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 2015 WITH THE CONSUMPTION PERIOD STARTING ON OR ABOUT MARCH 15, 2015.	)	CAUSE NO. 44147 GCA 09 APPROVED: MAR 25 2015

ORDER OF THE COMMISSION

Presiding Officer:
Gregory R. Ellis, Administrative Law Judge

On February 3, 2015, 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 "Applicants") filed their Application for Gas Cost Adjustment ("GCA") to be applicable during the months of April 2015 through June 2015. Along with their Application, Applicants filed Exhibits, including all GCA Schedules and the prefiled direct testimony of Ronald P. Salkie, Chief Financial and Information Officer, supporting the proposed GCA factors. On February 20, 2015, Applicants filed Amendment No. 1 to their Application. On March 5, 2015, 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 in its Natural Gas Division.

The Indiana Utility Regulatory Commission ("Commission") held an Evidentiary Hearing in this Cause at 9:30 a.m. on March 12, 2015, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Ohio Valley and the OUCC were present and participated. The testimony and exhibits of 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, 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. Applicants are public utilities as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Applicants' rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Applicants and the subject matter of this Cause.

2. **Applicants' Characteristics.** Applicants are corporations organized and existing under the laws of the State of Indiana. Applicants' principal office is located at 111 Energy Park

Drive, Winchester, Indiana. Applicants render natural gas utility service to the public and own, operate, manage, and control plant and equipment used for the distribution and furnishing of such service. OVGC's ANR Pipeline Company ("ANR") service area is comprised of natural gas customers in Dubois, Jay, Randolph, Spencer, and Wayne Counties in Indiana. OVGC's Texas Gas Transmission, LLC ("Texas Gas") service area is comprised of natural gas customers in Dearborn, Fayette, Franklin, Perry, Ripley, Spencer, and Union Counties in Indiana. OVGI serves natural gas customers in Greene, Knox, Pike, Sullivan, and Vigo Counties in Indiana.

3. **Source of Natural Gas.** Ind. Code § 8-1-2-42(g)(3)(A) requires Applicants to make every reasonable effort to acquire long-term natural gas supplies so as to provide service to their retail customers at the lowest gas cost reasonably possible.

Ohio Valley's witness Ronald P. Salkie testified that Applicants have long-term contracts with ANR and Texas Gas for pipeline capacity and storage. Applicants replaced one transportation contract it had with ANR. The new contract with ANR became effective November 1, 2013 and will expire March 31, 2016. All other ANR contracts are not subject to renewal until March 31, 2019. The contracted maximum daily quantity for the ANR service area is 14,970 Dth. Applicants renewed and restructured four of their contracts with Texas Gas effective November 1, 2013, to expire October 31, 2018. The maximum daily quantity for the Texas Gas service area will be 18,781 Dth and 7,584 Dth for the OVGI area. Applicants renewed their contract for natural gas supply requirements from the production areas with British Petroleum ("BP") November 1, 2014 for all service areas. The BP contract contains fixed and index components and provides for a fee of $.01 per Dth purchased, whether under the index or fixed-price component. Applicants' exhibits indicate fixed gas purchased under NYMEX futures contracts and storage gas used during this GCA period are estimated to represent approximately 33% of the total required supply.

The Commission has indicated that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. This includes a program that considers market conditions and the price of natural gas on both current and forward-looking bases. Based on the evidence offered, we find that Applicants 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, we find 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 Applicants' 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 the proposed gas costs include transport rates that have been filed by Ohio Valley's pipeline suppliers in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charge and find the cost to be reasonable. Therefore, we find that the requirement of this statutory provision has been fulfilled.

5. **Earnings Test.** Ind. Code § 8-1-2-42(g)(3)(C), in effect, prohibits approval of a GCA factor that results in Applicants earning a return in excess of the return authorized by the last Commission Order in which Applicants' basic rates and charges were approved. Ohio Valley's current basic rates and charges were approved on December 5, 2012 in Cause No. 44147. The Commission authorized Applicants to earn a net operating income of $3,667,036.

The evidence of record indicates that for the 12 months ending November 30, 2014, Applicants' actual net operating income was $4,270,690. Therefore, based on the evidence of record, we find that Applicants are earning a return in excess of that authorized in their last rate case.

Because Applicants have earned a return in excess of that authorized, Ind. Code § 8-1-2-42.3 requires the Commission to determine the amount, if any, of the return to be refunded to customers through the variance in this Cause. A refund is only appropriate if the sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period, as defined by Ind. Code § 8-1-2-42.3(a), is greater than zero. Based on the evidence of record, we find the sum of the differentials during the relevant period is less than zero, and therefore, it is not appropriate to require a refund of any of the amount over-earned in this Cause.

