

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 MAY 1, 2016, )  
PURSUANT TO THE COMMISSION’S ORDER IN )  
CAUSE NO. 44349 AND APPLICABLE LAW )

CAUSE NO. 41969 FAC 41

APPROVED: APR 20 2016

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Marya E. Jones, Administrative Law Judge**

On February 15, 2016, 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, 2016. Also on February 15, 2016, Petitioner prefiled in support of its petition the following: the testimony of John F. Lamb, Manager of Rates and Business Applications, and the testimony of 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 May 1, 2016, subject to Commission approval. On March 11, 2016, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Crystal L. Thacker, Utility Analyst in the OUCC’s Electric Division.

The Commission conducted a public hearing at 2:00 p.m. on April 7, 2016, 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. 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 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 in general rate case proceedings docketed as Cause Nos. 43201, 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. 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, 2015, Petitioner reported a net operating income of \$10,058,765, which is \$2,470,862 above its authorized net operating income of \$7,587,903 for the period. With this entry, the earnings bank balance is (\$70,590,728). 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 \$0.47001 per therm. Mr. Lamb'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, and the earnings test calculation.

Ms. Thacker testified her calculation of Petitioner's fuel cost adjustment charge was also

\$0.47001 per therm. Ms. Thacker further indicated that nothing had come to her attention indicating the projections Petitioner used for fuel costs and purchased steam were unreasonable. Ms. Thacker also noted that the Indiana Court of Appeals recently issued an opinion that raised an issue that may impact this Cause in the future. She testified that in *Graphic Packaging Int'l, Inc. v. City of Indianapolis*, \_\_\_ N.E.3d \_\_\_ (Ind. App. 2016), the Court of Appeals issued an opinion regarding the City of Indianapolis' recycling contract with Covanta, that could impact operating and fuel costs in the future. She stated that through discovery and discussion with Petitioner's personnel, the OUCC ascertained that the opinion will not impact the proceedings in this case.

Based upon the evidence of record, we find Petitioner's proposed fuel cost adjustment factor of \$0.47001 per therm should be approved and be in effect commencing with the May 1, 2016 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 Energy Division of the Commission.

**6. Natural Gas Pricing.** Mr. Purdue testified that natural gas pricing for this FAC period of May through July 2016, is based on the SNL Financial Gas Chicago futures pricing, as published on January 29, 2016. Mr. Purdue stated further that the months of May through July 2016, will be projected based on the market-based commodity pricing, as shown in the SNL Daily Gas Report and hedged gas purchases. Mr. Purdue testified that the financial hedges are in place for this FAC period with 50% hedged for May, 34.78% for June, and 40% for July. He noted that these percentages can change based on the actual amount of gas that is purchased for each month.

**7. Perry K Steam Plant.** Mr. Purdue testified that the term of the current rail lease agreement has been extended to August 31, 2016, which will provide Petitioner additional time to work with CSX to meet the requirements for terminating the lease. He stated that the physical assessment of the property has been completed by a third party vendor. Mr. Purdue testified that the negotiation process with CSX is moving slowly and that Citizens does not expect any resolution of the issues until the second quarter of 2016.

**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 Energy 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	\$ 373.16
OUCG Charges	\$ 554.67
Legal Advertising Charges	\$ <u>46.40</u>
TOTAL	\$ 974.23

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

**STEPHAN, HUSTON, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:**

**APPROVED:**

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

  
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**Mary Becerra**  
**Secretary of the Commission**