

ORIGINAL



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 FOR APPROVAL OF)
FUEL COST ADJUSTMENT FOR STEAM)
SERVICE EFFECTIVE MAY 1, 2010,)
PURSUANT TO THE COMMISSION'S)
ORDER IN CAUSE NO. 43201 AND)
APPLICABLE LAW)

CAUSE NO. 41969 FAC 17

APPROVED: APR 30 2010

BY THE COMMISSION:

James D. Atterholt, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On February 15, 2010, 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 Thermal ("Petitioner" or "Citizens") filed its verified Petition and Exhibits in support of approval of a fuel cost adjustment for steam service to become effective May 1, 2010. Petitioner's filing included the prepared direct testimony of Jill A. Phillips, worksheets establishing the cost of fuel, and a Revised Standard Contract Rider No. 1, showing the proposed fuel cost adjustment factor to become effective May 1, 2010, subject to Commission approval. Petitioner's filing also included the direct testimony of Robert R. Purdue on the subject of coal procurement.

On March 17, 2010, the Public filed its report on Petitioner's request for approval of its fuel cost adjustment, consisting of the Direct Testimony and associated Exhibits of Michael D. Eckert. Also, on March 17, 2010, the Citizens Industrial Group ("CIG") filed its Petition to Intervene on behalf of Eli Lilly & Company and National Starch & Chemical Company.

Pursuant to public notice duly given and published as required by law, proof of which was incorporated into the record by reference and placed in the Commission's official file, a public hearing in this Cause was held on April 14, 2010, at 9:30 a.m. in Room 224 of the National City Center, Indianapolis, Indiana. At the hearing, Petitioner, the Public, and CIG appeared by their respective counsel. The Presiding Officers granted CIG's Petition to Intervene on the record. Petitioner and the OUCC offered into evidence their respective testimony and exhibits, which were admitted into evidence without objection. No members of the public attended the hearing.

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

1. **Commission Jurisdiction and Notice.** Proper notice of the hearing in this Cause was given as required by law. Petitioner owns and operates a municipal steam utility, which is subject to the jurisdiction of this Commission in the manner and to the extent provided in the Public Service Commission Act, as amended and other laws of the State of Indiana. The Commission has jurisdiction over the parties and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, d/b/a Citizens Thermal. Petitioner's principal office is located at 2020 North Meridian Street, Indianapolis, Indiana. Petitioner is engaged in rendering steam utility service in the City of Indianapolis, Indiana and owns, operates, manages and controls, among other things, plant and equipment used for the production, transmission, delivery and furnishing of such service to the public.

3. **Methodology for Calculating Fuel Cost.** In Cause No. 41969 FAC 01, Petitioner's first fuel cost adjustment proceeding, the Commission authorized Petitioner to use the methodology and follow procedures the Commission approved in connection with the annual fuel cost adjustments requested in the past by the prior owner of the steam plant, Indianapolis Power & Light Company.

In Cause No. 43201, Petitioner sought approval of a new schedule of rates and charges for steam service, a new level of "authorized earnings" for purposes of the "earnings" test and authority to make quarterly fuel cost adjustment applications. Petitioner, the OUCC, and CIG reached a settlement in Cause No. 43201, which the Commission approved by final Order on October 30, 2007.

We find utilization of the methodology and procedures approved in Cause No. 41969 FAC 01, as adjusted in Petitioner's subsequent fuel adjustment proceedings and Cause No. 43201, to be a reasonable means of determining the appropriate fuel cost adjustment for Petitioner.

4. **Earnings Test.** In Cause No. 41969 FAC 03 S1, Petitioner entered into a Stipulation and Settlement Agreement with the OUCC and the Industrial Group, under which it agreed to be subject to the "earnings" test when it files for Commission approval of changes to its fuel adjustment cost charges. The settling parties agreed that the level of "authorized earnings" to be applied to Citizens' annual earnings from steam operations, commencing with FAC05 and until reset in a steam general rate case, should be \$7,850,000.

In order to transition from an annual FAC to a quarterly FAC, the Order in Cause No. 43201 provides that Citizens will perform two earnings test calculations during the transition period, one on an annual basis and the other on a quarterly basis. Citizens will cease using the annual earnings test after the twelve months-to-date ending December 31, 2011 earnings test is applied.

The Settlement Agreement in Cause No. 43201 describes how the earnings test calculations will be performed and the amounts determined which are to be applied to the “earnings” bank. The Settlement Agreement further provides that the amount of \$6,074,745 should be used as the level of “authorized earnings” for Petitioner when performing the FAC earnings test. Finally, paragraph 8 of the Settlement Agreement in Cause No. 43201 provides a detailed framework for Petitioner’s quarterly fuel adjustment calculation.

In the present proceeding, Petitioner reported Net Operating Income (NOI) for the 12-months ending January 31, 2010 of (\$4,444,628), which is \$10,519,373 below its authorized NOI for the period. This amount is added to the quarterly earnings bank as part of the transition process. For the twelve month period ending December 31, 2009, Petitioner demonstrated an under-earnings of (\$10,259,430). This amount was added to the existing annual earnings test bank to create a new annual earnings test bank of (\$29,085,945). Accordingly, we find that Petitioner has satisfied the earnings test for this proceeding.

5. Reconciliation and Resulting Steam Factor. Petitioner’s witness Phillips presented testimony and supporting schedules showing the development of the proposed FAC 17 fuel cost adjustment factor in the amount of \$0.57200 per therm. Ms. Phillips’ testimony and exhibits also addressed and provided supporting detail supporting the percentage impacts on Rate 1 and Rate 2 customers from the proposed fuel cost adjustment factor, the amount and cause of the variance, and the earnings test calculation.

Public’s witness Eckert testified that his calculation of Petitioner’s fuel cost adjustment charge was \$0.57200 per therm, which mirrors Petitioner’s proposed fuel adjustment factor for steam. Mr. Eckert further indicated that nothing had come to his attention that would indicate that the projections Petitioner used for fuel costs and purchased steam were unreasonable. Finally, Mr. Eckert noted that the OUCC recommends the Commission approve the implementation of Petitioner’s calculation of the FAC factor.

After reconciliation of the FAC variances, and adjusting for Indiana Utilities Receipts Tax, the final fuel cost adjustment factor proposed by Petitioner is \$0.57200 per therm.

Based upon the evidence of record, we find Petitioner’s proposed fuel cost adjustment factor of \$0.57200 per therm should be approved and be in effect commencing with the May 1, 2010 billing cycle. Further, prior to implementing the fuel cost adjustment factor, Petitioner shall include it on its Standard Contract Rider No. 1 and file the same with the Electricity Division of the Commission.

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

1. The fuel cost adjustment factor set forth in Finding Paragraph No. 5 is hereby approved.

2. Petitioner shall file with the Electricity Division of the Commission, prior to placing in effect the fuel cost adjustment factor approved by this Order, a copy of its Standard Contract Rider No. 1 complying with Finding No. 5 above.

3. In accordance with I.C. 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days from the date of this Order to the Secretary of the Commission:

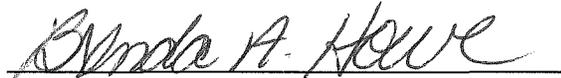
Commission Charges	\$ 416.46
Legal Advertising Charges	\$ 24.98
OUCG Charges	<u>\$ 700.46</u>
TOTAL	\$1141.90

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

ATTERHOLT, LANDIS AND ZIEGNER CONCUR; HARDY AND MAYS ABSENT:

APPROVED: APR 30 2010

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



**Brenda A. Howe,
Secretary to the Commission**