

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY NATURAL )  
 GAS CO., INC. FOR APPROVAL OF ) CAUSE NO. 37488 GCA 109  
 CHANGES IN ITS GAS RATES THROUGH )  
 A GAS COST ADJUSTMENT IN )  
 ACCORDANCE WITH IND. CODE § 8-1-2- ) APPROVED: JUL 13 2011  
 42(g) )

**BY THE COMMISSION:**

**David E. Ziegner, Commissioner**  
**Gregory R. Ellis, Administrative Law Judge**

On May 10, 2011, 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 through October 2011 with the Indiana Utility Regulatory Commission (“Commission”). On May 23, 2011, Petitioner prefiled the Testimony of Mandy Leach and Revised Schedules in support of its Petition. On May 25, 2011, Petitioner filed Supplemental Testimony of its witness Leach, along with Supplemental Schedules. On June 8, 2011, in conformance with the statute, the Indiana Office of the Utility Consumer Counselor (“OUCC”) prefiled the statistical report and the Direct Testimony and Exhibits of Sherry L. Beaumont, Utility Analyst, supporting the proposed GCA factor.

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 9:30 a.m., on June 28, 2011, in Room 224 of the 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 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 public 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. Therefore, the Commission 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 service 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 within the State of 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. Witness 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. Witness 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 March 31, 2011, Petitioner's actual net operating income was \$501,030. 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 through March 2011 (“the Reconciliation Period”) yielded an under-estimated weighted average error of 3.0%. 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 \$48,731 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 \$5,492.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$376. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$5,868 to be applied in this GCA as an increase in the estimated net cost of gas.

Petitioner received \$2,392 in new refunds during the Reconciliation Period ending March 31, 2011. These refunds should be returned, based on estimated sales percentages, in this GCA and the next three GCAs. The amount of the Reconciliation Period refund to be returned in this GCA is \$270. Petitioner has \$4,940 in refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has \$5,210 in refunds to be applied in this GCA as a decrease in the net cost of gas.

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 net cost of gas to be recovered during the application period is \$480,974. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of \$481,632. After dividing that amount by estimated sales, and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$5.3411/Dth for August, \$5.1961/Dth for September, and \$5.1968/Dth for October.

9. **Effects on Residential Customers.** The GCA factor for August of \$5.3411/Dth represents an increase of \$0.2445/Dth from the May 2011 GCA factor of \$5.0966/Dth. The GCA factor for September of \$5.1961/Dth represents an increase of \$0.0995/Dth from the May 2011 GCA factor of \$5.0966/Dth. The GCA factor for October of \$5.1968/Dth represents an increase of \$0.1002/Dth from the May 2011 GCA factor of \$5.0966/Dth. The effect of these

changes for various consumption levels of residential customer bills is shown in the following table:

**Table 1**  
**Effect on Residential Customers**  
**New vs. Current**

**August 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$51.82	\$50.59	\$1.23	2.4%
10	\$92.63	\$90.19	\$2.44	2.7%
15	\$128.78	\$125.11	\$3.67	2.9%
20	\$164.92	\$160.03	\$4.89	3.1%
25	\$201.06	\$194.95	\$6.11	3.1%

**September 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$51.09	\$50.59	\$0.50	1.0%
10	\$91.18	\$90.19	\$0.99	1.1%
15	\$126.60	\$125.11	\$1.49	1.2%
20	\$162.02	\$160.03	\$1.99	1.2%
25	\$197.44	\$194.95	\$2.49	1.3%

**October 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$51.10	\$50.59	\$0.51	1.0%
10	\$91.19	\$90.19	\$1.00	1.1%
15	\$126.61	\$125.11	\$1.50	1.2%
20	\$162.03	\$160.03	\$2.00	1.2%
25	\$197.45	\$194.95	\$2.50	1.3%

The GCA factor for August of \$5.3411/Dth represents an increase of \$0.0065/Dth from the GCA factor of \$5.3346/Dth billed one year ago following our order in Cause No. 37448-GCA 105. The GCA factor for September of \$5.1961/Dth represents an increase of \$0.2958/Dth from the GCA factor of \$4.9003/Dth billed one year ago. The GCA factor for October of \$5.1968/Dth represents an increase of \$0.2665/Dth from the GCA factor of \$4.9303/Dth billed one year ago. The approximate effect of these changes for various consumption levels of residential bills is shown in the following table:

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

**August 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$51.82	\$51.78	\$0.04	0.1%
10	\$92.63	\$92.57	\$0.06	0.1%
15	\$128.78	\$128.68	\$0.10	0.1%
20	\$164.92	\$164.79	\$0.13	0.1%
25	\$201.06	\$200.90	\$0.16	0.1%

**September 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$51.09	\$49.61	\$1.48	3.0%
10	\$91.18	\$88.23	\$2.95	3.3%
15	\$126.60	\$122.17	\$4.43	3.6%
20	\$162.02	\$156.10	\$5.92	3.8%
25	\$197.44	\$190.04	\$7.40	3.9%

**October 2011**

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$51.10	\$49.76	\$1.34	2.7%
10	\$91.19	\$88.53	\$2.66	3.0%
15	\$126.61	\$122.61	\$4.00	3.3%
20	\$162.03	\$156.70	\$5.33	3.4%
25	\$197.45	\$190.79	\$6.66	3.5%

**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.

**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 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 (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.** The Commission's Order in Cause No. 37488 GCA 106 required Petitioner to provide information concerning Petitioner's unaccounted for natural gas. In Cause No. 37488 GCA 107, the Commission ordered the Petitioner to provide additional information in upcoming GCA filings regarding unaccounted for gas fluctuations.

Ms. Leach testified that Petitioner's unaccounted for gas has been recorded at less than 1% through the first quarter of 2011. In order to assist the Commission in its evaluation of Petitioner's unaccounted for gas fluctuations, the Commission finds Petitioner shall continue to include information regarding fluctuations in unaccounted for gas in upcoming GCA filings.

**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. Community Natural Gas Company, Inc. 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 schedule on these amendments.

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

**ATTERHOLT, LANDIS AND ZIEGNER CONCUR; BENNETT AND MAYS ABSENT:**

**APPROVED: JUL 13 2011**

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



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