

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION SOUTH EASTERN INDIANA)
 NATURAL GAS CO., INC., FOR APPROVAL) CAUSE NO. 37785 GCA 76
 OF CHANGES IN ITS GAS COST)
 ADJUSTMENT IN ACCORDANCE WITH) APPROVED:
 I.C. 8-1-2-42(g)) DEC 16 2009

Handwritten signatures and initials, including 'SIA' and 'JLG'.

BY THE COMMISSION:

Jeffrey L. Golc, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On November 2, 2009, in accordance with Ind. Code § 8-1-2-42, South Eastern Indiana Natural Gas Company, Inc. ("Petitioner"), filed its Petition for a Gas Cost Adjustment with attached Schedules to be applicable during the billing cycles of January 2010 through March 2010, with the Indiana Utility Regulatory Commission ("Commission"). On November 30th, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Lianne N. Lockhart, Utility Analyst.

Pursuant to notice 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 on December 2, 2009 at 9:30 a.m. E.S.T. in Judicial Courtroom 222 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Petitioner and the OUCC presented their respective evidence. 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, the evidence presented herein, and being duly advised, the Commission now finds:

1. Statutory Notice and Commission Jurisdiction. Due, legal and timely notice of the commencement of the public hearing in this Cause was given and published by the Commission as required by law. The 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 organized and existing under the laws of the State of Indiana, and has its principal office at 106 E. Main Street, Morristown, IN. Petitioner is engaged in rendering natural gas utility service to the public in portions of Ripley and Dearborn 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.** I.C. § 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies in order to provide service to its customers at the lowest gas cost reasonably possible.

During this GCA Application period, Petitioner has fixed contracts for 9,000 Dth of gas, has 68,000/Dth of storage gas, and intends to purchase in the open market 21,379/Dth.

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.** I.C. § 8-1-2-42(g)(3)(B) requires Petitioner's pipeline supplier(s) of gas have requested or filed pursuant to the jurisdiction and procedures of a duly constituted regulatory authority the costs proposed to be in the GCA factor. The evidence of record indicates that gas costs in this application include transportation rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission (FERC) jurisdiction and procedures. The Commission has reviewed the cost of gas included in the proposed gas cost adjustment charge and finds the costs to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** I.C. § 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 in Cause No. 43318-U. The Commission's January 16, 2008 order in that Cause authorized Petitioner to earn a net operating income of \$121,709. Petitioner's evidence indicates that for the twelve (12) months ending August 31, 2009, Petitioner's actual net operating income was \$122,479. Therefore, 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, I.C. § 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 I.C. § 8-1-2-42.3 (a), is greater than zero. Based upon the evidence of record the Commission find 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.** I.C. § 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 June 2009 through August 2009 (the "Reconciliation Period") yielded an under-estimated weighted average error of -3.34%. Based upon Petitioner's historical accuracy in estimating the cost of gas, the Commission finds that Petitioner's prospective average estimate of gas cost is reasonable.

7. **Reconciliation.** I.C. § 8-1-2-42(g)(3)(D) also requires that the petitioning utility 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 \$131,842 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the estimated net cost of gas is \$73,603.

The variance from prior recover periods applicable to the current recovery period is an over-collection of \$125,164. Combining this amount with the Reconciliation Period variance results in total over-collection of \$198,767 to be applied to this GCA as an decrease in the estimated net cost of gas.

Petitioner received no new refunds during the Reconciliation period. 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 the same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is \$237,216 for January, \$256,623 for February, and \$173,953 for March. Adjusting this total for the variance and refund amounts yields gas costs of \$170,960 for January, \$190,368 for February, and \$107,697 for March to be recovered through the GCA. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$4.9667/Dth for January, \$5.1223/Dth for February and \$4.2588/Dth for March.

9. **Effects on Residential Customers.** The GCA factor of \$4.9667/Dth for the month of January represents a decrease of \$2.3142/Dth from the current GCA factor of \$7.2809/Dth. The GCA factor of \$4.9667/Dth for the month of January represents a decrease of \$4.9266/Dth from the previous year's GCA factor of \$9.8933/Dth. The effects of this change for various consumption level of residential customer bills are shown in the following table:

Table 1
Effects on Residential Customers
New vs. Current
January, 2010

| <u>Monthly Consumption</u> <u>Mcf or Dth</u> | <u>Bill At</u> <u>New</u> <u>GCA Factor</u> | <u>Bill at</u> <u>Current</u> <u>GCA Factor</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> |
|---|---|---|--------------------------------|---------------------------------|
| 5 | \$55.35 | \$66.92 | (\$11.57) | -17.29% |
| 10 | \$95.77 | \$118.91 | (\$23.14) | -19.46% |
| 15 | \$136.06 | \$170.77 | (\$34.71) | -20.33% |
| 20 | \$176.35 | \$222.64 | (\$46.29) | -20.79% |
| 25 | \$216.65 | \$274.50 | (\$57.85) | -21.08% |

