

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY)	
NATURAL GAS CO., INC. FOR APPROVAL)	CAUSE NO. 37791 GCA 75
OF CHANGES IN ITS GAS COST)	
ADJUSTMENT IN ACCORDANCE WITH)	APPROVED: OCT 27 2010
I.C. 8-1-2-42 (g))	

BY THE COMMISSION:

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

On August 26, 2010, in accordance with Indiana Code § 8-1-2-42, Switzerland County Natural Gas Co., 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 September 21, 2010, Petitioner prefiled the direct testimony and revised schedules of Marsha Chase, its Chief Administrative Officer, supporting the proposed GCA factor. On September 27, 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.

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 10:30 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:

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 105 East Seminary Street, Vevay, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in Switzerland and Jefferson 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 evidence indicates that Petitioner has acquired fixed contracts and has storage gas available for all three months. Petitioner is also in the process of refilling storage for use during the colder winter months. Ms. Chase also described Petitioner's continued commitment to hedge its estimated heating season load by approximately 50% through fixed contracts, stored gas or both. Further, Ms. Chase indicated that Petitioner has continued to meet that goal.

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 were approved. The most recent proceeding in which Petitioner's base rates were approved was Cause No. 42844. The Commission's August 31, 2005 Order in that Cause authorized Petitioner to earn a net operating income of \$72,909. Petitioner's evidence herein indicates that for the twelve (12) months ending June 30, 2010, Petitioner's actual net operating loss was \$39,966. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of the return 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 through June 2010 (the "Reconciliation Period") yielded a over-estimated weighted average error of 19.33%. Ms. Chase testified that the variance was primarily due to the timing of Petitioner's GCA filings. She noted that Petitioner's estimate of gas commodity costs for April 2010 was made in November 2009 as part of GCA 72. The GCA factors for May and June were made in February 2010 as part of its

GCA 73. Following these estimates, the price of spot gas declined, thus creating the variances. 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 cost is reasonable.

7. **Reconciliation.** Indiana Code § 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 established that the variance for the Reconciliation Period is an over-collection of \$60,293 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 \$23,654.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$12,828. Combining this amount with the Reconciliation Period variance results in an over-collection of \$36,482 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 no refunds from prior periods applicable to this GCA. Therefore, Petitioner has no refunds to be returned on this GCA. Based on the evidence presented, the Commission finds that the Parties’ proposed GCA factor 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 \$367,032. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA and Base Rates of \$330,550. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, the Petitioner’s recommended GCA factor is negative \$3.1829/Dth.

9. **Effects on Residential Customers.** The GCA factor of negative \$3.1829/Dth. represents an increase of \$0.6377/Dth. from the current GCA factor of negative \$3.8206/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Effect on Residential Customers
New vs. Current

Monthly Consumption Dth	Bill at New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$50.76	\$47.57	\$3.19	6.70%
10	\$92.51	\$86.13	\$6.38	7.40%
15	\$132.08	\$122.51	\$9.57	7.81%
20	\$171.53	\$158.78	\$12.75	8.03%
25	\$210.98	\$195.04	\$15.94	8.17%

The GCA factor of negative \$3.1829/Dth. represents an increase of \$0.3467/Dth. from the GCA factor of negative \$3.5296/Dth, billed one year ago. The effects of this change for various consumption levels of residential bills are shown in the following table:

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

Monthly Consumption Dth	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$50.76	\$49.02	\$1.73	3.54%
10	\$92.51	\$89.04	\$3.47	3.89%
15	\$132.08	\$126.88	\$5.20	4.10%
20	\$171.53	\$164.60	\$6.93	4.21%
25	\$210.98	\$202.31	\$8.67	4.28%

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 Switzerland County 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. Switzerland County 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.

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