

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AURORA MUNICIPAL GAS )	
UTILITY FOR APPROVAL OF GAS COST )	CAUSE NO. 37447 GCA 121
ADJUSTMENT TO BE APPLICABLE IN THE )	
MONTHS OF MAY, JUNE AND JULY, 2014 )	APPROVED: APR 30 2014
PURSUANT TO I.C. 8-1-2-42, P.L. 43-1983 )	

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Loraine L. Seyfried, Chief Administrative Law Judge**

On March 11, 2014, in accordance with Indiana Code § 8-1-2-42, Aurora Municipal Gas Utility (“Petitioner”) filed its Verified Petition for a Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the billing cycles of May, June, and July 2014. On April 14, 2014, Petitioner filed its response to data requests issued by the Indiana Office of Utility Consumer Counselor (“OUCC”), additional testimony and revised schedules. On April 16, 2014, in conformance with the statute, the OUCC filed the statistical report and direct testimony of Laura J. Anderson, Utility Analyst.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Indiana Utility Regulatory Commission (“Commission”), an evidentiary hearing was held at 10:45 a.m. on April 22, 2014, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the OUCC were admitted into the record. No members of the general public appeared.

Based upon the applicable law and the evidence presented, the Commission finds:

**1. Statutory Notice and Commission Jurisdiction.** Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Petitioner is a municipally owned utility as defined in Ind. Code § 8-1-2-1. Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioner’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner’s Characteristics.** Petitioner is a municipal utility organized and existing under the laws of the State of Indiana. Petitioner’s principal office is located at 110 Main Street, Aurora, Indiana. Petitioner renders natural gas utility service to the public in Dearborn County, Indiana; and owns, operates, manages and controls plant and equipment for the distribution and furnishing of such service.

**3. Source of Natural Gas.** Ind. 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. 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 both current and forward-looking bases. 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, we find that the requirement of this statutory provision has been fulfilled.

**4. Purchased Gas Cost Rates.** Ind. 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 the Commission. The Commission has reviewed the cost of gas included in Sycamore Gas Company's proposed gas cost adjustment charge and finds the cost to be reasonable. Therefore, we find 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 Ind. Code § 8-1-2-42(g)(3)(C).

**6. Estimation of Purchased Gas Costs.** Ind. 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 estimates with the corresponding actual costs. The evidence presented indicates that Petitioner's estimating techniques during the reconciliation period of November 2013 through January 2014 (the "Reconciliation Period") yielded an over-estimated weighted average error of 1.29%. Based on 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.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the Reconciliation Period is an over-collection of \$12,268 from its customers. Petitioner also proposes to recover a \$36,121 under-collection due to a billing error in April 2013, resulting in a total under-collection for this GCA of \$23,853. 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 \$1,942.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$829. The total variance to be recovered in this GCA is a total under-collection of \$1,113, which results in an increase in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for the period of May, June, and July, 2014 is \$143,308. Adjusting this total for the variance amounts yields gas costs to be recovered through the GCA factor of \$144,420. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$7.1189/Dth for May 2014, \$7.2335/Dth for June 2014, and \$7.3356/Dth for July 2014.

9. **Effects on Residential Customers – (GCA Comparison).** Petitioner requests authority to approve the GCA factor of \$7.1189/Dth for May 2014, \$7.2335/Dth for June 2014 and \$7.3356/Dth for July 2014. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (March 2014 - \$6.6414/Dth) and a year ago (May 2013 - \$7.0664/Dth, June 2013 - \$7.3615/Dth, and July 2013 - \$7.0469/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference from Current	Gas Costs (10 Dth)	Difference from Year Ago
May	\$ 71.19	\$ 66.41	\$ 4.78	\$ 70.66	\$ 0.53
June	\$ 72.34	\$ 66.41	\$ 5.93	\$ 73.62	\$ (1.28)
July	\$ 73.36	\$ 66.41	\$ 6.95	\$ 70.47	\$ 2.89

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

11. **Other Matters.** The OUCC noted that in accordance with the Commission's May 14, 1986 Order in Cause No. 37091, GCA applications are to be filed at least 60 days prior to the date the utility intends to apply the resulting GCA. *See also* Ind. Code § 8-1-2-42(g)(1). However, Petitioner filed its last two GCA applications less than 60 days prior to the date rates were requested to be effective. A utility's failure to timely file its GCA application compresses the already expedited timeframe for the OUCC and the Commission to review the requested GCA factor. Therefore, Petitioner shall file its next GCA application at least 60 days prior to the intended effective date of the GCA or explain in the testimony supporting its GCA application the reasons why its application cannot be filed within this timeframe.

12. **Monthly Flex Mechanism.** The Commission indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism to adjust the GCA factor 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 later 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 (higher or lower) of \$1.00 from the initial market price.

**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 Paragraph No. 8, is approved, subject to refund in accordance with Paragraph No. 10.

2. Prior to implementing the GCA factors approved above or any future flexed factor, Aurora Municipal Gas Utility shall file with the Commission under this Cause the applicable rate schedules for the factor.

3. Petitioner shall file its next GCA application at least 60 days prior to the intended effective date of the GCA or explain in the testimony supporting its GCA application the reasons why its application cannot be filed within this timeframe.

4. 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 Commission public utility fund account described in Ind. Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges:	\$ 278.51
OUCG Charges:	\$2,086.27
Legal Advertising Charges:	<u>\$ 71.00</u>
<b>Total:</b>	<b>\$2,435.78</b>

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

**ATTERHOLT, MAYS, STEPHAN, WEBER AND ZIEGNER CONCUR:**

**APPROVED:**

APR 30 2014

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



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