STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF FOUNTAINTOWN GAS COMPANY, INC. FOR APPROVAL OF CHANGES IN ITS GAS RATES THROUGH A GAS COST ADJUSTMENT IN ACCORDANCE WITH IND. CODE § 8-1-2-42(g)	)))))	CAUSE NO. 37913 GCA 102 APPROVED: DEC 27 2012

ORDER OF THE COMMISSION

Presiding Officers:
Kari A.E. Bennett, Commissioner
Marya E. Jones, Administrative Law Judge

On November 1, 2012, in accordance with Indiana Code § 8-1-2-42, Fountaintown Gas Company, Inc. (""Petitioner"") filed its Petition for Gas Cost Adjustment (""GCA"") with attached Schedules to be applicable during the billing cycles of January, 2013 through March, 2013 with the Indiana Utility Regulatory Commission (""Commission""). On December 6, 2012, Petitioner prefiled the direct testimony and revised schedules of Jason Wortman, Petitioner''s Vice President, and the direct testimony of Bonnie J. Mann, Certified Public Accountant and Principal with London Witte Group, LLC, supporting the proposed GCA factor. On December 10, 2012, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (""OUCC"") prefiled the statistical report and direct testimony of Laura J. Anderson, 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 11:00 a.m. on December 17, 2012, in Suite 224, 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 Petitioner 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 in Indi ana; 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. 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 refills storage on a pro rata basis during the non-heating months and withdraws gas from storage as needed. In addition, Mr. Wortman testified that last year Petitioner experienced difficulty using the full amount of storage gas required by its contract due to the warmer than average weather. Wortman also testified that based on current estimates, Petitioner expects low spot gas prices to continue. As a result, Petitioner has limited its purchases of fixed contracts for the upcoming GCA period and anticipates withdrawing storage gas earlier in the heating season.

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 Fountaintown Gas Company Inc.''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 by the last Commission proceeding in which Petitioner''s basic rates and charges were approved. The most recent proceeding in which Petitioner''s basic rates and charges were approved is Cause No. 43753-U. The Commission''s March 17, 2010 Order in that Cause authorized Petitioner to earn a net operating income of $478,321. Petitioner''s evidence herein indicates that for the twelve (12) months ending August 31, 2012, Petitioner''s actual net operating income was $450,617. Therefore, based on the evidence of record, the Commission finds that Petitioner is not earning in excess of that 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 June through August 2012 (""the Reconciliation Period""") yielded an over-estimated weighted average error of 552.35%. Mr. Wortman testified that the variance was created by additional purchases at prices lower than estimated. Bonnie J. Mann, a certified public accountant with London Witte Group who prepared the GCA schedules, provided additional clarifying testimony about the extreme estimating variances for the Reconciliation Period of June, July, and August 2012.

Bonnie J. Mann indicated the figures on Schedule 13 were sourced and calculated in the same manner as in previous GCAs. However, these variances are due to what Ms. Mann believes are errors from an invoice received by Petitioner from its gas broker. The invoice Petitioner received reflects an increase in storage volume that exceeds the amount of gas purchased by the gas broker. Ms. Mann testified that she believes the invoice from Petitioner''s broker is incorrect. However, the storage volume information reflected on the marketer's invoice is provided to the marketer by Petitioner's storage and transportation vendor, ANR Pipeline Company ("ANR"). Ms. Mann testified that she believes the information provided by ANR to the gas broker reflects incorrect information that ANR has not recognized. Ms. Mann testified that ANR has apparently failed to bill Petitioner for all of the gas it provided to Petitioner. Though likely incorrect, Petitioner has properly used Schedule 13 and the invoice from ANR to reflect the actual gas costs. Therefore, Petitioner''s GCA customers are effectively receiving a refund for all gas costs for July and August. Ms. Mann testified that at some point in the future, ANR may require payment from the Petitioner. To the extent that occurs, Petitioner will include such invoice in a future GCA.

The effect of this invoice is a negative cost of gas for the reconciliation period on Schedule 7, which then creates the extreme estimating variance on Schedule 13. Petitioner is currently working with the gas broker to have ANR explain the information in the invoices. Ms. Mann reviewed Petitioner''s invoices for September 2012 and October 2012 and did not find any issues. Ms. Mann testified that this appears to be a short-term calculation problem at ANR. This will not be verified until ANR provides a response to Petitioner. In light of the results of Schedule 13, it is difficult to use Schedule 13 to determine the reasonableness of Petitioner''s estimates of prospective gas costs. However, Petitioner has provided additional evidence. Ms. Mann testified that the vast majority of Petitioner''s gas for this upcoming GCA period has already been acquired through fixed contracts or storage and that the gas costs included for that gas is the average weighted cost of such hedged commodities. Ms. Mann also pointed out that Petitioner''s spot gas prices are based upon NYMEX future prices and that Petitioner is using a flexing mechanism in order to reflect updated spot market gas prices just prior to each of the individual months of this GCA. Ms. Mann testified that Petitioner keeps itself apprised of market conditions by regularly reviewing NYMEX pricing and working with a marketer and that Petitioner regularly monitors its load and thus is aware of the needs for natural gas of its customers. Finally, there is no evidence of record suggesting that Petitioner''s estimating techniques are unreasonable or unreliable.

