

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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JLG

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, D/B/A CITIZENS)
GAS & COKE UTILITY FOR (1))
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR GAS UTILITY)
SERVICE AND APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES)
APPLICABLE THERETO, (2) AUTHORITY,)
TO THE EXTENT NECESSARY AS AN)
ALTERNATIVE REGULATORY PLAN, TO)
RECOVER THE GAS COST COMPONENT)
OF ITS NET WRITE-OFFS IN ITS GAS)
COST ADJUSTMENT FILINGS, (3))
AUTHORITY PURSUANT TO 170 IAC 5-1-)
27(F) FOR A NON-GAS COST REVENUE)
TEST TO DETERMINE WHEN DEPOSITS)
ARE REQUIRED FOR EXTENSION OF)
FACILITIES, (4) APPROVAL OF OTHER)
CHANGES TO ITS GENERAL TERMS AND)
CONDITIONS FOR GAS SERVICE, AND (5))
APPROVAL OF NEW DEPRECIATION)
ACCRUAL RATES)

CAUSE NO. 43463

APPROVED: SEP 17 2008

BY THE COMMISSION:
Gregory D. Server, Commissioner
William G. Divine, Administrative Law Judge
Angela Rapp Weber, Administrative Law Judge

On March 18, 2008, 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 & Coke Utility ("Petitioner" or "Citizens") filed its Verified Petition ("Petition") with the Indiana Utility Regulatory Commission ("Commission") seeking: (i) authority to increase its rates and charges for gas utility service rendered by it and approval of a new schedule of rates and charges applicable thereto; (ii) authority, to the extent necessary as an alternative regulatory plan ("ARP"), to track the gas cost component of its net write-offs in its gas cost adjustment ("GCA") filings; (iii) authority pursuant to 170 IAC 5-1-27(F) for a non-gas cost revenue test to determine when deposits are required for extension of facilities; (iv) approval of certain other changes to its general terms and conditions for gas service; and (v) approval of new depreciation

accrual rates.

On March 18 and 19, 2008, Petitioner filed the direct testimony and exhibits of its witnesses Carey B. Lykins, John R. Brehm, LaTona S. Prentice, Christopher H. Braun and Donald J. Clayton. Petitioner filed the testimony and exhibits of its witnesses Craig A. Jones and Russell A. Feingold on March 28, 2008.

On April 10, 2008, the Citizens Industrial Group ("CIG"), which includes Rolls-Royce Corporation and National Starch & Chemical Company, filed a Petition to Intervene in this proceeding. Vertellus Specialties, Inc. was subsequently added as a member of the CIG.

In accordance with 170 IAC 1-1.1-15 and pursuant to proper notice given as provided by law, a Prehearing Conference and Preliminary Hearing was commenced on April 14, 2008, at 9:30 A.M., E.D.T., in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. Proof of publication of notice of the Prehearing Conference was incorporated into the record and placed in the official files of the Commission. Counsel for Petitioner, the Indiana Office of Utility Consumer Counselor ("OUCC") and CIG (collectively, the "Parties") appeared and participated in the Prehearing Conference. During the Prehearing Conference, the Commission granted CIG's Petition to Intervene on the record. On April 23, 2008, the Commission issued a Prehearing Conference Order, which set forth certain determinations with respect to the conduct of this Cause based upon the stipulations of the Parties at the Prehearing Conference, including prefiling deadlines, a scheduled date for a settlement hearing, and dates by which the Parties were to file a settlement agreement or alternatively submit a status report on the progress of their settlement discussions. Absent a settlement, the Prehearing Conference Order established a date for an Evidentiary Hearing.

On June 2, 2008, at 6:00 P.M. E.D.T., the Commission held a public field hearing in Room 222, National City Center, 101 West Washington Street, Indianapolis, Indiana for the purpose of receiving testimony from the general public. No members of the general public testified at the field hearing.

Citizens filed its "Updates and Corrections to Pre-filed Case-in-Chief" on July 1, 2008. Petitioner updated and corrected portions of the prepared testimony and exhibits of LaTona S. Prentice and John R. Brehm to, among other things, reflect that Citizens issued three new series of Gas Utility Distribution System ("GUDS") bonds (the Series 2008 A and B and Series 2008C bonds) in April and June 2008 in order to refinance its outstanding Series 2001 and Series 2003A GUDS bonds. The refinancing reduced Citizens' proposed revenue requirement for debt service and its overall revenue requirements.

In accordance with the terms of the Prehearing Conference Order, the Parties filed a Joint Report on Status of Settlement Negotiations ("Joint Report") with the Commission on July 7, 2008. The Joint Report indicated that all issues remained in dispute. The Parties further requested in the Joint Report that the settlement hearing

scheduled for July 18, 2008 be vacated and a second status report be filed on or before July 29, 2008.

By docket entry dated July 9, 2008, the Presiding Officers denied the Parties' request to vacate the July 18, 2008 settlement hearing. Instead, the Presiding Officers directed that the July 18, 2008 hearing be used by the Parties to further advise the Commission regarding the status and progress of settlement negotiations. The docket entry further ordered the Parties to file a second status report on or before July 16, 2008, outlining: (i) the issues that had been resolved by the Parties; (ii) the issues that remained in dispute; and (iii) the status of the negotiations regarding the disputed issues and a timeframe for possible resolution of those issues.

In accordance with the July 9, 2008 docket entry, the Parties filed their Second Joint Report on Status of Settlement Negotiations ("Second Joint Report") on July 16, 2008, indicating that certain issues had been resolved "subject to their incorporation into a mutually acceptable Stipulation and Settlement Agreement." The Second Joint Report stated that the Parties were still attempting to reach agreement with respect to: (i) the amount of the necessary adjustment to Citizens' rates and charges for gas utility service in order to meet the requirements for reasonable and just rates and charges for service set forth in Ind. Code § 8-1.5-3-8; (ii) the manner in which the agreed-upon increase in Citizens' operating revenues should be allocated among the respective customer classes; and (iii) Citizens' request for approval of revisions to its depreciation accrual rates for gas utility plant in accordance with the study sponsored by Donald J. Clayton.

On July 18, 2008, the Parties appeared before the Commission and reported on the status of negotiations as well as related procedural matters. On July 18, 2008, based on a report of a continuing prospect for settlement among the Parties, the Presiding Officers extended the deadline for the Parties to file a settlement agreement along with supporting evidence to August 5, 2008, and continued the settlement hearing to August 13, 2008.

On July 22, 2008, the Parties filed a Joint Motion for Extension of Time for Filing Testimony (the "Joint Motion"). The Joint Motion indicated that the "Parties have continued to discuss the settlement of remaining issues and believe prospects for a settlement will be enhanced by a brief extension of the due dates for the filing of the remaining testimony and exhibits." The Presiding Officers granted the Parties' Joint Motion by docket entry on July 24, 2008.

On July 30th and August 5th, 2008, the Parties jointly filed additional motions requesting the Commission to further modify the procedural schedule in order to allow them to continue settlement negotiations and finalize the terms of a settlement agreement. The Presiding Officers granted the Parties' motions by docket entries dated August 1, 2008 and August 11, 2008. In the August 11, 2008 Docket Entry, the Presiding Officers extended the deadline for the Parties to file a settlement agreement along with supporting evidence to August 15, 2008, and continued the settlement hearing to August 25, 2008.

On August 14, 2008, the Parties filed a "Stipulation and Settlement Agreement" (the "Settlement Agreement") with the Commission. A copy of the Settlement Agreement is attached hereto. Citizens filed the supplemental testimony and exhibits of LaTona S. Prentice and Craig A. Jones in support of the Settlement Agreement on August 15, 2008. Also, on August 15, 2008, the OUCC filed the testimony of Greg A. Foster, C.P.A. and Michael J. McFadden in support of the Settlement Agreement. On the same day, CIG filed the testimony and exhibits of Nicholas Phillips, Jr. in support of the Settlement Agreement.

Pursuant to proper notice given as provided by law, an evidentiary hearing for settlement purposes was commenced on August 25, 2008, at 1:00 P.M., E.D.T., in Commission Hearing Room No. 224, National City Center, 101 West Washington Street, Indianapolis, Indiana 46204. Petitioner, the OUCC and CIG participated in the hearing. No members of the general public appeared. Citizens' direct testimony and exhibits, including the updates and corrections to its case-in-chief were offered and admitted into evidence without objection. The Parties offered into evidence Joint Exhibits 1 through 3, consisting of the Settlement Agreement and supporting exhibits attached thereto. The testimony and exhibits of Citizens, the OUCC and CIG in support of the Settlement Agreement were also offered and admitted into evidence.

Based upon the applicable law, the evidence presented herein, and being duly advised, the Commission now finds:

1. **Legal Notice and Commission Jurisdiction.** Due, legal and timely notice of the filing of the Petition in this Cause was published by Petitioner, as required by law. Legal notice of the filing for approval of an ARP was published by Petitioner in accordance with Ind. Code § 8-1-2.5-6. Due, legal and timely notice of the public hearings conducted in this Cause was caused to be published by the Commission.

