

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF THE BOARD OF
DIRECTORS FOR UTILITIES OF THE
DEPARTMENT OF PUBLIC UTILITIES OF THE
CITY OF INDIANAPOLIS, D/B/A CITIZENS
THERMAL, FOR (1) AUTHORITY TO ADJUST
ITS RATES AND CHARGES FOR STEAM
UTILITY SERVICE, (2) APPROVAL OF A NEW
SCHEDULE OF RATES AND CHARGES, AND
(3) APPROVAL OF CERTAIN REVISIONS TO
ITS TERMS AND CONDITIONS APPLICABLE
TO STEAM UTILITY SERVICE

CAUSE NO. 45855

Verified Direct Testimony and Attachments of

Michael P. Gorman

PUBLIC VERSION

On behalf of

The Citizens Thermal Customer Group

June 7, 2023



STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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Verified Direct Testimony of Michael P. Gorman

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and a Managing Principal with
6 the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
7 consultants.

8 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

9 A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am testifying on behalf of the Citizens Thermal Customer Group ("Customer Group"). The Customer Group is an *ad hoc* group of large users located in the steam service territory of the Department of Public Utilities of the City of Indianapolis, d/b/a Citizens Thermal ("Citizens" or "Company") who use large volumes of steam purchased from the system for space heating and other purposes.

Q HAVE YOU BEEN INVOLVED WITH PRIOR PROCEEDINGS BEFORE THE INDIANA UTILITY REGULATORY COMMISSION ("IURC" OR "COMMISSION")?

A Yes. I have been involved in prior proceedings before this Commission and have presented testimony in some of those proceedings.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A I address the following:

1. I will respond to the Company's claimed revenue deficiency. I will show that the Company's claimed revenue deficiency of \$5.88 million is overstated by approximately \$4.1 million.
2. My adjustments to the Company's claimed revenue deficiency include two parts. First, the Company's development of a revenue requirement over a four-year rate period is based on an average Extensions and Replacement ("E&R") budget over this time period, and the debt service coverage cost in the first year of the four-year period, or 2024. I recommend adjusting the debt service coverage to the average over the four-year rate period so the Company's rate adjustments do not over-recover its projected cost of debt service over this time period. Second, I take issue with the large increase in the E&R budget included in the Company's filing. Historically, the Company's E&R budget has averaged around \$4.6 million with the highest spend in 2018 of \$5.9 million. Spending in 2022 was \$5.7 million. The Company's Test Year budget includes an E&R annual spend on average of \$6.9 million. Because the Company has not justified such a dramatic increase in the E&R annual spend, I recommend reducing the E&R budget by approximately \$1 million per year, which still provides the Company a greater annual average E&R spend over the 2024-2028 period than it had spent in the highest years of 2016-2022. This increase in E&R spend

recognizes the effects of inflation on needed capital improvements, while also mitigating an unnecessary increase in Citizens' rates.

3. I will comment on the unreasonableness of the Company's cost of service study.

4. I will propose modifications to the Company's cost of service study.

5. I will propose a revenue spread that aligns with the adjusted class cost of service study and which gradually moves each rate class toward its true cost of service.

6. Finally, I will recommend adjustments to rates which reflect both by reduction of the Company's claimed revenue deficiency, modifications to the class cost of service study, and the gradual movement toward cost of service.

The fact that I do not comment on every specific issue raised in Citizens' testimony should not be construed as an endorsement of, or agreement with, or acquiescence of, the Company's position on such issues.

I. REVENUE REQUIREMENTS

Q PLEASE DESCRIBE THE COMPANY'S CLAIMED REVENUE DEFICIENCY, AND YOUR PROPOSED ADJUSTMENTS TO THE COMPANY'S PROPOSAL.

A The Company's claimed revenue deficiency of \$5.88 million, or 22.1% of margin revenue, is shown below in Table 1, column 1. In Table 1, I also show my recommended adjustments to the Company's claimed revenue deficiency. With these adjustments, the Company's claimed revenue deficiency is reduced from \$5.88 million down to \$1.79 million, or 6.7% of base margin revenue.

TABLE 1				
<u>Revised Revenue Requirement</u>				
<u>Line</u>	<u>Description</u>	<u>Company Proposed (1)</u>	<u>Adjustments (2)</u>	<u>Gorman Proposed (3)</u>
	Revenue Requirement			
1	Fuel costs	\$ 44,645,007		\$ 44,645,007
2	Operating Expenses	25,704,228		25,704,228
3	E&R	6,945,902	(1,057,018)	5,888,884
4	Debt Service	11,094,831	(3,043,663)	8,051,168
5	Taxes	782,507		782,507
6	Total Rev. Requirement	\$ 89,172,475		\$ 85,071,794
7	Less Other Income	(47,964)		(47,964)
8	Net Rev. Requirement	\$ 89,124,511		\$ 85,023,830
9	Revenues at Present Rates	\$ 83,235,876		\$ 83,235,876
10	Revenue Deficiency	\$ (5,888,635)		\$ (1,787,954)
11	% Increase in Base Margin Rev.	22.1%		6.7%

1 As outlined in Citizens witness Kilpatrick's Petitioner's Ex. 10 at Attachment
2 KKK-1, pages 1 and 2, and Citizens witness Miller's Petitioner's Ex. 9 at Attachment
3 SAM-1, the Company claims a revenue deficiency of approximately \$5.88 million. This
4 revenue deficiency includes an Extensions and Replacement ("E&R") normalized
5 budget for the period 2024-2027 (fiscal year) of \$6.95 million which is a significant
6 increase over actual, historical E&R expenditures that have averaged less than
7 \$5 million per year and have not exceeded \$5.8 million since 2016. The Company's
8 proposed revenue requirement also includes an annual debt service level over the
9 same forecast period of \$11.09 million, even though Citizens' outstanding debt service
10 dramatically decreases over the period 2024-2027.

This is in contrast to how the Company's pro forma adjustments increase its operation and maintenance ("O&M") expenses by 10.0%, or \$2.3 million. This increase exceeds consensus economists' expectations for inflation, as shown in Table 2 below. Citizens' proposed pro forma O&M expense level is comparable to its O&M expense in 2027 if the Test Year expense was escalated to account for inflation each year. Importantly, the Company's pro forma O&M expense included in its revenue requirement is less than the four-year average inflation adjusted O&M expense.

TABLE 2			
<u>Operations & Maintenance Expense</u>			
(\$000)			
<u>Line</u>	<u>Description</u>	<u>Amount</u> (1)	<u>Inflation</u> ¹ (2)
1	Test Year O&M	\$ 23,376	
2	Pro Forma O&M	\$ 25,704	
3	Percent Increase	10.0%	
	Inflation Adjusted O&M		
4	2024	\$ 23,984	2.6%
5	2025	24,535	2.3%
6	2026	25,075	2.2%
7	2027	<u>25,627</u>	2.2%
8	4-Year Average	\$ 24,805	
Sources:			
Pet. Ex. 10 at Attachment KLK-1.			
¹ <i>Blue Chip Financial Forecasts</i> , June 1, 2023, page 14.			

Q HOW DID CITIZENS DEVELOP ITS REVENUE REQUIREMENT FOR THIS CASE?

A The Company developed its revenue requirement to recover its projected cost of service for the period 2024-2027 based on a 2024 Test Year. The two major elements

1 of this projected cost of service are the forecasted E&R spend and the annual debt
2 service cost. However, the projected E&R spend and annual debt service cost over
3 the forecasted rate-effective period are not calculated consistently. Specifically, the
4 Company developed a normalized E&R budget for its Test Year revenue requirement
5 in the direct testimony of Citizens witness Ghio as shown in Petitioner's Ex. 3 at
6 Attachment JPG-1. Mr. Ghio developed a normalized E&R budget over the four-year
7 period for fiscal years 2024-2027 in which rates are expected to be in effect, and set
8 the Test Year normalized E&R spend as the average E&R spend over that same
9 period. The annual, forecasted, E&R budget over 2024-2027 ranges from \$6.5 million
10 to \$7.2 million. This projected E&R budget is a large increase over the actual annual
11 E&R spend since 2016 which has averaged approximately \$4.55 million on an annual
12 basis.

13 In significant contrast, the Company included in its Test Year an annual debt
14 service cost of \$11.09 million, which is based on only calendar year 2024. The
15 Company does not account that its debt service obligations will decline very
16 significantly over the period 2024-2027 as the 2016A Series bonds come to maturity.
17 This has several consequences, one of which is, as outlined in Citizens witness
18 Jackson's testimony, that the Company's proposed revenue requirement produces a
19 debt service coverage ratio of 1.63x. (Pet. Ex. 2 at p. 16).