6. Estimation of Purchased Gas Costs. Ind. Code § 8-1-2-42(g)(3)(D) requires that Applicants' 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 the variance to the incremental cost of gas on Schedule 6 be used to determine if the prior estimates are reasonable when compared to the corresponding actual costs. A 12-month rolling average comparison helps to eliminate the inherent variance related to cycle billing and seasonal fluctuations. The evidence presented indicates Applicants' 12-month rolling average comparison for the reconciliation period was 2.10%. Based upon Ohio Valley's historical accuracy in estimating the cost of gas, we find that Applicants' estimating techniques are sound, and Applicants' prospective average estimate of gas costs is reasonable.

7. Reconciliations.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that Applicants reconcile their estimates for a previous recovery period with the actual purchased gas cost for that period. The evidence presented in this proceeding establishes that the variance for the reconciliation period of September 2014 through November 2014 ("Reconciliation Period") is an under-collection of $204,130 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 $22,311.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of $18,930. Combining this amount with the Reconciliation Period variance results in a total under-collection of $41,241 to be applied in this GCA as an increase in the estimated net cost of gas.

B. Refunds. Applicants received no new refunds during the Reconciliation Period and have $37,542 in refunds from prior periods applicable to the current recovery period. We find that the amount to be refunded to customers in this GCA is $37,542 as reflected on Schedule 12A.

8. **Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for April 2015 is $872,342, for May 2015 is $446,712, and for June 2015 is $283,940. Adjusting these totals for the variances to be recovered by the Applicants in this GCA and refund amounts to be returned to customers in this GCA yields gas costs to be recovered through the GCA factor of $874,613 for April 2015, $447,711 for May 2015, and $284,369 for June 2015. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Applicants' recommended GCA factors are $4.428/Dth for April 2015, $5.152/Dth for May 2015, and $7.621/Dth for June 2015.

9. **Effects on Residential Customers – (GCA Cost Comparison).** Applicants request authority to approve the GCA factors of $4.428/Dth for April 2015, $5.152/Dth for May 2015, and $7.621/Dth for June 2015 for all of their pipeline service areas. The tables below show the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The tables also compare the proposed gas costs to what a residential customer paid most recently ($5.281/Dth for February 2015) and a year ago ($5.644/Dth for April 2014, $5.854/Dth for May 2014, and $5.743/Dth for June 2014). The table reflects costs approved through the GCA process. It does not include Applicants' base rates or any applicable rate adjustment mechanisms.

		Current		Year Ago	
Month	Proposed Gas Costs (10 Dth)	Gas Costs (10 Dth)	Difference from Current	Gas Costs (10 Dth)	Difference from Year Ago
April 2015	$44.28	$52.81	$(8.53)	$56.44	$(12.16)
May 2015	$51.52	$52.81	$(1.29)	$58.54	$(7.02)
June 2015	$76.21	$52.81	$23.40	$57.43	$18.78

10. **Interim Rates.** The Commission is unable to determine whether Applicants will earn an excess return while these GCA factors are in effect. Accordingly, the rates approved in this Order are interim rates subject to refund pending reconciliation in the event an excess return is earned.

11. **Monthly Flex Mechanism.** The Commission indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Applicants' approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Applicants may utilize a monthly flex mechanism to adjust the GCA factor for the subsequent month. The flex mechanism applies to the mix of volumes between spot, fixed, and storage gas purchases as long as the total volumes remain unchanged from the total monthly volume of gas estimated in this GCA proceeding. The flex mechanism also applies to the estimated unit price of spot, fixed, or storage gas purchases. The flex mechanism is to be filed no later than three business days before the beginning of each calendar month during the GCA period. Market

purchases in the flex mechanism are to be priced at NYMEX prices on a day no more than ten business days prior to the beginning of said calendar month. Changes in the market price included in the flex mechanism are limited to a maximum adjustment (higher or lower) of $1.00 from the initial market price in this GCA proceeding. Finally, Applicants shall file all material which supports their decision to flex or not to flex as outlined in our Order in Cause No. 44374.

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

1. The Application of Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. for the gas cost adjustment for natural gas service, as set forth in Paragraph No. 8, is approved, subject to refund in accordance with Paragraph No. 10.

2. Prior to implementing the GCA factors approved above or any future flexed factor, Ohio Valley Gas Corporation and Ohio Valley Gas, Inc. shall file with the Commission under this Cause the applicable rate schedules for the factor.

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

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: MAR 25 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