ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF VALLEY RURAL UTILITY COMPANY FOR APPROVAL OF ITS GAS COSTS AND GAS SUPPLY CONSISTENT WITH ITS SETTLEMENT IN CAUSE NO. 42115	)))))	**CAUSE NO. 42115 GCA 11** **APPROVED:** JAN 28 2015

ORDER OF THE COMMISSION

Presiding Officer:
Gregory R. Ellis, Administrative Law Judge

On November 5, 2014, in accordance with Ind. Code § 8-1-2-42, Valley Rural Utility Company ("VRUC" or "Petitioner") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules requesting that the Commission approve its gas costs for the prior 12 months, November 1, 2013 through October 31, 2014, and granting preliminary approval of its gas supply plan for the period November 1, 2014 through October 31, 2015. As part of its Petition, VRUC prefiled the direct testimony of Andrew G. Duckworth, President of Utility Pipeline, Ltd. ("UPL"). On December 3, 2014, Petitioner prefiled the supplemental testimony and revised schedules of Andrew G. Duckworth. On December 9, 2014, 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.

The Indiana Utility Regulatory Commission ("Commission") held an Evidentiary Hearing in this Cause at 2:30 p.m., on December 17, 2014, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of 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, 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. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a) and is subject to the Commission's jurisdiction with respect to its rates and the services it provides pursuant to an alternative regulatory plan and Stipulation and Settlement Agreement (the "Settlement Agreement") approved by the Commission on May 8, 2002 in its Order in Cause No. 42115. Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioner's rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is a not-for-profit corporation organized and existing under the laws of the State of Indiana. Petitioner's principal office is located at 19435 Alpine Drive, Hidden Valley Lake, Lawrenceburg, IN 47205. Pursuant to a Certificate of Necessity approved by the Commission, Petitioner provides natural gas service in the Hidden Valley Lake area of Dearborn County, Indiana, to 502 customers and has applications pending from approximately 101 more prospective customers. VRUC entered into a Management Agreement and Gas Supply Aggregation Contract with UPL, an engineering and pipeline operation company based in Canton, OH, for the design, construction, management, and procurement functions of its natural gas distribution system.

3. **Relief Requested.** Petitioner seeks Commission approval of its gas costs for the period of November 1, 2013 through October 31, 2014 and preliminary review and approval of its gas supply plan for the period of November 1, 2014 through October 31, 2015 pursuant to its alternative regulatory plan as modified by the Commission's December 28, 2006 Order in Cause No. 42115 GCA 3.

4. **Commission Findings**. Pursuant to the alternative regulatory plan, Petitioner provides the OUCC and this Commission the following information on an annual basis:

A. Projected system load and customer growth;

B. A gas supply plan demonstrating contractual transportation and commodity entitlements in place sufficient to cover projected system supply;

C. Non-binding projections of gas supply costs for the upcoming year consistent with other provisions of the alternative regulatory plan; and

D. Information concerning Petitioner's gas supply procurement experience during the preceding 12 month period, and the extent to which Petitioner has used reasonable effort to acquire long-term gas supplies so as to provide gas to its retail customers at the lowest gas costs reasonably possible during the preceding year consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A).

Petitioner provided evidence in this Cause addressing each of these points. Mr. Duckworth testified that Petitioner now provides natural gas distribution service to approximately 502 customers. This represents an increase of 40 customers from the prior year. Petitioner has an additional 101 customer applications pending. Petitioner explained the VRUC system has added 40 new meters in the last 12 months and anticipates adding 30 more households through October of 2015. UPL initially constructed the pipeline system and now maintains VRUC's distribution facilities; and assists in supply acquisition for the VRUC system pursuant to a contract with VRUC. His testimony was supported by the Projected Load and Gas Cost Forecast from November 2014 through October 2015, Schedule C. The Commission finds that Petitioner has provided sufficient information concerning projected system load and customer growth for the upcoming year in accordance with its alternative regulatory plan.