20 **Q IS THE COMPANY'S PROJECTED REVENUE REQUIREMENT REASONABLE AND**
21 **DOES IT REFLECT ITS ACTUAL COST OF SERVICE OVER THE RATE-**
22 **EFFECTIVE PERIOD 2024-2027?**

23 **A** No. The Company's methodology of projecting a normalized E&R budget and O&M
24 expense over the 2024-2027 rate-effective period is reasonable; however as I discuss

below, with respect to forecasted E&R, the Company's proposal significantly exceeds actual, historical spend, since 2016. This suggests the proposed level of E&R is overstated. Also, and even more significantly, the Company's proposal to embed its 2024 debt service cost into base rates, and disregard the annual change in debt service cost over the remaining time period during which rates are expected to be in effect is unreasonable. Because the Company's annual debt service cost is expected to decrease after 2024 throughout the remaining rate-effective period of 2025-2027, including a 2024 debt service cost in the revenue requirement overstates the Company's revenue requirement.

Q DID THE COMPANY PROVIDE ITS ANNUAL DEBT SERVICE BASED OVER THE FORECAST PERIOD 2024-2027?

A Yes. In Citizens' workpaper 170 IAC 1-5-13(a)(8) (Schedule of Long Term Debt Outstanding), the Company provided a schedule of its annual debt service cost over the forecast period. The Company's debt service cost is provided in my Attachment MPG-1. As shown in that Attachment, the Company's annual debt service cost materially decreases largely because its 2016A bond issue will be largely paid off over the period rates are expected to be in effect. In fact, Citizens' debt service cost for the 2016A bonds drops from around \$12.5 million in October 2024 to just \$705,000 by October 2026.

The significant reduction in the 2016A debt service cost materially reduces the annual debt service cost of the Company. The Company, however, ignored this reduction in its annual debt service cost in forming its revenue requirement in this case, and thus, substantially overstated its revenue deficiency by failing to account for this fixed, known and measurable decline in debt service cost.

Q PLEASE DESCRIBE YOUR ADJUSTMENTS TO THE COMPANY'S REVENUE REQUIREMENT TO CONSISTENTLY REFLECT PROJECTED DEBT SERVICE OBLIGATIONS OVER THE PERIOD 2024-2027.

A I recommend the debt service cost included in the Company's revenue requirement be developed in the same manner the Company developed its projected O&M expense and E&R spend over the period 2024-2027 which matches the period rates are expected to remain in effect. This is in contrast to the Company's proposal to set the debt service cost of the revenue requirement equal to only the 2024 cost. The Company's projected E&R spend and debt service cost over the rate-effective period of 2024-2027 are shown below in Table 3.

TABLE 3			
<u>E&R vs. Debt Service</u>			
<u>Line</u>	<u>Budget Year</u>	<u>E&R Projected Annual Spend¹</u> (1)	<u>Annual Debt Service²</u> (2)
1	2024	\$ 6,526,372	\$ 11,094,831
2	2025	6,853,394	10,613,707
3	2026	7,211,524	5,246,214
4	2027	<u>7,192,319</u>	<u>5,249,921</u>
5	Average	\$ 6,945,902	\$ 8,051,168
6	Test Year	\$ 6,945,902	\$ 11,094,831
7	Difference		\$ 3,043,663
Sources:			
¹ Pet. Ex. 3 at Attachment JPG-1.			
² Attachment MPG-1.			

As shown in Table 3, and as developed in Mr. Ghio's testimony and exhibits, the Company's proposed E&R budget for purposes of its revenue requirement is the

1 average of the budgeted fiscal year spend in 2024-2027, or \$6.95 million. However,
2 the Company's debt service cost included in its revenue requirement reflects only the
3 debt service in fiscal year 2024 of \$11.09 million. The difference in methodologies is
4 quite striking and shows the imbalance in the Company's estimated revenue deficiency
5 for the forecast period of 2024-2027.

6 Under the Company's methodology, if the Commission sets the revenue
7 requirement reflecting only Citizens' 2024 debt service cost, then it allows the Company
8 to significantly over-recover its actual debt service costs during the 2024-2027 period.
9 Indeed, it will over-recover its debt service cost by an average of about \$3.04 million
10 per year, or a total actual over-recovery of about \$12.17 million over the four-year
11 period rates are expected to be in effect.

12 This imbalance in measuring the revenue requirement will harm customers and
13 provide the Company far more revenue than needed to fully recover its cost to provide
14 service. If the Company's proposal is accepted and it does not file a rate case in order
15 to adjust its debt service payments after the 2016A Series bonds reach maturity in
16 2027, the Company will have a revenue requirement which continues to reflect the
17 2016A debt service obligation at the Test Year level, even though that amount will drop
18 significantly from about \$6.2 million to about \$705,000 by the end of 2026, or an 89%
19 reduction in the debt service cost for this bond series. That is fundamentally unjust and
20 unreasonable.

21 Instead, in order to produce a just and reasonable result, I recommend
22 developing a Test Year revenue requirement for debt service by including a normalized
23 debt service cost over the period of 2024-2027. To accomplish this, I reduce the debt
24 service cost included in the revenue requirement from the proposed \$11.09 million
25 2024 expense included in Citizens' requested revenue requirement, to the average

debt service cost over the four-year period rates are expected to be in effect of \$8.05 million. This reduces Citizens' Test Year revenue requirement by approximately \$3.04 million as developed in Table 3 above. As also illustrated in Table 3 above, this approach matches the manner in which Citizens developed the portion of its revenue requirement associated with its projected E&R budget. Further, as shown in Table 2 above, it also matches how Citizens developed its projected O&M Expense.

Q DOES YOUR PROPOSAL PREVENT CITIZENS FROM RECOVERING ITS DEBT SERVICE OBLIGATIONS?

A No. As shown in Table 3 above, the Company's projected debt service for the period rates are expected to be in effect totals \$32,204,673. By using the average annual debt service payment, as calculated, the Company will have the opportunity to recover \$32,204,672, or \$8,051,168 a year for four years. In other words, my proposed use of the average debt service, which matches both the Company's proposed use of average E&R expenditures and O&M Expense, provides Citizens with rates which are sufficient, under prudent and efficient management, to recover its debt service costs through the rates to be set in this proceeding.

Q HOW DID CITIZENS DEVELOP ITS E&R BUDGET THAT IT INCLUDED IN ITS PRO FORMA REVENUE REQUIREMENT FOR THE PERIOD 2024-2027?

A Again, the Company developed its pro forma revenue requirement based on the average of the four-year annual E&R projected spend.

The details of the Company's Test Year E&R revenue requirement, as developed by Citizens in the direct testimony of Mr. Ghio, are shown below in Table 4.

TABLE 4

Citizen Rate Period Projected E&R Spend

	A	B	C	D	E
	FY2023 Budget	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast
Line No.					
1 1131CBA - Production Equipment	\$2,415,705	\$2,896,241	\$3,015,593	\$3,325,500	\$1,543,568
2 1248CBA - Steam Structures & Improvements	\$835,000	\$1,210,000	\$1,225,000	\$2,175,000	\$3,875,000
3 1250CBA - Mains-Steam System Improvements	\$870,000	\$1,900,000	\$1,900,000	\$1,007,101	\$1,205,373
4 1251CBA - Stm Fleet & Work Equipment	\$273,839	\$130,000	\$257,400	\$348,200	\$192,800
5 1252CBA - Stm Environmental	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
6 Shared Services Allocation	\$542,748	\$340,131	\$405,401	\$305,723	\$325,578
7 Total	\$4,987,292	\$6,526,372	\$6,853,394	\$7,211,524	\$7,192,319
8 4-year average forecast $[(B7+C7+D7+E7)/4] =$	\$6,945,902				

Source: Pet. Ex. 3 at Attachment JPG-1.

1 As shown above, the Company's E&R budget over the forecast period is an average
2 of \$6.945 million.

3 **Q IS THE COMPANY'S PROJECTED E&R SPEND REASONABLY ALIGNED WITH**
4 **HISTORICAL SPEND?**

5 **A** No. The Company's projected spend during the pro forma test period of 2024-2027
6 represents a material increase to the E&R it actually spent over the historical period of
7 2016-2022, as shown below in Table 5.

