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 (1) APPROVAL OF GAS COST ADJUSTMENTS TO BE APPLICABLE IN THE MONTHS OF SEPTEMBER, OCTOBER AND NOVEMBER 2014; (2) APPROVAL OF REVISED DEMAND ALLOCATION FACTORS; AND (3) APPROVAL OF A RE-DISTRIBUTION OF CERTAIN PRIOR PERIOD VARIANCES BASED ON THE REVISED DEMAND ALLOCATORS	)	CAUSE NO. 37399 GCA 123 APPROVED: DEC 03 2014

ORDER OF THE COMMISSION ON REMAINING ISSUES

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On July 1, 2014, in accordance with Ind. Code § 8-1-2-42, 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 Gas ("Petitioner" or "Citizens Gas") filed its Petition for Gas Cost Adjustment ("GCA") with attached Schedules to be applicable during the months of September 2014 through November 2014. On August 11, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its "Motion to Dismiss [Petitioner's] Proposed Revised Demand Allocation Factors and Redistribution of Prior Period Variances, or Alternatively, Motion for Subdocket."

The Indiana Utility Regulatory Commission ("Commission") conducted an evidentiary hearing at 10:00 a.m. on August 20, 2014, in Room 222, PNC Center, 101 W. 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 members of the general public appeared or sought to testify at the hearing.

On August 27, 2014, the Commission issued its Interim Order ("Interim Order") in this Cause, which approved GCA factors that were calculated without Petitioner's proposed revised demand allocation factors. On August 28, 2014, Petitioner filed its Response to the OUCC's Motion to Dismiss, and on September 9, 2014, the OUCC filed its Reply.

Based upon the applicable law and the evidence presented, the Commission finds:

1. **Remaining Issues.** The Commission's Interim Order approved Petitioner's proposed GCA factors that were calculated using the existing allocation factors. The only

remaining issues are Petitioner's proposals to modify its demand allocation factors and reallocate its prior-period variances. These issues were also the subject of the OUCC's Motion to Dismiss.

Mr. Korlon Kilpatrick, Director of Regulatory Affairs for Citizens Gas, stated that Petitioner has experienced significant customer loss and load in its Rate D5 customer class, which has led to increased variances and thus higher gas costs for customers remaining in the D5 class. Citizens Gas requested that the Commission allow the revision of demand allocation factors that were approved in its last base rate case and reallocate prior-period variances based on the recalculated demand factors going back to GCA 119. Mr. Kilpatrick stated that based on 170 IAC 5-1-14(b), Citizens Gas proposed to go back 12 months to determine the amount of the reconciliation variance for redistribution.

Mr. Kilpatrick explained that the loss of customers in the D5 class had a compounding effect on the variances that were allocated to the D5 class. As a result, the D5 rates increased substantially in comparison with both the market price of natural gas and the GCA factors for other rate classes of Citizens Gas. Mr. Kilpatrick sponsored exhibits showing that the redistribution of the variance would have a minimal impact on the customer classes to which the variances were redistributed.

The OUCC provided testimony that the rates Petitioner seeks to revise have already been reconciled and finalized by the Commission. In addition, it is unfair to retroactively reallocate the variances from the D3, D4, and D5 rate classes to the D1 and D2 rate classes, when the D1 and D2 rate classes were not the cost causers of the variances.

In his rebuttal testimony, Mr. Kilpatrick stated that the Commission, in prior orders, allowed adjustments to finalized GCAs.

2. <u>Commission Discussion and Findings</u>. At the August 20, 2014 hearing in this Cause, the parties offered, without objection, their respective prefiled evidence, which included evidence related to Petitioner's proposal to modify its demand allocation factors and redistribute prior variances to other customer classes. Thus, although the proposals were the subject of the OUCC's Motion to Dismiss, the issues have been vetted by the parties and are ripe for a decision on the merits.

Petitioner's proposal to modify its demand allocators to correct the D5 rate incongruity is not well-received. The demand allocators for all classes were approved by the Commission, pursuant to a Stipulation and Settlement Agreement. *Citizens Gas*, Cause No. 43975 (IURC Aug 31, 2011). The problem facing the D5 customers who remain in that class is not that the demand allocators are incorrect, but rather that Petitioner's tariff does not allow variances caused by large customers to be paid by those customers when they change rate classes. Absent a new cost of service study, which Citizens Gas did not present, Petitioner has not demonstrated that its proposal to revise demand allocators should be approved. Based on the evidence presented, we decline to adopt Petitioner's proposal.

Similarly, Petitioner's proposal to reallocate prior variances of the D5 class to other rate classes is contrary to Mr. Kilpatrick's testimony discussing "the principle of assigning costs to the 'cost causers.'" Pet. Ex. No. 2, at 5; Pet. Ex. 10, at 22. The classes to which Petitioner proposed to redistribute the variance did not cause the variance. As discussed above, the variance was caused

by customers leaving the D5 class prior to collection of the variance during the reconciliation period.

Further, Mr. Kilpatrick misplaced his reliance on 170 IAC 5-1-14(b) in attempting to go back to GCA 119 to calculate the variance amount that should be reallocated. The situation presented is not a "billing error" or "incorrect tariff application" as set forth in the rule. Rather, the higher gas costs for the D5 rate class essentially identify a loophole in Petitioner's tariff that allows customers to leave the D5 rate class without paying for the estimation errors that were not known until the reconciliation period. Petitioner's customers were properly billed for their gas usage based on the existing approved tariff. Based on the evidence presented, Citizens Gas has not met its burden for the Commission to adopt its redistribution proposal.

Finally, having denied Petitioner's respective proposals to modify its demand allocators and redistribute its prior period variances on the merits, we do not address the OUCC's Motion to Dismiss other than denying the alternative request to open a subdocket in this Cause. Given the prefiled evidence submitted, we do not find that the creation of a subdocket in this Cause is necessary. Based on our discussion above, the Interim Order shall be deemed final.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner's proposals to modify its demand allocators and redistribute its prior period variances are denied.

2. The determinations and findings made in the Commission's Interim Order shall be deemed final.

3. In accordance with Ind. Code § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty days from the date of the Order to the Secretary of this Commission, as well as any additional costs which were incurred in connection with this Cause:

Commission Charges:	$ 424.34
OUCC Charges:	$ 712.56
Total:	$1,136.90

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

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

APPROVED: DEC 03 2014

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission