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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF COMMUNITY)
NATURAL GAS CO., INC. FOR) CAUSE NO. 37488 GCA 102
APPROVAL OF CHANGES IN ITS GAS)
RATES THROUGH A GAS COST)
ADJUSTMENT IN ACCORDANCE WITH) APPROVED: OCT 07 2009
IND. CODE § 8-1-2-42(g))

BY THE COMMISSION:
Jeffrey L. Golc, Commissioner
DeAnna L. Brunner, Administrative Law Judge

On August 7, 2009, in accordance with Indiana Code § 8-1-2-42, Community Natural Gas Company, Inc. ("Petitioner") filed its Petition for a Gas Cost Adjustment ("GCA") with attached schedules to be applicable during the billing cycles of November 2009 through January 2010 with the Indiana Utility Regulatory Commission ("Commission"). Petitioner also sought continuation of a monthly flexing mechanism for these and future GCA factors. On September 9, 2009, Petitioner prefiled the Testimony and Exhibits of Mandy Goldman, who is responsible for gas cost adjustment proceedings for Community Natural Gas, Inc., in support of its Petition and revised GCA factors. On September 14, 2009, in conformance with the statute, the Indiana Office of the Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of its witness Sherry L. Beaumont, 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 11:00 a.m., on September 21, 2009, in Room 222, National City Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and the OUCC were admitted into the record. 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 the parties 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 116 North Main Street, Owensville, Indiana. It is engaged in rendering natural gas utility service to the public in Gibson, Posey, Dubois, Spencer, Greene, Monroe, Pike, Warrick, Owen and Sullivan Counties within the State of Indiana. Petitioner 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 witness Goldman testified that Petitioner uses both fixed contract purchases and storage as hedging tools to secure its natural gas supply.

Ms. Goldman notes that the Petitioner has both available for this upcoming GCA period, representing approximately 48% of its estimated sales. Ms. Goldman also noted that as an additional tool to mitigate price volatility, Petitioner is seeking authorization to continue its monthly flexing mechanism.

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 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 supplier(s) of gas to 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 Community Natural Gas Company'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. Therefore, 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 the return authorized in the last Commission proceeding in which Petitioner's base rates and charges were approved. The most recent proceeding, in which Petitioner's base rates and charges were approved, was our Order in Cause No. 43377. Our Final Order in that case, issued on August 27, 2008 authorized Petitioner to earn a net operating income of \$514,110. Petitioner's evidence herein indicates that for the twelve (12) months ending June 30, 2009, Petitioner's actual net operating income was \$514,987. Therefore, 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 indicates that the estimating techniques during the reconciliation period of April 2009 through June of 2009 (the "Reconciliation Period") yielded an over-estimated weighted average error of 28.9%. Petitioner's witness Goldman's testimony indicated that the variance for April was primarily caused by the rapid decline in the price of spot market gas. Ms. Goldman noted that the estimates for April were made as part of GCA 99 beginning in November 2008, and updated in December 2008. The variance for May and June reflected the utility's estimation that this decline in spot market gas prices would continue. The estimates for May and June were made as a part of GCA 100 which was filed in February. 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 over-collection of \$167,287 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 a decrease in the estimated net cost of gas is \$77,866.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$649,373. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$727,239 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 upon the evidence of presented, the Commission finds that the Petitioner's proposed GCA properly reconciles the difference between the actual costs for the Reconciliation Period and the gas costs recovered during the same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is \$2,188,463. Adjusting this total for appropriate variance and refund amounts yields gas costs to be recovered through the GCA of \$1,461,224. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner recommends the following GCA factors: \$2.4132/Dth for November; \$3.9022/Dth for December; and \$4.2398/Dth for January.

9. **Effects on Residential Customers.** The GCA factor for November of \$2.4132/Dth represents a decrease of \$0.2229 from the current GCA factor of \$2.6361/Dth. The GCA factor for December of \$3.9022/Dth represents an increase of \$1.2661 from the current GCA factor of \$2.6361/Dth. The GCA factor for January of \$4.2398 represents an increase of \$1.6037 from the current GCA factor of \$2.6361/Dth. The approximate effect of these changes for various consumption levels of residential customer bills is shown in the following tables:

Table 1
Effect on Residential Customers
New GCA Factor vs. Current GCA Factor

November 2009

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$37.18	\$38.29	\$(1.11)	(2.9)%
10	\$63.35	\$65.58	\$(2.23)	(3.4)%
15	\$84.85	\$88.20	\$(3.35)	(3.8)%
20	\$106.36	\$110.82	\$(4.46)	(4.0)%
25	\$127.86	\$133.44	\$(5.58)	(4.2)%

December 2009

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$44.62	\$38.29	\$6.33	16.5%
10	\$78.24	\$65.58	\$12.66	19.3%
15	\$107.19	\$88.20	\$18.99	21.5%
20	\$136.14	\$110.82	\$25.32	22.8%
25	\$165.09	\$133.44	\$31.65	23.7%

January 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$46.31	\$38.29	\$8.02	20.9%
10	\$81.62	\$65.58	\$16.04	24.5%
15	\$112.26	\$88.20	\$24.06	27.3%
20	\$142.89	\$110.82	\$32.07	28.9%
25	\$173.53	\$133.44	\$40.09	30.0%

The GCA factor for November of \$2.4132/Dth represents a decrease of \$8.6421 from the GCA factor of \$11.0553/Dth billed one year ago. The GCA factor for December of \$3.9022/Dth represents a decrease of \$7.1531 from the GCA factor of \$11.0553/Dth billed one year ago. The GCA factor for January of \$4.2398/Dth represents a decrease of \$6.8155 from the GCA factor of \$11.0553/Dth billed one year ago. The approximate effect of these changes for various consumption levels of residential bills are shown in the following tables:

Table 2
Effect on Residential Customers
New GCA Factor vs. GCA Factor One Year Ago

November 2009

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$37.18	\$80.39	\$(43.21)	(53.8)%
10	\$63.35	\$149.78	\$(86.43)	(57.7)%
15	\$84.85	\$214.49	\$(129.64)	(60.4)%
20	\$106.36	\$279.20	\$(172.84)	(61.9)%
25	\$127.86	\$343.91	\$(216.05)	(62.8)%

December 2009

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$44.62	\$80.39	\$(35.77)	(44.5)%
10	\$78.24	\$149.78	\$(71.54)	(47.8)%
15	\$107.19	\$214.49	\$(107.30)	(50.0)%
20	\$136.14	\$279.20	\$(143.06)	(51.2)%
25	\$165.09	\$343.91	\$(178.82)	(52.0)%

January 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$46.31	\$80.39	\$(34.08)	(42.4)%
10	\$81.62	\$149.78	\$(68.16)	(45.5)%
15	\$112.26	\$214.49	\$(102.23)	(47.7)%
20	\$142.89	\$279.20	\$(136.31)	(48.8)%
25	\$173.53	\$343.91	\$(170.38)	(49.5)%

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.

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

1. The Petition of Community Natural Gas Company, Inc. 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. Community Natural Gas Company, Inc. shall file with the Natural Gas Division of this Commission, prior to placing in effect the gas cost adjustment factors approved herein, separate amendments to its rate schedules with reasonable references 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, AND ZIEGNER CONCUR; LANDIS ABSENT:

APPROVED: OCT 07 2009

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


Brenda A. Howe
Secretary to the Commission