TABLE 5	
<u>E&R Spend</u>	
<u>Fiscal Year</u>	<u>Actual E&R Spend</u>
2016	\$5,229,210
2017	\$3,752,632
2018	\$5,888,884
2019	\$3,488,260
2020	\$3,302,073
2021	\$4,572,529
2022	\$5,662,927
Average	\$4,556,645
Source: Response CIG 2-3c	

1 **Q DID THE COMPANY PROVIDE EVIDENCE JUSTIFYING THE SIGNIFICANT**
2 **INCREASE IN E&R SPEND?**

3 **A** No. The Company stated concern with the escalation in the E&R projects over the
4 forecast period¹ but provided no other evidence justifying such a dramatic increase in
5 E&R annual spend. It is concerning that the forecasted E&R dramatically exceeds not
6 only the average actual spend over the last seven years, but also the highest actual
7 spend during that same period. Indeed, Citizens' proposal is based on forecasted
8 expenditures which, at their highest level of \$7.211 million, would be approximately
9 \$1.328 million, or 22.46%, above the Company's highest level of actual E&R spend in
10 the last seven years of \$5.888 million, which occurred in 2018. This dramatic difference
11 raises questions as to whether the Company can actually match the forecasted level of

¹Citizens' response to CIG DR 2-3c, provided in Attachment MPG-2.

1 E&R spend when it has not reached that same level over the better part of the last
2 decade. I recommend that the Commission set the E&R embedded in rates at the
3 highest level of actual spend since 2016, or \$5.888 million, rather than the Company's
4 proposed \$6.945 million. In my view, doing so would balance the stated need of the
5 Company to make capital investments in its system, while matching forecasted E&R
6 with historical levels and moderating the increase to customers.

7 This is particularly important because the E&R historical spend shown in
8 Table 5 above is not differentiated between E&R programs that are funded by rate
9 revenue collections on an annual basis, and those funded by bond funding.

10 **Q PLEASE SUMMARIZE WHY YOU RECOMMEND CITIZENS' PROJECTED LEVEL**
11 **OF E&R SPEND BE REDUCED IN SETTING RATES IN THIS PROCEEDING.**

12 A I am recommending Citizens' four-year average E&R spend of \$6.95 million be reduced
13 by approximately \$1.0 million, and its rates be set at an E&R average annual spend
14 over the forecast period of \$5.888 million. This level of E&R spend is still substantially
15 greater than the average spend over the last three years, and exceeds the level of E&R
16 spending the Company undertook in calendar year 2022. The Company has not
17 demonstrated a need for increased E&R spending in order to maintain safe and reliable
18 service. Hence, a conservative downward adjustment of \$1 million still reflects an
19 escalated amount of annual E&R spending over the rate forecast period relative to the
20 last several years and should be adequate to support the Company's E&R activities
21 that are needed to maintain system reliability.

1 **Q DOES YOUR PROPOSED LEVEL OF E&R PROVIDE THE COMPANY SUFFICIENT**
2 **REVENUE TO MEET ITS PROPOSED E&R CAPITAL SPENDING BUDGET AND IS**
3 **THE BUDGET GREATER THAN ITS ANNUAL DEPRECIATION EXPENSE?**

4 **A** Yes. As outlined in Table 4 above, the Company's total forecasted E&R budget is
5 \$27,783,609 for FYs 2024-2027. Reducing the proposed E&R revenue requirement to
6 \$5,888,884 produces revenues of \$23,555,536 over the same four-year period the
7 rates are expected to be in effect. Notably, in the last two years of that period, even
8 under my proposed debt service revenue requirement of \$8,051,168 the Company will
9 have a revenue requirement which exceeds its actual debt service costs by a total of
10 \$5,606,201. This means the Company will have available, through prudent and
11 efficient management, the opportunity to recover a revenue requirement which exceeds
12 its forecasted E&R expenditures over the budgeted period by \$1.378 million.
13 (\$23,555,536 + \$5,606,201 - \$27,783,609 = \$1,378,128)

14 I further note that in the last two years of the forecasted E&R budget, the
15 difference in actual debt service payments and the amount embedded in rates will be
16 approximately \$2.8 million per year. Added to the \$5.888 million per year in E&R spend
17 I propose be included in rates, that provides the Company over \$8.688 million in fiscal
18 years 2026 and 2027 to utilize for E&R projects, an amount which exceeds the
19 Company's own forecasted expenditure by approximately \$1.4 million in each of those
20 two years. Again, with prudent and efficient management, the Company should have
21 rates sufficient to meet its obligations and carry out its capital plan with my proposed
22 revisions to its revenue requirement.

Q DO CITIZENS' PROJECTIONS INDICATE IT WILL PAY OFF THE E&R BUDGET BY RATE REVENUE FUNDING OVER THE 2024-2027 FORECAST PERIOD?

A Yes. Citizens has specifically stated it intends to fund its entire E&R plan through rate revenue.² This is despite the significant decline in its annual debt service cost due to the nearly full payoff of the 2016A Series bonds which comprises more than 50% of its 2024 annual debt service cost. As outlined above, including a still significant increase in rate revenue funded E&R in the revenue requirement, and adjusting the Company's debt service cost over this period to more accurately reflect that cost, will provide the Company some flexibility to fund E&R budgets that are necessary to maintain service quality and reliability.

This flexibility comes from two sources. First, as already outlined, there is significant revenue in my proposed debt service and E&R levels to support the operations of Citizens and meet its obligations. Second, Citizens will retain the ability to issue additional debt over the forecast period without increasing its annual debt service cost relative to the 2024 actual amount, which it should be able to do without a materially adverse impact on its debt service coverage ratio.

Q WILL YOUR ADJUSTED REVENUE REQUIREMENT PROVIDE ADEQUATE DEBT SERVICE COVERAGE FOR CITIZENS BASED ON ITS PROJECTED 2024-2027 RATE-EFFECTIVE PERIOD?

A Yes. Citizens witness Craig L. Jackson develops the Company's proposed debt service coverage ratios on his Petitioner's Ex. 2 at Attachment CLJ-2. The Company calculates coverage ratios of 1.10x under present rates and 1.63x under proposed rates. I repurpose Mr. Jackson's calculations in Table 6, below. Using the \$85.1 million

² Citizens' response to CIG DR 4-3, provided in Attachment MPG-2.

revenue requirement I developed in Table 1, above, that reflects the \$3 million reduction in debt service spending and \$1 million reduction to E&R, I compare that amount to the Company's proposed operating expenses and debt service forecasts for 2024 to 2027. Citizens' debt service decreases from \$11.1 million in 2024 to \$5.2 million in 2027. The debt service coverage ratios under my proposed adjustments range from 1.26x to 2.66x.

TABLE 6							
<u>Debt Service Coverage Ratios</u>							
(\$000)							
<u>Line</u>	<u>Description</u>	<u>Company Proposed¹</u>	<u>Gorman Proposed²</u>				<u>4-Yr. Avg.</u>
			<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	
		(1)	(2)	(3)	(4)	(5)	(6)
1	Revenue Requirement	\$ 89,172	\$ 85,072	\$ 85,072	\$ 85,072	\$ 85,072	\$ 85,072
	Less Operating Expenses						
2	Fuel Costs	\$ 44,645	\$ 44,645	\$ 44,645	\$ 44,645	\$ 44,645	\$ 44,645
3	Operating Expenses	25,704	25,704	25,704	25,704	25,704	25,704
4	Taxes	783	783	783	783	783	783
5	Total	\$ 71,132	\$ 71,132	\$ 71,132	\$ 71,132	\$ 71,132	\$ 71,132
6	Net Revenue Available For Debt Service	\$ 18,041	\$ 13,940	\$ 13,940	\$ 13,940	\$ 13,940	\$ 13,940
7	Total Debt Service	\$ 11,095	\$ 11,095	\$ 10,614	\$ 5,246	\$ 5,250	\$ 8,051
8	Debt Service Coverage Ratio	1.63	1.26	1.31	2.66	2.66	1.73
Sources and Notes:							
¹ Pet. Ex. 2 at Attachment CLJ-2.							
² Revenue requirement taken from Table 1 of Mr. Gorman's direct testimony.							

Q WOULD A 1.26X DEBT SERVICE COVERAGE RATIO SUPPORT CITIZENS' FINANCIAL INTEGRITY?

A Yes. Citizens witness Jackson outlines a minimum debt service indenture covenant requiring a debt service coverage ratio in excess of 1.0x. Without a rate increase, he

notes that the Company's expected debt service cost was 1.16x.³ While 1.26x is lower than the Company's proposed 1.63x, it is much higher than the debt service cost at current rates, and the debt service coverage ratio will improve over time as Citizens' annual debt service cost decreases as the principal amount of the 2016A series is paid off, and the annual debt service of this cost winds down to zero over the next few years.⁴

II. CLASS COST OF SERVICE STUDY

Q DID CITIZENS PROVIDE A CLASS COST OF SERVICE STUDY SUPPORTING ITS PROPOSED ADJUSTMENTS TO ITS RATE SCHEDULES IN THIS PROCEEDING?

A Yes. Citizens witness Scott Miller sponsored the Company's class cost of service study. In his class cost of service study, he functionalized the Company's cost for gross plant in-service, net plant in-service, working capital components, and O&M expenses. Results of the class cost of service study are presented by Mr. Miller in his Petitioner's Ex. 9 at Attachment SAM-1.