Petitioner operates a gas utility and, pursuant to Ind. Code § 8-1-11.1-3(c)(9) and Ind. Code § 8-1.5-3-8, is required to obtain Commission approval of changes in its schedule of rates and charges and terms and conditions for gas service. Petitioner is a "municipally owned utility" within the meaning of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. The Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Organization and Business.** Petitioner is engaged in the business of providing gas service to the public as 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 & Coke Utility. Its principal office is at 2020 North Meridian Street, Indianapolis. Petitioner distributes natural gas to the public, and provides gas delivery services to its eligible customers. As of September 30, 2007, Petitioner provided gas service to approximately 258,974 residential, commercial and industrial customers in and around Marion County, Indiana.

Petitioner provides gas service to its customers by means of gas utility plant, properties, equipment and facilities owned, operated, managed and controlled by it, which are used and useful for the convenience of the public. Petitioner's gas plant includes, without limitation, transmission, distribution and liquefied natural gas ("LNG") storage facilities. Petitioner also owns underground natural gas storage facilities in Greene County, Indiana.

3. **Test Year.** In accordance with the Prehearing Conference Order, the twelve (12) month period ended September 30, 2007, was the test year used in this Cause to determine Petitioner's actual and pro forma operating revenues, expenses and operating income under its present rates and charges and the effect of its proposed rates. We find the September 30, 2007 test year, as adjusted, is sufficiently representative of Petitioner's normal utility operations to provide reliable data for ratemaking purposes.

4. **Relief Requested.**

a. **Base Rate Relief.** On October 23, 2006, Petitioner placed into effect a schedule of rates and charges designed to recover the revenue requirements the Commission approved in its October 19, 2006 Order in Cause No. 42767, based on a test year ending September 30, 2004. On March 5, 2007, Petitioner, the OUCC and CIG filed a settlement agreement in Cause No. 42767, which resolved certain issues that were pending on rehearing and appeal of the October 19, 2006 Order. The Commission approved the terms of that settlement agreement by Order dated August 29, 2007. Petitioner filed its compliance rates and charges in accordance with said Order on August 31, 2007, and those rates and charges were placed into effect on September 1, 2007.

In the Petition in this proceeding, Citizens asserted that its rates and charges for gas service, as originally approved by the Commission in Cause No. 42767, and thereafter modified by the Order dated August 29, 2007, result in the collection of revenues that do not meet the requirements of reasonable and just rates and charges set forth in Ind. Code § 8-1.5-3-8. (Petition ¶ 10.) In its case-in-chief (as updated), Petitioner sought approval from the Commission to increase its rates and charges to generate additional annual operating revenues of \$18,916,633, representing a 4.3% percent overall increase in its pro forma operating revenues. (See Joint Settlement Exhibit 2.) Petitioner further proposed that its requested increase in operating revenues be recovered from customer classes based upon the results of its cost-of-service study.

b. **Recovery of Gas Cost Component of Net Write-offs in GCA Filings.** Petitioner sought authority, to the extent necessary as an ARP under Ind. Code § 8-1-2.5-6, to track the gas cost component of its net write-offs in its GCA filings. Specifically, Citizens proposed to continue to recover through its base rates, the non-gas cost component of net write-offs at a fixed ratio of 0.80% of gas sales revenue; but requested Commission authorization to recover in its quarterly GCA filings the gas cost component of net write-offs at a fixed ratio of 0.80% of total gas costs. (Petition ¶ 12.)

c. Tariff Revisions. Citizens proposed a number of revisions to its tariffs and terms and conditions for gas service. Among other changes, Citizens requested that the Commission approve a change in the test for determining when a deposit is required for an extension of its gas facilities, pursuant to 170 IAC 5-1-27(F), from three years of total revenue to 5½ years of non-gas cost revenue. (Petition ¶ 13.)

d. New Depreciation Accrual Rates. Petitioner presented a depreciation study as part of its case-in-chief. Petitioner requested that the Commission approve revisions to its depreciation accrual rates for its gas utility plant in accordance with the results of that study. (Petition ¶ 17.)

5. Applicable Law. Indiana Code § 8-1.5-3-8 establishes the revenue requirement elements that this Commission must apply in determining reasonable and just rates and charges for a municipally owned utility. These elements are:

(a) legal and other necessary expenses incident to the operation of the utility, including: maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases;

(b) a sinking fund for the liquidation of bonds or other obligations, including leases;

(c) a debt service reserve for bonds or other obligations;

(d) adequate money for working capital;

(e) adequate money for making extensions and replacements to the extent not provided for through depreciation expense; and

(f) money for the payment of any taxes that may be assessed against the utility.

It is the intention of Ind. Code § 8-1.5-3-8 that rates and charges produce an income sufficient to maintain a municipally owned utility's property in a sound physical and financial condition to render adequate and efficient service. Rates and charges that are too low to meet the foregoing requirements are unlawful.

6. Petitioner's Case-in-Chief Evidence. Citizens' President and Chief Executive Officer, Carey B. Lykins, explained that the Board of Directors for Utilities is the governing body for the Department of Public Utilities of the City of Indianapolis. He described the Board's governance and stated its powers are set forth in Ind. Code § 8-1-11.1-3. Pursuant to those statutory powers, the Board owns and operates the municipal gas utility that is the Petitioner in this proceeding. (See, Pet. Ex. CBL at 4-10.)

Mr. Lykins testified that Citizens “continually strive[s] to reduce non-commodity costs (such as the cost of operating and maintaining the gas distribution system) and at the same time improve customer service and efficiency.” (*Id.* at 12.) However, according to Mr. Lykins, “the utility’s current rates simply are not producing the revenues we believe are needed for [Citizens] to pay all the expenses of operating the utility and maintain its utility property in a sound physical and financial condition to render adequate and efficient service.” (*Id.* at 19.) Mr. Lykins stated that “[i]n the three years since the revenue requirement established in the last rate case was developed, the overall costs incurred to operate and maintain the utility have risen.” (*Id.*) As a result, Mr. Lykins testified “[i]t has become increasingly difficult for [Citizens] to maintain the high credit ratings it has historically enjoyed,” noting that both Standard & Poor’s Ratings Services (“S&P”) and Moody’s Investor Service (“Moody’s”) recently lowered their rating on the utility’s bonds. (*Id.* at 20.)

Citizens’ Senior Vice President and Chief Financial Officer, John R. Brehm, described and provided support for Citizens’ pro forma revenue requirement for debt service, as well as the amount of its pro forma interest income. (*See* Pet. Ex. JRB Revised.) Mr. Brehm also sponsored the proposed test year allocation of Corporate Support Services costs. (*Id.* at 31-43.) Mr. Brehm discussed Citizens’ issuance of three new series of GUDS bonds in order to refinance its outstanding Series 2001 and Series 2003A GUDS bonds, and the resulting impact on Citizens’ debt service revenue requirement. (*See generally Id.* at 12-20.) Mr. Brehm stated that as part of the refunding of the Series 2001 and Series 2003A GUDS bonds, S&P reconsidered its downgrade of Citizens’ credit rating and restored the previous A+ rating. (*Id.* at 28.) Mr. Brehm stated that the Commission’s approval in 2007 of the Normal Temperature Adjustment and Energy Efficiency Adjustment (decoupling), the improved cash flows Citizens experienced in fiscal year 2007 and projected further improvement following this rate case were listed as credit strengths in S&P’s ratings report. (*Id.*) Moody’s, however, did not restore Citizens’ previous credit rating. (*Id.*) Mr. Brehm testified that Citizens’ “pro forma debt service coverage ratio at present rates moves precariously toward the 1.0 level, which is an outcome that must be reversed for [Petitioner] to be able to sustain its current credit rating as our credit rating was cut the last time we fell below a debt service coverage ratio of 1.0.” (*Id.* at 29.) Mr. Brehm explained that while the proposed rate increase is designed to produce only the revenues sufficient for Petitioner to fund the cash revenue requirement formula set forth in the municipal ratemaking statute, it mathematically will result in a debt service coverage ratio that will be viewed favorably by the rating agencies. (*Id.* at 30-31.)

Citizens’ Executive Director of Regulatory Affairs, LaTona S. Prentice, described Petitioner’s overall revenue requirements. (*See* Pet. Ex. LSP.) Ms. Prentice discussed the underlying adjustments to Citizens’ financial results for the test year ended September 30, 2007. (*Id.*) Ms. Prentice sponsored Petitioner’s Exhibit LSP-1 (Revised), which included schedules showing Citizens’ proposed pro forma revenue requirements and computations of pro forma adjustments.

