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 FEBRUARY 1, 2015, PURSUANT TO THE COMMISSION'S ORDER IN CAUSE NO. 43821 AND APPLICABLE LAW	)	**CAUSE NO. 41969 FAC 36** **APPROVED:** JAN 21 2015

ORDER OF THE COMMISSION

Presiding Officer:
Marya E. Jones, Administrative Law Judge

On November 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 February 1, 2015. Also on November 14, 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 February 1, 2015, subject to Commission approval. On December 15, 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 9:30 am on January 6, 2015, in Hearing Room 222, 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 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 cost 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 July 31, 2014, Petitioner reported a net operating gain of $4,890,963, which is $1,570,676 below its authorized net operating income of $6,461,639 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 fuel cost adjustment factor in the amount of $0.71866 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 $0.71866 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 $0.71866 per therm should be approved and be in effect commencing with the February 1, 2015, 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 fuel cost adjustment proceeding until the project is complete. Mr. Purdue testified that the coal to natural gas conversion is complete. He noted that the No.16 Boiler, the final boiler to be converted from coal to natural gas, was started up on June 2, 2014. He also explained that the boiler start-up issues related to burning oil in Boiler Nos.17 and 18 have been resolved. Mr. Purdue noted that updates regarding the Perry K Steam Plant conversion to natural gas will cease now that the project is complete.

Mr. Purdue testified that all of the rail cars and the locomotive have been disposed of and the proceeds are being credited to offset the cost of fuel in this proceeding. Petitioner reflected $449,948 in proceeds from the rail cars and $7,500 in proceeds from the locomotive in Schedule 3 of Petitioner's Exhibit No. 4. He noted that the current rail lease agreement has been renewed for an additional 12 months to allow Petitioner time to work with CSX to determine next steps regarding the reconditioning of the property in accordance with the termination clause in the agreement.

Mr. Purdue explained that pursuant to its natural gas procurement contract with CIMA Energy Ltd., Petitioner had a hedging target of 40% of the total gas requirements each month. He stated that the hedging requirement during the winter months had to be refined because the winter is expected to be colder than normal. He noted that the intent of this hedging strategy is to minimize price volatility during the high volume sales months. Mr. Purdue testified that as a result Petitioner is hedged 79.06% in February 2015, 78.68 % in March 2015 and 19.75% in April 2015.

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 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	$ 519.12
OUCC Charges	$ 718.87
Legal Advertising Charges	$ 34.81
TOTAL	$1,272.80

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

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

APPROVED: JAN 21 2015

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