Q DO YOU HAVE ANY CONCERNS WITH MR. MILLER'S CLASS COST OF SERVICE STUDY?

A Yes. In classifying production and distribution plant between demand and energy, the cost study assumes 85% of the cost would be demand-related and 15% of the cost would be energy-related. However, the derivation of this classification of production and distribution main costs between demand and energy seems to be purely arbitrary; that is, not based on load characteristics of the system, or in any way related to the cost of providing steam service. The result of this assumed split between demand and

³Petitioner Ex. 2 at p. 16.

⁴*Id.*

1 energy classification, however, has a significant impact on the amount of cost allocated
2 to Rate 3. Specifically, Rate 3 has no demand-related cost. Therefore, all costs
3 classified as demand are allocated to other customers. Rate 3, however, does receive
4 services from Citizens' own production assets with respect to 3B customers, and all of
5 Rate Class 3, that is, 3A and 3B customers, receives delivery services by means of the
6 Company's distribution mains. The Company arbitrarily establishing the classification
7 as 85% demand and 15% energy renders its cost of service study not reflective of the
8 load on the system, and therefore not useful in estimating the cost of providing service.

9 In order to more accurately measure the proper split between demand and
10 energy, I calculated the load factor of the system based on load characteristics the
11 Company provided in developing its various sales and demand allocation factors. The
12 Company notes in Allocation 1 that it has 591,029 daily therms of demand. It also notes
13 in Allocation 3 that it has 40,773,130 of annual therm throughput sales. These
14 parameters indicate a system load factor of approximately 19%.⁵ While this load factor
15 calculation probably should be further developed in determining proper weight for
16 classifying production and distribution mains as demand and energy-related, I believe
17 it is more appropriate than the 85%/15% used by the Company. With this methodology
18 I adjusted the Company's cost study to reflect 81% cost to be demand-related and 19%
19 cost to be energy-related to more accurately reflect the proper weight for allocation
20 purposes. I am concerned that, the classification of distribution mains, however, is
21 incomplete in Citizens' analysis and should be studied more closely to properly allocate
22 those costs among the rate classes.

⁵ $40,773,130 \div (591,029 * 365)$.

1 **Q PLEASE EXPLAIN WHY YOU BELIEVE THE CLASSIFICATION OF DISTRIBUTION**
2 **MAIN COSTS REQUIRES ADDITIONAL STUDY IN ORDER TO PROPERLY**
3 **ALLOCATE THEM ACROSS RATE CLASSES.**

4 **A Distribution costs are incurred in order to meet the demands of customers, but also**
5 **must be incurred in order to have adequate length of mains in order to connect all**
6 **customers to the system. Significantly, the cost incurred in order to connect customers**
7 **to the system is fixed, and does not vary by the amount of energy or sales the customer**
8 **actually procures from the utility. Hence, there are significant amounts of distribution**
9 **costs that are unrelated to demands or energy sales to the various rate classes.**

10 This observation is particularly concerning for customer classes with very little
11 sales or seasonal usage such as Rate 3 customers. Rate 3 customers require
12 distribution mains, service drops and meters to connect them to the system. Hence,
13 Rate 3 customers may impose fixed annual distribution cost on Citizens even if they
14 only buy steam during a relatively short non-winter month period (April-October).
15 Citizens' costs of maintaining these distribution mains, service connections, and
16 meters, however, are fixed and are incurred every month of the year, and are not driven
17 by the sales that occur during only the specified summer months.

18 Another important distinction on distribution main costs is the mains have to be
19 adequate to serve a minimum 50 therm per day demand for Rate 3 customers. While
20 these customers only purchase during limited periods of the year, and are not allocated
21 demand costs for distribution mains, the structure of their tariff makes it clear that there
22 has to be adequate capacity available for the distribution mains in order to serve Rate
23 3 customers. Citizens' class cost of service study does not accurately allocate costs to
24 Rate 3 customers to recognize the fixed nature of distribution mains and the capacity
25 needed to provide service to these customers. For these reasons, I believe my

adjustment to the Company's class cost of service study is extremely conservative and probably understates costs of providing service to Rate 3 customers.

The Commission should require Citizens to offer more detail on its distribution costs by rate class in its next rate case, which can be used as an improvement to the cost of service study being used in this case.

Q HOW DO THESE CHANGES IN ALLOCATORS IMPACT THE RESULTS OF THE CLASS COST OF SERVICE STUDY?

A The impact of using the proper allocator for those items is significant for all rate classes. Mr. Miller on his Petitioner's Ex. 9 at Attachment SAM-1 at page 13 outlines the results of his class cost of service study. The results of Mr. Miller's and my adjusted cost of service are summarized in Table 7 below. This is developed on my Attachment MPG-3.

TABLE 7					
Class Cost of Service Class Increase to COS					
Line	Description	Net Pro Forma Revenue Requirements (1)	User Rate Class		
			Rate 1 (2)	Rate 2 (3)	Rate 3 (4)
1	Pro Forma Margin Revenues at Current Rates	\$26,688,863	\$2,341,705	\$23,538,849	\$808,309
	<u>Company Proposed COS</u>				
2	Increase/(Decrease) in Margin Revenues	\$5,888,800	\$442,489	\$5,586,779	(\$140,468)
3	Margin Increase/(Decrease) %	22.1%	18.9%	23.7%	-17.4%
	<u>Adjusted COS</u>				
4	Increase/(Decrease) in Margin Revenues	\$5,888,796	\$410,337	\$5,413,186	\$65,274
5	Margin Increase/(Decrease) %	22.1%	17.5%	23.0%	8.1%
Sources: Pet. Ex. 9 at Attachment SAM-1, page 13 (Increase in Margin Revenues), and Public Attachment MPG-3.					

The difference in the impact on the rate classes is quite significant as shown above in Table 7, particularly for Rate Class 3. Under the Company's methodology, it showed

1 that Rate Class 3 was paying a subsidy to Rate Class 1 and Rate Class 2. However,
2 simply changing production costs classified as energy has a significant impact on the
3 class cost of service study. With this modification, Rate Class 3 is now below cost of
4 service.

5 Table 7 does not reflect any implementation of gradualism to avoid dramatic
6 increases for customers. Table 7 above simply illustrates the difference in the resulting
7 class cost of service, and the resulting change in revenue needed to bring each class
8 to cost of service. I do not dispute the need for gradualism in this case, and believe it
9 should be utilized to mitigate the impact on Rate 3 customers.

10 **Q BASED ON YOUR REVISED CLASS COST OF SERVICE STUDY, PLEASE**
11 **EXPLAIN HOW YOU PROPOSE TO MOVE EACH RATE CLASS TOWARD ITS**
12 **COST OF SERVICE.**

13 **A** With my adjustments to the Company's class cost of service study, no customer class
14 is getting a significant increase relative to the system average increase. Therefore, I
15 do not recommend significant deviations from the cost of service results unless the
16 revenue decrease is decreased to a level where a class would get a rate decrease. In
17 the event any class receives a rate decrease and the other classes receive a rate
18 increase, I recommend the Commission moderate the increase to rate classes that get
19 an increase by not changing the rates for customer classes who are currently priced
20 above cost of service.

Q PLEASE OUTLINE THE INCREASE IN RATES BY RATE CLASS USING YOUR PROPOSED MODERATED MOVEMENT TO COST OF SERVICE AT YOUR REVISED REVENUE REQUIREMENTS AND ADJUSTMENTS TO CLASS COST OF SERVICE?

A This is developed on my Attachment MPG-4 and is summarized below in Table 8. With my proposed adjustments to the Company's claimed revenue requirement, a Rate 3 customer would receive a rate decrease of approximately \$54,880. I recommend not adjusting Rate 3 customers and shifting this over-collection to reduce the rate increase to Rate 1 and Rate 2 customers in a similar manner proposed by Citizens. This proposed revenue increase based on the results of the class cost of service as proposed by Citizens and as adjusted by me is shown below in Table 8.

TABLE 8					
Class Cost of Service					
<u>Proposed Class Increase to Margin Revenue Using Revised Revenue Requirement</u>					
<u>Line</u>	<u>Description</u>	Net Pro Forma Revenue Requirements (1)	User Rate Class		
			<u>Rate 1</u> (2)	<u>Rate 2</u> (3)	<u>Rate 3</u> (4)
1	Pro Forma Margin Revenues at Current Rates	\$26,688,863	\$2,341,705	\$23,538,849	\$808,309
<u>Company Proposed COS</u>					
2	Increase/(Decrease) in Margin Revenues	\$5,888,800	\$432,180	\$5,456,620	\$0
3	Margin Increase/(Decrease) %	22.1%	18.5%	23.2%	0.0%
<u>Adjusted COS</u>					
4	Increase/(Decrease) in Margin Revenues	\$1,788,115	\$52,503	\$1,735,611	\$0
5	Margin Increase/(Decrease) %	6.7%	2.2%	7.4%	0.0%
Sources:					
Pet. Ex. 9 at Attachment SAM-1, page 13 (Net Increase in Margin Revenues), and Public Attachment MPG-4.					

