

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) CAUSE NO. 41969 FAC 32
 CHARITABLE TRUST FOR APPROVAL OF FUEL)
 COST ADJUSTMENT FOR STEAM SERVICE) APPROVED:
 EFFECTIVE FEBRUARY 1, 2014, PURSUANT TO) JAN 29 2014
 THE COMMISSION'S ORDER IN CAUSE NO.)
 43821 AND APPLICABLE LAW)

ORDER OF THE COMMISSION

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

On November 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 February 1, 2014. Also on November 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 February 1, 2014, subject to Commission approval. On December 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 10:00 a.m. on January 7, 2014, 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 July 31, 2013 Petitioner reported a net operating income loss of \$1,856,834, which is \$8,083,524 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 fuel cost adjustment factor in the amount of \$0.63545 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 \$0.63545 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 \$0.63545 per therm should be approved and become effective commencing with the February 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 No. 12 boiler conversion began on October 1, 2013. He stated the coal delivery equipment and ash removal equipment at the burner level have been demolished and removed from the site. He noted that the tube modifications are complete and the installation of the burners has started. He testified the structural steel work is complete for a new floor level above the burners and that the internal plant gas piping installation is 80% complete. Mr. Purdue noted the electrical contractor is installing conduits and pulling cables from the field devices to the main control room for termination and that modifications to the boiler control logic were scheduled to occur the first two weeks of November.

Mr. Purdue testified the first natural gas fire in the No. 12 boiler was tentatively scheduled for December 9, 2013, and the project is currently progressing on time. Mr. Purdue explained that Petitioner's fuel usage mixture will change during this FAC filing for several reasons: 1) The conversion of the No. 12 boiler from coal burning to 100% natural gas reduces the amount of coal that can be utilized to meet Petitioner's customer demand; 2) The conversion of the No. 17 and No. 18 boilers requires Petitioner to perform tuning and acceptance testing of the new natural gas and oil fired burners which will require Petitioner to burn oil at full load for several hours while the manufacturer's technician tunes the burners and boiler; and 3) The plant will stop burning coal by April 1, 2014, and therefore, on or about that date, the plant will be 100% natural gas fired, with limited No. 2 fuel oil back up.

Mr. Purdue testified that Petitioner's supply chain, legal, and operating groups finalized the Gas Fuel Procurement Policy and sent Request for Proposals ("RFP") out to suppliers on November 12, 2013. He noted the RFP will cover procurement for the Perry K plant and the new Eskenazi Boiler Plant. He testified that Petitioner will hedge its supply with a combination of gas storage, fixed price purchases, and financial hedges to minimize price swings in the market. He noted that Petitioner will become a transportation customer of Citizens Gas, which will deliver gas from the city gate to the two plants.

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:

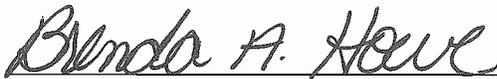
Commission Charges:	\$ 451.21
OUCG Charges:	\$ 863.57
Legal Advertising Charges:	\$ 35.07
Total:	\$1,349.85

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

ATTERHOLT, MAYS, AND ZIEGNER CONCUR:

APPROVED: JAN 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