Ms. Prentice also described and provided support for Citizens' proposal to recover in its quarterly GCA filings the gas cost component of net write-offs at a fixed ratio of 0.80% of total gas costs. (*Id.* at 25-35.) Ms. Prentice stated that including the entire write-off cost in base rates does not sufficiently allow Petitioner to recover gas cost write-offs. (*Id.* at 27.) Ms. Prentice noted that "increased gas prices and gas price volatility, brief periods of cold weather that increased customer gas consumption, and a decline in the local economy combined to result in net write-offs from 2001 to 2006 that were significantly higher than the amount of bad debt expense allowed in Citizens' base rates that were in effect at the time." Conversely, Ms. Prentice testified that the actual net write-offs in 2007 were significantly lower than the recoverable bad debt expense allowed in Citizens' most recent rate case, Cause No. 42767. (*Id.* at 29.)

Ms. Prentice also testified regarding Citizens' proposal to modify the test for determining when a deposit is required for an extension of its gas facilities from three years of total revenue to 5½ years of non-gas cost revenue. (*Id.* at 36-40.) Ms. Prentice stated that the proposed change would allow Citizens "the opportunity to recover the expenses it incurs to extend such facility within a more reasonable period of time and prevent the subsidization of new customers by current customers." (*Id.* at 40.)

Christopher H. Braun, Citizens' General Manager of Gas Operations, testified in support of Petitioner's proposed revenue requirement for extensions and replacements ("E&R"). (Pet. Ex. CHB.) Mr. Braun also described efforts made by Petitioner to reduce costs and improve operational efficiency, including its participation in the American Gas Association's Operations Best Practices Benchmarking Program. (*Id.* at 19-27.)

Citizens' Manager - Rates and Regulatory Affairs, Craig A. Jones, sponsored and provided support for Petitioner's proposed cost-of-service study and rate design. Mr. Jones stated the allocation methodology used in Citizens' cost-of-service study is substantially the same as the cost-of-service study performed by Citizens in Cause No. 42767. (Pet. Ex. CAJ at 8.) Mr. Jones stated that Citizens made a few adjustments to the cost-of-service study filed in the previous case, which include: (i) adding the new High Load class and eliminating the Non-Metered Gas Light class; (ii) directly assigning certain costs to the High Load class; (iii) adding a 13% customer component to the distribution main allocations; and (iv) including a shift of seasonally allocated costs for the High Load class to recognize customers who have opted-out of banking service. (*Id.* at 19.)

Mr. Jones noted that Citizens was proposing a 50% subsidy/excess revenue reduction be applied to the Residential Domestic, Compressed Natural Gas ("CNG") and High Load classes. (*Id.* at 17-18.) Mr. Jones stated that, in his opinion, "it is appropriate to reduce the impact of the rate increases to the Residential [Non-Heat], CNG and High Load classes in this case following the principle of gradualism." (*Id.* at 17.) Mr. Jones stated that if rates were based on the results of Citizens' cost-of-service study, without applying the principal of "gradualism" to "reduce the impact of the rate increases" to certain customer classes, the rates of the Residential Non-Heat customer class would be

increased approximately 20% and the High Load class would require an approximate 83% increase in rates. (*Id.* at 15-16.)

Mr. Jones also described certain proposed changes to Petitioner's terms and conditions for gas service. (*See*, Pet. Ex. CAJ.) Petitioner's proposed changes to its terms and conditions for gas service were depicted in red-line and clean format as Exhibits CAJ-11 and CAJ-12 to Mr. Jones' testimony.

Russell A. Feingold, a consultant with Black & Veatch Corporation, testified regarding industry-wide trends related to the preparation of allocated cost-of-service studies for gas and electric utilities. (*See*, Pet. Ex. RAF.) Mr. Feingold opined that the use of an 80% throughput and 20% peak day cost allocation methodology, as was accepted in the Commission's October 19, 2006 Order in Cause No. 42767, to assign the cost of distribution mains to a utility's classes of service is an inappropriate approach that creates unreasonable results. (*Id.* at 4.) Mr. Feingold stated that, in his experience, it is widely accepted that distribution mains are installed to meet both system peak period load requirements and to connect customers to the gas utility's system. (*Id.* at 23.) Therefore, according to Mr. Feingold, to ensure that the rate classes that cause the incurrence of this plant investment or expense are properly charged with their cost, distribution mains should be allocated to the rate classes in proportion to their peak period load requirements and numbers of customers. (*Id.*)

Donald J. Clayton, a consultant with Tangibl, LLC sponsored a depreciation study and the resulting proposed depreciation rates on behalf of Citizens. (*See*, Pet. Exs. DJC and DJC-1.) Mr. Clayton testified that Citizens' existing depreciation rates are outdated. (*Id.* at 19.) Mr. Clayton stated that he used the straight line remaining life method of depreciation in performing his depreciation study, and that he followed generally accepted practices in the field of depreciation in performing the study. (*Id.* at 5-7.)

7. The Settlement Agreement. On August 14, 2008, the Parties filed a Settlement Agreement resolving each of the issues raised in the Petition and Petitioner's pre-filed testimony and exhibits. The following summarizes the terms of the Settlement Agreement:

a. **Base Rate Relief.** The Settlement Agreement provides that Petitioner's pro forma operating revenues should be increased so as to produce additional operating revenues of \$16,500,000, and total pro forma operating revenues of \$459,892,884, representing a 3.7% increase in operating revenues. (Settlement Agreement ¶ 4.) The Parties' agreement with respect to Citizens' annual revenue requirements is summarized below:

Gas Costs	\$326,608,969
Operation and Maintenance Expense	\$40,702,569
General and Administrative Expense	\$34,690,587
Extensions and Replacements	\$23,994,628
Debt Service	\$26,375,886
Taxes	<u>\$7,157,245</u>
Revenue Requirement	\$459,529,884
Plus: Utility Receipts Tax (1.4% of increase)	\$231,000
Incremental Net-Write-Off Non-Gas Costs	\$132,000
Net Revenue Requirement	\$459,892,884
Pro Forma Revenues	<u>\$443,392,884</u>
Deficit	\$16,500,000
Percent Increase Required	3.7%

(*Id.* ¶ 3.)

b. Cost-of-service and Rate Design. The Parties agreed that Citizens' rates should be designed in order to allocate revenue requirements between and among the classes of Petitioner's customers in a fair and reasonable manner consistent with cost-causation principles. (*Id.* ¶ 5.) The Parties also recognized that a variety of methods have been utilized to determine cost allocation by rate class. (*Id.*) Absent their entering into the Settlement Agreement, each of the Parties was prepared to present cost-of-service evidence utilizing different methodologies, which would have supported a range of possible outcomes with respect to cost allocation. (*Id.*)

The Parties agreed to a cost allocation that they believe "yields just and reasonable rates." (*Id.* ¶ 9.) The Settlement Agreement states that, while no Party acquiesced to a particular methodology for determining cost of service or rate design, the agreed-upon cost allocation is "consistent with the range of potential cost-of-service determinations by the Commission in the event of a contested hearing." (*Id.* ¶ 7.)

c. Recovery of Gas Cost Component of Net Write-off in GCA filings. The Parties agreed the Commission should authorize Citizens to recover in its GCA the gas cost component of net write-off costs at a fixed net write-off ratio of 0.80%. (Settlement Agreement ¶ 13.) No gas costs associated with net write-off costs will be included in base rates. (*Id.*) The margin (*i.e.*, non-gas cost) component of net write-off costs will continue to be recovered through base rates at the same ratio of 0.80%. (*Id.*) The Settlement Agreement states that the agreed-upon methodology provides an incentive for Citizens to continue to diligently manage its bad debt expense, while ensuring that customers pay bad debt gas costs at the fixed net write-off ratio of 0.80%. (*Id.*)

d. Terms and Conditions for Service. The Parties agreed that pursuant to 170 IAC 5-1-27(F), the Commission should approve Citizens' proposed revisions to paragraph 3.6 of its General Terms and Conditions for Gas Service to modify the test for determining when a deposit is required for an extension of gas facilities from three years of total revenue to 5½ years of non-gas cost revenue (*i.e.*, excluding gas costs recovered through the quarterly GCA mechanism). (*Id.* ¶ 15.) The Parties also agreed that the miscellaneous revisions to Citizens' Terms and Conditions for Gas Service described by Citizens' witness Jones are "nondiscriminatory, reasonable, and just," and should be approved by the Commission. (*Id.* ¶ 16.) Among other items, those revisions include changes to the monthly facility charges to the D1 and D2 rate classes, an increase in the AMR charge and the addition of Gas Rate S4 regarding Company Use and Unaccounted for Gas. (*Id.*)

e. Benchmarking. The Settlement Agreement indicates that based on general research the OUCC has conducted and information received from utility industry professionals, the OUCC is interested in benchmarking analyses of regulated Indiana utilities using statistical benchmarking. (*Id.* ¶ 17.) The Settlement Agreement further states that during settlement negotiations, the OUCC raised with Citizens the possibility of engaging a consultant to benchmark performance measurements using statistical benchmarking. (*Id.* ¶ 18.) Citizens has experience using more traditional methods of benchmarking and Citizens agreed to participate in a pilot statistical benchmarking study in order to assist the OUCC in evaluating the value of statistical benchmarking as a tool that might be used by the OUCC, Citizens and other Indiana utilities. (*Id.*)

The Parties, therefore, agreed that through a collaborative process, the OUCC and Citizens will use good faith efforts to reach a consensus regarding the specifications for the performance of a pilot benchmarking study, including the scope of such a study and a list of qualified consultants to perform the study. (*Id.*) The OUCC and Citizens then will prepare a Request for Proposal ("RFP"). (*Id.* ¶ 19.) Based on good faith consideration of the RFP responses, the OUCC and Citizens will endeavor to reach a unanimous consensus regarding an acceptable independent third party consultant for the purpose of conducting the pilot study that benchmarks Citizens' gas operations area against certain peer group utilities. (*Id.*) If the OUCC and Citizens are unable to agree upon the specifications for the performance of the study, or the contractor, each party may submit their respective proposal to the Commission for determination. (*Id.*)

Citizens will enter into a contract with an independent third party consultant for a pilot benchmarking study within thirty days after that consultant has been chosen. (*Id.*) Citizens agreed to pay the entire cost of the pilot benchmarking study, provided the total cost of the study does not exceed \$125,000 and the Commission authorizes Citizens to defer one-half of the cost of the pilot benchmarking study for subsequent recovery through Citizens' rates and charges in Citizens' next base rate case. (*Id.* ¶ 20.)

