ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF OHIO VALLEY GAS CORPORATION AND OHIO VALLEY GAS, INC. FOR APPROVAL OF A GAS COST ADJUSTMENT PURSUANT TO INDIANA CODE § 8-1-2-42 TO BE APPLICABLE DURING THE MONTHS OF APRIL, MAY AND JUNE 2013 WITH THE CONSUMPTION PERIOD STARTING ON OR ABOUT MARCH 15, 2013.	))))))))	**CAUSE NO. 44147 GCA 01** **APPROVED:** MAR 27 2013

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BY THE COMMISSION:
Carolene Mays, Commissioner
Gregory R. Ellis, Administrative Law Judge

On February 6, 2013, in accordance with Ind. Code § 8-1-2-42, Ohio Valley Gas Corporation ("OVGC") and its wholly-owned subsidiary Ohio Valley Gas, Inc. ("OVGI") (collectively, "Ohio Valley" or "Petitioners") filed their Petition for Gas Cost Adjustment ("GCA") to be applicable during the billing cycles of April 2013 through June 2013 with the Indiana Utility Regulatory Commission ("Commission"). Petitioners filed their Supplemental Filing, including all Schedules to its GCA, and the verified testimony of S. Mark Kerney, Vice President and Chief Financial Officer, supporting the proposed GCA factors on February 12, 2013. On February 28, 2013, Petitioners filed their Supplemental Filing Amendment No. 1. Petitioners filed their Supplemental Filing Amendment No. 2 on March 6, 2013. On March 7, 2013, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the statistical report and direct testimony of Laura J. Anderson, Utility Analyst. Petitioners filed their Supplemental Filing Amendment No. 3 on March 7, 2013.

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 Technical Conference was held in this Cause at 1:00 p.m. on March 14, 2013, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. An evidentiary hearing, which was duly noticed, was held at 1:30 p.m. following the Technical Conference. Ohio Valley and the OUCC were present and participated. The testimony and exhibits of both Ohio Valley and 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. Petitioners are public utilities as that term is defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Petitioners' rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioners and the subject matter of this Cause.

2. **Petitioners' Characteristics.** Petitioners are public utility corporations duly organized and existing under the laws of the State of Indiana. Petitioners have their principal office at 111 Energy Park Drive, Winchester, Indiana. Petitioners are engaged in rendering natural gas utility service to the public and own, operate, manage and control plant and equipment used for the distribution and furnishing of such services. OVGC's ANR Pipeline Company ("ANR") service area serves natural gas to customers in Dubois, Jay, Randolph, Spencer and Wayne Counties in Indiana. OVGC's Texas Gas Transmission, LLC ("Texas Gas") service area serves natural gas to customers in Dearborn, Fayette, Franklin, Perry, Ripley, Spencer and Union Counties in Indiana. OVGI serves customers in Greene, Knox, Pike, Sullivan and Vigo Counties in Indiana. Prior to this Cause, Petitioners filed three separate GCAs under Cause Nos. 37352, 37353, and 37354, for the utilities' three different pipeline service areas. The December 5, 2012 Order in Cause No. 44147 combined these three GCA causes into a single quarterly GCA filing.

3. **Source of Natural Gas.** Ind. Code § 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 their retail customers at the lowest gas cost reasonably possible.

Ohio Valley's witness S. Mark Kerney testified that Petitioners have long-term contracts with ANR and Texas Gas for pipeline capacity and storage. Petitioners renewed and restructured certain of their transportation contracts with ANR effective November 1, 2008 to expire March 31, 2019. The contracted maximum daily quantity is 15,970 Dth. Petitioners renewed and restructured their contracts with Texas Gas effective November 1, 2008, to expire March 31, 2013, and October 31, 2013. The maximum daily quantity for the Texas Gas service area will be 20,781 Dth and for the Ohio Valley Gas, Inc. area, 9,584 Dth effective April 1, 2013. Petitioners renewed their natural gas supply requirements from the production areas contract with British Petroleum ("BP") November 1, 2012 for all service areas. The BP contract contains two components (fixed and index). The contract with BP provides for a fee of $.01 per Dth purchased, whether under the index component or under the fixed-price component. Petitioners stated due to the stability of low prices and high storage volumes no NYMEX future contracts were purchased for this GCA period.

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 Petitioners have demonstrated that they have and continue 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.** Ind. Code § 8-1-2-42(g)(3)(B) requires that Petitioners' 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 Ohio Valley'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 that the requirement of this statutory provision has been fulfilled.

5. **Return Earned.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a gas cost adjustment which results in Petitioners earning a return in excess of the return authorized by the last Commission proceeding in which Petitioners' basic rates and charges were approved. The most recent proceeding in which Petitioners' basic rates and charges were approved is Cause No. 44147. The Commission's December 5, 2012 Order in that Cause authorized Petitioner to earn a net operating income of $3,667,036. The effects of that Order will be reflected in Petitioners' next GCA filing for purposes of the earnings test. In this proceeding, the base rates approved in Cause Nos. 43208 and 43209 will be utilized. The Commission's October 10, 2007 Orders in those Causes authorized Petitioners to earn a combined net operating income of $2,875,216. Petitioners' evidence herein indicates that for the twelve (12) months ending November 30, 2012, Petitioners' actual combined net operating income was $1,365,730. Therefore, based on the evidence of record, the Commission finds that Petitioners are not earning in excess of that authorized in their last rate case applicable to the reconciliation period of this filing.

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that Petitioners' estimate of their 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 during the reconciliation period of September 2012 through November 2012 ("Reconciliation Period") yielded an under-estimated weighted average error of 2.26%. Based upon Ohio Valley's historical accuracy in estimating the cost of gas, the Commission finds that Ohio Valley's estimating techniques are sound and Ohio Valley's prospective average estimate of gas costs is reasonable.

