

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL ) GAS CO., INC. FOR APPROVAL OF ) CHANGES IN ITS GAS RATES THROUGH A ) GAS COST ADJUSTMENT IN ) ACCORDANCE WITH IND. CODE § 8-1-2- ) 42(g) )	CAUSE NO. 37488 GCA 105  APPROVED: JUL 28 2010
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**BY THE COMMISSION:**  
**Carolene Mays, Commissioner**  
**DeAnna L. Brunner, Administrative Law Judge**

On May 7, 2010, in accordance with Indiana Code § 8-1-2-42, Community Natural Gas Company, Inc. (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the billing cycles of August 2010 through October 2010 with the Indiana Utility Regulatory Commission (“Commission”). On May 17, 2010, Petitioner prefiled the direct testimony and revised schedules of Mandy Leach, responsible for all gas cost adjustment proceedings for Petitioner, supporting the proposed GCA factors. On June 18, 2010, Petitioner prefiled Updated Schedules. On June 24, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of utility analyst Sherry L. Beaumont.

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 9:15 a.m. EDT on July 1, 2010, at the PNC Center, 101 West Washington Street, Room 224, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and 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. Petitioner is engaged in rendering natural gas utility service to the public in Gibson, Posey, Dubois, Spencer, Greene, Monroe, Pike, Warrick, Owen and Sullivan Counties in Indiana; and owns, operates, manages and controls plant and equipment used for the distribution and furnishing of such service.

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 Leach testified that Petitioner uses both fixed contract purchases and storage as hedging tools to secure its natural gas supply, focusing primarily on the heating season. Ms. Leach also described Petitioner's use of flex filings, use of a normal temperature adjustment, monitoring the natural gas markets and discussing trends with its marketer, and monitoring its customers' usage patterns. Ms. Leach described all of these efforts as tools the Petitioner uses to acquire long term gas at reasonable prices and to mitigate price volatility.

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. The evidence of record indicates that gas costs in this Petition include transport rates that have been filed by Petitioner'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 Cause No. 43377. The Commission's August 27, 2008 Order in that Cause authorized Petitioner to earn a net operating income of \$514,110. Petitioner's evidence herein indicates that for the twelve (12) months ending March 31, 2010, Petitioner's actual net operating income was \$510,200. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that authorized in its last rate case.

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 January 2010 through March 2010 (the "Reconciliation Period") yielded an under-estimated weighted average error of 2.4%. 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 \$56,150 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 \$6,127.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$12,105. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$5,978 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 \$3,976 in refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has \$3,976 in 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 commodity cost of gas to be recovered during the application period is \$558,455. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through this GCA of \$548,501. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$5.9806/Dth for August; \$5.9237/Dth for September; and \$5.9551/Dth for October are reasonable and should be approved.

**9. Effects on Residential Customers.** The GCA factor for August of \$5.9806/Dth represents an increase of \$2.3688/Dth from the current GCA factor of \$3.6118/Dth. The GCA factor for September of \$5.9237/Dth represents an increase of \$2.3119/Dth from the current GCA factor of \$3.6118/Dth. The GCA factor for October of \$5.9551/Dth represents an increase of \$2.3433/Dth from the current GCA factor of \$3.6118/Dth. The 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 vs. Current**

**August 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$55.01	\$43.17	\$11.84	27.4%
10	99.03	75.34	23.69	31.4%
15	138.37	102.84	35.53	34.6%
20	177.71	130.33	47.38	36.4%
25	217.05	157.83	59.22	37.5%

**September 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$54.73	\$43.17	\$11.56	26.8%
10	98.46	75.34	23.12	30.7%
15	137.51	102.84	34.67	33.7%
20	176.57	130.33	46.24	35.5%
25	215.63	157.83	57.80	36.6%

**October 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$54.89	\$43.17	\$11.72	27.2%
10	98.77	75.34	23.43	31.1%
15	137.99	102.84	35.15	34.2%
20	177.20	130.33	46.87	36.0%
25	216.41	157.83	58.58	37.1%

The GCA factor for August of \$5.9806/Dth represents an increase of \$3.0653/Dth from the GCA factor of \$2.9153/Dth billed one year ago. The GCA factor for September of \$5.9237/Dth represents an increase of \$3.2876/Dth from the GCA factor of \$2.6361/Dth billed one year ago. The GCA factor for October of \$5.9551/Dth represents an increase of \$2.0729/Dth from the GCA factor of \$3.8822/Dth billed one year ago. The effect of these changes for various consumption levels of residential bills is shown in the following tables:

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

**August 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$55.01	\$39.69	\$15.32	38.6%
10	99.03	68.38	30.65	44.8%
15	138.37	92.39	45.98	49.8%
20	177.71	116.40	61.31	52.7%
25	217.05	140.41	76.64	54.6%

**September 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$54.73	\$38.29	\$16.44	42.9%
10	98.46	65.58	32.88	50.1%
15	137.51	88.20	49.31	55.9%
20	176.57	110.82	65.75	59.3%
25	215.63	133.44	82.19	61.6%

**October 2010**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$54.89	\$44.52	\$10.37	23.3%
10	98.77	78.04	20.73	26.6%
15	137.99	106.89	31.10	29.1%
20	177.20	135.74	41.46	30.5%
25	216.41	164.59	51.82	31.5%

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.

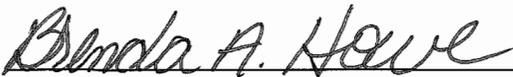
2. Petitioner shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedules on these amendments.

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

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

APPROVED: JUL 28 2010

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

  
Brenda A. Howe  
Secretary to the Commission