

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY )  
NATURAL GAS CO., INC. FOR ) CAUSE NO. 37791 GCA 95  
APPROVAL OF CHANGES IN ITS GAS )  
COST ADJUSTMENT IN ACCORDANCE ) APPROVED: APR 20 2016  
WITH IND. CODE 8-1-2-42 (g) )



ORDER OF THE COMMISSION

**Presiding Officer:**

**Jeffery A. Earl, Administrative Law Judge**

On February 29, 2016, in accordance with Indiana Code § 8-1-2-42, Switzerland County Natural Gas Company, Inc. ("Switzerland") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the billing cycles of May through October 2016. Also on February 29, 2016, Switzerland prefiled the Direct Testimony of Bonnie J. Mann supporting the proposed GCA factors. On March 23, 2016, Switzerland filed certain revised schedules. On March 30, 2016, in conformance with the statute, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony and exhibits of Debra K. Wilcox, Utility Analyst.

The Commission held an Evidentiary Hearing in this Cause at 10:00 a.m. on April 11, 2016, in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. Switzerland and the OUCC were present and participated. No members of the general public appeared or sought to testify at the hearing.

Based on 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. Switzerland is a *public utility* as defined in Indiana Code § 8-1-2-1(a). Under Indiana Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Switzerland's rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Switzerland and the subject matter of this Cause.

2. **Switzerland's Characteristics.** Switzerland is a corporation organized and existing under the laws of the State of Indiana. Switzerland's principal office is located at 105 East Seminary Street, Vevay, Indiana. Switzerland renders natural gas utility service to the public in Switzerland County, Indiana and owns, operates, manages, and controls plant and equipment for the distribution and furnishing of such services.

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

Ms. Mann testified that Switzerland has not hedged its supply through fixed contracts or storage for this GCA period. Ms. Mann explained that Switzerland's small load for these upcoming non-heating months limits any benefit to be obtained through fixed contracts, and Switzerland is refilling storage for use during the heating season. Switzerland's estimate for this GCA reflects use of spot gas. Ms. Mann also said that Switzerland's estimating and purchasing strategies have not changed from that described in Switzerland's last GCA.

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 Switzerland has demonstrated that it has and continues 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.** Indiana Code § 8-1-2-42(g)(3)(B) requires that Switzerland's 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 Switzerland'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.** Indiana Code § 8-1-2-42(g)(3)(C) in effect, prohibits approval of a GCA factor that results in Switzerland earning a return in excess of the return authorized by the last Commission Order in which Switzerland's basic rates and charges were approved. Switzerland's current basic rates and charges were approved on May 15, 2013, in Cause No. 44293. The Commission authorized Switzerland to earn a net operating income of \$60,885.

Switzerland's evidence indicates that for the 12 months ending October 31, 2015, Switzerland's actual net operating income was \$33,578. Therefore, based on the evidence of record, we find that Switzerland is not earning a return in excess of that authorized in its last rate case.

6. **Estimation of Purchase Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that Switzerland's estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that 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 Switzerland's 12-month rolling average comparison was a negative 7.36% for the period ending October 31, 2015. Based on Switzerland's historical accuracy in estimating the cost of gas, we find that Switzerland's estimating techniques are sound, and Switzerland's prospective average estimate of gas costs is reasonable.

**7. Reconciliations.**

**A. Variances.** Ind. Code § 8-1-2-42(g)(3)(D) also requires that Switzerland reconcile its estimate 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 is an over-collection of \$53,138 from its customers. The amount of the Reconciliation Period variance to be included in this GCA as a decrease in the amount of estimated net cost of gas is \$53,138.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for May 2016 is \$22,219; for June 2016 is \$19,994; for July 2016 is \$20,526; for August 2016 is \$20,827; for September 2016 is \$18,000; and for October 2016 is \$30,091. Adjusting this total for the variance amounts yields gas costs to be recovered through the GCA factor of \$13,363 for May 2016; \$11,138 for June 2016; \$11,670 for July 2016; \$11,971 for August 2016; \$9,144 for September 2016; and \$21,235 for October 2016. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Switzerland’s recommended GCA factors are \$1.6958/Dth for May 2016; \$1.6153/Dth for June 2016; \$1.6923/Dth for July 2016; \$1.7360/Dth for August 2016; \$1.5471/Dth for September 2016; and \$2.1556/Dth for October 2016.

**9. Effects on Residential Customers.** Switzerland requests authority to approve the GCA factors of \$1.6958/Dth for May 2016; \$1.6153/Dth for June 2016; \$1.6923/Dth for July 2016; \$1.7360/Dth for August 2016; \$1.5471/Dth for September 2016; and \$2.1556/Dth for October 2016. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dth of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (February 2016 - \$3.5317/Dth); and a year ago (May 2015 - \$3.7554/Dth, June 2015 – \$3.8088/Dth, July 2015 - \$3.8751/Dth, August 2015 - \$3.8716/Dth, September 2015 - \$3.8603/Dth, and October 2015 - \$3.8609/Dth). The table reflects costs approved through the GCA process. It does not include Switzerland’s base rates or any applicable rate adjustment mechanisms.

Month	Proposed Gas Costs (10 Dth)	Current		Year Ago	
		Gas Costs (10 Dth)	Difference	Gas Costs (10 Dth)	Difference
May 2016	\$16.96	\$35.32	(\$18.36)	\$37.55	(\$20.59)
June 2016	\$16.15	\$35.32	(\$19.17)	\$38.09	(\$21.94)
July 2016	\$16.92	\$35.32	(\$18.40)	\$38.75	(\$21.83)
August 2016	\$17.36	\$35.32	(\$17.96)	\$38.72	(\$21.36)
September 2016	\$15.47	\$35.32	(\$19.85)	\$38.60	(\$23.13)
October 2016	\$21.56	\$35.32	(\$13.76)	\$38.61	(\$17.05)

**10. Interim Rates.** We are unable to determine whether Switzerland 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.

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

1. The Petition of Switzerland County Natural Gas Co., 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, Switzerland County Natural Gas Company, Inc. shall file with the Commission under this Cause the applicable rate schedules for these factors.

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

**STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:**

**APPROVED:**

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

  
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**Mary M. Becerra**  
**Secretary of the Commission**