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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF)
DIRECTORS FOR UTILITIES OF THE)
DEPARTMENT OF PUBLIC UTILITIES OF)
THE CITY OF INDIANAPOLIS, AS)
SUCCESSOR TRUSTEE OF A PUBLIC)
CHARITABLE TRUST, d/b/a CITIZENS)
GAS, REQUESTING (1) APPROVAL OF AN)
AMENDED AND RESTATED GAS)
TRANSPORTATION AGREEMENT AND (2))
A FINDING THAT CERTAIN)
INFORMATION IS CONFIDENTIAL AND)
EXEMPT FROM PUBLIC ACCESS)
REQUIREMENTS)

CAUSE NO. 44552

APPROVED:

APR 29 2015

ORDER OF THE COMMISSION

Presiding Officers:

Carol A. Stephan, Commission Chair
Aaron A. Schmoll, Senior Administrative Law Judge

On October 24, 2014, Petitioner, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as successor trustee of a public charitable trust, d/b/a/ Citizens Gas (“Petitioner” or “Citizens Gas”), filed with the Indiana Utility Regulatory Commission (“Commission”) its Petition in this Cause requesting approval of the September 24, 2014 Amended and Restated Gas Transportation Agreement (the “Proposed Amendment”) with Indianapolis Power & Light Company (“IPL”). On November 5, 2014, IPL filed its Petition to Intervene, which was granted without objection.

On January 15, 2015, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Notice of Intent not to Prefile Testimony in the case.

The Commission conducted a public hearing on February 25, 2015, at 10:00 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner, IPL, and the OUCC appeared at the hearing. At the hearing, Petitioner’s prefiled testimony was admitted into the record without objection. No members of the public were present at the hearing.

Based on the applicable law and the evidence of record, the Commission now finds:

- 1. Notice and Jurisdiction.** Notice of the hearing was given as required by law. Petitioner and IPL are utilities subject to the jurisdiction of this Commission in the manner and to

the extent provided by the laws of the State of Indiana, including certain sections of the Public Service Commission Act, as amended. The Commission has jurisdiction over Petitioner and the subject matter of this proceeding. Pursuant to Ind. Code §§ 8-1-2-24 and 25, the Commission must review and approve special contracts between a utility and its customers. The Commission, therefore, has jurisdiction over Petitioner and the subject matter herein.

2. Petitioner’s Organization and Business. Petitioner is engaged in the business of providing gas service to approximately 261,000 residential, commercial, and industrial customers located in and around Marion County, Indiana. Petitioner’s principal office is located at 2020 North Meridian Street, Indianapolis, Indiana.

3. Petitioner’s Case-in-Chief Testimony. Mr. Jeffrey A. Harrison, Petitioner’s Executive Vice President and Chief Operating Officer, provided an overview of Citizens Gas, its sustainability efforts, and the purpose of the Proposed Amendment. Mr. Harrison explained that the primary purpose of the Proposed Amendment is to meet the significant increase in natural gas usage anticipated at IPL’s Harding Street Station as a result of conversions from coal-fueled units to units that operate on natural gas. Mr. Harrison further testified that supporting IPL’s proposed conversion will benefit the City of Indianapolis by ensuring IPL’s reliability, reducing emissions, and enhancing the sustainability of the gas utility through increased throughput and revenues, which benefit Citizens Gas’s customers.

Mr. Christopher H. Braun, Petitioner’s Vice President, Energy Operations, described the events that led up to the Proposed Amendment. He stated the original Gas Transportation Agreement (the “Original Agreement”) between Citizens and IPL dates back to June 17, 2000, and was approved by the Commission with amendments under Cause No. 41824 on October 30, 2002 with an expiration date of June 17, 2010. Upon expiration of the Original Agreement, the Commission approved the Reinstatement and Amendment of the Gas Transportation Agreement on August 31, 2011 (the “Reinstated Agreement”) under Cause No. 43993. The Reinstated Agreement has an expiration date of June 16, 2020.

Mr. Braun testified that the primary purpose and need for this gas transportation service has not changed since the Reinstated Agreement was entered into. IPL requires timely and reliable transportation of significant volumes of natural gas for electric power generation, which necessitates special terms and conditions beyond Petitioner’s standard gas tariff. Mr. Braun further explained that the anticipated coal to natural gas conversion of IPL’s Harding Street Station Unit No. 7 (“HS-7”) will result in a significant increase in gas usage and a change in usage patterns. The Proposed Amendment, if approved, would incorporate the refueled HS-7 unit into the agreement; address the increased demand requirements; provide an updated set of rates and charges; add provisions addressing scheduling, notification of maintenance activities, pressure and compression needs, etc. to improve and coordinate operations between Citizens and IPL; and extend the term of the agreement to May 31, 2026. Mr. Braun stated the extended term is necessary to facilitate improved long-term planning for Citizens and IPL in the event the Proposed Amendment is not renewed after the initial term ends.

Mr. Braun discussed that the Proposed Amendment will cover two periods of transportation service. Period I will start on the effective date of Commission approval of the

Proposed Amendment. During Period I, Petitioner will provide only interruptible service to certain units at Harding Street Station. Period II will potentially begin on April 1, 2016, following the completion of the proposed conversion of HS-7 to natural gas. During Period II, Petitioner will provide firm and interruptible service to the Harding Street Station units identified in Exhibit A of the Proposed Amendment.

Mr. Braun also testified regarding Petitioner's request for confidential treatment of certain portions of Petitioner's testimony. Mr. Braun described the nature of the information submitted for confidential treatment ("Confidential Information"), the reasons the Confidential Information should be kept confidential, and the efforts Petitioner has made to maintain the confidentiality of the information. For these reasons, Mr. Braun requested that the Commission find certain portions of Petitioner's testimony to be confidential and exempt from public access.

