

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)
NOVEMBER 1, 2014, PURSUANT TO THE)
COMMISSION'S ORDER IN CAUSE NO. 44349)
AND APPLICABLE LAW)

CAUSE NO. 41969 FAC 35

APPROVED: **OCT 29 2014**

ORDER OF THE COMMISSION

Presiding Officer:
Marya E. Jones, Administrative Law Judge

On August 15, 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 November 1, 2014. Also on August 15, 2014, Petitioner prefiled in support of its petition the following: the testimonies of John F. Lamb, Manager of Rates and 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 November 1, 2014, subject to Commission approval. On September 9, 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 conducted a public hearing at 10:00 am on October 21, 2014, in Room 224 of the PNC Center, 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 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 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 Cause No. 43821 on May 11, 2010. The Commission's Order in Cause No. 44349, approved on May 21, 2014, made no changes to the methodology.

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 continued in Petitioner's base rate case proceedings in Cause Nos. 43821 and 44349 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, 2014, Petitioner reported a net operating gain of \$2,885,400, which is \$3,341,290 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. Lamb's testimony and supporting schedules showed the development of the proposed FAC 35 fuel cost adjustment factor in the amount of \$0.77552 per therm. Mr. Lamb'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 \$0.77552 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 \$0.77552 per therm should be approved and be in effect commencing with the November 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 Rail Track Lease Agreement for the rail track serving the Perry K plant was to have expired on September 1, 2014. However, the terms of the Rail Track Lease Agreement require that the property be returned to the same condition that it was in at the start of the lease. Mr. Purdue explained that the lease became effective in 1974 and the records regarding the property's condition at that time may not be available so the Rail Track Lease Agreement will be renewed for 12 months to give Petitioner time to work with CSX to determine the appropriate next steps. Mr. Jasheway testified that all of the rail cars and the locomotive have been disposed, utilizing bidding processes for both the coal rail cars and the locomotive. He stated that Omnisource Corporate purchased 53 rail cars for \$8,489.59 each and James Kopkey purchased the locomotive for \$7,500. He explained that Petitioner did not include the proceeds in this FAC, as the sales transactions for the rail cars and locomotive occurred outside this reconciliation period. All of the proceeds will be credited to the FAC balance in a future FAC proceeding.

Mr. Purdue testified that the conversion of the No. 12, 16, 17, and 18 Boilers is complete as of June 2, 2014. All four boilers are operating well. He noted that with this final conversion, the natural gas conversion project is now concluded. Pursuant to the requirements in the Order in Cause No. 44149, this will be the final compliance update submitted through the FAC process.

Mr. Purdue testified that the CIMA agreement has been completed, with Petitioner contracting for a fixed amount of gas for each month based on historic consumption patterns at NYMEX plus pricing. He stated that Petitioner will purchase incremental gas as needed based on customer demand, weather, and Covanta reliability. He further explained that all hedging is provided by CIMA with no additional fees and CIMA is required to supply 100 percent of Petitioner's natural gas requirements up to 48,000 Dth per day. Mr. Purdue added that forty percent of the total gas requirements each month will be hedged.

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	\$ 509.22
OUCG Charges	\$ 804.41
Legal Advertising Charges	\$ 33.85
TOTAL	\$1,347.48

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

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

APPROVED: **OCT 29 2014**

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



Brenda A. Howe
Secretary to the Commission