Any proprietary data and the results of the study will be shared with the OUCC and CIG pursuant to the terms of a confidentiality agreement. Citizens also agreed to file the results of the pilot benchmarking study with the Commission, within thirty days after

Citizens receives the results, pursuant to appropriate confidentiality requirements. (*Id.*) The results of the pilot benchmarking study may not be used in any regulatory proceeding without the other Parties' prior written consent. (*Id.*)

f. New Depreciation Accrual Rates. The Parties agreed that the Commission should approve the proposed revisions to Citizens' depreciation accrual rates for its gas utility plant in accordance with the results of the depreciation study sponsored by Mr. Clayton. (*Id.* ¶ 12.) The Settlement Agreement further provides that Citizens should be authorized to adopt and use the revised depreciation rates set forth in the depreciation study. (*Id.*)

g. Other Provisions. The Parties agreed to request Commission acceptance and approval of their Settlement Agreement in its entirety, and without modification or further condition that may be unacceptable to any Party. (*Id.* ¶ 26.) The Settlement Agreement further provides that it shall have a non-precedential effect and does not constitute an admission by any Party in any other proceeding except as necessary to enforce its terms. (*Id.* ¶ 21.) The Settlement Agreement also states that it is without prejudice to and will not constitute a waiver of any position that a Party may take in future proceedings. (*Id.* ¶ 22.)

8. Evidence in Support of the Settlement Agreement.

a. Citizens' Evidence in Support of the Settlement Agreement. Petitioner's witness Prentice testified that the Settlement Agreement is the product of negotiations occurring both before and after Citizens filed its prepared testimony and exhibits. (Petitioner's Settlement Exhibit 1 at 2.) Ms. Prentice summarized the proposed adjustments to the revenue requirements set forth in Citizens' case-in-chief, which resulted in the agreed-upon 3.7% increase in pro forma operating revenues. Ms. Prentice noted that Citizens' proposed annual revenue requirements for the cost of gas, debt service, E&R and taxes were not changed. (*Id.* at 5.) Ms. Prentice stated that the most significant adjustments were made to the proposed revenue requirements for operations and maintenance expenses and general and administrative expenses. (*Id.*) In both instances, Ms. Prentice stated that the resulting revenue requirement is a result of arms length negotiations of the Parties' differing positions. (*Id.*) Ms. Prentice stated that, in her opinion, the rates and charges established under the terms of the Settlement Agreement constitute "reasonable and just rates and charges for service" and "will produce an income sufficient to satisfy the requirements of Ind. Code § 8-1.5-3-8." (*Id.* at 6.)

Ms. Prentice noted the Settlement Agreement incorporates other proposals Citizens made in its case-in-chief. For instance, the Parties agreed to the revisions to Citizens' depreciation accrual rates set forth in the depreciation study prepared by Gannett Fleming and described by Petitioner's witness Clayton. (*Id.*) Ms. Prentice testified that, in her opinion, the proposed depreciation accrual rates were well supported by the evidence and should be approved as consistent with the public interest. (*Id.* at 7.) Ms. Prentice noted that the proposed depreciation accrual rates were prepared by Mr.

Clayton using the same methodology and as part of the same depreciation study by which he developed the depreciation accrual rates for Citizens Thermal Energy, that were approved by the Commission in Cause No. 43201 (Order approved Oct. 30, 2007). (*Id.*)

Ms. Prentice also testified that, in her opinion, the terms of the Settlement Agreement relating to the recovery of the gas cost component of net write-offs in the GCA is in the public interest. (*Id.* at 8.) Ms. Prentice stated Commission approval of the net write-off recovery mechanism will eliminate a significant financial risk for both Citizens and its customers and better align Citizens' actual net write-offs with the revenues required to cover that expense. (*Id.*) Ms. Prentice explained that when net write-offs (which in large part are made up of the cost of gas) are significantly higher than the expense authorized for recovery in base rates, Citizens is unable to recover its actual cost of gas as permitted under Ind. Code § 8-1-2-42(g). She also explained, in the alternative, that "in the event the natural gas market stabilizes and gas prices drop, the traditional ratemaking method would cause Citizens to recover from customers net write-offs in excess of those actually experienced, which was the case in 2007." (*Id.*)

Ms. Prentice also testified that the Parties' agreement to modify the test used to determine when a deposit is required for an extension of its gas facilities from 3 years of total revenue to 5½ years of non-gas cost revenue is in the public interest. (*Id.* at 9-10.) Ms. Prentice stated under the existing three-year total revenue test, Citizens may be required to divert cash flow to pay for facility extensions that hold no promise of yielding any return for many years to come. (*Id.* at 9.) Ms. Prentice stated the agreed-upon change should allow Citizens the opportunity to recover expenses it incurs to extend facilities within a more reasonable period of time and prevent the subsidization of new customers by current customers. (*Id.* at 10.)

Ms. Prentice also discussed Citizens' agreement to participate in a pilot benchmarking study. (*Id.* at 10-11.) Ms. Prentice stated: "Citizens' willingness to participate in a pilot statistical benchmarking study is for the purpose of assisting the OUCC in evaluating the value of statistical benchmarking as a tool that might be used by the OUCC, Citizens and other Indiana utilities." (*Id.* at 11.) Ms. Prentice concluded by recommending that the Commission approve the Settlement Agreement in its entirety as consistent with the public interest. (*Id.* at 12.)

Petitioner's witness Jones testified in support of the Parties' agreed-upon allocation of the revenue requirement increase among Citizens' customer classes. Mr. Jones explained that the Parties did not agree upon a particular methodology to allocate the agreed-upon revenue requirement increase among Citizens' customer classes. (Petitioner's Settlement Exhibit 4 at 2.) Mr. Jones further explained: "Rather, having considered the results of each of their individual cost-of-service studies, the Parties agreed to allocate the revenue requirement increase among the rate classes in a manner they believe is consistent with and may be properly supported under a variety of cost-of-service methodologies." (*Id.*) For instance, Mr. Jones stated the cost allocation set forth in the Settlement Agreement is consistent with Citizens' cost-of-service study, with

certain modifications made to the percentage reductions in subsidy/excess revenues applied in order to lessen the rate impact to certain classes of customers. (*Id.* at 7.)

In particular, Mr. Jones stated under the Settlement Agreement, the amount of the revenue requirement increase allocated to the Residential Non-Heat, Large Volume, CNG and High Load customer classes is less than it would have been under Citizens' cost-of-service study. (*Id.* at 5.) According to Mr. Jones, applying Citizens' cost-of-service methodology to the agreed-upon revenue requirements would have resulted in approximate 58% and 71% rate increases to the base rates for the Large Volume and High Load customer classes, without including the imputed cost of gas. (*Id.* at 4.) The increase to the base rates of Residential Non-Heat and CNG customers would have been approximately 41% and 386%, respectively, without including the imputed cost of gas. (*Id.*)

Mr. Jones noted the principle of "gradualism" embodied in the Settlement Agreement was applied by the Commission in its August 29, 2007 Order on Rehearing in Citizens' last rate case. (*Id.* at 5.) Mr. Jones noted that under the Settlement Agreement, the increases to the Residential Heat, General Non-Heat and General Heat classes are still below the system average of 14.13% (without including the cost of gas). (*Id.* at 6.) In contrast, under Citizens' cost-of-service approach, the Residential Non-Heat, Large Volume and High Load customer classes would have faced increases approximately 3, 4 and 5 times the system average, respectively. (*Id.*)

Mr. Jones also testified in support of certain miscellaneous revisions to Citizens' tariffs and general terms and conditions for gas service that the Parties agreed to in the Settlement Agreement. (*Id.* at 8-10.) Redline and clean copies of revised tariff sheets and Citizens' general terms and conditions for gas service were attached to Mr. Jones' supplemental testimony as Petitioner's Settlement Exhibits 6 and 7, respectively. Mr. Jones also recommended that the Commission approve the Settlement Agreement in its entirety as consistent with the public interest. (*Id.* at 11.)