III. PROPOSED RATE DESIGN CHANGES

Q ARE YOU SHOWING THE INCREASE IN THE VARIOUS RATES AT YOUR PROPOSED REVENUE ADJUSTMENT, MODIFICATION OF THE COMPANY'S CLASS COST OF SERVICE STUDY, AND PROPOSED MODERATED MOVEMENT TOWARD COST OF SERVICE?

A Yes. My proposed adjustments to Rate 1, Rate 2, Rate 3A and Rate 3B are shown on my Attachment MPG-5.

Q IS CITIZENS PROPOSING ANY CHANGES TO THE TARIFF RATES FOR STEAM SERVICE IN THIS CASE?

A Yes. Citizens is proposing to implement a "Citizens Thermal Steam Utility Standard Contract Rate for Rate 2 Demand Rate Service." The Company's proposed standard contract was produced in redline as part of Mr. Kilpatrick's Petitioner's Ex. 10 at Attachment KLK-4. Relevant aspects of the proposed contract rate include the following:

1. An initial contract term of not less than three years.
2. The minimum billing demand not less than 50 therms.

Q IS THE COMPANY'S PROPOSAL FOR A STANDARD CONTRACT RATE FOR RATE 2 DEMAND RATE SERVICE REASONABLE?

A Not entirely. The existing tariff does contemplate a three-year contract, so having an approved contract is not unreasonable as it is an existing condition of service for Rate 2 customers. The proposed contract, however, has several issues. First, it appears to deviate from the terms of the tariff itself. Specifically, the tariff requires that the customer "contract for a minimum Billing Demand of 50 Therms per hour in the Month

1 of maximum usage during the Year” Under Rate 2, the Billing Demand could in a
2 particular month, actually, be less than 50 Therms per hour as Billing Demand is
3 calculated as the “maximum average for a thirty-minute period . . . during the month for
4 which the bill is rendered, but in no case shall the Billing Demand be less than seventy-
5 five per cent” of the maximum demand during the past 11 months. The Contract,
6 however, simply specifies that a customer agree to a “Minimum Billing Demand.” While
7 it may not be Citizens’ intention, this language could create confusion between the
8 contracted for “Minimum Billing Demand” and the actual Billing Demand calculated in
9 any given month under the tariff. I suggest Citizens clarify the contract to remove any
10 doubt that by contracting for a set level of billing demand consistent with the level
11 required by the tariff, the customer is not obligating themselves to a fixed, minimum,
12 billing demand in a manner contrary to how the tariff calculates the customer’s monthly
13 demand charge.

14 Additionally, neither the tariff or the proposed contract makes provision for a
15 customer to modify their minimum demand due to circumstances such as a change in
16 operations or a change in the tariff due to a base rate case. Entering into such a
17 contract under the terms of the tariff significantly reduces Citizens’ operating risk by
18 ensuring that even if customers reduce consumption, there will be minimum payment
19 provisions required to be made to Citizens. That introduces significant imbalance into
20 the relationship between the utility and its customers. Customers should be allowed to
21 adjust their minimum demand due to changes in circumstances which might make a
22 particular contracted level of demand unreasonable. While the Company has stated in
23 discovery that “any changes to a contract would be subject to agreement between
24 Customer and Petitioner,”⁶ that is insufficient and not reflected in the proposed tariff.

⁶ Citizens’ response to CIG DR 3-9, provided in Attachment MPG-2.

1 Both the tariff and contract need to be modified to permit such changes in order to
2 ensure the appropriate balance is struck between the interests of the utility and the
3 customers' rights to adjust their usage due to changes in circumstances provided they
4 otherwise meet the criteria of Rate 2.

5 The Company has not demonstrated that its proposed standard contract for
6 Rate 2 demand service charges is fair and reasonable to both the utility and customers.
7 It should, therefore, be rejected unless modified as outlined above.

8 **Q DOES THIS CONCLUDE YOUR VERIFIED DIRECT TESTIMONY?**

9 **A** Yes, it does.

466756

Qualifications of Michael P. Gorman

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and a Managing Principal with
6 the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
7 consultants.

8 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK**
9 **EXPERIENCE.**

10 A In 1983 I received a Bachelor of Science Degree in Electrical Engineering from
11 Southern Illinois University, and in 1986, I received a Master's Degree in Business
12 Administration with a concentration in Finance from the University of Illinois at
13 Springfield. I have also completed several graduate level economics courses.

14 In August of 1983, I accepted an analyst position with the Illinois Commerce
15 Commission ("ICC"). In this position, I performed a variety of analyses for both formal
16 and informal investigations before the ICC, including: marginal cost of energy, central
17 dispatch, avoided cost of energy, annual system production costs, and working capital.
18 In October of 1986, I was promoted to the position of Senior Analyst. In this position, I
19 assumed the additional responsibilities of technical leader on projects, and my areas
20 of responsibility were expanded to include utility financial modeling and financial
21 analyses.

1 In 1987, I was promoted to Director of the Financial Analysis Department. In
2 this position, I was responsible for all financial analyses conducted by the Staff. Among
3 other things, I conducted analyses and sponsored testimony before the ICC on rate of
4 return, financial integrity, financial modeling and related issues. I also supervised the
5 development of all Staff analyses and testimony on these same issues. In addition, I
6 supervised the Staff's review and recommendations to the Commission concerning
7 utility plans to issue debt and equity securities.

8 In August of 1989, I accepted a position with Merrill-Lynch as a financial
9 consultant. After receiving all required securities licenses, I worked with individual
10 investors and small businesses in evaluating and selecting investments suitable to their
11 requirements.

12 In September of 1990, I accepted a position with Drazen-Brubaker &
13 Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc. was
14 formed. It includes most of the former DBA principals and Staff. Since 1990, I have
15 performed various analyses and sponsored testimony on cost of capital, cost/benefits
16 of utility mergers and acquisitions, utility reorganizations, level of operating expenses
17 and rate base, cost of service studies, and analyses relating to industrial jobs and
18 economic development. I also participated in a study used to revise the financial policy
19 for the municipal utility in Kansas City, Kansas.

20 At BAI, I also have extensive experience working with large energy users to
21 distribute and critically evaluate responses to requests for proposals ("RFPs") for
22 electric, steam, and gas energy supply from competitive energy suppliers. These
23 analyses include the evaluation of gas supply and delivery charges, cogeneration
24 and/or combined cycle unit feasibility studies, and the evaluation of third-party
25 asset/supply management agreements. I have participated in rate cases on rate

1 design and class cost of service for electric, natural gas, water and wastewater utilities.
2 I have also analyzed commodity pricing indices and forward pricing methods for third
3 party supply agreements, and have also conducted regional electric market price
4 forecasts.

5 In addition to our main office in St. Louis, the firm also has branch offices in
6 Corpus Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix, Arizona.

7 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

8 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of
9 service and other issues before the Federal Energy Regulatory Commission and
10 numerous state regulatory commissions including: Alaska, Arkansas, Arizona,
11 California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho,
12 Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts,
13 Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New
14 Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma,
15 Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia,
16 Washington, West Virginia, Wisconsin, Wyoming, and before the provincial regulatory
17 boards in Alberta, Nova Scotia, and Quebec, Canada. I have also sponsored testimony
18 before the Board of Public Utilities in Kansas City, Kansas; presented rate setting
19 position reports to the regulatory board of the municipal utility in Austin, Texas, and Salt
20 River Project, Arizona, on behalf of industrial customers; and negotiated rate disputes
21 for industrial customers of the Municipal Electric Authority of Georgia in the LaGrange,
22 Georgia district.

