ORDER OF THE COMMISSION

Presiding Officer:
Jennifer L. Schuster, Administrative Law Judge

On February 15, 2019, 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, 2019. Also on February 15, 2019, Petitioner prefiled in support of its Petition the testimony of Debarati (Debi) Bardhan, Director of Regulatory Affairs; the testimony of Todd W. Fuller, 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, 2019, subject to Commission approval.

On March 18, 2019, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Michael D. Eckert, Assistant Director in the OUCC’s Electric Division, and Attachment MDE-1 (Schedules).

The Commission conducted an evidentiary hearing at 2:00 p.m. on March 27, 2019, 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 without objection.

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. The Commission has jurisdiction over Petitioner’s rates and charges for steam utility service pursuant to Ind. Code §§ 8-1-11.1-3, 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 1, Petitioner’s first fuel cost adjustment proceeding, the Commission authorized Petitioner to use the methodology and follow procedures that 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 Orders in Cause No. 44349, approved on May 21, 2014, and in Cause No. 44781, approved on November 22, 2016, made no changes to the methodology.

   We find that utilization of the methodology and procedures approved in Cause No. 41969 FAC 1, as adjusted in Petitioner’s subsequent fuel adjustment proceedings and in general rate case proceedings docketed respectively as Cause Nos. 43201, 43821, 44349, and 44781, 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. The net of any amounts over the “authorized earnings” level will be applied as a credit to the proposed fuel adjustment charge. The amount by which Citizens’ earnings are below the “authorized earnings” will be accumulated in a “bank” and used as an offset against any over-earnings in subsequent FAC proceedings.

   For the 12 months ending October 31, 2018, Petitioner reported a net operating income of $8,967,350, which is $245,400 above its authorized net operating income of $8,721,950 for the period. With this entry, the earnings bank balance is ($15,119,558). Based on the evidence presented, we find that Petitioner has satisfied the earnings test for this proceeding.

5. **Reconciliation and Resulting Steam Factor.** Ms. Bardhan’s testimony and supporting schedules showed the development of the proposed fuel cost adjustment factor in the amount of $0.42668 per therm. Ms. Bardhan’s testimony and attachments 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 (a $345,801 credit)
and the earnings test calculation.

Mr. Eckert's calculation of Petitioner's fuel cost adjustment charge was $0.42668 per therm. Mr. Eckert testified that the OUCC recommends the Commission approve the implementation of Petitioner's proposed FAC factor of $0.42668 per therm.

Based upon the evidence of record, we find that Petitioner's proposed fuel cost adjustment factor of $0.42668 per therm should be approved. Prior to implementing the fuel cost adjustment factor, Petitioner shall include the foregoing factor on its Standard Contract Rider No. 1 and file the same with the Energy Division of the Commission.

6. **Natural Gas Pricing.** Mr. Fuller testified that gas pricing for this FAC period is based on the Henry Hub Natural Gas Futures published on January 25, 2019 by the Chicago Mercantile Exchange Group ("CME"). He stated that gas pricing for the months of May 2019 through July 2019 will be projected on the market-based commodity pricing, as shown in the CME Report and Petitioner's hedged gas purchases.

Mr. Fuller stated Petitioner established an initial hedging target of 40%. Petitioner is hedged at 65.0% for May 2019, 56.5% for June 2019, and 65.0% for July 2019, which are the three months included in this FAC filing. Petitioner may hedge more gas purchases for each of these three months if the market price is favorable.

In Cause No. 41969 FAC 45, the Commission required Petitioner to continue to expand on its gas purchasing methods and the prudence of purchases from its third-party supplier, Kinetrex, in future FAC filings. Therefore, Mr. Fuller provided an explanation of natural gas purchasing strategies during the months leading up to this filing. In particular, he discussed the use of fixed price hedging, incremental purchases, and true-up purchases. He testified that Petitioner and Kinetrex communicate daily and meet as needed to discuss Petitioner's natural gas purchasing strategies. We find that Petitioner shall continue to address its gas purchasing methods and the prudence of purchases from Kinetrex in future FAC filings until otherwise directed by the Commission.

7. **Rail Track Lease Agreement.** Mr. Fuller said Petitioner will continue negotiations with CSX regarding the treatment of a small portion of the track lease property that is adjacent to the Petitioner's property. Mr. Fuller testified that Petitioner is considering the possibility of entering into a land lease with CSX for property just east and west of Petitioner's coal unloading equipment for the purpose of postponing restoration of that property, which was previously part of the track lease agreement. As discussed in prior FACs, Mr. Fuller testified that Petitioner has contacted CSX seeking an update regarding this matter, but received no response. He said there has been no change in the status of this issue and Petitioner will continue to keep the Commission and the OUCC apprised of this matter to the extent it may affect Petitioner's future FAC filings.

**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. Prior to implementing the rate, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission’s Energy Division. Such rate shall be effective on or after the order date subject to Division review and agreement with the amounts reflected.

3. Petitioner shall provide testimony on gas purchasing methods and purchases from Kinetrex in its next FAC filing.

4. 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission Charges</td>
<td>$ 736.67</td>
</tr>
<tr>
<td>OUCC Charges</td>
<td>$ 1,501.54</td>
</tr>
<tr>
<td>Legal Advertising Charges</td>
<td>$ 49.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 2,287.21</strong></td>
</tr>
</tbody>
</table>

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

HUSTON, KREVDA, OBER, AND ZIEGNER CONCUR; FREEMAN ABSENT:

APPROVED: APR 29 2019

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

Mary M. Becerra
Secretary of the Commission