b. OUCC Evidence in Support of the Settlement Agreement. OUCC Utility Analyst, Greg A. Foster, C.P.A., testified that he "support[s] approval of the Settlement Agreement." (Public Ex. GAF at 2.) Mr. Foster stated the Settlement Agreement provides for new base rates designed to produce additional utility operating revenue of \$16.5 million, which Mr. Foster stated "is substantially lower than the \$18.9 million (revised) amount in the original Petition." (*Id.*) Mr. Foster conducted an extensive review of Citizens' case-in-chief, work papers, books, records, invoices, financial statements and a variety of other materials. (*Id.* at 3.) Based on that review, Mr. Foster believes the Settlement Agreement is in the public interest and "represents a reasonable resolution among the Parties on many disputed issues including revenue requirements and cost-of-service issues." (*Id.*)

Mr. Foster further testified that, as part of the Settlement Agreement, the Parties agreed to a pilot statistical benchmarking study to be performed by an outside consultant. (*Id.* at 4.) Mr. Foster explained that Citizens and the OUCC agreed to engage in "a

collaborative process to determine the scope of the study, and the independent third party consultant to perform the study.” (*Id.*) Mr. Foster stated, “[t]o my knowledge this will be the first statistical benchmarking study shared with the OUCC on the performance of an Indiana utility and holds promise of being used for other Indiana utilities.” (*Id.*)

OUCC witness Michael J. McFadden, a consultant with McFadden Consulting Group, Inc., also testified in support of the Parties’ agreed-upon allocation of the revenue requirement increase among Citizens’ customer classes. (Public Ex. MJM.) Mr. McFadden prepared three cost allocation studies. Mr. McFadden noted that Citizens’ cost-of-service study “has an allocation of the costs associated with distribution system mains as being customer related and allocated those costs to the various customer classes based on number of meters.” (*Id.* at 15.) In performing his cost-of-service studies, Mr. McFadden removed this allocation. (*Id.*) Mr. McFadden’s three studies alternatively show the impact of: (i) eliminating the allocation of any costs associated with the distribution mains based on number of meters; (ii) allocating 20% of capacity related costs on demand and 80% on annual deliveries; and (iii) allocating 50% of capacity related costs on demand and 50% on annual deliveries. (*Id.* at 19.)

Mr. McFadden stated that he believes “the most appropriate cost allocation methodology is one based on allocating 50% of capacity related costs on demand and 50% on annual deliveries.” (*Id.* at 24.) He noted, however, that “[m]oving to the 50/50 approach in one step may create rate shock for several of the customer classes.” (*Id.*) According to Mr. McFadden, applying the 50/50 approach to the agreed-upon revenue requirements, would result in increases to the Residential Non-Heat, Large Volume and High Load customer classes of 22.06%, 78.48% and 88.34%, respectively. (Public Ex. MJM-6). Mr. McFadden applied varying percentage reductions in subsidy/excess revenues to the results of his study in order to mitigate “rate shock” and generate the revenue requirement increases agreed upon in the Settlement Agreement. (Public Ex. MJM at 19.) Mr. McFadden recommended that “the Commission apply the concept of gradualism in this case” and approve “the rates contained in the Settlement Agreement.” (*Id.* at 24-25.)

c. CIG Evidence in Support of the Settlement Agreement. CIG witness Nicholas Phillips, Jr., a consultant with Brubaker & Associates, Inc., also recommended that the Commission approve the Settlement Agreement which, in his opinion, is “reasonable, consistent with appropriate ratemaking and in the public interest.” (CIG Ex. NP at 3.) Mr. Phillips stated prior to entering into the Settlement Agreement, “Both the OUCC and CIG were prepared to present testimony on Citizens’ revenue requirement and cost of service.” (*Id.* at 4-5.) According to Mr. Phillips, “[e]ach Party’s cost of service study used different allocation methodologies, and as a result recommended different percentage increases to each rate class.” (*Id.* at 5.) Mr. Phillips testified that “[t]he Settlement Agreement used these studies as a basis to determine a reasonable allocation of the revenue increase to the various classes of service.” (*Id.* at 6.)

Mr. Phillips testified that his “analysis differed from Citizens’ cost-of-service study in three major areas: 1) allocation of distribution and transmission mains; 2)

allocation of storage resources including LNG; and 3) determination of the peak day demand allocator.” (*Id.*) Mr. Phillips noted that the different methodologies used by the Parties to allocate distribution and transmission mains “move millions of dollars between the rate classes and make a significant impact on the [High Load] class particularly since it only has seven customers.” (*Id.* at 8.) Mr. Phillips’ proposed cost-of-service methodology resulted in an increase to the High Load class that was below the system average. (See CIG Ex. NP-1 and NP-2.) However, Mr. Phillips stated that “[t]he increase to each class which results from the Settlement Agreement falls within the range of the increases put forth by the three Parties’ respective cost-of-service studies in this proceeding.” (CIG Ex. NP at 10.) According to Mr. Phillips, the Settlement Agreement represents “a compromise based on the range of evidence which would have been presented if cost-of-service issues had been litigated.” (*Id.*) Mr. Phillips further noted that under the Settlement Agreement, the increase to the major classes of customers is no more than about twice the system average increase. (*Id.* at 11.)

9. Commission Discussion and Findings. Pursuant to the Commission’s procedural rules and prior determinations, a settlement agreement will not be approved by the Commission unless it is supported by probative evidence. 170 IAC 1-1.1-17. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). Any settlement agreement that is approved by the Commission “loses its status as a strictly private contract and takes on a public interest gloss.” (*Id.*) (quoting *Citizens Action Coalition v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406. Furthermore, any Commission decision, ruling or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d 790 at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code § 8-1.5-3-8, and that such agreement serves the public interest.

In this case, the Commission has before it a large body of evidence with which to judge the reasonableness of the terms of the Settlement Agreement, including the Parties’ agreement as to the level of annual operating revenues necessary to satisfy the “reasonable and just rates and charges for services” standard of Ind. Code § 8-1.5-3-8. Based upon our review of that evidence and consideration of the provisions in the Settlement Agreement and its exhibits, we find the Settlement Agreement is within the range of the possible outcomes based on our consideration of the evidence and represents a just and reasonable resolution of the issues in this Cause.

With respect to Petitioner’s annual revenue requirements, the Settlement Agreement provides for rate relief, which is less than that originally proposed by

Petitioner, but which both Citizens' and the OUCC's experts have deemed "reasonable." (See Public's Ex. GAF at 3; and Petitioner's Settlement Ex. 1 at 6.) Each of the revenue requirement elements constituting the agreed-to annual operating revenue amount was addressed in Citizens' prefiled testimony and exhibits, or in the Settlement Agreement and its exhibits. Therefore, the Commission has been able to examine the basis for all of the components of the total revenue requirements. We find the provisions of the Settlement Agreement regarding the proposed increase in Petitioner's operating revenues are reasonable for purposes of settlement and are amply supported by the evidence of record. Approval of the Settlement Agreement also eliminates the risks, uncertainty and consumption of time and resources of the Commission and the Parties that otherwise would be required in a fully litigated proceeding.

We further find that the Parties' Agreement with respect to the rates for each customer class is in the public interest. Each of the Parties has divergent views with respect to the proper methodology to be used to allocate the revenue requirement increase among Citizens' customer classes. However, the Parties agreed-upon increases to each class fall within the range of increases that may be supported by each of their respective cost-of-service studies, applying the principle of "gradualism" in a reasonable manner consistent with appropriate ratemaking methodology. We find the agreed allocation of the revenue requirements among customer classes and the ratemaking methodology used in this Cause to be consistent with prior Commission Orders.

If Citizens' or the OUCC's cost-of-service methodologies were used (without any percentage reductions in subsidy/excess revenues being applied), the High Load class would face an increase of approximately five times the system average. In Citizens' last rate case, we found that gradualism was appropriately applied where "the rate impact on one class of customers otherwise would be 4.3 times system average." Cause No. 42767 (Order on Reh'g approved Aug. 29, 2007) p. 19. On the other hand, if the CIG's cost-of-service methodology were used, the rate increase to the High Load class would be less than system average. Therefore, the revenue allocation provided for in the Settlement Agreement falls well within the range of the cost-of-service evidence presented by the Parties.

We further find that the terms of the Settlement Agreement relating to the recovery of the gas cost component of net write-offs in the GCA are in the public interest. Approval of the Settlement Agreement will eliminate a significant financial risk for both Citizens and its customers and better align Citizens' actual net write-offs with the revenues required to cover that expense.

