

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL)	
GAS CO., INC. FOR APPROVAL OF)	CAUSE NO. 37488 GCA 106
CHANGES IN ITS GAS RATES THROUGH A)	
GAS COST ADJUSTMENT IN)	APPROVED:
ACCORDANCE WITH I.C. 8-1-2-42(g))	OCT 27 2010

BY THE COMMISSION:

Carolene Mays, Commissioner
DeAnna L. Poon, Administrative Law Judge

On August 10, 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 November 2010 through January 2011 with the Indiana Utility Regulatory Commission (“Commission”). On August 20, 2010, Petitioner prefiled the direct testimony and revised schedules of Mandy Leach, responsible for GCA proceedings, supporting the proposed GCA factor. On September 9, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Sherry L. Beaumont, Utility Analyst. On October 5, 2010, Petitioner responded to the Presiding Officers’ October 4, 2010 docket entry seeking additional information.

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 10:00 a.m. Eastern Daylight Time, on October 7, 2010, in Suite 220, PNC Center, 101 West Washington Street, 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:

- 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 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 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 by the last Commission proceeding in which Petitioner's basic rates and charges were approved. The most recent proceeding in which Petitioner's basic rates and charges were approved is 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 June 30, 2010, Petitioner's actual net operating income was \$511,550. 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 April 2010 through June 2010 ("the Reconciliation Period") yielded an over-estimated weighted average error of 1.56%. 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 \$50,967 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 \$23,723.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$52,362. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$28,639 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner has received new refunds during the Reconciliation Period totaling \$2,290. Petitioner's calculation of its unaccounted for gas also reflects an additional refund of \$39,446. Allocating these refunds to this and the next three GCAs reflects a refund of \$19,426 to be returned in this cause. Additionally, Petitioner has refunds of \$16,962 from prior periods applicable to the current GCA. Therefore, Petitioner proposes to refund a total of \$36,388 in this GCA. Based upon the evidence of record, the Commission finds that the Petitioner's proposed GCA properly reconciles the difference between the actual costs of the Reconciliation Period and the gas costs recovered during that same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is \$2,101,124. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$2,093,375. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$5.0787/Dth for November; \$5.3540/Dth for December; and \$5.4271/Dth for January.

9. Effects on Residential Customers. The GCA factor for November of \$5.0787/Dth represents an increase of \$0.1484/Dth from the current GCA factor of \$4.9303/Dth. The GCA factor for December of \$5.3540/Dth represents an increase of \$0.4237/Dth from the current GCA factor of \$4.9303/Dth. The GCA factor for January of \$5.4271 represents an increase of \$0.4968/Dth from the current GCA factor of \$4.9303/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 vs. Current

November 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 50.50	\$ 49.76	\$ 0.74	1.5%
10	90.01	88.53	1.48	1.7%
15	124.84	122.61	2.23	1.8%
20	159.67	156.70	2.97	1.9%
25	194.50	190.79	3.71	1.9%

December 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 51.88	\$ 49.76	\$ 2.12	4.2%
10	92.76	88.53	4.24	4.8%
15	128.97	122.61	6.36	5.2%
20	165.18	156.70	8.47	5.4%
25	201.38	190.79	10.59	5.5%

January 2011

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$ 52.25	\$ 49.76	\$ 2.48	5.0%
10	93.49	88.53	4.97	5.6%
15	130.07	122.61	7.45	6.1%
20	166.64	156.70	9.94	6.3%
25	203.21	190.79	12.42	6.5%

The GCA factor for November of \$5.0787/Dth represents an increase of \$2.3248/Dth from the GCA factor of \$2.7539/Dth billed one year ago. The GCA factor for December of \$5.3540/Dth represents an increase of \$1.4518/Dth from the GCA factor of \$3.9022/Dth billed one year ago. The GCA factor for January of \$5.4271/Dth represents an increase of \$0.7900/Dth from the GCA factor of \$4.6371/Dth billed one year ago. The approximate 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

November 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$ 50.50	\$ 38.88	\$ 11.62	29.9%
10	90.01	66.76	23.25	34.8%
15	124.84	89.97	34.87	38.8%
20	159.67	113.17	46.50	41.1%
25	194.50	136.38	58.12	42.6%

December 2010

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$ 51.88	\$ 44.62	\$ 7.26	16.3%
10	92.76	78.24	14.52	18.6%
15	128.97	107.19	21.78	20.3%
20	165.18	136.14	29.04	21.3%
25	201.38	165.09	36.29	22.0%

January 2011

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$ 52.25	\$ 48.30	\$ 3.95	8.2%
10	93.49	85.59	7.90	9.2%
15	130.07	118.22	11.85	10.0%
20	166.64	150.84	15.80	10.5%
25	203.21	183.46	19.75	10.8%

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.

11. Monthly Flex Mechanism. Petitioner utilizes a flex mechanism each month to adjust the GCA 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 less than three (3) days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex is 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 is limited to a maximum adjustment (up or down) of \$1.00 from the initial market price.

This Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

12. Unaccounted For Gas. Petitioner's witness Leach testified regarding unaccounted for gas reflecting a negative number. Ms. Leach noted that this could have been the result of manual meter readings. Ms. Leach testified that Petitioner is investing in automated meter reading equipment and also determining if there is a particular meter issue for large customers that needs to be resolved. In response to the Presiding Officers' October 4, 2010 Docket Entry in this Cause, Ms. Leach provided the dates she anticipated resolving these issues. Specifically, Petitioner anticipates completing the investigation of the large customers' potential metering issues by the end of October 2010. Petitioner anticipates the automated meter reading equipment will be installed and fully functional by the end of December 2010. Therefore, to assist in determining if Petitioner has resolved its unaccounted for gas issues, the Commission finds that Petitioner shall include in its next GCA filing an update regarding progress towards determining large customer meter issues and installing and making functional automated meter reading equipment.

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

1. The Petition of Community Natural Gas Company, Inc. for approval of gas cost adjustments 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, that such charges are applicable to the rate schedules on these amendments.

3. Petitioner shall file under a subsequent GCA proceeding its findings pertaining to its investigation of unaccounted for gas as addressed in the Commission's docket entry and Petitioner's response to the docket entry.

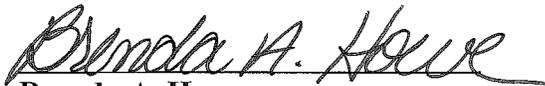
4. Petitioner shall notify the Commission in testimony in a future GCA proceeding the status of the installation of automated meter-ready equipment.

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

LANDIS, MAYS AND ZIEGNER CONCUR; ATTERHOLT ABSENT:

APPROVED: OCT 27 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**