

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF BOONVILLE NATURAL GAS)
 CORPORATION FOR APPROVAL OF GAS)
 COST ADJUSTMENT TO BE APPLICABLE) CAUSE NO. 37369 GCA 115
 IN THE MONTHS OF MAY, JUNE, JULY,)
 AUGUST, SEPTEMBER, AND OCTOBER,) APPROVED: APR 20 2016
 2016, PURSUANT TO IC 8-1-2-42(g), AS)
 AMENDED)

ORDER OF THE COMMISSION

Presiding Officer:
Marya E. Jones, Administrative Law Judge

On March 1, 2016, in accordance with Ind. Code § 8-1-2-42, Boonville Natural Gas Corporation (“Petitioner”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached schedules to be applicable during the months of May 2016 through October 2016 and prefiled the direct testimony of Paul M. Lewellyn, Vice President, supporting the proposed GCA factors. On March 18, 2016, Petitioner filed revised schedules. On March 31, 2016, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of Victoria Downs, Utility Analyst.

The Indiana Utility Regulatory Commission (“Commission”) held an Evidentiary Hearing in this Cause on April 14, 2016, at 2:00 p.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of Petitioner and the 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. Petitioner is a public utility 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 Petitioner’s rates and charges related to adjustments in gas costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner is a corporation organized and existing under the laws of the State of Indiana. Petitioner’s principal office is located at 1425 North Rockport Road, Boonville, Indiana. Petitioner renders natural gas utility service to the public in the City of Boonville, the Town of Chandler, and surrounding areas in Warrick County, Indiana and owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such service.

3. **Source of Natural Gas.** Ind. Code Section 8-1-2-42(g)(3)(A) requires Petitioner to make every reasonable effort to acquire long-term natural gas supplies so as to provide gas to

its customers at the lowest gas cost reasonably possible.

Mr. Lewellyn testified that Petitioner attempts to mitigate price volatility through managing its natural gas storage levels and hedging natural gas contracts by purchasing “layers” so the storage gas and hedges combined provide as much as 60-80% of its anticipated winter load. Mr. Lewellyn explained that Petitioner attempts to hedge 50-60% of its needs through advance hedges, while utilizing spot purchases and gas in storage to meet the remainder of its anticipated needs. He noted that Petitioner’s management consults regularly with multiple gas analysts to anticipate pricing dips, purchase gas at the lowest possible prices, and monitor predicted weather patterns.

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 Petitioner 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.** Ind. Code § 8-1-2-42(g)(3)(B) requires that Petitioner’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 Petitioner’s pipeline supplier in accordance with Federal Energy Regulatory Commission procedures. We have reviewed the cost of gas included in the proposed gas cost adjustment charges 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 which results in Petitioner earning a return in excess of the return authorized by the last Commission Order in which Petitioner’s basic rates and charges were approved. Petitioner’s current basic rates and charges were approved on November 7, 2012, in Cause No. 44129, where the Commission authorized Petitioner to earn a net operating income of \$377,422.

Petitioner’s evidence indicates that for the 12 months ending October 31, 2015, Petitioner’s actual net operating income was \$66,378. Therefore, based on the evidence in the record, the Commission finds that Petitioner is not earning in excess of the amount authorized in its last rate case.

6. **Estimation of Purchased Gas Costs.** Ind. Code § 8-1-2-42(g)(3)(D) requires that Petitioner’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 Petitioner’s 12-month rolling average comparison was a negative 7.14% for the period ending October 31, 2015. Based on Petitioner’s historical accuracy in estimating the cost of gas, we find that Petitioner’s estimating techniques are sound, and Petitioner’s prospective average estimate of gas costs is reasonable.

7. Reconciliation.

A. Variances. Ind. Code § 8-1-2-42(g)(3)(D) also requires that Petitioner 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 of May 2015 to October 2015 (“Reconciliation Period”) is an under-collection of \$25,776 from its customers. This amount should be included in the current GCA as an increase in the estimated net cost of gas.

B. Refunds. Petitioner received \$529 in new refunds during the Reconciliation Period and has no refunds from prior periods applicable to the current recovery period. We find the amount to be refunded to customers in this GCA is \$529 as reflected on Schedule 12a.

8. Resulting Gas Cost Adjustment Factors. The estimated net cost of gas to be recovered by Petitioner for May 2016 is \$42,952, for June 2016 is \$33,275, for July 2016 is \$34,538, for August 2016 is \$34,504, for September 2016 is \$39,479, and for October 2016 is \$71,499. Adjusting this total for the variance and refund amounts yields gas costs to be recovered through the GCA factor of May 2016 is \$47,160, for June 2016 is \$37,483, for July 2016 is \$38,746, for August 2016 is \$38,712, for September 2016 is \$43,687, and for October 2016 is \$75,706. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factors are \$3.6829/Dth for May 2016, \$3.8054/Dth for June 2016, \$3.9332/Dth for July 2016, \$3.9298/Dth for August 2016, \$4.0316/Dth for September 2016, and \$3.6596/Dth for October 2016.

9. Effects on Residential Customers - (GCA Cost Comparison). Petitioner requests authority to approve the GCA factor of \$3.6829/Dth for May 2016, \$3.8054/Dth for June 2016, \$3.9332/Dth for July 2016, \$3.9298/Dth for August 2016, \$4.0316/Dth for September 2016, and \$3.6596/Dth for October 2016. The table below shows the commodity costs a residential customer will incur under the proposed GCA factors based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (March 2016 - \$3.7224) and a year ago (May 2015 - \$5.6874/Dth, June 2015 - \$5.6392/Dth, July 2015 - \$5.6386/Dth, August 2015 - \$5.3911/Dth, September 2015 - \$5.3409/Dth, and October 2015 - \$4.8637/Dth). The table reflects costs approved through the GCA process. It does not include Petitioner’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	\$36.83	\$37.22	(\$0.39)	\$56.87	(\$20.04)
June 2016	\$38.05	\$37.22	\$0.83	\$56.39	(\$18.34)
July 2016	\$39.33	\$37.22	\$2.11	\$56.39	(\$17.06)
August 2016	\$39.30	\$37.22	\$2.08	\$53.91	(\$14.61)
September 2016	\$40.32	\$37.22	\$3.10	\$53.41	(\$13.09)
October 2016	\$36.60	\$37.22	(\$0.62)	\$48.64	(\$12.04)

10. **Interim Rates.** We are unable to determine whether Petitioner 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 has indicated in prior Orders that Indiana's gas utilities should make reasonable efforts to mitigate gas price volatility. Petitioner's approved monthly flex mechanism is designed to address the Commission's concerns. Therefore, Petitioner 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, Petitioner shall file all material which supports its 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 Petition of Boonville Natural Gas Corporation 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 factor approved above, or any flexed factor, Boonville Natural Gas Corporation 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, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED:

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



Mary M. Becerra
Secretary of the Commission