We note that we have approved a similar mechanism in *Re Indiana Gas Company, Inc.*, Cause No. 43298 (approved Feb. 13, 2008). In that case, we were persuaded to approve the "GCA recovery approach provided for in the Settlement, [because] Petitioner will continue to have a financial incentive to minimize UAFG [unaccounted for gas] costs and bad debt expense." (*Id.* at 24.) Similarly, because the Settlement Agreement in this proceeding provides for the recovery of the gas cost component of net write-offs through the GCA at a fixed net write-off ratio of 0.80%, and

the margin component will continue to be recovered through base rates, Citizens will remain at risk for the margin component and for the level of the actual net write-off ratio and, therefore, will continue to have an incentive to diligently manage its bad debt expense.

We also find that the provisions of the Settlement Agreement relating to Citizens' modification of the test used to determine when a deposit is required for an extension of its gas facilities from three years of total revenue to 5½ years of non-gas cost revenue are in the public interest. We note that 170 IAC 5-1-27(F) specifically authorizes a gas utility to propose an alternate plan to the Commission for the extension of distribution mains. The agreed-upon change should allow Citizens to recover expenses it incurs to extend facilities within a more reasonable period of time and prevent the subsidization of new customers by current customers. We also find that the other miscellaneous revisions to Citizens' tariffs and general terms and conditions for gas service that the Parties agreed to in the Settlement Agreement are reasonable and should be approved.

In accordance with the uncontroverted evidence and the terms of the Settlement Agreement, we also approve and authorize Petitioner to use the revised depreciation accrual rates described in Petitioner's depreciation study. (Petitioner's Exhibit DJC-1.)

Except as noted below, we also approve the terms of the Settlement Agreement relating to the performance of a pilot benchmarking study. As OUCG witness Foster noted, statistical benchmarking studies could be of value for other Indiana utilities. However, the Settlement Agreement contains a provision calling for the Commission, as part of this Order to authorize "Citizens to defer one-half of the cost of the pilot benchmarking study for subsequent recovery through Citizens' rates and charges in Citizens' next base rate case. . . ." While the Parties have agreed that Citizens should be authorized to recover up to 50% of the cost of the study in the amount of \$62,500, the Commission will evaluate the results of the study in order to determine whether it should authorize Citizens to recover a portion of the cost of the study through rates. Accordingly, Citizens will be authorized to create a regulatory asset in accordance with FAS 71 in the amount of one-half of the cost of the pilot benchmarking study. As part of Petitioner's next rate case, Citizens will have the opportunity to demonstrate, based on benefits derived from the study and other grounds, that the deferred cost should be recovered through its rates and charges.

For all of the foregoing reasons, we find that the Settlement Agreement, as modified in accordance with the paragraph above, is reasonable, supported by the evidence of record and in the public interest and should be approved. We further find that the tariff sheets attached to the supplemental testimony of Craig A. Jones as Petitioner's Settlement Exhibit 7 set forth rates and charges that are "nondiscriminatory, reasonable, and just" and therefore should be approved.

The Parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the

Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434. (*Ind. Util. Reg. Comm'n*, March 19, 1997).

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

1. The Settlement Agreement, a copy of which is attached to this Order, shall be and hereby is approved consistent with the findings herein. The terms and conditions thereof shall be and hereby are incorporated herein as part of this Order.

2. Petitioner is hereby authorized to increase its rates and charges for gas service so as to produce total annual operating revenues of \$459,892,884, representing a 3.7% increase in operating revenues, as shown in Joint Settlement Exhibit 2.

3. Petitioner's proposed changes to its terms and conditions for gas service, as set forth in Petitioner's Settlement Exhibits 6 and 7, shall be and hereby are approved and Petitioner is authorized to implement its revised terms and conditions for gas service after the same are approved by the Commission as set forth in paragraph 4 below.

4. Petitioner shall file with the Natural Gas Division of this Commission, prior to placing into effect the rates and charges and terms and conditions for gas service authorized herein, tariff schedules set out in accordance with the Commission's rules for filing utility tariffs. Said tariffs, when approved by the Commission, shall cancel all present and prior rates and charges concurrently when said rates and charges herein approved are placed into effect by Petitioner.

5. Petitioner is hereby authorized to adopt and use the revised depreciation accrual rates set forth in Petitioner's Exhibit DJC-1.

6. Petitioner is hereby authorized to create a regulatory asset in accordance with FAS 71 in the amount of one-half of the costs incurred, up to \$62,500, to perform the benchmarking study discussed herein so that the Commission may consider in Petitioner's next rate case whether the amount should be recovered through its rates and charges.

7. In accordance with Ind. Code § 8-1-2-70, Petitioner shall pay the following itemized charges within twenty (20) days of the date of this Order to the Secretary of this Commission:

Commission charges:	\$ 8,757.42
OUCG charges:	\$77,803.01
Legal Advertising Charges:	<u>\$ 77.82</u>
Total	\$86,638.25

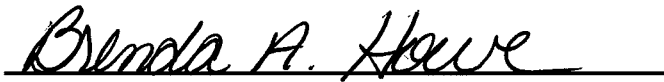
Petitioner shall pay all charges prior to placing into effect the rates and charges approved herein.

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

HARDY, GOLC, LANDIS, AND ZIEGNER CONCUR; SERVER ABSENT:

APPROVED: SEP 17 2008

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



**Brenda A. Howe
Secretary to the Commission**

FILED

AUG 14 2008

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

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, D/B/A)
 CITIZENS GAS & COKE UTILITY FOR (1))
 AUTHORITY TO INCREASE ITS RATES AND)
 CHARGES FOR GAS UTILITY SERVICE AND)
 APPROVAL OF A NEW SCHEDULE OF)
 RATES AND CHARGES APPLICABLE)
 THERETO, (2) AUTHORITY, TO THE EXTENT)
 NECESSARY AS AN ALTERNATIVE)
 REGULATORY PLAN, TO TRACK THE GAS COST)
 COMPONENT OF ITS BAD DEBT EXPENSE IN)
 ITS GAS COST ADJUSTMENT FILINGS,)
 (3) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F))
 FOR A NON-GAS COST REVENUE TEST TO)
 DETERMINE WHEN DEPOSITS ARE REQUIRED)
 FOR EXTENSION OF FACILITIES, (4) APPROVAL)
 OF OTHER CHANGES TO ITS GENERAL TERMS)
 AND CONDITIONS FOR GAS SERVICE, AND (5))
 APPROVAL OF NEW DEPRECIATION ACCRUAL)
 RATES)

CAUSE NO. 43463

OFFICIAL
EXHIBITS

IURC
JOINT

EXHIBIT No. 1

8-25-08

DATE

REPORTER

STIPULATION AND SETTLEMENT AGREEMENT

On March 18, 2008, 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 & Coke Utility ("Citizens") filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Petition requesting (i) authority to increase its rates and charges for gas utility service rendered by it and approval of a new schedule of rates and charges applicable thereto; (ii) authority, to the extent necessary as an alternative regulatory plan, to track the gas cost component of its net write-offs in its

gas cost adjustment (“GCA”) filings; (iii) authority pursuant to 170 IAC 5-1-27(F) for a non-gas cost revenue test to determine when deposits are required for extension of facilities; (iv) approval of certain other changes to its general terms and conditions for gas service; and (v) approval of new depreciation accrual rates. Citizens filed testimony and exhibits in support of its Verified Petition on March 18, 19 and 28, 2008 (Citizens filed updates and corrections to its case-in-chief on July 1, 2008). On April 10, 2008, the Citizens Industrial Group (“CIG”) filed a Petition to Intervene in this proceeding, which was granted on the same day during the Prehearing Conference held in this Cause.

Pursuant to the terms of the Prehearing Conference Order, Citizens, CIG and the Indiana Office of the Utility Consumer Counselor (“OUCC”) (collectively, the “Parties”) filed a status report with the Commission on July 7, 2008 summarizing the progress of ongoing settlement negotiations. The report indicated that while all issues still were in dispute, “[t]he Parties remain committed to addressing the possibility of settling some or all of the issues in this proceeding [and were] attempting to schedule one or more settlement meetings in the upcoming weeks to discuss disputed issues. . . .”

Following the submission of Citizens’ case-in-chief, the OUCC and CIG engaged in written discovery and had communications with Citizens’ personnel regarding the facts related to the relief requested in the proceeding. That discovery and direct communications with Citizens enabled the OUCC and CIG to develop their positions as to each of the elements of this case.

On July 16, 2008, the Parties filed a second status report indicating that certain issues had been resolved by the Parties “subject to their incorporation into a mutually acceptable Stipulation and Settlement Agreement.” The second status report stated that the Parties still were attempting to agree upon: (i) the amount of the necessary

adjustment to Citizens' rates and charges for gas utility service in order to meet the requirements for reasonable and just rates and charges for service set forth in Ind. Code § 8-1.5-3-8; and (ii) the manner in which the agreed-upon increase in Citizens' operating revenues should be allocated among the respective customer classes.

