ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF VALLEY RURAL UTILITY COMPANY FOR APPROVAL OF A NECESSITY CERTIFICATE PURSUANT TO IND. CODE §8-1-2-87 TO PROVIDE NATURAL GAS UTILITY SERVICE IN CERTAIN RURAL AREAS OF DEARBORN COUNTY, INDIANA, FOR APPROVAL OF RATES AND CHARGES FOR SUCH SERVICE, AND FOR AN ORDER FROM THE INDIANA UTILITY REGULATORY COMMISSION PURSUANT TO IND. CODE §8-1-2.5 DECLINING TO EXERCISE, IN PART, ITS JURISDICTION AND APPROVING AN ALTERNATIVE REGULATORY PLAN.	)	CAUSE NO. 42115 GCA 6 APPROVED: JAN 27 2010

BY THE COMMISSION
James D. Atterholt, Commissioner
David E. Veleta, Administrative Law Judge

On November 30, 2009, Valley Rural Utility Company ("VRUC" or "Petitioner") filed its *Petition* with the Indiana Utility Regulatory Commission ("Commission") requesting an Order allocating its gas costs. On December 14, 2009, VRUC filed its *Petitioner's Corrections to Pre-Filing* ("Motion") requesting leave to amend its Petition. On December 14, 2009, VRUC filed its Revised Petition with the Commission requesting that the Commission approve its gas costs for the prior 12 months and granting preliminary approval of its gas supply plan for the next 12 months through October 2010. On December 17, 2009, the Presiding Officers granted the Petitioner's Motion. On December 30, 2009, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled testimony from its witness Sherry L. Beaumont.

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 on January 11, 2010, at 9:30 a.m., in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The prefiled testimony and exhibits of both were admitted into the record without objection. No member of the public appeared or sought to testify at the hearing.

Based on applicable law and the evidence of record in this proceeding, the Commission now finds as follows:

1. **Notice and Jurisdiction**. Petitioner is a not-for-profit utility providing natural gas service in the Hidden Valley Lake ("HVL") area of Dearborn County, Indiana, pursuant to a Certificate of Necessity approved by the Commission in Cause No. 42115 on May 8, 2002.

Petitioner is a "public utility" within the meaning of Indiana Code § 8-1-2-1, and is subject to the Commission's jurisdiction with respect to its rates and the services it provides pursuant to an alternative regulatory plan approved by the Commission in its above-referenced order. The Commission accordingly has jurisdiction over Petitioner and the subject matter of the proceeding.

2. **Relief Requested**. Petitioner seeks Commission approval of its gas costs for November 2008 through October 2009, and preliminary review and approval of its gas procurement activities for the period November 2009 through October 2010 pursuant to its alternative regulatory plan as modified by our order in GCA-3.

3. **Commission Findings**. Pursuant to the Stipulation and Settlement Agreement and its approved Alternative Regulatory Plan, Petitioner agreed to provide the following information to the Commission 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 Settlement.

D. Information concerning Petitioner's gas supply procurement experienced during the preceding twelve (12)-month period, and the extent to which Petitioner has made every reasonable effort to acquire long-term gas supply 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 Indiana Code § 8-1-2-42(g)(3)(A).

Petitioner produced evidence in this Cause that addressed each of these points. Petitioner's witness, Andrew G. Duckworth, Chief Operating Officer with Utility Pipeline Ltd. ("UPL"), testified that Petitioner now provides natural gas distribution service to approximately 381 customers. This represents an increase of 7 additional customers during the prior year. Mr. Duckworth projects that VRUC will add an additional 8 households through October of 2010. Mr. Duckworth's testimony was supported by the Projected Load and Gas Cost Forecast, Exhibit C to the Revised Petition. UPL, an Ohio corporation, constructed, maintains and assists in supply acquisition for the VRUC system pursuant to the terms of contracts with VRUC. 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 ProLiance Energy 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 NYMEX futures prices as of the market's close on November 24, 2009. He noted that UPL will take every opportunity to ensure that the lowest gas costs reasonably possible are enjoyed by VRUC's customers. In keeping with this commitment, UPL has hedged VRUC's expected usage. Mr. Duckworth sponsored a detailed summary of the monthly gas costs incurred by VRUC during the previous twelve (12)-month period.

The Commission finds that the Petitioner has presented adequate and complete projections of gas supply costs for the upcoming year consistent with the provisions of the Settlement Agreement. The Commission finds further that Petitioner's projections of its gas costs for the upcoming year are reasonable to the extent that reasonable projections are possible with the high level of volatility present in the natural gas market today, and further finds that Petitioner has taken appropriate steps to reduce the volatility for its gas supply going forward and has taken appropriate steps to avoid a significant negative financial impact on its customers by its pass through of its variance during non-heating summer months. We recognize that extreme price volatility in the context of a yearly GCA may present such difficulties. However, the Commission finds that in each month the Petitioner exceeds the cap as modified in Cause No. 42115 GCA 3, Petitioner shall make a compliance filing with the Commission under both the original Cause and the most recent GCA, providing the Commission with documentation explaining why and how the cap was exceeded.

We find that Petitioner has presented sufficient evidence concerning its gas supply for procurement experienced during the period of October 1, 2008 through September 30, 2009. Based on the evidence presented, we find that Petitioner has made every 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 Indiana Code § 8-1-2-42(g)(3)(A). Petitioner's gas supply acquisition activities have by necessity been handled differently than might be the case for other larger, well-established local distribution companies. In particular, Petitioner's small residential customer base presents challenges in obtaining gas supply because of the low load factor and low throughput associated with its load, and in addition, Petitioner has been faced with the necessity to deal with uncertain customer growth. We further find 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.

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, 2008 through October 31, 2009 are approved consistent with the provisions of Indiana Code § 8-1-2-42(g)(3)(A), and the interim designation for such costs removed.

2. The gas supply plan of Valley Rural Utility Company for the period November 1, 2009 through October 31, 2010, is preliminarily approved.

3. Each month Petitioner exceeds the cap as modified in Cause No. 42115 GCA 3, a compliance filing should be filed with the Commission under the Cause No. 42115 GCA 3 and the most recent GCA documenting the reasons the cap was exceeded.

4. Petitioner shall not use the caption from Cause No. 42115 when filing their next GCA. Petitioner shall use a caption that appropriately reflects the relief being sought in accordance with 170 IAC 1-1.1-9(a)(1).

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

HARDY, ATTERHOLT, GOLC, LANDIS AND ZEIGNER CONCUR:

APPROVED: JAN 27 2010

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

Brenda A. Howe

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Secretary to the Commission