

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SWITZERLAND COUNTY )  
 NATURAL GAS CO., INC. FOR ) CAUSE NO. 37791 GCA 88  
 APPROVAL OF CHANGES IN ITS GAS )  
 COST ADJUSTMENT IN ACCORDANCE ) APPROVED:  
 WITH IND. CODE 8-1-2-42 (g) ) JAN 29 2014

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Jeffery A. Earl, Administrative Law Judge**

On November 25, 2013, in accordance with Ind. Code § 8-1-2-42, Switzerland County Natural Gas Company Inc. (“Petitioner” or “Switzerland”) filed its Petition for Gas Cost Adjustment (“GCA”) with attached Schedules to be applicable during the months of February through April 2014. On December 16, 2013, Petitioner prefiled the direct testimony of Marsha Chase, Manager and Chief Administrative Officer at Switzerland, and Bonnie J. Mann, a certified public accountant with London Witte Group, supporting the proposed GCA factor. On December 23, 2013, in conformance with the statute, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the statistical report and direct testimony of Sherry L. Beaumont, Utility Analyst.

Pursuant to notice given and published as required by law, the Commission held an Evidentiary Hearing in this Cause at 1:30 p.m. on January 15, 2014, in Hearing Room 224, 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 105 East Seminary Street, Vevay, Indiana. Petitioner 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 service.

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 its retail customers at the lowest gas cost reasonably possible.

Ms. Mann affirmed that Petitioner continues to focus its hedging strategy on the heating season of November through March. Her testimony also indicates that the Petitioner has both fixed contracts and storage gas available for the upcoming GCA period. She described how the Petitioner obtains natural gas supplies. Finally she opined that the Petitioner has taken all reasonable steps to acquire gas at the lowest reasonable cost. Ms. Chase testified about Petitioner's procurement practices describing its goal to have approximately 50% of its estimated sales hedged for the heating season.

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 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 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 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 May 15, 2013, in Cause No. 44293. The Commission authorized Petitioner to earn a net operating income of \$60,885.

Petitioner's evidence indicates that for the twelve (12) months ending September 30, 2013, Petitioner's actual net operating income was \$50,490. Therefore, based on the evidence of record, we find that Petitioner 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 Petitioner's estimate of its prospective average gas costs for each future recovery period be reasonable. The Commission has determined that this requires, in part, a comparison of prior estimates with the corresponding actual costs. The evidence presented indicates that Petitioner's estimating techniques during the reconciliation period of July through September 2013 ("Reconciliation Period") yielded an over-estimated weighted average error of 12.37%. Ms. Mann explained this variance was due to a deviation from historical sales to a casino served by Petitioner and a drop in spot gas prices after Petitioner's estimates were made. 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. **Reconciliations.** 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 is an over-collection of \$9,914 from its 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 a decrease in the estimated net cost of gas is \$3,143.

The variance from prior recovery periods applicable to the current recovery period is an under-collection of \$17,902. Combining this amount with the Reconciliation Period variance, results in a total under-collection of \$14,759 to be applied in this GCA as an increase in the estimated net cost of gas.

**8. Resulting Gas Cost Adjustment Factor.** The estimated net cost of gas to be recovered for February 2014, March 2014, and April 2014 is \$245,717. Adjusting this total for variance and refund amounts yields gas costs to be recovered through the GCA factor of \$260,476 for February 2014, March 2014, and April 2014. After dividing that amount by estimated sales and adjusting for Indiana Utility Receipts Tax, Petitioner’s recommended GCA factor is \$5.1056/Dth for February 2014 through April 2014.

**9. Effects on Residential Customers.** Petitioner requests authority to approve the GCA factor of \$5.1056/Dth for February 2014, March 2014 and April 2014. The table below shows the commodity costs a residential customer will incur under the proposed GCA factor based on 10 Dths of usage. The table also compares the proposed gas costs to what a residential customer paid most recently (November 2013 - \$4.9505/Dth) and a year ago (February 2013, March 2013 and April 2013 - \$3.3493/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 Dths)	Current		Year Ago	
		Gas Costs (10 Dths)	Difference from Current	Gas Costs (10 Dths)	Difference From Year Ago
February 2014 – April 2014	\$51.06	\$49.51	\$1.55	\$33.49	\$17.57

**10. Interim Rates.** We are unable to determine whether Petitioner will earn an excess return while this GCA factor is 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. Errors in Billing and Filings.** In the Final Order in Cause No. 37791 GCA 87, we noted several billing errors that Petitioner made in the past year and ordered Petitioner to provide testimony from a utility employee explaining the cause of the errors and what steps Petitioner has taken to ensure future billing will comply with Commission orders. Ms. Chase testified that she discussed the billing errors with accounting and legal representatives and has established the following procedures to prevent similar errors from occurring in the future. Ms. Chase will compare the tariff actually filed against the GCA order before implementing any change in the GCA factor. Second, each quarter, Ms. Chase will coordinate with London Witte group to ensure the proper GCA factor is implemented. We find that Ms. Chase’s testimony fulfills the requirements of our order in Cause No. 37791 GCA 87.

Ms. Beaumont noted several errors in the schedules filed by Petitioner in this Cause. Schedule 11a used an incorrect volume of unaccounted for gas for the period of April through June 2013. Schedule 12b used an incorrect amount for the variance from Cause No. 37791 GCA 87. Appendix A used an incorrect GCA factor in the “Bill at Currently Approved GCA Factor” column in Table 1 and failed to include the energy efficiency rider of \$0.83. The OUCC pointed out these errors in a data request to Petitioner. In each instance, Petitioner acknowledged the error, but indicated it did not believe it was necessary to file corrections because the errors were immaterial. Ms. Beaumont recommended that Petitioner take greater care in preparing its GCAs in the future so that errors do not occur.

We continue to be concerned by the reoccurring errors in Petitioner’s filings. And we are especially concerned with Petitioner’s characterization of the errors in this case as immaterial and not warranting correction. The accuracy of schedules and filings made to the Commission is very important. We expect Petitioner—and all parties before us—to strive for complete accuracy in its filings. When errors, even those that appear to be immaterial, are pointed out by the OUCC or the Commission, we expect those errors to be corrected either through revised filings or by testimony at the evidentiary hearing. The calculations in this order reflect the corrections of errors noted by the OUCC in its report.

**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 factor approved above, Switzerland County Natural Gas Company, Inc. shall file with the Commission under this Cause the applicable rate schedules for this factor.
3. This Order shall be effective on and after the date of its approval.

**ATTERHOLT, MAYS, AND ZIEGNER CONCUR:**

**APPROVED:      JAN 29 2014**

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

  
**Brenda Howe**  
**Secretary to the Commission**