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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 FOR APPROVAL OF FUEL )  
COST ADJUSTMENT FOR STEAM SERVICE )  
EFFECTIVE NOVEMBER 1, 2013, PURSUANT TO )  
THE COMMISSION'S ORDER IN CAUSE NO. )  
43821 AND APPLICABLE LAW )

CAUSE NO. 41969 FAC 31

APPROVED: OCT 30 2013

ORDER OF THE COMMISSION

**Presiding Officers:**  
**James D. Atterholt, Chairman**  
**Marya E. Jones, Administrative Law Judge**

On August 15, 2013, 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 Verified Petition, requesting approval of a fuel cost adjustment for steam service to become effective on November 1, 2013. Also on August 15, 2013, Petitioner prefiled in support of its petition the following: the testimonies of Korlon L. Kilpatrick II, Manager Rates & Business Applications, and Robert R. Purdue, Director of Thermal Operations; worksheets establishing the cost of fuel; and a Revised Standard Contract Rider No. 1, showing the proposed fuel cost adjustment factor to become effective on November 1, 2013, subject to Commission approval. On September 16, 2013, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Duane Jasheway, 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 at 9:30 a.m. on September 25, 2013, 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. 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 as defined in Ind. Code § 8-1-2-1. The Commission has jurisdiction over Petitioner's rates and charges for steam service pursuant to

Ind. Code §§ 8-1-11.1-3 and 8-1.5-3-8. The Commission, therefore, has jurisdiction over Petitioner 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 Citizens Industrial Group ("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 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 FAC 3 S1, 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. For the twelve months ending April 30, 2013 Petitioner reported a net operating income loss of \$285,226, which is \$6,511,916 below its authorized net operating income for the period. Based on the evidence presented, we find that Petitioner has satisfied the earnings test for this proceeding.

5. **Reconciliation and Resulting Steam Factor.** Mr. Kilpatrick's testimony and supporting schedules showed the development of the proposed FAC 31 fuel cost adjustment factor in the amount of \$0.64967 per therm. Mr. Kilpatrick's testimony and exhibits also addressed and provided detail supporting the percentage impacts on Rate 1, Rate 2 and Rate 3B 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. Jasheway, testified his calculation of Petitioner's fuel cost adjustment charge was also \$0.64967 per therm. Mr. Jasheway further indicated nothing had

come to his attention indicating the projections Petitioner used for fuel costs and purchased steam were unreasonable.

Based upon the evidence of record, we find Petitioner's proposed fuel cost adjustment factor of \$0.64967 per therm should be approved and become effective commencing with the August 1, 2013, billing cycle. 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.

**6. Perry K Steam Plant.** Our August 8, 2012 Order in Cause No. 44149 requires Petitioner to include testimony regarding the progress and status of the Perry K Steam Plant natural gas conversion project in each quarterly FAC proceeding until the project is complete.

Mr. Purdue testified that mechanical bid packages were sent to six interested vendors and bids were returned by five of those vendors. He stated the mechanical bids were evaluated by the Citizens' Engineering and Supply Chain departments and BMW Contractors was awarded the mechanical work. Mr. Purdue noted the electrical bid packages, sent to five interested vendors, were all returned for consideration. He stated the electrical bids were evaluated by the Citizens' Engineering and Supply Chain departments and Miller-Eads Electrical Contractors was awarded the electrical work. Mr. Purdue testified Petitioner's Engineering and Supply Chain Departments are working with current vendors for modifications to the boiler control and environmental monitoring equipment. Mr. Purdue stated natural gas piping modifications at the Perry K Steam yard are in progress and that there will be two natural gas feeds where each can supply all of Petitioner's natural gas fuel demand requirements. Mr. Purdue indicated Petitioner has developed the following boiler conversion schedule with approximate dates:

- No.12 boiler construction October 1, 2013 to December 25, 2013;
- No.17 Boiler construction December 16, 2013 to March 16, 2014;
- No.18 Boiler construction January 11, 2014 to April 1, 2014;
- No. 16 Boiler construction March 17, 2014 to June 17, 2014.

Mr. Purdue noted that an internal Citizens team was formed to develop a natural gas purchasing policy for the Steam Division in preparation for the dramatic increase in the amount of the natural gas requirements for the steam business. He indicated the team met with BP, Hess, and ProLiance, three local third party suppliers, to better understand what they can offer regarding supplies and strategy. Mr. Purdue testified Petitioner is routing a draft Fuel Procurement Policy for internal feedback prior to being circulated to the OUCC and the Industrial Group for discussion as required by the terms of paragraph 6 of the Settlement Agreement entered into in Cause No. 44149. Mr. Purdue stated Petitioner made initial contact with each of the Settling Parties in Cause No. 44149 to coordinate a meeting to discuss the progress of the conversion plan. Mr. Purdue testified Petitioner has completed discussions with Covanta on changes to the indices used in Petitioner's contract with Covanta.

**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 Ind. Code § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days from the date of the Order into the Commission public utility fund account described in Ind. Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges:	\$ 510.40
OUCG Charges:	\$ 863.57
Legal Advertising Charges:	\$ 35.07
Total:	\$1,409.04

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

ATTERHOLT, BENNETT, LANDIS AND ZIEGNER CONCUR; MAYS NOT PARTICIPATING:

APPROVED:      **OCT 30 2013**

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