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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY )  
NATURAL GAS CO., INC. FOR ) CAUSE NO. 37791 GCA 92  
APPROVAL OF CHANGES IN ITS GAS )  
COST ADJUSTMENT IN ACCORDANCE ) APPROVED:  
WITH IND. CODE 8-1-2-42 (g) )

JAN 28 2015

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Jeffery A. Earl, Administrative Law Judge**

On November 25, 2014, in accordance with Ind. Code § 8-1-2-42, Switzerland County Natural Gas Company, Inc. (“Switzerland”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of February through April 2015. On December 5, 2014, Switzerland filed the direct Testimony of Bonnie J. Mann supporting the proposed GCA factor. On December 29, 2014, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Heather R. Poole, Senior Utility Analyst.

The Commission held an evidentiary hearing in this Cause at 9:00 a.m. on January 26, 2015, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Switzerland and the OUCC were present and participated. 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. Switzerland 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’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Switzerland and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Switzerland is a corporation organized and existing under the laws of the State of Indiana. Switzerland’s principal office is located at 105 East Seminary Street, Vevay, Indiana. Switzerland 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.** Ind. Code § 8-1-2-42(g)(3)(A) requires Switzerland 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 confirmed that Switzerland continues to focus its hedging strategy on the heating season. Switzerland has acquired both fixed contracts and storage gas for this upcoming GCA, which constitute approximately 38% its sales. Ms. Mann described how Switzerland has successfully obtained its natural gas supplies. Finally Ms. Mann opined that Switzerland 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 offered, we find that Switzerland 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'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'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 earning a return in excess of the return authorized by the last Commission Order in which Switzerland's basic rates and charges were approved. Switzerland's current basic rates and charges were approved on May 15, 2013, in Cause No. 44293. The Commission authorized Switzerland to earn a net operating income of \$60,885.

Switzerland's evidence indicates that for the 12 months ending September 30, 2014, Switzerland's actual net operating income was \$38,464. Therefore, based on the evidence of record, we find that Switzerland 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'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's estimating techniques during the reconciliation period of July through September 2014 ("Reconciliation Period") yielded an over-estimated weighted average error of 18.73%.

Ms. Mann explained that Switzerland's original estimates were based on NYMEX information and the assistance of its marketer, but that prices changed after the GCA factor was established. Based on Switzerland's historical accuracy in estimating the cost of gas, we find that

Switzerland’s estimating techniques are sound, and Switzerland’s prospective average estimate of gas costs is reasonable.

7. **Reconciliations.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Switzerland 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 \$12,920 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 \$4,328.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$20,620. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$16,292 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 February 2015, March 2015, and April 2015 is \$268,297. Adjusting this total for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$284,589 for February through April 2015. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Switzerland’s recommended GCA factor is \$5.1415/Dth for February through April 2015.

9. **Effects on Residential Customers.** Switzerland requests authority to approve the GCA factor of \$5.1415/Dth for February 2015, March 2015 and April 2015. 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 (November 2014 - \$5.1938/Dth) and a year ago (February 2014 through April 2014 - \$5.1056/Dth). The table reflects costs approved through the GCA process. It does not include Switzerland’s base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dths)	Current		Year Ago	
		Gas Costs (10 Dths)	Difference	Gas Costs (10 Dths)	Difference
February 2015 – April 2015	\$51.42	\$51.94	(\$0.52)	\$51.06	\$0.36

10. **Interim Rates.** We are unable to determine whether Switzerland 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.

11. **Semi-Annual GCA Proceedings.** In Cause No. 44374, the Commission determined that natural gas utilities with less than 35,000 customers could move from quarterly GCA filings to semi-annual GCA filings. Switzerland requests authority to move to a semi-annual filing beginning with GCA 93. Switzerland and the OUCC agreed to a proposed semi-

annual filing schedule. Ms. Poole testified that GCA 93 will be a transition period, with only one month included in the reconciliation period. Ms. Poole explained the schedule provided in Public's Exhibit No. 3 ensures the estimation and reconciliation months in future GCAs are the same so that any variances and refunds are allocated to the same type of customers, eliminating any subsidization of seasonal customers.

Based on the evidence presented and the Order in Cause No. 44374, we find that Switzerland qualifies to move to a semi-annual GCA, and we grant Switzerland's request. Switzerland's future semi-annual GCAs should follow the proposed filing schedule, and use the estimation and reconciliation periods, as shown in Public's Exhibit No. 3.

**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. Switzerland is authorized to make semi-annual GCA filings commencing with GCA 93, and the future semi-annual GCAs shall follow the proposed filing schedule and use the estimation and reconciliation periods shown in Public's Exhibit No. 3.

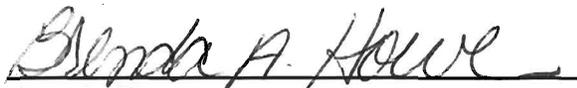
4. This Order shall be effective on and after the date of its approval.

**STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:**

**APPROVED:**

JAN 28 2015

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



**Brenda Howe  
Secretary to the Commission**