On July 18, 2008, the Parties appeared before the Commission for a status conference and reported on the status of negotiations as well as related procedural matters. On July 22, 2008, the Parties filed a Joint Motion for Extension of Time for Filing Testimony (the "Joint Motion"). The Joint Motion indicated that the "Parties have continued to discuss the settlement of remaining issues and believe prospects for a settlement will be enhanced by a brief extension of the due dates for the filing of the remaining testimony and exhibits."

Subsequent to filing the second status report and the Joint Motion, the Parties conducted face-to-face meetings and otherwise communicated with each other regarding the possibility of settling the remaining outstanding issues described in the report. Based on those meetings, the Parties reached an agreement with respect to the amount of the necessary adjustment to Citizens' rates and charges, as well as the manner in which the total revenue requirement should be allocated among the customer classes. The Parties' agreement is set forth in this Stipulation and Settlement Agreement ("Settlement Agreement"). The Parties agree to the following matters and request the Commission to enter an agreed-upon Final Order following the August 25, 2008 hearing on the settlement.

I. Operating Revenue and Revenue Requirements

The Parties' agreement with respect to Citizens' pro forma operating revenue and its revenue requirements under Ind. Code § 8-1.5-3-8 are reflected by line item in Joint Settlement Exhibit 2, which is attached hereto, and is summarized below:

1. ***Petitioner's Operating Revenue.*** The Parties agree that Citizens' total pro forma operating revenues at present rates are \$443,392,884. Upon the Commission's adoption of a Final Order approving the terms and conditions of this Settlement Agreement, the Parties agree that Citizens' pro forma operating revenues should be increased by \$16,500,000 in arriving at the pro forma total operating revenues at proposed rates of \$459,892,884, representing a 3.7% increase in pro forma operating revenues.

2. ***Citizens' Annual Cash Revenue Requirements.*** The Parties agree Citizens' annual cash revenue requirements are as summarized below:

a. ***Gas Costs.*** Citizens' annual revenue requirement for gas costs is \$326,608,969.

b. ***Other Operating and Maintenance Expenses.*** Citizens' annual revenue requirement for other operating and maintenance expenses, including taxes other than income taxes, is \$40,702,569.

c. ***General and Administrative Expenses.*** Citizens' annual revenue requirement for general and administrative expenses is \$34,690,587.

d. ***Extensions and Replacements.*** Citizens' annual revenue requirement for extensions and replacement is \$23,994,628.

e. ***Debt Service.*** Citizens' annual revenue requirement for debt service is \$26,375,886.

f. *Taxes.* Citizens' annual revenue requirement for taxes is \$7,157,245.

g. *Utility Receipts Tax.* The Parties agree that Citizens' total cash revenue requirement should be increased by \$231,000 to account for the increase in Indiana Utility Receipts Tax resulting from the proposed rate increase.

h. *Incremental Write-Off Non-Gas Costs.* The Parties agree that Citizens' total cash revenue requirement should be increased by \$132,000 to account for the increase in the non-gas component of net write-offs resulting from the proposed rate increase. As reflected in Section IV, *infra*, the Parties have agreed that the Commission should authorize Citizens to recover in its GCA filings the gas cost component of net write-off costs at a fixed net write-off ratio of 0.80%.

3. *Citizens' Aggregate Annual Revenue Requirement.* The Parties agree that Citizens' annual net revenue requirement is \$459,892,884, as detailed below:

Gas Costs	\$326,608,969
Operation and Maintenance Expense	\$40,702,569
General and Administrative Expense	\$34,690,587
Extensions and Replacements	\$23,994,628
Debt Service	\$26,375,886
Taxes	<u>\$7,157,245</u>
Revenue Requirement	\$459,529,884
Plus: Utility Receipts Tax (1.4% of increase)	\$231,000
Incremental Net-Write-Off Non-Gas Costs	\$132,000
Net Revenue Requirement	\$459,892,884
Pro Forma Revenues	<u>\$443,392,884</u>
Deficit	\$16,500,000
Percent Increase Required	3.7%

4. *Amount of Stipulated Rate Increase and Approval of Changes to Rate Schedules.* The Parties agree that Citizens' current rates and charges for service should be increased upon the Commission's adoption of a Final Order approving the terms and conditions of this Settlement Agreement so as to produce additional operating revenues of \$16,500,000, and total pro forma operating revenues of \$459,892,884, representing a 3.7% increase in operating revenues, as shown in Joint Settlement Exhibit 2.

II. Cost of Service and Rate Design

5. The Parties acknowledge and agree that rates should be designed in order to allocate revenue requirements between and among the classes of Citizens' customers in a fair and reasonable manner consistent with cost-causation principles. The Parties further acknowledge and agree that a variety of methods have been utilized to determine cost allocation by rate class, that, absent this Settlement Agreement, the respective Parties are prepared to present cost-of-service evidence in this proceeding utilizing different methodologies, and that such evidence would support a range of possible outcomes.

6. Citizens is prepared to put forward its prefiled cost-of-service study. The OUCC is prepared to propose a modified cost-of-service study in which, among other things, the distribution and mains costs for the system are allocated among the rate classes on a peak demand and average demand basis. CIG is prepared to propose a cost-of-service study using, among other things, the method of peak demand and customer count to allocate distribution and mains costs.

7. The Parties stipulate that the Citizens, OUCC and CIG proposals regarding mains allocation utilize recognized methodologies that the Commission has previously considered, may properly consider, and can potentially adopt. The Parties agree that the cost allocation agreed to in this Settlement Agreement is consistent with the

range of potential cost-of-service determinations by the Commission in the event of a contested hearing.

8. The settlement resolving the last Citizens rate case, Cause No. 42767 ("42767 Settlement Agreement"), included provisions addressing cost-of-service issues. At the time the 42767 Settlement Agreement was entered into, the Commission had issued an order adopting a cost-of-service study utilizing a peak demand and average demand methodology for allocating distribution and mains costs, and CIG and Citizens had filed rehearing petitions and appeals challenging that determination. The 42767 Settlement Agreement provided that in order to resolve the dispute regarding cost of service issues and mitigate rate shock to the Large Volume class, and guided by principles of gradualism, the amount of the revenue requirement increase allocated to the Large Volume class should be 50% of the amount set forth in the compliance rates Citizens filed on October 23, 2006 (42767 Settlement Agreement at 3-4). The 42767 Settlement Agreement also included a provision stating that, in future proceedings, no presumption would be given to any prior methodology for determining cost of service or rate design. The 42767 Settlement Agreement was approved by the Commission in the Order on Rehearing on August 29, 2007.

9. The Parties stipulate that, for purposes of this Settlement Agreement and in connection with the agreed upon revenue requirements, the agreed cost allocation yields just and reasonable rates. The Parties further stipulate that the filed cost allocations are consistent with and may be properly supported under cost-of-service methodology allocations detailed in the NARUC Gas Distribution Rate Design Manual of June 1989. For example, the agreed cost allocation is consistent with and supported by use of the OUCC's modifications to the mains and distribution costs to Citizens' cost-of-

service study, with the rate impacts to certain classes mitigated to avoid rate shock, in a manner consistent with the Commission's approval of the 42767 Settlement Agreement.

10. The Parties agree that the revenue requirements should be allocated to Citizens' customer classes as set forth in Joint Settlement Exhibit 3, attached hereto.

11. No Party, by entering into this Settlement Agreement, has acquiesced in or waived any position with respect to the appropriate methodology for determining cost of service or rate design. The Parties reserve all rights to present evidence and advocate positions with respect to cost of service and rate design issues in all other proceedings, including future Citizens rate proceedings.

III. Depreciation Accrual Rates

12. The Parties agree the Commission should approve the revisions to Citizens' depreciation accrual rates for its gas utility plant in accordance with the results of the "Depreciation Study" prepared by Gannett Fleming and described in the testimony of Citizens' witness Donald J. Clayton. The Parties further agree that Citizens should be authorized to adopt and use the revised depreciation rates set forth in Petitioner's Exhibit DJC-1.

IV. Recovery of Gas Cost Component of Net Write-offs in GCA Filings

13. The Parties agree that Citizens will be authorized to recover in its GCA the gas cost component of net write-off costs at a fixed net write-off ratio of 0.80%. No gas costs associated with net write-off costs will be included in base rates. The margin (*i.e.*, non-gas cost) component of net write-off costs will continue to be recovered through base rates at the same ratio of 0.80%. This methodology provides an incentive for

Citizens to continue to diligently manage its bad debt expense, while ensuring that customers pay bad debt gas costs at the fixed net write-off ratio of 0.80%.

14. The agreed-upon net write-off gas cost recovery methodology is illustrated in Petitioner's Exhibit LSP-6 and described in the direct testimony of Citizens' witness LaTona S. Prentice. Bad debt gas costs will be estimated in the GCA at a level of 0.80% of projected total gas costs (inclusive of unaccounted for gas costs, "UAFG"). In each quarterly GCA, actual recoverable gas costs (again, inclusive of demand, commodity and UAFG) will be multiplied by the fixed net write-off ratio of 0.80%, resulting in "recoverable net write-off costs." Actual net write-off cost recoveries and recoverable net write-off costs will be reconciled in each GCA.

