ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF FOUNTAINTOWN GAS COMPANY, INC. FOR APPROVAL OF CHANGES IN ITS GAS COST ADJUSTMENT IN ACCORDANCE WITH I.C. 8-1-2-42(g)	)))))	CAUSE NO. 37913 GCA 100 APPROVED: JUN 27 2012

ORDER OF THE COMMISSION

Presiding Officers:
Kari A.E. Bennett, Commissioner
Jeffery A. Earl, Administrative Law Judge

On May 1, 2012, in accordance with Ind. Code § 8-1-2-42, Fountaintown Gas Company, Inc. ("Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its petition for a gas cost adjustment ("GCA") with attached schedules to be applicable during the billing cycles of July through September, 2012. On May 31, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Sherry Beaumont, Utility Analyst. On June 6, 2012, Petitioner prefiled the direct testimony of Jason Wortman, Petitioner's Vice-President, supporting the proposed GCA factors.

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 1:30 p.m. on June 12, 2012, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and the OUCC were admitted into the record. No members of the general public appeared or sought to testify at the hearing.

Based on 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 is subject to the jurisdiction of the 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 106 E. Main Street, Morristown, Indiana. Petitioner is engaged in rendering natural gas utility service to the public in Decatur, Hancock, Henry, Rush, and Shelby Counties within the State of Indiana.

Petitioner owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such services.

3. **Source of Natural Gas.** Ind. Code § 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 retail customers at the lowest gas cost reasonably possible. Mr. Wortman testified regarding Petitioner's procurement practices, including acquiring fixed contracts, acquiring and using storage gas, flexing GCA factors, keeping itself apprised of changing market conditions, and using a normal temperature adjustment mechanism. Mr. Wortman testified that Petitioner has not purchased fixed gas contracts beyond that used to refill storage for the upcoming GCA period. Mr. Wortman explained that Petitioner anticipates a modest load in the non-heating months of the upcoming GCA period, and that Petitioner expects spot gas prices to be very low. Mr. Wortman also indicated that during non-heating months, Petitioner typically refills its storage for use next winter.

The Commission has indicated 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, the Commission finds Petitioner has demonstrated 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 the requirement of this statutory provision has been fulfilled.

4. **Purchased Gas Cost Rates.** Ind. Code § 8-1-2-42(g)(3)(B) requires Petitioner's pipeline suppliers to 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 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 costs to be reasonable. As a result, the Commission finds the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment that results in the Petitioner earning a return in excess of the return authorized by the last Commission Order approving Petitioner's basic rates and charges. The Commission's March 17, 2010 Order in Cause No. 43753-U authorized Petitioner to earn a net operating income ("NOI") of $478,321. Petitioner's evidence indicates for the twelve (12) months ending February 29, 2012, its actual NOI was $434,460. Based on the evidence of record, the Commission finds Petitioner is not earning in excess of the amount authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that Petitioner's estimates of prospective average gas costs for each future recovery period be reasonable. The Commission has determined this requires, in part, a comparison of prior estimates with the eventual actual costs. The evidence indicates Petitioner's estimating techniques during the period of December 2011 through February 2012 (the "Reconciliation

Period") yielded an over-estimated weighted average error of 12.20%. Mr. Wortman explained the overestimation was caused by a change in the mix of contract gas and spot gas. Petitioner was able to acquire additional fixed contract gas at a significantly lower price than it originally anticipated. Mr. Wortman also explained that reduced sales due to the warmer than average weather in December 2011 contributed to the overestimation.

Based on the evidence of record, and recognizing Petitioner's historical accuracy in estimating the cost of gas, the Commission finds Petitioner's estimating techniques are sound and Petitioner's prospective average estimate of gas is reasonable.

7. **Reconciliation.** Ind. Code § 8-1-2-42(g)(3)(D) also requires Petitioner to reconcile its estimate for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding indicates the variance for the Reconciliation Period is an over-collection of $120,233. This amount should be included, based on estimated sales percentages, in this GCA and in Petitioner's 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 $8,132.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $948. Combining this amount with the Reconciliation Period variance results in a total over-collection of $9,080 to be applied in this GCA as a decrease in the estimated net cost of gas.

