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, 2014, PURSUANT TO THE COMMISSION'S ORDER IN CAUSE NO. 43821 AND APPLICABLE LAW	)	**CAUSE NO. 41969 FAC 33** **APPROVED:** APR 16 2014

ORDER OF THE COMMISSION

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

On February 14, 2014, 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 May 1, 2014. Also on February 14, 2014, Petitioner prefiled in support of its Verified Petition the following: the testimonies of Korlon L. Kilpatrick II, Director of Regulatory Affairs 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 May 1, 2014, subject to Commission approval. On March 14, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Duane P. Jasheway, Utility Analyst in the OUCC's Electric Division.

The Commission held a public evidentiary hearing in this Cause on April 8, 2014, at 10:30 a.m. in 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 and 8-1-2-42. 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, as successor trustee of a public charitable trust, 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 in general rate case proceedings docketed as 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 October 31, 2013, Petitioner reported a net operating loss of $235,811, which is $6,462,501 below its authorized net operating income of $6,226,690 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 33 fuel cost adjustment factor in the amount of $0.73173 per therm. Mr. Kilpatrick's 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. Jasheway, testified his calculation of Petitioner's fuel cost adjustment charge was also $0.73173 per therm. Mr. Jasheway further indicated that 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 $0.73173 per therm should be approved and be in effect commencing with the May 1, 2014, 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 the conversion of the No. 12 Boiler is complete. He noted that the startup and check out of the No. 12 Boiler started on December 2, 2013, and finished on December 9, 2013. He also stated that the No. 12 Boiler is in service and operating very well. Mr. Purdue further testified that the No. 18 Boiler started up on February 3, 2014, with final tuning occurring the week of February 10, 2014. He noted that Boiler No. 18 is also operating very well to date. Mr. Purdue testified that conversion of the No. 17 Boiler began on February 6, 2014 and operation is expected to begin on March 3, 2014. He testified that conversion of the No. 16 Boiler, the final project, is planned to begin March 17, 2014 and be completed by June 17, 2014. Mr. Purdue testified that the Perry K Plant will stop burning coal by April 1, 2014, and will become 100% natural-gas-fired, with limited No. 2 fuel oil back up.

Petitioner provided further information regarding the Request For Proposals ("RFP") process for the purchase of natural gas in Data Request Responses to the OUCC. Mr. Jasheway testified based on these responses that Petitioner distributed the RFP on November 14, 2013, to BP Canada Energy Marketing Corp ("BP Canada"), CIMA Energy Ltd., Constellation Energy, EDF Trading North America LLC, ETC ProLiance Energy, LLC, Hess Corporation, and Realgy, LLC. Mr. Jasheway testified Petitioner selected BP Canada as the winning supplier of the RFP. He stated Petitioner selected BP Canada because they provide the best overall pricing, provide flexibility in supply by owning transportation assets that serve the Midwest, have the ability to flow gas from the eastern or western basins, have the ability to handle the potential swings in usage, have a local office with over 80 years of experience in the gas supply business, will assist in attaining the lowest price for gas reasonably possible, provide 20% tolerance for imbalances to minimize cost, and allow Petitioner to be part of a large customer pool that will help offset any monthly imbalance charges. Mr. Jasheway explained Petitioner has not finalized a contract with BP Canada and that negotiations are ongoing. Mr. Jasheway testified the OUCC will continue to monitor the competitive RFP process and inform the Commission of its findings through the FAC process.

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 this 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	$ 468.11
OUCC Charges	$ 863.57
Legal Advertising Charges	$ 34.81
TOTAL	$1,366.49

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

ATTERHOLT, MAYS, STEPHAN, WEBER, AND ZIEGNER CONCUR:

APPROVED: APR 16 2014

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission