.72)	(1.22)%
10	103.67	105.12	(1.45)	(1.38)%
15	148.87	151.05	(2.18)	(1.44)%
20	194.08	196.97	(2.89)	(1.47)%
25	239.28	242.90	(3.62)	(1.49)%

¹ The Bill at Current and Proposed GCA Factor found in Tables 1 and 2 is calculated using base rates approved in the October 8, 2008 Order in Cause No. 43434. In the Commission's Order approved in Cause No. 43434 on October 8, 2008, Petitioner was authorized to eliminate the commodity cost of gas from base rates.

October 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$62.57	\$59.19	\$3.38	5.71%
10	111.88	105.12	6.67	6.43%
15	161.19	151.05	10.14	6.71%
20	210.49	196.97	13.52	6.86%
25	259.80	242.90	16.90	6.96%

The GCA factor for August 2009 of \$6.7538/Dth represents an increase of \$2.3440/Dth from the GCA factor of \$4.4098/Dth billed one year ago. The GCA factor for September 2009 of \$6.6051/Dth represents an increase of \$2.1953/Dth from the GCA factor of \$4.4098/Dth billed one year ago. The GCA factor for October 2009 of \$7.4260/Dth represents an increase of \$3.0162/Dth from the GCA factor of \$4.4098/Dth billed one year ago. The effects of these changes for various consumption levels of residential customer bills are shown in the following table:

**Table 2
Proposed vs. Prior Year Approved GCA Factor
For Residential Customers**

August 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$59.21	\$72.67	\$(13.46)	(18.52)%
10	105.16	134.97	(29.81)	(22.09)%
15	151.10	197.28	(46.18)	(23.41)%
20	197.05	259.58	(62.53)	(24.09)%
25	243.00	321.89	(78.89)	(24.51)%

September 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$58.47	\$72.67	\$(14.20)	(19.54)%
10	103.67	134.97	(31.30)	(23.19)%
15	148.87	197.28	(48.41)	(24.54)%
20	194.08	259.58	(65.50)	(25.23)%
25	239.28	321.89	(82.61)	(25.66)%

October 2009

Monthly Consumption Dth	Bill at Proposed GCA Factor	Bill at Prior Year GCA Factor	Dollar Change	Percent Change
5	\$62.57	\$72.67	\$(10.10)	(13.90)%
10	111.88	134.97	(23.09)	(17.11)%
15	161.19	197.28	(36.09)	(18.29)%
20	210.49	259.58	(49.09)	(18.91)%
25	259.80	321.89	(62.09)	(19.29)%

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 pending reconciliation in the event an excess return is earned.

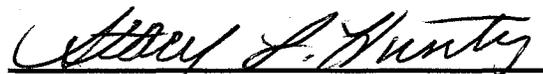
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

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.

HARDY, ATTERHOLT, GOLC, LANDIS AND ZIEGNER CONCUR:

APPROVED: JUL 16 2009

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



**Stacy Hunter
Acting Secretary to the Commission**