

ORIGINAL

JA
AB
Jst
CMW
ARW

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AURORA MUNICIPAL GAS)
UTILITY FOR APPROVAL OF GAS COST) CAUSE NO. 37447 GCA 123
ADJUSTMENT TO BE APPLICABLE IN THE)
MONTHS OF NOVEMBER, DECEMBER,)
2014 AND JANUARY, 2015 PURSUANT TO) APPROVED: OCT 29 2014
I.C. 8-1-2-42, P.L. 43-1983)

ORDER OF THE COMMISSION

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

On September 12, 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 months of November 2014 through January 2015. On October 16, 2014, Petitioner filed revised schedules. Also on October 16, 2014, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Heather R. Poole, Senior Utility Analyst. On October 20, 2014, Petitioner filed its response to data requests issued by the OUCC.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause at 11:00 a.m. on October 21, 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 May through July 2014 (the "Reconciliation Period") yielded an under-estimated weighted average error of 0.21%. 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 under-collection of \$270 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 \$114.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$6,513. The total variance to be recovered in this GCA is a total under-collection of \$6,627, 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 November 2014 through January 2015 is \$656,847. Adjusting this total for the variance amounts yields gas costs to be recovered through the GCA factor of \$663,474. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$6.4578/Dth for November 2014, \$6.3483/Dth for December 2014, and \$6.3352/Dth for January 2015.

9. Effects on Residential Customers – (GCA Comparison). Petitioner requests authority to approve the GCA factors of \$6.4578/Dth for November 2014, \$6.3483/Dth for December 2014, and \$6.3352/Dth for January 2015. 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 (September 2014 - \$6.3780/Dth) and a year ago (November 2013 - \$6.1653/Dth, December 2013 - \$6.1004/Dth, and January 2014 - \$6.2940/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
November	\$ 64.58	\$ 63.78	\$ 0.80	\$ 61.65	\$ 2.93
December	\$ 63.48	\$ 63.78	\$ (0.30)	\$ 61.00	\$ 2.48
January	\$ 63.35	\$ 63.78	\$ (0.43)	\$ 62.94	\$ 0.41

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. 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.

12. Filing Deadlines. The OUCC raised concerns with the timing of several of Petitioner's filings in this Cause. First, the OUCC noted that, in accordance with *Commission Investigation into Gas Cost Tracking Procedures*, Cause No. 37091, 1986 Ind. PUC LEXIS 339 at *83 (IURC May 14, 1986), Petitioner is to file its GCA petition at least 60 days prior to the date it intends to apply the requested GCA factor. While acknowledging that Petitioner's filing is dependent upon the timely receipt of information from Sycamore Gas Company, the OUCC noted that Petitioner's filing was filed more than a week after Sycamore Gas Company filed its GCA.

Second, the OUCC noted that Petitioner filed updated schedules less than 10 days prior to the scheduled hearing and on the same day that the OUCC's direct evidence was due to be filed with the Commission contrary to the Commission's August 3, 1983 Order in *Commission Investigation into Gas Cost Tracking Procedures*, Cause No. 37091, 1983 Ind. PUC LEXIS 308 at *56-57 (IURC August 3, 1983). Failure to comply with this procedural requirement directly impacts the ability of the OUCC to fulfill its statutory duty to review the requested GCA factor and report its findings to the Commission.

It is incumbent upon Petitioner to comply with the Commission's procedural rules if it expects to obtain a timely decision from the Commission.¹ Therefore, we fully expect Petitioner to make every effort to explore and adopt procedures necessary to ensure that it will comply with the Commission's filing deadlines in the future. Petitioner shall provide an update to the Commission in its next GCA filing concerning any issues encountered with obtaining information from Sycamore Gas Company or developing procedures that allow for Petitioner's timely filing of its GCA or updated schedules.

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. 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:	\$ 187.81
OUCC Charges:	\$1,336.41
Legal Advertising Charges:	\$ 71.68
Total:	\$1,595.90

¹ We also note that 170 IAC 1-1.1-7 requires municipal entities to be represented by counsel and 170 IAC 1-1.1-8(f) requires every pleading filed with the Commission to be signed by counsel.

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

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER AND ZIEGNER CONCUR:

APPROVED:

OCT 29 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**