**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

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| **PETITION OF AURORA MUNICIPAL GAS UTILITY FOR APPROVAL OF GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF MAY, JUNE AND JULY, 2012 PURSUANT TO I.C. 8-1-2-42, P.L. 43-1983** | ) ) ) ) ) ) | **CAUSE NO. 37447 GCA 113**<br><br>**APPROVED:** APR 25 2012 |

**ORDER OF THE COMMISSION**

**Presiding Officers:**
**Carolene Mays, Commissioner**
**Loraine L. Seyfried, Chief Administrative Law Judge**

On March 13, 2012, in accordance with Indiana Code § 8-1-2-42, Aurora Municipal Gas Utility ("Petitioner") filed its Verified Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of May, June and July, 2012 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner's Response to the OUCC's Data Request was filed on April 3, 2012. Petitioner filed revised exhibits on April 12, 2012. On April 12, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Heather R. Poole, Utility Analyst.

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 hearing was held in this Cause at 10:00 a.m., on April 19, 2012, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of both 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 herein, 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 public gas utility, and as such, is subject to the jurisdiction of this Commission as provided in 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 a corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 110 Main Street, Aurora, Indiana. Petitioner is engaged in rendering natural gas utility service to the public

in Dearborn County in Indiana; and owns, operates, manages and controls plant and equipment used for the distribution and furnishing of such services.

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 gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible.

Petitioner's sole supplier is Sycamore Gas Company (formerly Lawrenceburg Gas Company). Petitioner executed a ten-year agreement for the purchase of natural gas under Sycamore Gas Company's Rate WS (wholesale). This agreement is currently being renewed on a year-to-year basis. Petitioner has no physical storage facilities or access to interstate pipeline storage.

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. As mentioned above, Petitioner's sole natural gas supplier is Sycamore Gas Company, which is a local distribution company regulated by this Commission. The Commission has reviewed the cost of gas included in Sycamore's 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.** As a municipal utility, Petitioner is not subject to the "earnings test" set forth in Indiana Code § 8-1-2-42(g)(3)(C).

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 November, 2011 through January, 2012 (the "Reconciliation Period") yielded an under-estimated weighted average error of 3.51%. Based upon Petitioner's historical 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 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. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an under-collection of $26,136 from its customers. This

amount should 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 an increase in the estimated net cost of gas is $2,218.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $1,493. Combining this amount with the Reconciliation Period variance, results in a total under-collection of $3,711 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. 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 cost of gas to be recovered during the application period is $122,304. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $126,015. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are $5.4439/Dth for May 2012, $5.7382/Dth for June 2012 and $5.8959/Dth for July 2012.

9. **Effects on Residential Customers.** The GCA factor for May 2012 of $5.4439/Dth represents a decrease of $0.5761/Dth from the current GCA factor of $6.0200/Dth. The GCA factor for June 2012 of $5.7382/Dth represents a decrease of $0.2818/Dth from the current GCA factor of $6.0200/Dth. The GCA factor for July 2012 of $5.8959/Dth represents a decrease of $0.1241/Dth from the current GCA factor of $6.0200/Dth. The effects of these changes for the three months and for various consumption levels of residential customer bills are shown in the following table:

**Table 1**
**Effect on Residential Customers**
**Proposed vs. Currently Approved GCA Factor**

**May 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Current GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 41.36 | $ 44.24 | $ (2.88) | -6.51% |
| 10 | 79.24 | 85.00 | (5.76) | -6.78% |
| 15 | 117.11 | 125.75 | (8.64) | -6.87% |
| 20 | 154.99 | 166.51 | (11.52) | -6.92% |
| 25 | 192.86 | 207.26 | (14.40) | -6.95% |

**June 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Current GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 42.83 | $ 44.24 | $ (1.41) | -3.18% |
| 10 | 82.18 | 85.00 | (2.82) | -3.32% |
| 15 | 121.53 | 125.75 | (4.23) | -3.36% |
| 20 | 160.87 | 166.51 | (5.64) | -3.38% |
| 25 | 200.22 | 207.26 | (7.04) | -3.40% |

**July 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Current GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 43.62 | $ 44.24 | $ (0.62) | -1.40% |
| 10 | 83.76 | 85.00 | (1.24) | -1.46% |
| 15 | 123.89 | 125.75 | (1.86) | -1.48% |
| 20 | 164.02 | 166.51 | (2.48) | -1.49% |
| 25 | 204.16 | 207.26 | (3.10) | -1.50% |

The GCA factor for May 2012 of $5.4439/Dth represents a decrease of $1.3849/Dth from the GCA factor of $6.8288/Dth billed one year ago. The GCA factor for June 2012 of $5.7382/Dth represents a decrease of $1.1789/Dth from the GCA factor of $6.9171/Dth billed one year ago. The GCA factor for July 2012 of $5.8959/Dth represents a decrease of $0.9640/Dth from the GCA factor of $6.8599/Dth billed one year ago. The effects of these changes for the three months for various consumption levels of residential customer bills are shown in the following table:

**Table 2**
**Effect on Residential Customers**
**Proposed vs. One Year Ago**

**May 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Prior Yr GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 41.36 | $ 48.29 | $ (6.92) | -14.34% |
| 10 | 79.24 | 93.09 | (13.85) | -14.88% |
| 15 | 117.11 | 137.88 | (20.77) | -15.07% |
| 20 | 154.99 | 182.68 | (27.70) | -15.16% |
| 25 | 192.86 | 227.48 | (34.62) | -15.22% |

**June 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Prior Yr GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 42.83 | $ 48.73 | $ (5.89) | -12.10% |
| 10 | 82.18 | 93.97 | (11.79) | -12.55% |
| 15 | 121.53 | 139.21 | (17.68) | -12.70% |
| 20 | 160.87 | 184.45 | (23.58) | -12.78% |
| 25 | 200.22 | 229.69 | (29.47) | -12.83% |

**July 2012**

| *Monthly Consumption Dth* | *Bill at New GCA Factor* | *Bill at Prior Yr GCA Factor* | *Dollar Change* | *Percent Change* |
|---|---|---|---|---|
| 5 | $ 43.62 | $ 48.44 | $ (4.82) | -9.95% |
| 10 | 83.76 | 93.40 | (9.64) | -10.32% |
| 15 | 123.89 | 138.35 | (14.46) | -10.45% |
| 20 | 164.02 | 183.31 | (19.28) | -10.52% |
| 25 | 204.16 | 228.27 | (24.11) | -10.56% |

**10.** **Interim Rates.** The Commission is unable to determine whether Petitioner will earn an excess return while this GCA is in effect. Accordingly, the Commission has authorized that the approved rates herein should be interim rates subject to refund pending reconciliation in the event an excess return is earned.

**11.** **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 Verified Petition of Aurora Municipal Gas Utility for the gas cost adjustment for natural gas service, as set forth in Finding Paragraph No. 8, shall be and hereby is approved, subject to refund in accordance with Finding Paragraph No. 10.

2. Aurora Municipal Gas Utility 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 Indiana Code § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty days from the date of the Order into the Treasury of the State of Indiana, through the Secretary of this Commission, as well as any additional costs that were incurred in connection with this Cause:

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| Commission Charges: | $ 311.99 |
| OUCC Charges: | $ 331.48 |
| Legal Advertising Charges: | $ 66.95 |
| Total: | $ 710.42 |

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

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

**APPROVED:** APR 25 2012

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

Brenda A. Howe

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