

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 AUGUST 1, 2010, )  
PURSUANT TO THE COMMISSION'S )  
ORDER IN CAUSE NO. 43201 AND )  
APPLICABLE LAW )

CAUSE NO. 41969 FAC 18

APPROVED: JUL 28 2010

**BY THE COMMISSION:**

**James D. Atterholt, Commissioner**  
**Jeffery A. Earl, Administrative Law Judge**

On May 14, 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 with the Indiana Utility Regulatory Commission ("Commission") its petition requesting approval of a fuel cost adjustment for steam service to become effective on August 1, 2010. Also on May 14, 2010, Petitioner prefiled in support of its petition the following: the testimonies of Jill A. Phillips, Rate Manager, and Robert R. Purdue, Director of Steam; worksheets establishing the cost of fuel; and a Revised Standard Contract Rider No. 1, showing the proposed fuel cost adjustment factor to become effective August 1, 2010, subject to Commission approval. On June 14, 2010, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Michael D. Eckert, Senior Utility Analyst in the Electric Division.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this matter on July 13, 2010, at 9:30 a.m., in Room 224 of the PNC Center, 101 W. Washington St., Indianapolis, Indiana. Petitioner and the OUCC were present and participated. The testimony and exhibits of both Petitioner and the OUCC were admitted into the record without objection. No member of the public appeared at the hearing or otherwise sought to testify.

Based upon the applicable law and the evidence herein, the Commission now finds:

**1. Notice and Jurisdiction.** Due, legal and timely notice of the commencement of the public hearing in this Cause was given and published by the Commission 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 provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, 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 and owns, operates, manages, and controls, among other things, plant and equipment used for the production, transmission, delivery, and furnishing of this service.

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 the CIG reached a settlement in Cause No. 43201, which the Commission approved by final Order on October 30, 2007. This methodology was continued by the settlement agreement between Petitioner, the OUCC, and the Citizen's Industrial Group ("CIG") that was approved in Petitioner's most recent general rate case, Cause No. 43821.

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 Nos. 43201 and 43821, to be a reasonable means of determining the appropriate fuel cost adjustment for Petitioner.

4. **Earnings Test.** In Cause No. 41969 FAC3S1, Petitioner entered into a Stipulation and Settlement Agreement with the OUCC and CIG, under which Petitioner agreed to be subject to the "earnings" test when it files for Commission approval of changes to its fuel adjustment cost charges.

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.

Ms. Phillips testified that in Petitioner's past FAC filings there has been a three month difference between the earnings bank calculation period and the FAC reconciliation period. By agreement of the parties, Petitioner is not applying a quarterly result in this Cause so the

earnings bank calculation period and the reconciliation period will align in the next FAC proceeding. The Commission finds that Petitioner's proposal to align the earnings bank calculation period and the reconciliation period is reasonable.

In accordance with the Settlement Agreements in Cause Nos. 43201 and 43821, no annual earnings test was applied in the present proceeding. Accordingly, we find that Petitioner has satisfied the earnings test framework for this proceeding.

**5. Reconciliation and Resulting Steam Factor.** Ms. Phillips' testimony and supporting schedules showed the development of the proposed FAC 18 fuel cost adjustment factor in the amount of \$0.54477 per therm. Ms. Phillips' testimony and exhibits also addressed and provided 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.

The OUCC's witness, Mr. Eckert, testified his calculation of Petitioner's fuel cost adjustment charge was \$0.54477 per therm, which mirrors Petitioner's proposed fuel adjustment factor for steam. Mr. Eckert further indicated nothing had come to his attention indicating the projections Petitioner used for fuel costs and purchased steam were unreasonable. Finally, Mr. Eckert noted 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 \$0.54477 per therm.

Based upon the evidence of record, we find Petitioner's proposed fuel cost adjustment factor of \$0.54477 per therm should be approved and be in effect commencing with the August 1, 2010, billing cycle. Further, prior to implementing the fuel cost adjustment factor, Petitioner shall include the factor 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 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 Paragraph No. 5 above.

3. In accordance with Indiana Code section 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:

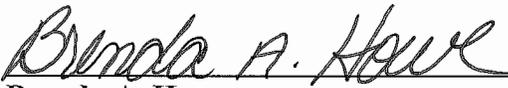
Commission Charges	\$ 498.09
Legal Advertising Charges	\$ 28.54
OUCG Charges	<u>\$ 701.10</u>
TOTAL	\$1,227.73

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

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

**APPROVED:** JUL 28 2010

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

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