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

| <u>Monthly Consumption</u> <u>[Mcf or Dth]</u> | <u>Bill at</u> <u>New</u> <u>GCA Factor</u> | <u>Bill at GCA</u> <u>Factor One</u> <u>Year Ago</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> |
|---|---|--|--------------------------------|---------------------------------|
| 5 | \$55.35 | \$79.98 | (\$24.63) | -30.80% |
| 10 | \$95.77 | \$145.03 | (\$49.26) | -33.97% |
| 15 | \$136.06 | \$209.96 | (\$73.90) | -35.20% |
| 20 | \$176.35 | \$274.89 | (\$98.54) | -35.84% |
| 25 | \$216.65 | \$339.81 | (\$123.16) | -36.24% |

The GCA factor of \$5.1223/Dth for the month of February represents a decrease of \$2.1586/Dth from the current GCA factor of \$7.2809/Dth. The GCA factor of \$5.1223/Dth for the month of February represents a decrease of \$4.7710/Dth from the previous year's GCA factor of \$9.8933/Dth. The effects of this change for various consumption level of residential customer bills are shown in the following table:

Table 1
Effects on Residential Customers
New vs. Current

February, 2010

| <u>Monthly Consumption Mcf or Dth</u> | <u>Bill At New GCA Factor</u> | <u>Bill at Current GCA Factor</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---------------------------------------|-------------------------------|-----------------------------------|----------------------|-----------------------|
| 5 | \$56.13 | \$66.92 | (\$10.79) | -16.13% |
| 10 | \$97.32 | \$118.91 | (\$21.59) | -18.15% |
| 15 | \$138.39 | \$170.77 | (\$32.38) | -18.96% |
| 20 | \$179.47 | \$222.64 | (\$43.17) | -19.39% |
| 25 | \$220.54 | \$274.50 | (\$53.96) | -19.66% |

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

| <u>Monthly Consumption [Mcf or Dth]</u> | <u>Bill at New GCA Factor</u> | <u>Bill at GCA Factor One Year Ago</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---|-------------------------------|--|----------------------|-----------------------|
| 5 | \$56.13 | \$79.98 | (\$23.85) | -29.83% |
| 10 | \$97.32 | \$145.03 | (\$47.71) | -32.90% |
| 15 | \$138.39 | \$209.96 | (\$71.57) | -34.09% |
| 20 | \$179.47 | \$274.89 | (\$95.42) | -34.71% |
| 25 | \$220.54 | \$339.81 | (\$119.27) | -35.10% |

The GCA factor of \$4.2588/Dth for the month of March represents a decrease of \$3.0221/Dth from the current GCA factor of \$7.2809/Dth. The GCA factor of \$4.2588/Dth for the month of March represents a decrease of \$5.6345/Dth from the previous year's GCA factor of \$9.8933/Dth. The effects of this change for various consumption level of residential customer bills are shown in the following table:

Table 1
Effects on Residential Customers
New vs. Current

March, 2010

| <u>Monthly Consumption Mcf or Dth</u> | <u>Bill At New GCA Factor</u> | <u>Bill at Current GCA Factor</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---------------------------------------|-------------------------------|-----------------------------------|----------------------|-----------------------|
| 5 | \$51.81 | \$66.92 | (\$15.11) | -22.58% |
| 10 | \$88.69 | \$118.91 | (\$30.22) | -25.42% |
| 15 | \$125.44 | \$170.77 | (\$45.33) | -26.55% |
| 20 | \$162.20 | \$222.64 | (\$60.44) | -27.15% |
| 25 | \$198.95 | \$274.50 | (\$75.55) | -27.52% |

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

| <u>Monthly Consumption [Mcf or Dth]</u> | <u>Bill at New GCA Factor</u> | <u>Bill at GCA Factor One Year Ago</u> | <u>Dollar Change</u> | <u>Percent Change</u> |
|---|-------------------------------|--|----------------------|-----------------------|
| 5 | \$51.81 | \$79.98 | (\$28.17) | -35.22% |
| 10 | \$88.69 | \$145.03 | (\$56.34) | -38.85% |
| 15 | \$125.44 | \$209.96 | (\$84.52) | -40.25% |
| 20 | \$162.20 | \$274.89 | (\$112.69) | -41.00% |
| 25 | \$198.95 | \$339.81 | (\$140.86) | -41.45% |

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 finds that the approved rates herein should be interim rates subject to refund in the event an excess return is earned.

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

1. The Petition of South Eastern Indiana 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 schedule on these amendments.

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

HARDY, ATTERHOLT, GOLC LANDIS AND ZIEGNER CONCUR:

APPROVED: DEC 16 2009

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

A handwritten signature in cursive script, reading "Brenda A. Howe", is written over a horizontal line.

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