1 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
2 **ORGANIZATIONS TO WHICH YOU BELONG.**

3 **A** I earned the designation of Chartered Financial Analyst (“CFA”) from the CFA Institute.
4 The CFA charter was awarded after successfully completing three examinations which
5 covered the subject areas of financial accounting, economics, fixed income and equity
6 valuation and professional and ethical conduct. I am a member of the CFA Institute’s
7 Financial Analyst Society.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF THE BOARD OF
DIRECTORS FOR UTILITIES OF THE
DEPARTMENT OF PUBLIC UTILITIES OF THE
CITY OF INDIANAPOLIS, D/B/A CITIZENS
THERMAL, FOR (1) AUTHORITY TO ADJUST
ITS RATES AND CHARGES FOR STEAM
UTILITY SERVICE, (2) APPROVAL OF A NEW
SCHEDULE OF RATES AND CHARGES, AND
(3) APPROVAL OF CERTAIN REVISIONS TO
ITS TERMS AND CONDITIONS APPLICABLE
TO STEAM UTILITY SERVICE

CAUSE NO. 45855

Verification

I, Michael P. Gorman, a Managing Principal of Brubaker & Associates, Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Michael P. Gorman

June 7, 2023

Schedule of Long Term Debt

WP 170 IAC 1-5-13 (a)(8)

[illegible]

Citizens Thermal Energy

Schedule of Long Term Debt

WP 170 IAC 1-5-13 (a)(8)

Citizens Thermal
Schedule of Long Term Debt Outstanding

Month-Year	2016A Thermal							2022 Steam CGFINCO Loan			Monthly Thermal Debt Service			12 MTD Debt Service			
	P	Steam P	CW P	I	Steam I	CW I	12mtd DS	P	I	12mtd DS	P	I	Total	Total, all	Stm & CW combined	Steam only	
Oct-20	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$2,860,083				\$948,333	\$372,802	\$1,321,135	\$16,062,350	\$16,062,350	\$9,406,689	
Nov-20	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$3,199,667				\$948,333	\$372,802	\$1,321,135	\$16,043,376	\$16,043,376	\$9,393,357	
Dec-20	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$3,539,250				\$948,333	\$372,802	\$1,321,135	\$16,024,400	\$16,024,400	\$9,380,032	
Jan-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$3,878,833				\$948,333	\$372,802	\$1,321,135	\$16,005,425	\$16,005,425	\$9,366,706	
Feb-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$4,218,417				\$948,333	\$372,802	\$1,321,135	\$15,986,450	\$15,986,450	\$9,353,381	
Mar-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$4,558,000				\$948,333	\$372,802	\$1,321,135	\$15,967,475	\$15,967,475	\$9,340,055	
Apr-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$4,897,583				\$948,333	\$372,802	\$1,321,135	\$15,948,500	\$15,948,500	\$9,326,729	
May-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$5,237,167				\$948,333	\$372,802	\$1,321,135	\$15,929,525	\$15,929,525	\$9,313,404	
Jun-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$5,576,750				\$948,333	\$372,802	\$1,321,135	\$15,910,550	\$15,910,550	\$9,300,078	
Jul-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$5,916,333				\$948,333	\$372,802	\$1,321,135	\$15,891,575	\$15,891,575	\$9,286,753	
Aug-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$6,255,917				\$948,333	\$372,802	\$1,321,135	\$15,872,600	\$15,872,600	\$9,273,427	
Sep-21	\$339,583	\$168,365	\$171,218	\$210,042	\$104,139	\$105,903	\$6,595,500				\$948,333	\$372,802	\$1,321,135	\$15,853,625	\$15,853,625	\$9,260,101	
Oct-21	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$7,084,771				\$1,003,333	\$325,694	\$1,329,027	\$15,861,517	\$15,861,517	\$9,293,642	
Nov-21	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$7,574,042				\$1,003,333	\$325,694	\$1,329,027	\$15,869,408	\$15,869,408	\$9,327,183	
Dec-21	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$8,063,313				\$1,003,333	\$325,694	\$1,329,027	\$15,877,300	\$15,877,300	\$9,360,723	
Jan-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$8,552,583				\$1,003,333	\$325,694	\$1,329,027	\$15,885,192	\$15,885,192	\$9,394,264	
Feb-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$9,041,854				\$1,003,333	\$325,694	\$1,329,027	\$15,893,083	\$15,893,083	\$9,427,805	
Mar-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$9,531,125				\$1,003,333	\$325,694	\$1,329,027	\$15,900,975	\$15,900,975	\$9,461,346	
Apr-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$10,020,396				\$1,003,333	\$325,694	\$1,329,027	\$15,908,867	\$15,908,867	\$9,494,886	
May-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$10,509,667				\$1,003,333	\$325,694	\$1,329,027	\$15,916,758	\$15,916,758	\$9,528,427	
Jun-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$10,998,938			\$0	\$1,003,333	\$325,694	\$1,329,027	\$15,924,650	\$15,924,650	\$9,559,508	
Jul-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$11,488,208			\$0	\$1,003,333	\$325,694	\$1,329,027	\$15,932,542	\$15,932,542	\$9,590,540	
Aug-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$11,977,479			\$0	\$1,003,333	\$325,694	\$1,329,027	\$15,940,433	\$15,940,433	\$9,629,049	
Sep-22	\$845,833	\$419,364	\$426,469	\$193,063	\$95,720	\$97,342	\$12,466,750			\$0	\$1,003,333	\$325,694	\$1,329,027	\$15,948,325	\$15,948,325	\$9,662,590	
Oct-22	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,467,375			\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,049,408	\$16,049,408	\$9,663,358	
Nov-22	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,468,000	\$50,625	\$50,625	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,001,117	\$16,001,117	\$9,714,751	
Dec-22	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,468,625	\$50,625	\$101,250	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,052,825	\$16,052,825	\$9,766,144	
Jan-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,469,250	\$50,625	\$151,875	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,104,533	\$16,104,533	\$9,817,537	
Feb-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,469,875	\$50,625	\$202,500	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,156,242	\$16,156,242	\$9,868,931	
Mar-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,470,500	\$50,625	\$253,125	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,207,950	\$16,207,950	\$9,920,324	
Apr-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,471,125	\$50,625	\$303,750	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,259,658	\$16,259,658	\$9,971,717	
May-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,471,750	\$50,625	\$354,375	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,311,367	\$16,311,367	\$10,023,110	
Jun-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,472,375	\$50,625	\$405,000	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,363,075	\$16,363,075	\$10,074,504	
Jul-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,473,000	\$50,625	\$455,625	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,414,783	\$16,414,783	\$10,125,897	
Aug-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,473,625	\$50,625	\$506,250	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,466,492	\$16,466,492	\$10,177,290	
Sep-23	\$888,750	\$440,642	\$448,108	\$150,771	\$74,752	\$76,019	\$12,474,250	\$50,625	\$556,875	\$0	\$1,054,583	\$326,152	\$1,380,735	\$16,518,200	\$16,518,200	\$10,228,683	
Oct-23	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,474,875	\$67,230	\$607,500	\$1,106,167	\$1,176,397	\$273,423	\$1,449,820	\$16,570,679	\$16,570,679	\$10,280,038	
Nov-23	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,475,500	\$67,230	\$658,125	\$1,157,397	\$1,176,397	\$273,423	\$1,449,820	\$16,639,763	\$16,639,763	\$10,347,999	
Dec-23	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,480,938	\$67,230	\$708,750	\$1,208,625	\$1,176,397	\$273,423	\$1,449,820	\$16,708,848	\$16,708,848	\$10,415,959	
Jan-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,486,375	\$67,230	\$759,375	\$1,259,875	\$1,176,397	\$273,423	\$1,449,820	\$16,777,932	\$16,777,932	\$10,483,919	
Feb-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,491,808	\$67,230	\$810,000	\$1,311,000	\$1,176,397	\$273,423	\$1,449,820	\$16,847,016	\$16,847,016	\$10,551,879	
Mar-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,497,250	\$67,230	\$860,625	\$1,362,125	\$1,176,397	\$273,423	\$1,449,820	\$16,916,100	\$16,916,100	\$10,619,839	
Apr-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,502,687	\$67,230	\$911,250	\$1,413,375	\$1,176,397	\$273,423	\$1,449,820	\$16,985,184	\$16,985,184	\$10,687,800	
May-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,508,125	\$67,230	\$961,875	\$1,464,500	\$1,176,397	\$273,423	\$1,449,820	\$17,054,268	\$17,054,268	\$10,755,760	
Jun-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,513,562	\$67,230	\$1,012,500	\$1,515,625	\$1,176,397	\$273,423	\$1,449,820	\$17,123,353	\$17,123,353	\$10,823,720	
Jul-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,519,000	\$67,230	\$1,063,125	\$1,566,750	\$1,176,397	\$273,423	\$1,449,820	\$17,192,437	\$17,192,437	\$10,891,680	
Aug-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,524,437	\$67,230	\$1,113,750	\$1,617,875	\$1,176,397	\$273,423	\$1,449,820	\$17,261,521	\$17,261,521	\$10,959,641	
Sep-24	\$935,417	\$463,780	\$471,637	\$106,333	\$52,720	\$53,613	\$12,529,875	\$67,230	\$1,164,375	\$1,669,000	\$1,176,397	\$273,423	\$1,449,820	\$17,330,605	\$17,330,605	\$11,027,601	
Oct-24	\$982,500	\$487,124	\$495,377	\$59,563	\$29,531	\$30,031	\$12,501,313	\$68,980	\$1,215,000	\$1,720,313	\$1,233,591	\$216,957	\$1,450,549	\$17,398,564	\$17,398,564	\$11,095,402	
Nov-24	\$982,500	\$487,124	\$495,377	\$59,563	\$29,531	\$30,031	\$12,501,625	\$68,980	\$1,215,313	\$1,720,625	\$1,233,591	\$216,957	\$1,450,549	\$17,399,293	\$17,399,293	\$11,095,974	
Dec-24	\$982,500	\$487,124	\$495,377	\$59,563	\$29,531	\$30,031	\$12,501,938	\$68,980	\$1,215,625	\$1,720,938	\$1,233,591	\$216,957	\$1,450,549	\$17,400,023	\$17,400,023	\$11,096,546	
Jan-25	\$982,500	\$487,124	\$495,377	\$59,563	\$29,531	\$30,031	\$12,502,250	\$68,980	\$1,215,938	\$1,721,250	\$1,233,591	\$216,957	\$1,450,549	\$17,400,752	\$17,400,752	\$11,097,117	
Feb-25	\$982,500	\$487,124	\$495,377	\$59,563	\$29,531	\$30,031	\$12,502,562	\$68,980	\$1,216,2,56								