Petitioner has no new refunds during the reconciliation period and no refunds from prior GCA periods applicable to the current recovery period. Therefore, Petitioner has no refunds to be applied in this GCA as a decrease in the net cost of gas. Based on the evidence presented, the Commission finds Petitioner's proposed GCA 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 Adjustments.** The estimated net cost of gas to be recovered during the application period is $96,306. Adjusting this total for the variance amount yields gas costs to be recovered through the GCA in the amount of $87,225. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCAs are: $3.3843/Dth for July 2012; $3.4847/Dth for August 2012; and $3.5479/Dth for September 2012.

9. **Effects on Residential Customers.** The GCA factor for July 2012 of $3.3843/Dth represents an increase of $0.2615/Dth from the current GCA factor of $3.1228/Dth. The GCA factor for August 2012 of $3.4847/Dth represents an increase of $0.3619/Dth from the current GCA factor of $3.1228/Dth. The GCA factor for September 2012 of $3.5479/Dth represents an increase of $0.4251/Dth from the current GCA factor of $3.1228/Dth. The effects of these changes for various consumption levels of residential customer bills are shown in the following tables:

Table 1
New vs. Currently Approved GCA Factor
For Residential Customers

July 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 46.37	$ 45.06	$1.31	2.91%
10	$ 82.24	$ 79.62	$2.62	3.29%
15	$115.01	$111.09	$3.92	3.53%
20	$147.78	$142.55	$5.23	3.67%
25	$180.56	$174.02	$6.54	3.76%

August 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 46.87	$ 45.06	$1.81	4.02%
10	$ 83.24	$ 79.62	$3.62	4.55%
15	$116.52	$111.09	$5.43	4.89%
20	$149.79	$142.55	$7.24	5.08%
25	$183.07	$174.02	$9.05	5.20%

September 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 47.19	$ 45.06	$ 2.13	4.73%
10	$ 83.87	$ 79.62	$ 4.25	5.34%
15	$117.46	$111.09	$ 6.37	5.73%
20	$151.06	$142.55	$ 8.51	5.97%
25	$184.65	$174.02	$10.63	6.11%

The GCA factor for July 2012 of $3.3843/Dth represents a decrease of $1.6537/Dth from the GCA factor of $5.0380/Dth billed one year prior. The GCA factor for August 2012 of $3.4847/Dth represents a decrease of $1.5371/Dth from the GCA factor of $5.0218/Dth billed one year prior. The GCA factor for September 2012 of $3.5479/Dth represents a decrease of $1.1481/Dth from the GCA factor of $4.6960/Dth billed one year prior. The effects of these changes for various consumption levels of residential bills are shown in the following tables:

Table 2
New vs. Prior Year Approved GCA Factor
For Residential Customers

July 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 46.37	$ 54.64	($ 8.27)	(15.14%)
10	$ 82.24	$ 98.77	($16.53)	(16.74%)
15	$115.01	$139.82	($24.81)	(17.74%)
20	$147.78	$180.86	($33.08)	(18.29%)
25	$180.56	$221.90	($41.34)	(18.63%)

August 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 46.87	$ 54.56	($ 7.69)	(14.09%)
10	$ 83.24	$ 98.61	($15.37)	(15.59%)
15	$116.52	$139.57	($23.05)	(16.52%)
20	$149.79	$180.53	($30.74)	(17.03%)
25	$183.07	$221.49	($38.42)	(17.35%)

September 2012

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 47.19	$ 52.93	($ 5.74)	(10.84%)
10	$ 83.87	$ 95.35	($11.48)	(12.04%)
15	$117.46	$134.69	($17.23)	(12.79%)
20	$151.06	$174.02	($22.96)	(13.19%)
25	$184.65	$213.35	($28.70)	(13.45%)

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 has authorized that the approved rates herein should be interim rates subject to refund pending reconciliation in the event an excess return is earned.

11. **Monthly Flex Mechanism.** Petitioner utilizes a flex mechanism each month to adjust the GCA for the subsequent month. The flex applies only to estimated pricing of estimated market purchases (the initial market price) in the GCA. The flex is to be filed no less than three (3) days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex are to be priced at NYMEX prices on a day no more than six (6) business days prior to the beginning of said calendar month. Changes in the market price included in the flex are limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

This Commission has indicated in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner may utilize a monthly flex mechanism.

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

1. The Petition of Fountaintown 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. Prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, Fountaintown Gas Company, Inc. shall file with the Commission under this Cause separate amendments to its rate schedules with reasonable references thereon, reflecting such charges are applicable to the rate schedule on these amendments.

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

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED: JUN 27 2012

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission