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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE APPLICATION)
OF FOUNTAINTOWN GAS COMPANY, INC.) CAUSE NO. 37913 GCA 90
FOR APPROVAL OF CHANGES IN ITS GAS)
COST ADJUSTMENT IN ACCORDANCE) APPROVED: DEC 16 2009
WITH I.C. 8-1-2-42(g))

BY THE COMMISSION:

Jeffrey L. Golc, Commissioner
Lorraine Hitz-Bradley, Administrative Law Judge

On November 2, 2009, in accordance with Indiana Code § 8-1-2-42, Fountaintown Gas Company, Inc., (“Petitioner”), filed its Petition for a Gas Cost Adjustment with attached Schedules to be applicable during the billing cycles of January 2010 through March 2010 with the Indiana Utility Regulatory Commission (“Commission”). In conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Lianne N. Lockhart, 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 9:30 a.m. E.S.T. on December 2, 2009 in Judicial Courtroom 222 of the National City Center, 101 W. 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 106 E. Main Street, Morristown, IN. Petitioner is engaged in rendering natural gas utility service to the public in portions of Decatur, Hancock, Henry, Rush and Shelby 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.** I.C. § 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 customers at the lowest gas cost reasonably possible.

During this GCA application period, Petitioner has fixed contracts to purchase 21,000 Dth of gas, has 145,000 Dth of storage gas on hand, and intends to purchase 29,262 Dth in the open market.

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.** I.C. § 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 costs to be reasonable. Therefore, the Commission finds that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** I.C. § 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. 40494. The Commission's March 5, 1997 order in that Cause authorized Petitioner to earn a net operating income of \$492,253. Petitioner's evidence herein indicates that for the twelve (12) months ending August 31, 2009, Petitioner's actual net operating income was \$7,428. Therefore, based on the evidence of record, the Commission finds that no refund of excess earnings is required.

6. **Estimation of Purchased Gas Costs.** I.C. § 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 indicates that the estimating techniques of Petitioner during the reconciliation period of June 2009 through August 2009 (the "Reconciliation Period") yielded an under-estimated weighted average error of -4.59%. 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.** I.C. § 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 under-collection of \$635 from its customers. This amount should be included, based on estimated sales percentages, in this GCA and the next three GCAs as an increase in the cost of gas. The amount of the Reconciliation Period variance to be included in this GCA as an increase in the estimated net cost of gas is \$319.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of \$181,267. Combining this amount with the Reconciliation Period variance results in a total over-collection of \$180,948 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. 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 the same period.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered during the application period is \$470,224 for January; \$519,365 for February; and \$329,082 for March. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA for the billing cycle of \$409,908 for January, \$459,049 for February and \$268,766 for March. After dividing that amount by estimated sales, subtracting the base cost of gas, and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factor is \$1.9760, \$2.0412, and \$1.5916 for the January through March billing cycle.

The GCA factor of \$1.9760 for the month of January represents a decrease of \$0.8713 from the current GCA factor of \$2.8473 Dth and a decrease of \$2.8470/Dth from the prior year GCA factor of \$4.8230/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

APPENDIX A
Table 1
Effects of Proposed v. Currently Approved
GCA Factor For Residential Space-heating Customers
January, 2010

Monthly Consumption Mcf or Dth	Bill At New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$47.06	\$ 51.42	(\$ 4.36)	-8.47%
10	\$88.03	\$ 96.75	(\$ 8.72)	-9.01%
15	\$127.20	\$140.27	(\$13.07)	-9.32%
20	\$166.37	\$183.80	(\$17.43)	-9.48%
25	\$205.54	\$227.32	(\$21.78)	-9.58%

Table 2
Effects of Proposed v. Prior Year Approved
GCA Factor For Residential Space-heating Customers

Monthly Consumption [Mcf or Dth]	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$47.06	\$61.30	\$(14.24)	-23.22%
10	\$88.03	\$116.50	\$(28.47)	-24.44%
15	\$127.20	\$169.91	\$(42.71)	-25.13%
20	\$166.37	\$223.31	\$(56.94)	-25.50%
25	\$205.54	\$276.71	\$(71.17)	-25.72%

The GCA factor of \$2.0412/Dth for the month of February represents a decrease of \$0.8061 from the current GCA factor of \$2.8473/Dth and a decrease of \$2.7818/Dth from the prior year GCA factor of \$4.8230/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

APPENDIX A
Table 1
Effects of Proposed v. Currently Approved
GCA Factor For Residential Space-heating Customers
February, 2010

Monthly Consumption Mcf or Dth	Bill At New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$47.39	\$51.42	\$(4.03)	-7.84%
10	\$88.69	\$96.75	\$(8.06)	-8.33%
15	\$128.18	\$140.27	\$(12.09)	-8.62%
20	\$167.67	\$183.80	\$(16.12)	-8.77%
25	\$207.17	\$227.32	\$(20.15)	-8.87%

Table 2
Effects of Proposed v. Prior Year Approved
GCA Factor For Residential Space-heating Customers

Monthly Consumption [Mcf or Dth]	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$47.39	\$61.30	\$(13.91)	-22.69%
10	\$88.69	\$116.50	\$(27.81)	-23.88%
15	\$128.18	\$169.91	\$(41.73)	-24.56%
20	\$167.67	\$223.31	\$(55.64)	-24.91%
25	\$207.17	\$276.71	\$(69.54)	-25.13%

The GCA factor of \$1.5916/Dth for the month of March represents a decrease of \$1.2557 from the current GCA factor of \$2.8473/Dth and a decrease of \$3.2314/Dth from the prior year GCA factor of \$4.8230/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

APPENDIX A

Table 1

**Effects of Proposed v. Currently Approved
GCA Factor For Residential Space-heating Customers
March, 2010**

Monthly Consumption Mcf or Dth	Bill At New GCA Factor	Bill at Current GCA Factor	Dollar Change	Percent Change
5	\$45.14	\$51.42	\$(6.28)	-12.21%
10	\$84.19	\$96.75	\$(12.56)	-12.98%
15	\$121.44	\$140.27	\$(18.83)	-13.43%
20	\$158.68	\$183.80	\$(25.12)	-13.66%
25	\$195.93	\$227.32	\$(31.39)	-13.81%

Table 2

**Effects of Proposed v. Prior Year Approved
GCA Factor For Residential Space-heating Customers**

Monthly Consumption [Mcf or Dth]	Bill at New GCA Factor	Bill at GCA Factor One Year Ago	Dollar Change	Percent Change
5	\$45.14	\$61.30	\$(16.16)	-26.36%
10	\$84.19	\$116.50	\$(32.31)	-27.74%
15	\$121.44	\$169.91	\$(48.47)	-28.53%
20	\$158.68	\$223.31	\$(64.63)	-28.94%
25	\$195.93	\$276.71	\$(80.78)	-29.19%

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 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.

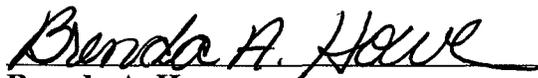
2. Petitioner shall file with the Commission under this Cause, prior to placing in effect the gas cost adjustment factors approved herein, or any future flexed factor, separate amendments to its rate schedules with reasonable references thereon reflecting that such charges are applicable to the rate schedule on these amendments.

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

HARDY, ATTERHOLT, GOLC, LANDIS AND ZIEGNER CONCUR;

APPROVED: DEC 16 2009

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



Brenda A. Howe

Secretary of the Commission