

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF VALLEY RURAL UTILITY)
COMPANY, FOR APPROVAL OF ITS GAS COSTS) CAUSE NO. 42115 GCA 7
AND GAS SUPPLY PLAN, CONSISTENT WITH)
ITS SETTLEMENT IN CAUSE NO. 42115) APPROVED: FEB 23 2011

BY THE COMMISSION

Gregory R. Ellis, Administrative Law Judge

On December 8, 2010, in accordance with Indiana Code § 8-1-2-42, Valley Rural Utility Company ("VRUC" or "Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its Petition for Gas Cost Adjustment ("GCA") and Verified Testimony of Andrew G. Duckworth with attached Schedules 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, 2011. On January 11, 2011, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of 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 19, 2011, at 10:00 a.m., in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Petitioner and the OUCC were present and participated. The prefiled testimony and exhibits of both parties were admitted into the record. No member of the rate paying 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. 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 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 Ind. 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 2009 through October 2010, and preliminary review and approval of its gas procurement activities for the period November 2010 through October 2011 pursuant to its

alternative regulatory plan as modified by the Commission's December 28, 2006 order in 42115 GCA 3.

3. **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 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 Ind. Code § 8-1-2-42(g)(3)(A)

Petitioner provided evidence in this Cause that addressed each of these points. Petitioner's witness, Andrew G. Duckworth, President of Utility Pipeline Ltd. ("UPL"), testified that Petitioner now provides natural gas distribution service to approximately 393 residential customers. This represents an increase of 12 additional customers during the prior year. Petitioner has an additional 127 customer applications pending. UPL, an Ohio corporation, constructed the pipeline system and maintains and assists in supply acquisition for the VRUC system pursuant to a contract with VRUC. Mr. Duckworth explained that the pace of growth on the VRUC system continues to be slow. In the last year, Petitioner added 12 new meters and anticipates adding 14 more through October 2011. Mr. Duckworth's testimony was supported by the Projected Load and Gas Cost Forecast from November 2010 through October 2011, Exhibit C to the Petition. 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 12, 2010. He noted that UPL takes every opportunity to ensure that the lowest gas costs reasonably possible are enjoyed by VRUC's customers. In keeping with this commitment,

UPL has not hedged since the transactions executed in the fall of 2008 due to the historically low spot prices through this heating season. There has been no hedging in place since March 2010. Mr. Duckworth testified that fixed contract purchases have been recommended to VRUC for late fall of 2011 through the spring of 2012. In addition to his testimony, Mr. Duckworth sponsored a detailed summary of the monthly gas costs incurred by VRUC during the previous twelve (12) month period.

We find that Petitioner has presented sufficient evidence concerning its gas supply during the period November 1, 2009, through October 31, 2010. 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 Ind. 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. We note 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 find Petitioner has provided gas supply service for its customers in a reasonable manner. Based on the evidence, we 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, 2009, through October 31, 2010, are approved consistent with the provisions of Ind. 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, 2010, through October 31, 2011, is preliminarily approved.
3. Each month Petitioner exceeds the cap as modified by the Commission's Order in Cause No. 42115 GCA 3, a compliance filing should be filed with the Commission under both Cause No. 42115 GCA 3 and the most recent GCA proceeding documenting the reasons the cap was exceeded.
4. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: FEB 23 2011

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


Brenda A. Howe, Secretary to the Commission