V. Modifications to Citizens' General Terms and Conditions for Gas Service

15. The Parties agree that pursuant to 170 IAC 5-1-27(F), the Commission should approve Citizens' proposed revisions to paragraph 3.6 of its General Terms and Conditions for Gas Service to modify the test for determining when a deposit is required for an extension of Citizens' gas facilities from three years of total revenue to 5 ½ years of non-gas cost revenue (*i.e.*, excluding gas costs recovered through the quarterly GCA mechanism). Paragraph 3.6 of Citizens' General Terms and Conditions for Gas Service should be modified as reflected in Petitioner's Exhibits CAJ-11 and CAJ-12.

16. The Parties agree that the miscellaneous revisions to Citizens' tariffs and General Terms and Conditions for Gas Service set forth in Petitioner's Exhibits CAJ-11 and CAJ-12 and described in the direct testimony of Craig A. Jones are "nondiscriminatory, reasonable, and just," and should be approved by the Commission. Among other items, those revisions include changes to the monthly facility charges to the

D1 and D2 rate classes, an increase in the AMR charge and the addition of Gas Rate S4 regarding Company Use and Unaccounted for Gas.

VI. Benchmarking

17. Based on general research the OUCC has conducted and information it has received from utility industry professionals, the OUCC is interested in benchmarking analyses of regulated Indiana utilities using statistical benchmarking. Statistical benchmarking is one of several possible approaches to performance measurement that makes extensive use of data on utility operations. Two examples of statistical benchmarking methods are productivity indexes and econometric cost models. A productivity index is the ratio of an output and an input quantity index. A productivity trend index attempts to capture the change in a utility's cost over time that is not due to changes in its input prices or operating scale. Econometric cost models attempt to explain the relationship between a utility's costs and an array of quantifiable business conditions in its service territory.

18. During settlement negotiations in this proceeding, the OUCC raised with Citizens the possibility of engaging a consultant to benchmark performance measurements using statistical benchmarking. Citizens has experience using more traditional methods of benchmarking and is willing to participate in a pilot statistical benchmarking study in order to assist the OUCC in evaluating the value of statistical benchmarking as a tool that might be used by the OUCC, Citizens and other Indiana utilities. Through a collaborative process, the OUCC and Citizens will use good faith efforts to reach a consensus regarding the specifications for the performance of a pilot benchmarking study, including the scope of such a study and a list of qualified consultants to perform the study. If the OUCC and Citizens are not able to reach a

unanimous consensus regarding the specifications for the performance of a pilot benchmarking study, including the scope of such a study, within sixty days after approval of the Settlement Agreement, then each party will have the opportunity to submit their respective proposal to the Commission detailing their proposed specifications. These proposals will be submitted, for the Commission's decision, within fifteen business days from the date the Parties determine that a unanimous consensus can not be reached regarding such specifications.

19. The OUCC and Citizens agree to prepare a Request for Proposal (RFP) within thirty days after a decision regarding the specifications for the performance of a pilot benchmarking study has been reached. Based on good faith consideration of the RFP responses, the OUCC and Citizens will endeavor to reach a unanimous consensus regarding an acceptable independent third party consultant for the purpose of conducting a pilot study that benchmarks Citizens' gas operations area against certain peer group utilities. If the OUCC and Citizens are not able to reach a unanimous consensus regarding an acceptable independent third party consultant, then each party will have the opportunity to submit their respective proposal for an independent third party consultant, along with narrative arguments in support, to the Commission. These proposals will be submitted, for the Commission's decision, within fifteen business days from the date the Parties determine that a unanimous consensus can not be reached regarding an acceptable independent third party consultant. Citizens will enter into a contract with an independent third party consultant for a pilot benchmarking study within thirty days after that consultant has been chosen, either by unanimous consensus as described above, or by Commission decision.

20. Citizens agrees to pay the entire cost of the pilot benchmarking study; provided the total cost of the study does not exceed \$125,000 and the Commission authorizes Citizens to defer one-half of the cost of the pilot benchmarking study for subsequent recovery through Citizens' rates and charges in Citizens' next base rate case. Citizens will not seek to defer any other costs it pays for performance of the pilot study. Citizens will not be obligated to justify its relative position among the benchmark group. The OUCC and CIG understand that data provided to the consultant for the performance of the pilot study, as well as the results of the study, may contain information that Citizens considers to be proprietary and confidential. Accordingly, any proprietary data and the results of the pilot study will be shared with the OUCC and the CIG on a confidential basis and treated as "Protected Materials" pursuant to the terms of the Standard Form Nondisclosure Agreement entered into between Citizens and the OUCC on May 12, 2006 and the Confidentiality Agreement entered into between Citizens and the CIG on June 13, 2008. Citizens also agrees to file the results of the pilot benchmarking study with the Commission, within thirty days after Citizens receives the results, pursuant to appropriate confidentiality requirements. The Parties agree that the results of the pilot benchmarking study may not be used in any regulatory proceeding without their prior written consent.

VII. Settlement Agreement -- Scope and Approval

21. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement,

shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

22. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

23. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Parties on the provisions contained herein and in the attached exhibits.

24. The communications and discussions during the negotiations and conferences attended only by any or all of the Parties, their attorneys, and their consultants have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

25. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Party.

26. The Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

27. The Parties will work together to finalize and file an agreed upon proposed Order with the Commission as soon as possible. The Parties will offer supporting testimony for the approval of this Settlement Agreement in this proceeding and will request that the Commission issue a Final Order promptly accepting and approving the same in accordance with its terms. The Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

28. The Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Party (or related orders to the extent such orders are specifically implementing the provisions hereof) and shall support this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

Accepted and Agreed on this 15th day of August, 2008.

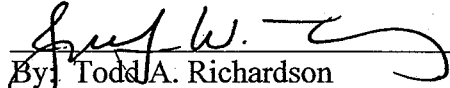
[signature page follows]

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



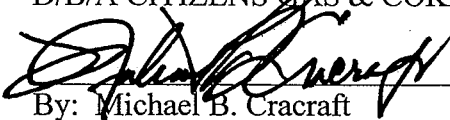
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THE BOARD OF DIRECTORS FOR
UTILITIES OF THE DEPARTMENT OF
PUBLIC UTILITIES OF THE CITY OF
INDIANAPOLIS, AS SUCCESSOR TRUSTEE
OF A PUBLIC CHARITABLE TRUST
D/B/A CITIZENS GAS & COKE UTILITY



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JOINT SETTLEMENT EXHIBIT 2

Comparison of Petitioner's Revised and the Agreed-Upon Revenue Requirements

<u>Revenue Requirement</u>	<u>Per Petitioner's Proposal</u>	<u>Per Settlement</u>	<u>Settlement More(Less)</u>
Gas Cost	\$ 326,608,969	\$ 326,608,969	
Operation & Maintenance Exp.	42,491,037	40,702,569	(1,788,468)
General & Administrative Exp.	35,265,587	34,690,587	(575,000)
Depreciation	19,528,333	19,528,333	
Taxes	7,157,245	7,157,245	
Debt Service	26,375,886	26,375,886	
E&R	23,994,628	23,994,628	
Less: Depreciation	<u>(19,528,333)</u>	<u>(19,528,333)</u>	
Revenue Requirement	\$ 461,893,352	\$ 459,529,884	
Pro forma Revenue	<u>443,392,884</u>	<u>443,392,884</u>	
Revenue Increase (before IURT)	<u>\$ 18,500,468</u>	<u>\$ 16,137,000</u>	<u>\$ (2,363,468)</u>
Incremental Utility Receipts Tax	264,833	\$ 231,000	\$ (33,833)
Incremental Net Write-Off Non-Gas Cost	151,333	\$ 132,000	\$ (19,333)
Total Revenue Requirement	462,309,518	459,892,884	
Total Revenue Increase	\$18,916,634	\$16,500,000	
Percent Increase	4.3%	3.7%	
Total Adjustments			<u>\$ (2,416,634)</u>

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EXHIBITS

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EXHIBIT No. 2
8-25-08 CR
DATE REPORTER

JOINT SETTLEMENT EXHIBIT 3
Allocation of Revenue Requirement
(excluding gas costs, in thousands)

	<u>Pro forma revenue</u> <u>Current rates</u>	<u>Pro forma revenue</u> <u>Settlement rates</u>	<u>Percentage</u> <u>Increase</u>
Residential non-heat	\$ 722	\$ 871	20.63%
Residential heat	\$ 81,217	\$ 92,184	13.50%
General non-heat	\$ 1,421	\$ 1,441	1.41%
General Heat	\$ 27,360	\$ 31,033	13.42%
Large volume	\$ 3,970	\$ 5,248	32.19%
CNG	\$ 5	\$ 16	193.00%
High load	\$ <u>2,089</u>	\$ <u>2,491</u>	19.24%
	\$116,784	\$133,284	14.13%

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EXHIBITS**

IURC
JOINT **3**

EXHIBIT No. _____
8-25-08 _____
DATE REPORTER

