ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA FUEL AND LIGHT COMPANY, INC. FOR APPROVAL OF GAS COST ADJUSTMENT TO BE APPLICABLE IN THE MONTHS OF AUGUST 2010 THROUGH OCTOBER 2010, PURSUANT TO IND. CODE § 8-1-2-42	CAUSE NO. 38431 GCA 56 APPROVED: JUL 28 2010

BY THE COMMISSION:
James D. Atterholt, Commissioner
Jeffery A. Earl, Administrative Law Judge

On May 21, 2010, in accordance with Indiana Code section 8-1-2-42, Northern Indiana Fuel and Light Co., Inc. ("Petitioner") filed with the Indiana Utility Regulatory Commission (the "Commission") its petition for a gas cost adjustment ("GCA") with attached schedules to be applicable during the months of August through October, 2010. Also on May 21, 2010, Petitioner prefiled the direct testimony and supporting exhibits of Katherine A. Cherven, Manager of Compliance, Rates Department, Roger A. Huhn, Director of Planning, Energy Supply and Trading Department, and Mitchell E. Hershberger, Controller, supporting the proposed GCA factor. On June 21, 2010, Petitioner prefiled the supplemental testimony of Ms. Cherven with revised schedules. On June 25, 2010, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Pamela Sue Hasse, CPA, Partner at London Witte Group, LLC.

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 10:00 a.m., on July 6, 2010, in Room 224, PNC Center, 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 without objection. 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. Therefore, the Commission has jurisdiction over the parties and the subject matter herein.

2. **Petitioner's Characteristics.** Petitioner is a public utility corporation duly organized and existing under the laws of the State of Indiana. Petitioner has its principal office at 1153 Auburn Drive, Auburn, Indiana. Petitioner is engaged in rendering gas distribution service to the public in Allen, DeKalb, LaGrange, Noble, and Steuben Counties in Indiana. Petitioner owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such services.

3. **Source of Natural Gas.** Indiana Code section 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 cost reasonably possible. Petitioner purchases gas or transportation services from ANR Pipeline Company ("ANR"), Panhandle Eastern Pipeline Company ("Panhandle"), and Crossroads Pipeline Company ("Crossroads"). Petitioner also has a firm storage service contract with ANR that provides an annual storage capacity of 1,449,100 Dth and with Panhandle that provides an annual storage capacity of 500,000 Dth. In addition, Petitioner has short-haul firm transportation agreements that allow it to move gas on and off the system as needed. During the winter months, Petitioner relies on storage inventories to supply approximately 55% of its demand requirements. The remaining winter requirements are fulfilled by firm purchase arrangements on a term and spot basis.

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 upon the evidence offered, we find 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, the Commission finds the requirement of this statutory provision has been fulfilled.

4. **Purchased Gas Cost Rates.** Indiana Code section 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 cost to be reasonable. Therefore, the Commission finds the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Indiana Code section 8-1-2-42(g)(3)(C) in effect prohibits approval of a gas cost adjustment that results in 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 base rates and charges were approved is Cause No. 39145. The Commission's January 29, 1992, Order in that Cause authorized Petitioner to earn a net operating income of $2,490,986. Petitioner's evidence herein indicates for the twelve (12) months ending March 31, 2010, Petitioner's actual net operating income was $1,199,410. Therefore, based upon the evidence of record, the Commission finds Petitioner is not earning in excess of that authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** Indiana Code section 8-1-2-42(g)(3)(D) requires Petitioner's estimate of its prospective average gas costs for each future recovery period to be reasonable. The Commission has determined this requires, in part, a comparison of prior estimations with the eventual actual costs. The evidence presented indicates the estimating techniques of Petitioner during the reconciliation period of February through April, 2010, (the "Reconciliation Period") yielded an under-estimated weighted average error of 8.16%. Based upon 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 costs is reasonable.

7. **Reconciliation.** Indiana Code section 8-1-2-42(g)(3)(D) also requires Petitioner to reconcile its estimation for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this current proceeding establishes the variance for the Reconciliation Period is an over-collection of $17,425 from its customers. This amount should be included, based upon 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 $1,920.

The variance from prior recovery periods applicable to the current recovery period is an over-collection of $1,143. Combining this amount with the Reconciliation Period variance, results in a total over-collection of $3,063 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 and has no refunds from prior periods applicable to the current recovery period. Therefore, Petitioner has no refunds to be returned in this Application.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net commodity cost of gas to be recovered during the application period is $2,384,769. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA of $2,381,706. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner's recommended GCA factors are:

Class	Rate per Dth
Residential (Rate 1)	$3.090
Small General Service (Rate 2)	$2.824
Large General Service (Rate 3)	$3.731
Curtailment (Rate 6)	$5.944

9. **Effects on Residential Customers.** The GCA factor of $3.090/Dth for the applied billing cycle represents an increase of $0.987/Dth from the current GCA factor of $2.103/Dth. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 1
Effect on Residential Customers
Proposed vs. Currently Approved GCA Factor

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Current GCA Factor*	*Dollar Change*	*Percent Change*
5	$47.24	$42.30	$4.94	11.68%
10	$84.72	$74.84	$9.88	13.20%
15	$120.59	$105.78	$14.81	14.00%
20	$156.46	$136.71	$19.75	14.45%
25	$192.33	$167.65	$24.68	14.72%

The GCA factor of $3.090/Dth represents an increase of $1.188/Dth from the GCA factor of $1.902/Dth billed one year ago. The effects of this change for various consumption levels of residential customer bills are shown in the following table:

Table 2
Effect on Residential Customers
Proposed vs. One Year Ago

Monthly Consumption Dth	*Bill at New GCA Factor*	*Bill at Prior Yr GCA Factor*	*Dollar Change*	*Percent Change*
5	$47.24	$41.30	$5.94	14.38%
10	$84.72	$72.83	$11.89	16.33%
15	$120.59	$102.76	$17.83	17.35%
20	$156.46	$132.69	$23.77	17.91%
25	$192.33	$162.62	$29.71	18.27%

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 Northern Indiana Fuel and Light Company, Inc. for a 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. Northern Indiana Fuel and Light 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.

HARDY, ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: JUL 28 2010

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