Mr. Korlon L. Kilpatrick II, Petitioner's Director of Regulatory Affairs, also testified in support of the Proposed Amendment and described the rates and charges established in the Proposed Amendment. He stated that the Proposed Amendment's rates and charges allow Petitioner to recover its incremental cost of providing gas service to IPL's facilities and provide a contribution to the recovery of Petitioner's fixed costs. Mr. Kilpatrick testified that if Petitioner lost IPL as a customer, Petitioner would under-recover its Commission-authorized non-gas revenue requirement.

Mr. Kilpatrick explained that Citizens Gas is a capital intensive business whose non-gas costs primarily are fixed and thus do not vary substantially with customer usage. Consequently, Mr. Kilpatrick stated that if IPL were to stop purchasing gas from Petitioner, very little if any non-gas costs would be avoided. As a result, the loss of IPL as a customer would shift those fixed costs to remaining customers in a subsequent rate case. Mr. Kilpatrick said the Proposed Amendment is reasonable, just, and economically advantageous to Petitioner, IPL, and Petitioner's other customers.

4. Discussion and Findings. Petitioner seeks approval of the Proposed Amendment between Citizens Gas and its customer, IPL. Indiana Code § 8-1-2-24 provides in pertinent part that:

Nothing in this chapter shall be taken to prohibit a public utility from entering into any reasonable arrangement with its customers or consumers for the division or distribution of its surplus profits, or providing for a sliding scale of charges or other financial device that may be practicable and advantageous to the parties interested. No such arrangement or device shall be lawful until it shall be found by the commission, after investigation, to be reasonable and just and not inconsistent with the purpose of this chapter.

Indiana Code § 8-1-2-25 provides as follows:

The commission shall ascertain, determine and order such rates, charges and regulations as may be necessary to give effect to such arrangement, but the right and power to make such other and further changes in rates, charges and

regulations as the commission may ascertain and determine to be necessary and reasonable, and the right to revoke its approval and amend or rescind all orders relative thereto, is reserved and vested in the commission, notwithstanding any such arrangement and mutual agreement.

Thus, customer-specific contracts are lawful if the Commission finds their provisions to be reasonable and just, practicable and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act.

The Commission previously has found that special contracts such as the Proposed Amendment as well as the rates, charges and terms and conditions for service they contain, are lawful if they are reasonable and just, as well as non-discriminatory. *See, e.g., Board of Directors for Util. of the Dep't of Public Util. of the City of Indianapolis*, Cause No. 43448 at 6 (IURC July 9, 2008); *Board of Directors for Util. of the Dep't of Public Util. of the City of Indianapolis*, Cause No. 43303 at 5 (IURC July 25, 2007). We also have recognized the importance of special contracts that help assure a utility's retention of a large customer and the preservation of that customer's contribution to the utility's fixed cost of recovery. *See, e.g., Indiana Gas Company, Inc.*, Cause No. 43298 at 25 (IURC Feb. 13, 2008).

Our review of the Proposed Amendment and the testimony filed in this proceeding indicates that the rates to be charged under the Proposed Amendment will allow Citizens Gas to effectively provide IPL with timely and reliable transportation of significant volumes of natural gas while maintaining system integrity for all Citizens Gas's customers. The Proposed Amendment also will allow Citizens Gas to recover its incremental costs of providing service to those facilities and provide a contribution to the recovery of Petitioner's fixed costs. While the Proposed Amendment addresses the additional amounts of natural gas Citizens Gas would provide to IPL on firm and interruptible bases should HS-7 be converted to natural gas, we note that our approval in this Cause has no bearing on our pending decision in Cause No. 44540. In addition to Commission approval in this Cause, the Proposed Amendment contains a number of conditions that need to be satisfied, or the parties may terminate the Proposed Amendment prior to April 1, 2016.

In conclusion, the Commission finds that the Proposed Amendment and the rates, charges, terms and conditions contained therein are reasonable, just, and non-discriminatory, and should be approved.

5. Confidential Information. On November 24, 2014, the Presiding Officers made a preliminary finding that certain designated information marked "Confidential and Protected Material" as requested in Petitioner's Motion for Protection of Confidential and Proprietary Information, should be treated as confidential in accordance with Indiana Code § 5-14-3-4 and that confidential procedures should be followed with respect to the Confidential Information. The Commission finds that the information for which Petitioner sought confidential treatment contains confidential, proprietary, competitively sensitive trade secret information that has economic value to Petitioner and IPL. It should be protected from being known to, or ascertainable by, Petitioner's and IPL's competitors and other persons who could obtain economic value from the knowledge and the use of such information. In addition, the Commission finds that the public disclosure of such information would have a substantial

detrimental effect on Petitioner and IPL, and the information is subject to Petitioner's efforts to maintain its secrecy that are reasonable under the circumstances. Accordingly, the Confidential Information submitted to the Commission is exempt from the public access requirements of Indiana Code §§ 5-14-3-4 and 8-1-2-29 and shall continue to be held as confidential by the Commission.

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

1. The Proposed Amendment and the rates, charges, terms, and conditions contained therein are reasonable and just, as well as non-discriminatory, and are approved.
2. Citizens Gas is authorized and directed to implement the rates, charges, terms, and conditions of the Proposed Amendment.
3. The Confidential Information submitted in this Cause is determined to be confidential trade secret information as defined in Ind. Code § 24-2-3-2 and shall continue to be exempt from public access and disclosure pursuant to Ind. Code § 5-14-3-1 and § 8-1-2-29.
4. This Order shall be effective on and after the date of its approval.

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

APPROVED: **APR 29 2015**

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



Brenda A. Howe
Secretary to the Commission