Cause No. 45855
Citizens Thermal’s Responses to Data Requests
Referenced in the Verified Direct Testimony and
Attachments of Citizens Thermal Customer Group Witness Michael P. Gorman

<u>Citizens Thermal’s Responses to Data Requests</u>	<u>Page</u>
CIG DR 2-3	2-3
CIG DR 2-3c Attachment	4
CIG DR 3-9	5
CIG DR 4-3	6

Cause No. 45855
Responses of Citizens Thermal
Citizens Industrial Group's
Second Set of Data Requests

DATA REQUEST NO. 3:

At pages 5 and 6 of Mr. Kilpatrick's testimony, he outlines Citizens Thermal's total revenue, fuel revenue, and gross margin revenue from Citizens Thermal's last rate case, through the pro forma test year in this case. With respect to this testimony, please provide the following:

- a. Please identify the sources of fuel included in Citizens Thermal's last rate case (Cause No. 44781) and the current pro forma period in this case, and show the steam resources, fuel costs, fuel units (\$/MMBtu), and fuel delivery costs in the last rate case and the pro forma period in this case.
- b. Please break out the revenue requirement in the last case by operation and maintenance ("O&M") expenses, other costs, extensions and replacement ("E&R") program, debt service costs, and other (explain) for the last rate case relative to the current rate case.
- c. Please provide a variance report of budget to actual capital expenditures in Citizens Thermal's E&R program in the last rate case, annually through the pro forma period in this case, and explain all variances in excess of \$100,000.
- d. Please identify Citizens Thermal's embedded debt and debt service cost in its last rate case, and identify all debt maturities, refinancing and new debt issues reflected in the pro forma period relative to the last rate case.

RESPONSE:

- a. **OBJECTION:** Petitioner objects to this Request to the extent it seeks information and material which is irrelevant, immaterial and not reasonably calculated to lead to the discovery of admissible evidence, insofar as the issue of fuel cost is not in question within this proceeding.
- b. Please see the document identified as CIG DR 2.3b.
- c. **OBJECTION:** Petitioner objects to this Request to the extent it seeks information that is irrelevant, immaterial and not reasonably calculated to lead to the discovery of admissible evidence. Petitioner furthermore objects to the Request to the extent it is vague and ambiguous including with respect to the use of the undefined terms "budget" and "variance report." Subject to and without waiver of any objections, Petitioner responds as follows.
 - Please see the document identified as CIG DR 2.3c.
- d. Please see the document identified as CIG DR 2.3d for a comparison of the embedded debt and debt service cost in the last rate case (Cause No. 44781) and

Cause No. 45855
Responses of Citizens Thermal
Citizens Industrial Group's
Second Set of Data Requests

the current rate case (Cause No. 45855). Since the rate case in Cause No. 44781, the following debt activity (in addition to scheduled debt service) has occurred:

- The Series 2010B bonds matured and were fully repaid in October 2021.
- The Series 2016A bonds were used to advance refund the Series 2008 and Series 2010A bonds. For further details on this refunding, please see the direct testimony of Craig Jackson in Cause No. 45855 on page 7 (lines 5-12) and page 8 (lines 3-16).
- The Series 2022A bonds were issued in November 2022. For further details on this financing, please see the direct testimony of Craig Jackson in Cause No. 45855 on page 8 (lines 17-22) and page 9 (lines 1-22).

WITNESS:

Korlon L. Kilpatrick
J.P. Ghio
Craig L. Jackson

Cause No.: 45855
CIG DR 2.3c
Page 1 of 1

	A	B	B - A
		Cause No 44781	
Fiscal Year	Actual E&R	Last Rate Case E&R	Variance
2016	\$5,229,210	\$3,959,398	(\$1,269,812)
2017	\$3,752,632	\$3,959,398	\$206,766
2018	\$5,888,884	\$3,959,398	(\$1,929,486)
2019	\$3,488,260	\$3,959,398	\$471,138
2020	\$3,302,073	\$3,959,398	\$657,325
2021	\$4,572,529	\$3,959,398	(\$613,131)
2022	\$5,662,927	\$3,959,398	(\$1,703,529)

Cause No. 45855
Responses of Citizens Thermal
Citizens Industrial Group's
Third Set of Data Requests

DATA REQUEST NO. 9:

Referencing Kilpatrick's Direct Testimony at 19-20 and Attachment KKK 4:

- a. Please identify all changes from Petitioner's current Rate 2 structure to the proposed Rate 2 structure.
- b. Why is Petitioner proposing a template steam service contract for Rate 2 customers?
- c. The language of the proposed template steam service contract for Rate 2 customers states that "the Utility may from time to time revise the tariff, including but not limited to the rates charged for Rate 2 Demand Rate Service, subject to approval of the Commission." Is it the Petitioner's position that Rate 2 customers are subject to tariff changes irrespective of being on a Rate 2 contract for a specific time period? If so, under what conditions, if any, will the Petitioner allow customers to amend their contract demand?

RESPONSE:

- a. Other than changes to the charges, there are no structural changes to Rate 2.
- b. The template steam service contract is being provided pursuant to the existing Terms and Conditions.
- c. Yes, per the standard contract, customers would be subject to changes in the Rate 2 tariff.

Any changes to a contract would be subject to agreement between Customer and Petitioner.

WITNESS:

Korlon L. Kilpatrick

Cause No. 45855
Responses of Citizens Thermal
Citizens Industrial Group's
Fourth Set of Data Requests

DATA REQUEST NO. 3:

Under Petitioner's proposal for this proceeding, what percentage of its Extensions and Replacements budget is funded through rate revenue and what percentage is funded through debt?

RESPONSE:

Petitioner has proposed 100% of the Extensions and Replacements be funded through rates.

WITNESS:

J.P. Ghio

Citizens Thermal Energy

ALLOCATION OF NET PLANT IN SERVICE AND WORKING CAPITAL AND CONTRACTS TO USER RATE CLASS

	Total	User Rate Class			Percentage Allocations			Ref.
		Rate 1	Rate 2	Rate 3	Rate 1	Rate 2	Rate 3	
Gross Plant in Service:								
Production								
Demand - 81%	\$59,012,880	\$3,798,305	\$55,214,575		6.4364%	93.5636%		(1)
Energy - 19%	13,842,527	594,924	11,511,653	\$1,735,950	4.2978%	83.1615%	12.5407%	(2)
Distribution								
Mains and land rights								
Demand - 81%	24,789,068	1,595,524	23,193,544	-	6.4364%	93.5636%		(1)
Energy - 19%	5,814,720	220,593	4,268,406	1,325,721	3.7937%	73.4069%	22.7994%	(3)
Services	5,061,201	3,247,900	1,736,275	77,026	64.1725%	34.3056%	1.5219%	(4)
Meters	671,441	430,880	230,342	10,219	64.1725%	34.3056%	1.5219%	(4)
General Plant	3,483,054	315,415	3,067,195	100,444	9.0557%	88.0605%	2.8838%	(5)
Gross Plant in Service	112,674,891	10,203,541	99,221,990	3,249,360	9.0557%	88.0605%	2.8838%	
Accumulated Depreciation:								
Production	(25,161,713)	(1,517,268)	(23,044,909)	(599,536)	6.0301%	91.5872%	2.3827%	(6)
Distribution								
Mains and land rights	(8,561,884)	(508,087)	(7,682,906)	(370,891)	5.9343%	89.7338%	4.3319%	(7)
Services	(2,000,239)	(1,283,603)	(686,194)	(30,442)	64.1725%	34.3056%	1.5219%	(4)
Meters	(361,539)	(232,009)	(124,028)	(5,502)	64.1725%	34.3056%	1.5219%	(4)
General Plant	(2,517,066)	(227,938)	(2,216,541)	(72,587)	9.0557%	88.0605%	2.8838%	(5)
Accumulated Depreciation	(38,602,441)	(3,768,905)	(33,754,578)	(1,078,958)	9.7635%	87.4416%	2.7951%	
Net Plant in Service	74,072,450	6,434,636	65,467,412	2,170,402	8.6869%	88.3830%	2.9301%	
Working Capital and Contracts:								
Materials and supplies	4,498,005	407,325	3,960,966	129,713	9.0557%	88.0605%	2.8838%	(8)
Construction work in progress	1,793,939	162,454	1,579,752	51,734	9.0557%	88.0605%	2.8838%	(8)
Steam customer contracts - net	12,235,176	1,062,858	10,813,816	358,503	8.6869%	88.3830%	2.9301%	(9)
Net Plant in Service and Working Capital and Contracts	<u>\$92,599,570</u>	<u>\$8,067,273</u>	<u>\$81,821,946</u>	<u>\$2,710,352</u>	8.7120%	88.3610%	2.9270%	

