

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY)	
NATURAL GAS CO., INC. FOR)	CAUSE NO. 37791 GCA 96
APPROVAL OF CHANGES IN ITS GAS)	
COST ADJUSTMENT IN ACCORDANCE)	APPROVED: OCT 26 2016
WITH IND. CODE 8-1-2-42 (g))	

ORDER OF THE COMMISSION

Presiding Officer:

Marya E. Jones, Administrative Law Judge

On August 31, 2016, in accordance with Indiana Code § 8-1-2-42, Switzerland County Natural Gas Company, Inc. (“Petitioner”) filed its Petition for a Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of November 2016 through April 2017. Also on August 31, 2016, Petitioner prefiled the Direct Testimony of Bonnie J. Mann supporting the proposed GCA factors. On September 19, 2016, Petitioner filed certain revised schedules. On September 29, 2016, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Debra K. Wilcox, Utility Analyst II. On October 6, 2016, the Indiana Utility Regulatory Commission (“Commission”) issued a docket entry, to which Petitioner responded on October 7, 2016.

The Commission held an Evidentiary Hearing in this Cause at 9:30 a.m. on October 12, 2016, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based on the applicable law and the evidence presented, the Commission finds:

1. **Statutory Notice and Commission Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as defined in Indiana Code § 8-1-2-1(a). Under Indiana Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioner’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner is a corporation organized and existing under the laws of the State of Indiana. Petitioner’s principal office is located at 105 East Seminary Street, Vevay, Indiana. Petitioner renders natural gas utility service to the public in Switzerland County, Indiana and owns, operates, manages, and controls plant and equipment 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.

Switzerland has hedged its supply through fixed contracts and storage for this GCA period. Ms. Mann stated that Petitioner has acquired storage gas for this GCA period and will determine whether Petitioner will also purchase spot gas due to the current low price for spot gas. Ms. Mann described Petitioner's estimating and purchasing strategies for its natural gas service to its customers; and Petitioner's approach in using a marketer to obtain sufficient supply at reasonable cost.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on both current and forward-looking bases. 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, we find 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 the proposed gas costs include transport rates that have been filed by Petitioner's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charge and find the cost to be reasonable. Therefore, we find that the requirement of this statutory provision has been fulfilled.

5. **Earnings Test.** Indiana Code § 8-1-2-42(g)(3)(C) in effect, prohibits approval of a GCA factor that results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner's basic rates and charges were approved. Petitioner's current basic rates and charges were approved on May 15, 2013, in Cause No. 44293. The Commission authorized Petitioner to earn a net operating income of \$60,885.

Petitioner's evidence indicates that for the 12 months ending April 30, 2016, Petitioner's actual net operating income was \$41,781. Therefore, based on the evidence of record, we find that Petitioner is not earning a return in excess of that authorized in its last rate case.

6. **Estimation of Purchase Gas Costs.** Ind. 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 a comparison of the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates Petitioner's 12-month rolling average comparison was a negative 14.95% for the period ending April 30, 2016. Ms. Mann explained that the drop in the average price of natural gas after its prior estimates were made created this variance. Based on Petitioner's historical accuracy in estimating the cost of gas, we find that Petitioner's estimating techniques are sound, and Petitioner's prospective average estimate of gas costs is reasonable.

7. **Reconciliations.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioner reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the Reconciliation Period is an over-collection of \$58,514 from its customers. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the amount of estimated net cost of gas is \$58,514.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for November 2016 is \$66,331; for December 2016 is \$74,762; for January 2017 is \$95,127 for February 2017 is \$91,184; for March 2017 is \$63,483; and for April 2017 is \$40,998. Adjusting this total for the variance amounts yields gas costs to be recovered through the GCA factor of \$56,579 for November 2016; \$65,010 for December 2016; \$85,375 for January 2017; \$81,432 for February 2017; \$53,731 for March 2017; and \$31,246 for April 2017. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are \$3.1433/Dth for November 2016; \$3.2997/Dth for December 2016; \$3.4667/Dth for January 2017; \$3.4443/Dth for February 2017; \$3.2084/Dth for March 2017; and \$2.8835/Dth for April 2017.

9. **Effects on Residential Customers.** Petitioner requests authority to approve the GCA factors of \$3.1433/Dth for November 2016, \$3.2997/Dth for December 2016, \$3.4667/Dth for January 2017, \$3.4443/Dth for February 2017, \$3.2084/Dth for March 2017, and \$2.8835/Dth for April 2017. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (August 2016 - \$1.7360/Dth) and a year ago (\$3.2496/Dth for November 2015, \$3.4027/Dth for December 2015, \$3.5527/Dth for January 2016, 3.5317/Dth for February 2016, \$3.3551/Dth for March 2016, and \$3.0019/Dth for April 2016). The table reflects costs approved though the GCA process. It does not include Petitioner's base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
November 2016	\$ 31.43	\$ 17.36	\$ 14.07	\$ 32.50	\$ (1.07)
December 2016	\$ 33.00	\$ 17.36	\$ 15.64	\$ 34.03	\$ (1.03)
January 2017	\$ 34.67	\$ 17.36	\$ 17.31	\$ 35.53	\$ (0.86)
February 2017	\$ 34.44	\$ 17.36	\$ 17.08	\$ 35.32	\$ (0.88)
March 2017	\$ 32.08	\$ 17.36	\$ 14.72	\$ 33.55	\$ (1.47)
April 2017	\$ 28.84	\$ 17.36	\$ 11.48	\$ 30.02	\$ (1.18)

10. **Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while these GCA factors are in effect. Accordingly, the rates approved in this Order are 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 Switzerland County Natural Gas Co., Inc., for the gas cost adjustment for natural gas service, as set forth in Paragraph No. 8, is approved, subject to refund in accordance with Paragraph No. 10.

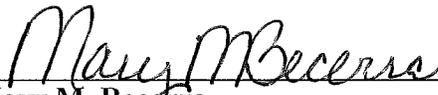
2. Prior to implementing the GCA factors approved above, Switzerland County Natural Gas Company, Inc. shall file with the Commission under this Cause the applicable rate schedules for these factors.

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

STEPHAN, FREEMAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: OCT 26 2016

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



Mary M. Becerra
Secretary of the Commission