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 costs is reasonable.

7. **Reconciliation.** Indiana Code § 8-1-2-42(g)(3)(D) also requires that the Petitioner reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding established that the variance for the Reconciliation Period is an over-collection of $74,474 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 $35,360.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $83,257. Combining this amount with the Reconciliation Period variance, results in a total over-collection of $118,617 to be applied in this GCA as a decrease in the estimated net cost of gas.

Petitioner has no refunds applicable to the current recovery period. Petitioner has a negative annual unaccounted-for gas amount of $11,276 as reflected on Schedule 11A. This amount will be refunded to customers in this GCA and the next three GCAs as a decrease in the cost of gas. The amount of the refund to be included in this GCA is $5,354.

Petitioner has no refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has $5,354 in refunds to be applied in this GCA as a decrease in the net cost of gas. Based on the evidence presented, the Commission finds that 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 Adjustment Factor.** The estimated net cost of gas to be recovered during the application period is $862,174. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $748,912. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner''s recommended GCAs are: $4.3911/Dth for January 2013; $4.3578/Dth for February 2013; and $4.0454/Dth for March 2013.

9. **Effects on Residential Customers.** The GCA factor of $4.3911/Dth for January represents an increase of $0.2175/Dth from the current GCA factor of $4.1736/Dth. The GCA factor of $4.3578/Dth for February represents an increase of $0.1842 /Dth from the current GCA factor of $4.1736 /Dth. The GCA factor of $4.0454/Dth for March represents a decrease of $0.1282/Dth from the current GCA factor of $4.1736 /Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
New vs. Currently Approved GCA Factor

January 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 51.41	$ 50.32	$ 1.09	2.17%
10	$ 92.30	$ 90.13	$ 2.17	2.41%
15	$130.12	$126.85	$ 3.27	2.58%
20	$167.92	$163.57	$ 4.35	2.66%
25	$205.73	$200.29	$ 5.44	2.72%

February 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 51.24	$ 50.32	$ 0.92	1.83%
10	$ 91.97	$ 90.13	$ 1.84	2.04%
15	$129.62	$126.85	$ 2.77	2.18%
20	$167.26	$163.57	$ 3.69	2.26%
25	$204.90	$200.29	$ 4.61	2.30%

March 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 49.68	$ 50.32	($ 0.64)	(1.27%)
10	$ 88.84	$ 90.13	($ 1.29)	(1.43%)
15	$124.93	$126.85	($ 1.92)	(1.51%)
20	$161.01	$163.57	($ 2.56)	(1.57%)
25	$197.09	$200.29	($ 3.20)	(1.60%)

The GCA factor for January 2013 of $4.3911/Dth represents a decrease of $0.8037/Dth from the factor of $5.1948/Dth billed one year prior. The GCA factor for February 2013 of $4.3578/Dth represents a decrease of $0.7595/Dth from the factor of $5.1173/Dth billed one year prior. The GCA factor for March 2013 of $4.0454/Dth represents a decrease of $0.8675/Dth from the factor of $4.9129/Dth billed one year prior. The effects of this change for various consumption levels of residential bills are shown in the following table:

Table 2
New vs. Prior Year Approved GCA Factor

January 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 51.41	$ 55.42	($ 4.01)	(7.24%)
10	$ 92.30	$100.34	($ 8.04)	(8.01%)
15	$130.12	$142.17	($12.05)	(8.48%)
20	$167.92	$184.00	($16.08)	(8.74%)
25	$205.73	$225.82	($20.09)	(8.90%)

February 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 51.24	$ 55.04	($ 3.80)	(6.90%)
10	$ 91.97	$ 99.56	($ 7.59)	(7.62%)
15	$129.62	$141.01	($11.39)	(8.08%)
20	$167.26	$182.45	($15.19)	(8.33%)
25	$204.90	$223.88	($18.98)	(8.48%)

March 2013

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$ 49.68	$ 54.01	($ 4.33)	(8.02%)
10	$ 88.84	$ 97.52	($ 8.68)	(8.90%)
15	$124.93	$137.94	($13.01)	(9.43%)
20	$161.01	$178.36	($17.35)	(9.73%)
25	$197.09	$218.77	($21.68)	(9.91%)

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

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. Fountaintown 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.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: DEC 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