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
ALLOCATED TO USER RATE CLASS****CONFIDENTIAL MATERIAL REDACTED**

Pro Forma Revenue Requirements:	Net Pro Forma Revenue Requirements	User Rate Class		
		Rate 1	Rate 2	Rate 3
Fuel costs				
Operating expenses	25,704,224	2,029,701	22,414,796	1,259,727
Extensions and replacements	6,945,902	603,384	6,138,997	203,522
Debt Service	11,094,831	963,797	9,805,944	325,090
Taxes:				
Indiana Utility Receipts Tax	-	-	-	-
Property taxes	782,585	70,869	689,148	22,568
Other taxes	(78)	(7)	(69)	(2)
Total Cost of Service				
Less: Miscellaneous Revenues	(22,797)	(1,874)	(18,999)	(1,924)
Less: Interest Income	(47,964)	(4,179)	(42,381)	(1,404)
Less: Other Demand and Capital Charges	(812,761)	-	(812,761)	-
Net Cost of Service to be Recovered Through Rates and Charges				
Less Costs to be Recovered Through FAC				
Net Cost of Service to be Recovered Through Base Rates and Charges				
Pro Forma Margin Revenues at Current Rates	26,688,863	2,341,705	23,538,849	808,309
Increase/(Decrease) in Margin Revenues	5,888,796	410,337	5,413,186	65,274
Pro Forma Subsidy at Proposed Rates	-	4,599	60,675	(65,274)
Net Increase/(Decrease) in Margin Revenues	\$5,888,796	414,936	\$5,473,861	\$ -
Proposed Cost Recovery	\$63,106,942	4,054,833	\$52,769,285	\$6,282,825

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

PRO FORMA ANNUAL REVENUE REQUIREMENTS
ALLOCATED TO USER RATE CLASS

CONFIDENTIAL MATERIAL REDACTED

Pro Forma Revenue Requirements:	Net Pro Forma Revenue Requirements	User Rate Class		
		Rate 1	Rate 2	Rate 3
Fuel costs				
Operating expenses	25,704,224	2,029,701	22,414,796	1,259,727
Extensions and replacements	5,888,884	511,561	5,204,772	172,550
Debt Service	8,051,168	699,397	7,115,864	235,907
Taxes:				
Indiana Utility Receipts Tax	-	-	-	-
Property taxes	782,585	70,869	689,148	22,568
Other taxes	(78)	(7)	(69)	(2)
Total Cost of Service				
Less: Miscellaneous Revenues	(22,797)	(1,874)	(18,999)	(1,924)
Less: Interest Income	(47,964)	(4,179)	(42,381)	(1,404)
Less: Other Demand and Capital Charges	(812,761)	-	(812,761)	-
Net Cost of Service to be Recovered Through Rates and Charges				
Less Costs to be Recovered Through FAC				
Net Cost of Service to be Recovered Through Base Rates and Charges				
Pro Forma Margin Revenues at Current Rates	26,688,863	2,341,705	23,538,849	808,309
Increase/(Decrease) in Margin Revenues	1,788,115	54,114	1,788,881	(54,881)
Pro Forma Subsidy at Proposed Rates	-	(1,611)	(53,270)	54,881
Net Increase/(Decrease) in Margin Revenues	\$1,788,115	52,503	\$1,735,611	\$ -
Proposed Cost Recovery	<u>\$59,006,261</u>	<u>3,692,400</u>	<u>\$49,031,035</u>	<u>6,282,825</u>

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

COMPARISON OF PRO FORMA COST OF SERVICE AND REVENUES AT PRESENT AND PROPOSED RATES AND CHARGES

CONFIDENTIAL MATERIAL REDACTED				
Customer Classification	Revenue Under Present Rates	Revenue Under Proposed Rates	Increase/(Decrease)	
			%	Amount
Rate 1	\$2,341,705	\$2,394,208	2.24%	\$52,503
Rate 2	23,538,849	25,274,460	7.37%	1,735,611
Rate 3	808,309	808,309	0.00%	-
Totals				

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

CALCULATION OF ESTIMATED STEAM SERVICE BILLINGS

(Rate 1 - General Steam Service)

	Pro Forma Bills <u>(1)</u>	Pro Forma Therms Sold <u>(2)</u>	Proposed Rates	Revenues
<u>Customer Charge (3):</u>				
0-1000 Sq. Ft. EDR	132		\$55.00	\$7,260
1001-10000	492		150.00	73,800
10001-20000	276		285.00	78,660
20001-30000	108		560.00	60,480
				<u>60,480</u>
Sub-totals	<u>1,008</u>			<u>220,200</u>
<u>Energy Charge:</u>				
Any part of the first 1000 Therms		464,833	\$1.55300	\$721,886
Any part of the next 4000 Therms		710,161	1.32100	938,123
Over 5000 Therms		459,753	1.11700	513,544
				<u>513,544</u>
Sub-totals		<u>1,634,747</u>		<u>2,173,553</u>
<u>Fuel Cost Adjustment (per Therm) (4):</u>		<u>1,634,747</u>	\$0.79412	1,298,191
				<u>1,298,191</u>
Total				<u>\$3,691,944</u>
Costs to be recovered through rates and charges (5)				<u>\$3,692,400</u>
Variance				<u>(\$456)</u>
Percent Variance				<u>-0.01%</u>

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

CALCULATION OF ESTIMATED STEAM SERVICE BILLINGS

(Rate 2 - Demand Rate Service)

CONFIDENTIAL MATERIAL REDACTED

	Pro Forma Bills (1)	Pro Forma Therms Sold (2)	Proposed Rates	Revenues
<u>Customer Charge:</u>	<u>528</u>		751.00	\$396,528
<u>Demand Charge (per Therm per Hour):</u>		<u>82,849</u>	\$173.24	\$14,352,761
<u>Energy Charge (per Therm):</u>		<u>29,915,457</u>	\$0.35560	\$10,637,937
<u>Fuel Cost Adjustment (per Therm) (3):</u>		<u>29,915,457</u>	\$0.79412	\$23,756,575



Total	<u>\$49,031,453</u>
Costs to be recovered through rates and charges (6)	<u>\$49,031,035</u>
Variance	<u>\$418</u>
Percent Variance	<u>0.00%</u>

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.

Citizens Thermal Energy

CALCULATION OF ESTIMATED STEAM SERVICE BILLINGS

(Rate 3 - Additional Summer Service)

	Pro Forma Bills (1)	Pro Forma Therms Sold (2)	Proposed Rates	Revenues
<u>Energy Charge (per Therm):</u>				
Provision A	18	5,322,405	\$0.07470	\$397,584
Provision B	18	4,513,471	0.09100	410,726
Sub-totals	<u>36</u>	<u>9,835,876</u>		<u>808,310</u>
<u>Fuel Cost Adjustment (per Therm) (3):</u>				
Provision A		5,322,405	\$0.35515	\$1,890,261
Provision B		4,513,471	0.79412	3,584,255
Sub-totals		<u>9,835,876</u>		<u>5,474,516</u>
Totals				<u>6,282,826</u>
Costs to be recovered through rates and charges (4)				<u>\$6,282,825</u>
Variance				<u>\$1</u>
Percent Variance				<u>0.00%</u>

Source:

Adjusted Copy of Confidential Attachment SAM-1 Citizens Thermal COSS 022823.xlsx.