

ORIGINAL



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

<b>PETITION OF AURORA MUNICIPAL GAS UTILITY )          FOR APPROVAL OF GAS COST ADJUSTMENT TO )          BE APPLICABLE IN THE MONTHS OF AUGUST, )          SEPTEMBER, AND OCTOBER, 2015, PURSUANT TO )          I.C. 8-1-2-42, P.L. 43-1983 )</b>	<b>CAUSE NO. 37447 GCA 126          APPROVED: JUL 29 2015</b>
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ORDER OF THE COMMISSION

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

On June 1, 2015, 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 August through October 2015. On that same day, Petitioner filed the direct testimony of Patrick Callahan, CPA. Petitioner filed revised schedules and supplemental testimony on June 24, 2015, and again on July 1, 2015. On July 1, 2015, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Laura J. Anderson, Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) held an evidentiary hearing in this Cause at 10:30 a.m. on July 16, 2015, 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 without objection. No member 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 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. Earnings Test.** 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 a comparison of the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates Petitioner's 12-month rolling average comparison was a negative 0.47% for the period ending April 30, 2015. Based on Petitioner's historical accuracy in estimating the cost of gas, we find 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 period of February through April 2015 ("Reconciliation Period") is an over-collection of \$9,908 from its customers. After a one-time adjustment for a large industrial customer converting to a firm transportation rate during the Reconciliation Period for an over-collection of \$2,342, the total amount of gas cost variance to be allocated during the Reconciliation Period is \$7,566. 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 a decrease in the estimated net cost of gas is \$562.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$183. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$379 to be applied in this GCA as a decrease in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered is \$20,124 for August 2015, \$19,548 for September 2015, and \$51,527 for October 2015. Adjusting this total for the variance amounts yields gas costs to be recovered through the GCA factor of \$19,998 for August 2015, \$19,422 for September 2015, and \$51,401 for October 2015. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$5.7244/Dth for August 2015, \$5.7094/Dth for September 2015, and \$6.2778/Dth for October 2015.

9. **Effects on Residential Customers – (GCA Comparison).** Petitioner requests authority to approve the GCA factors of \$5.7244/Dth for August 2015, \$5.7094/Dth for September 2015, and \$6.2778/Dth for October 2015. The table below shows the gas costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (June 2015 - \$5.7385/Dth) and a year ago (August 2014 - \$6.4845/Dth, September 2014 - \$6.3780/Dth, and October 2014 - \$6.2365/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	Gas Costs (10 Dth)	Difference
August	\$ 57.24	\$ 57.39	\$ (0.15)	\$ 64.85	\$ (7.61)
September	\$ 57.09	\$ 57.39	\$ (0.30)	\$ 63.78	\$ (6.69)
October	\$ 62.78	\$ 57.39	\$ 5.39	\$ 62.37	\$ 0.41

10. **Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while these GCA factors are 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 mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the

market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of \$1.00 from the initial market price in this GCA proceeding. Finally, Petitioner shall file all material which supports its decision to flex or not to flex as outlined in our Order in Cause No. 44374 (“44374 Order”).

**12. Other Matters.** With respect to the filing of revised schedules, the Commission’s Order in both Cause No. 44374 and Cause No. 37447 GCA 125 requires Petitioner to file all updates or revisions to a GCA filing within 20 days of the GCA petition filing. However, Petitioner filed its updated schedules for this GCA two days after this deadline to file revisions. In the future, Petitioner shall file its revised GCA schedules within 20 days after filing its petition.

**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 all future GCA proceedings, Aurora Municipal Gas Utility shall file any updates and/or revisions to its schedules within 20 days of its petition filing date as required by the Commission’s Orders in Cause No. 44374 and Cause No. 37447 GCA 125.

4. In accordance with Ind. Code § 8-1-2-70, Petitioner shall pay the following itemized charges within 20 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:	\$ 422.07
OUCG Charges:	\$1,414.52
Legal Advertising Charges:	\$ 80.44
<b>Total:</b>	<b>\$1,917.93</b>

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

**STEPHAN, MAYS-MEDLEY AND ZIEGNER CONCUR; HUSTON AND WEBER  
ABSENT:**  
**APPROVED: JUL 29 2015**

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

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