Mr. Duckworth testified that VRUC has a contract in place with Constellation NewEnergy Gas for provision of both interstate pipeline capacity and natural gas commodity on a Firm No-Notice basis. This contract allows VRUC the ability to obtain all gas required for service to its system. Based on the information presented, the Commission finds that Petitioner has adequately demonstrated that it maintains contractual transportation and commodity entitlements sufficient to cover the projected load for the VRUC system.

Mr. Duckworth testified that the projection of system gas costs for VRUC submitted in support of his testimony were based on New York Mercantile Exchange ("NYMEX") futures prices as of the market's close on November 20, 2014. He indicated that according to the terms of the Settlement Agreement VRUC's commodity costs are capped at two dollars over the gas commodity costs for each month. He noted that UPL will take every opportunity to ensure that VRUC's customers pay the lowest gas costs reasonably possible and the commodity costs averaged \$5.04/Dth, inclusive of all fees paid to Constellation NewEnergy Gas. Mr. Duckworth sponsored a detailed summary of the monthly gas costs incurred by VRUC during the previous 12 month period. He explained that UPL has not obtained any hedging to mitigate Petitioner's exposure to market volatility because the current spot gas price is historically low and expected to remain so for the next year. He indicated that UPL will continue to monitor prices and if prices begin to show signs of significant increase, UPL will acquire fixed contracts as it has previously done for VRUC.

OUCC Witness Laura Anderson testified that Petitioner's Exhibit C, which reflects the cap for recovery of spot market gas costs for the months of November 2014 through October 2015, contained an error. She indicted Petitioner noted the October 2015 NYMEX rate as \$3.80/Dth, but noted the October 2015 cap for recovery of spot market gas costs was \$5.75/Dth instead of \$5.80 (\$3.80 + \$2.00). Ms. Anderson further indicated that VRUC has complied with the requirements of the Commission's Order in Cause No. 42115, as subsequently modified by agreement and approved by the Commission in its 42115 GCA 3 Order.

The Commission finds that Petitioner has presented sufficient evidence concerning its gas supply during the period of November 1, 2013 through October 31, 2014, and its gas supply plans for the 12-month period of November 1, 2014 through October 31, 2015. Further, the Commission finds that Petitioner has made a reasonable effort to obtain long-term gas supplies so as to provide gas to its retail customers at the lowest gas cost reasonably possible consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A). The Commission notes that Petitioner's small residential customer base presents challenges in obtaining gas supply because of the low load factor and low throughput associated with its system. Petitioner continues to be held accountable for demonstrating prudent purchasing practices. Based on the evidence of record, the Commission finds that the gas costs presented by Petitioner in Exhibit D to the Petition should be approved and any interim designation for such costs removed as of the date of this Order. Further, the gas supply plan of VRUC for the period November 1, 2014 through October 31, 2015 is preliminarily approved as presented on Petitioner's Exhibit C, except for the October 2015 cap for recovery of spot market gas costs, which shall be \$5.80/Dth.

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

1. The gas costs for Valley Rural Utility Company for the period November 1, 2013, through October 31, 2014, are approved consistent with the provisions of Ind. Code § 8-1-2-42(g)(3)(A), and the interim designation for such costs is removed.

2. The gas supply plan of Valley Rural Utility Company for the period November 1, 2014, through October 31, 2015, is preliminarily approved as presented on Petitioner's Exhibit C, except for the October 2015 cap for recovery of spot market gas costs, which shall be $5.80/Dth.

3. Each month Petitioner exceeds the cap on commodity purchases made on the spot market as modified by the Commission's Order in Cause No. 42115 GCA 3, a compliance filing shall be filed with the Commission under the most recent GCA proceeding documenting the reasons the cap was exceeded.

4. Valley Rural Utility Company shall electronically file, under the applicable GCA for Cause No. 42115, its Published Tariff and supporting schedules for the gas supply rate containing the same types of information contained in Exhibits C and D to the Petition in this Cause. Filing of the Published Tariff shall occur each month at least three business days prior to billing customers at that rate.

5. 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 A. Howe

Brenda A. Howe
Secretary to the Commission