

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY) NATURAL GAS CO., INC. FOR) APPROVAL OF CHANGES IN ITS GAS) COST ADJUSTMENT IN ACCORDANCE) WITH IND. CODE 8-1-2-42 (g))	CAUSE NO. 37791 GCA 90 APPROVED: JUL 30 2014
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ORDER OF THE COMMISSION

Presiding Officer:
Jeffery A. Earl, Administrative Law Judge

On May 28, 2014, in accordance with Ind. Code § 8-1-2-42, Switzerland County Natural Gas Company Inc. (“Switzerland County”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the billing cycles of August through October 2014. On June 26, 2014, Switzerland County prefiled the direct testimony and exhibits of Bonnie J. Mann, Certified Public Accountant with London Witte Group, LLC.

On July 1, 2014, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony and exhibits of Heather R. Poole, Senior Utility Analyst in the OUCC’s Natural Gas Division.

The Commission held an Evidentiary Hearing in this Cause at 10:00 a.m. on July 15, 2014, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Switzerland County and the OUCC were present and participated. No members of the general public appeared or sought to testify at the hearing.

Based upon 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. Switzerland County is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Switzerland County’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Switzerland County and the subject matter of this Cause.

2. Petitioner’s Characteristics. Switzerland County is a corporation organized and existing under the laws of the State of Indiana with its principal office at 105 East Seminary Street, Vevay, Indiana. Switzerland County 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 service.

3. Source of Natural Gas. Ind. Code § 8-1-2-42(g)(3)(A) requires Switzerland County 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.

Ms. Mann testified that Switzerland County continues to focus its hedging strategy on the heating season of November through March. While Switzerland County had both fixed contracts and storage gas available for the reconciled GCA period, the upcoming GCA occurs during the non-heating summer months when Switzerland County does not acquire fixed contracts. Ms. Mann described how Switzerland County obtains natural gas supplies and opined that Switzerland County has taken all reasonable steps to acquire gas at the lowest 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 presented, we find that Switzerland County 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. Ind. Code § 8-1-2-42(g)(3)(B) requires that Switzerland County'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 Switzerland County'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. Ind. Code § 8-1-2-42(g)(3)(C) in effect, prohibits approval of a GCA factor that results in Switzerland County earning a return in excess of the return authorized by the last Commission Order in which Switzerland County's basic rates and charges were approved. Switzerland County's current basic rates and charges were approved on May 15, 2013, in Cause No. 44293. The Commission authorized Switzerland County to earn a net operating income of \$60,885.

Switzerland County's evidence indicates that for the 12 months ending March 31, 2014, Switzerland County's actual net operating income was \$52,781. Therefore, based on the evidence presented, we find that Switzerland County 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 Switzerland County'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 estimates with the corresponding actual costs. The evidence presented indicates that Switzerland County's estimating techniques during the reconciliation period of January through March 2014 ("Reconciliation Period") yielded an under-estimated weighted average error of

12.54%. Ms. Mann explained that the elevated variance was caused by increased spot gas prices and Switzerland County’s need for additional supply due to the unusually cold winter. Based on Switzerland County’s historical accuracy in estimating the cost of gas, we find that Switzerland County’s estimating techniques are sound, and Switzerland County’s prospective average estimate of gas costs is reasonable.

7. **Reconciliations.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Switzerland County 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 under-collection of \$48,175 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 \$6,793.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$1,337. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$8,130 to be applied in this GCA as an increase in the estimated net cost of gas.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for August through October 2014 is \$137,162. Adjusting this total for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$145,292 for August through October 2014. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Switzerland County’s recommended GCA factor is \$6.0459/Dth for August through October 2014.

9. **Effects on Residential Customers.** Switzerland County requests authority to approve the GCA factor of \$6.0459/Dth for August through October 2014. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (May through July 2014 - \$5.9948/Dth) and a year ago (August through October 2013 - \$4.6811/Dth). The table reflects costs approved through the GCA process. It does not include Switzerland County’s base rates or any applicable rate adjustment mechanisms.

Month	Gas Costs at New GCA Factor @ 10 Dths	Current		Year Ago	
		Gas Costs at Current GCA Factor @ 10 Dths	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factor @ 10 Dths	Dollar Change New vs. Year Ago
August - October 2014	\$60.46	\$59.95	\$0.51	\$46.81	\$13.65

10. **Interim Rates.** We are unable to determine whether Switzerland County will earn an excess return while this GCA factor is 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 factor approved above, Switzerland County Natural Gas Company, Inc. shall file with the Commission under this Cause the applicable rate schedules for this factor.

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

STEPHAN, MAYS, WEBER, AND ZIEGNER CONCUR:

APPROVED: JUL 30 2014

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



Shala M. Coe
Acting Secretary to the Commission