7. **Reconciliation.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that the Petitioner reconcile their 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 $333,255 from their customers. This amount should be included, based on 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 an increase in the estimated net cost of gas is $37,924.

In this first combined GCA filing for Ohio Valley, Petitioners and the OUCC agreed on a one-time recovery of total pre-merger net variances or net refunds to be applied in full during the three-month period of April, May, and June 2013. The combined total net variance to be recovered is $110,258[1]. Recovery of all the prior period variances or refunds must be accomplished via a per Dth adjustment to the GCA factors.

[1] The calculated number on Schedule 1C of Petitioners' Exhibit D is $110,123; however, Petitioners indicated in an OUCC data request that the difference in the totals reflected on Schedule 1C and Schedule 1D of Exhibit D results from rounding the per Dth adjustments to the GCA factor to the third decimal place. Therefore, the rounding discrepancy is considered immaterial.

Petitioners had no refunds during the Reconciliation Period. Based on the evidence presented, the Commission finds that Petitioners' 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 combined total estimated net cost of gas to be recovered during the application period is $1,544,982. Adjusting this combined total for the variance and refund amounts yields gas costs to be recovered through the GCA of $1,693,164. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioners' recommended GCA factors are:

	ANR	Texas Gas	OVGI
April 2013	$5.689/Dth	$4.951/Dth	$4.747/Dth
May 2013	$5.726/Dth	$4.988/Dth	$4.784/Dth
June 2013	$5.790/Dth	$5.052/Dth	$4.848/Dth

9. **Effects on Residential Customers.** Petitioners request authority to approve the GCA factors of $5.689/Dth for April 2013, $5.726/Dth for May 2013 and $5.790/Dth for June 2013 for the ANR service area. Petitioners request authority to approve the GCA factors of $4.951/Dth for April 2013, $4.988/Dth for May 2013 and $5.052/Dth for June 2013 for the Texas Gas service area. Petitioners request authority to approve the GCA factors of $4.747/Dth for April 2013, $4.784/Dth for May 2013 and $4.848/Dth for June 2013 for the OVGI service area. As illustrated in the tables below, a residential customer would incur the following commodity costs based on 10 Dths of usage. Moreover, the tables compare the proposed gas costs to what a residential customer paid most recently for February 2013 of $5.854/Dth for the ANR service area, $5.158/Dth for the Texas Gas service area and $4.447/Dth for the OVGI service area. In addition the tables compare the GCA factor filed a year ago minus the base cost of gas of $4.450/Dth for April 2012, $4.241/Dth for May 2012, and $4.761/Dth for June 2012 for the ANR service area; $4.365/Dth for April 2012, $4.276/Dth for May 2012, and $4.944/Dth for June 2012 for the Texas Gas service area; $4.256/Dth for April 2012, $3.836/Dth for May 2012, and $4.424/Dth for June 2012 for the OVGI service area. The tables solely reflect costs that are approved through the GCA process. It does not include Petitioners' base rates or any applicable rate adjustment mechanisms.

ANR

		Current		Year Ago	
Month	Gas Costs at New GCA Factor @ 10 Dth	Gas Costs at Current GCA Factor @ 10 Dth	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factor @ 10 Dth	Dollar Change New vs. Year Ago
April	$ 56.89	$ 58.54	($ 1.65)	$ 44.50	$ 12.39
May	$ 57.26	$ 58.54	($ 1.28)	$ 42.41	$ 14.85
June	$ 57.90	$ 58.54	($ 0.64)	$ 47.61	$ 10.29

Texas Gas

Month	Gas Costs at New GCA Factor @ 10 Dth	Current		Year Ago	
		Gas Costs at Current GCA Factor @ 10 Dth	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factor @ 10 Dth	Dollar Change New vs. Year Ago
April	$ 49.51	$ 51.58	($ 2.07)	$ 43.65	$ 5.86
May	$ 49.88	$ 51.58	($ 1.70)	$ 42.76	$ 7.12
June	$ 50.52	$ 51.58	($ 1.06)	$ 49.44	$ 1.08

OVGI

Month	Gas Costs at New GCA Factor @ 10 Dth	Current		Year Ago	
		Gas Costs at Current GCA Faetor @ 10 Dth	Dollar Change New vs. Current	Gas Costs at Year Ago GCA Factor @ 10 Dth	Dollar Change New vs. Year Ago
April	$ 47.47	$ 44.47	$ 3.00	$ 42.56	$ 4.91
May	$ 47.84	$ 44.47	$ 3.37	$ 38.36	$ 9.48
June	$ 48.48	$ 44.47	$ 4.01	$ 44.24	$ 4.24

10. **Interim Rates.** The Commission is unable to determine whether Petitioners will earn an excess return while this GCA is in effect. Accordingly, the Commission finds that the approved rates herein should be interim rates subject to refund, pending reconciliation in the event an excess return is earned.

11. **Monthly Flex Mechanism.** The Commission has indicted in prior orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioners' monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioners may utilize a monthly flex mechanism to adjust the GCA filed for the subsequent month. The flex applies only to estimated pricing of estimated market purchases (the initial market price) in the GCA. The flex is to be filed no less than three (3) business days before the beginning of each calendar month during the GCA quarter. Market purchases in the flex are to be priced at NYMEX prices on a day no more than six (6) business days prior to the beginning of said calendar month. Changes in the market price included in the flex are limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

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

1. The Petition of Ohio Valley Gas Corporation and Ohio Valley Gas, 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. Ohio Valley Gas Corporation and Ohio Valley Gas, 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.

<u>ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR</u>:

APPROVED: MAR 27 2013

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