

**FILED**

SEP 27 2016

INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF )  
FRANKFORT, INDIANA, FOR )  
AUTHORITY TO ISSUE BONDS, NOTES, )  
OR OTHER OBLIGATIONS, FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR ELECTRIC )  
SERVICE, AND FOR APPROVAL OF )  
NEW SCHEDULES OF ELECTRIC )  
RATES AND CHARGES. )

CAUSE NO. 44856

PETITION

Petitioner, the City of Frankfort, Indiana (“Petitioner”), respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for: (i) authority to issue bonds to finance the cost of certain capital projects that are reasonably necessary in order to continue to provide adequate and efficient electric utility service and (ii) approval of a new schedule of rates and charges for electric service. In support of its Petition, the Petitioner states:

1. Petitioner is a municipality that owns and operates a municipal electric utility and related facilities providing electric service to customers in and near the City of Frankfort, Indiana. Petitioner’s principal office is located at 16 N. Main St., Frankfort, Indiana, 46041, and its operations are supervised and controlled by the Utility Service Board of the City of Frankfort in accordance with IC ch. 8-1.5-3.

2. Petitioner collects rates and charges for the electric services it renders, which rates and charges are subject to the approval of the Commission and the Common Council of the City of Frankfort, Indiana (the “Council”), pursuant to IC § 8-1.5-3-8. Petitioner is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including IC § 8-1.5-3-1 et seq. and certain provisions of the Public Service Commission Act, as amended.

3. Petitioner purchases all of its electric power and energy requirements from the Indiana Municipal Power Agency (“IMPA”) pursuant to the terms of a Power Sales Contract.

4. Petitioner’s electric system consists of electric transmission, distribution, substation, and related facilities, all of which are used and useful in providing adequate and efficient service to its customers. Petitioner does not own or operate electric generating facilities.

5. Petitioner has experienced increased cost and expense since its last rate increase approved by the Commission in Cause No. 40795. Consequently, Petitioner’s revenues provided by its current rates are inadequate to meet the carrying cost and expense of operating either its present or planned future additional plant and facilities, as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements.

6. Petitioner must continue to make necessary additions, extensions, replacements, and improvements to its electric utility system. Petitioner proposes to obtain necessary funds for these purposes from revenues and from the issuance of electric revenue bonds. The proposed bonds will be in the principal amount not to exceed \$12,500,000. The principal and interest of the new electric revenue bonds will be payable solely from future revenues of the Petitioner’s electric utility. Petitioner’s proposed financing method is a reasonable means by which Petitioner can finance these necessary capital improvements.

7. Petitioner seeks the Commission’s approval, to the extent required by IC § 8-1.5-2-19, to incur the proposed indebtedness.

8. Pursuant to IC § 8-1.5-3-8, Petitioner’s rates and charges “must be nondiscriminatory, reasonable, and just.” Petitioner is further obligated by law to maintain reasonable and just rates and charges for services rendered to “produce an income sufficient to

maintain the utility property in a sound physical and financial condition to render adequate and efficient service.” (IC § 8-1.5-3-8(d)).

9. With Petitioner’s necessary additions, extensions, replacements, and improvements and after the issuance of the proposed revenue bonds, the existing rates and charges for electric service rendered by Petitioner will not produce sufficient revenue to pay all the 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; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; provide money for the payment of any taxes that may be assessed against the utility or payments in lieu of taxes; and provide a reasonable return on the utility plant. The existing rates and charges are therefore insufficient, confiscatory, and unlawful.

10. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner’s electric utility and maintain the utility property in a sound physical and financial condition, and to meet all environmental and other electric service requirements to enable Petitioner to continue rendering adequate and efficient utility service.

11. Petitioner proposes, subject to the authorization and approval of this Commission, to cancel its existing schedules of rates and charges for electric service and to file with the Commission, in lieu thereof, a new schedule of rates and charges, which will be designed to provide reasonable and just charges for services within the meaning of IC § 8-1.5-3-8. Such

proposed schedule of rates and charges for electric service, accompanied by the prepared direct testimony, attachments and workpapers of Petitioner's witnesses, is being filed contemporaneously with this Petition.

12. Petitioner's proposed schedule of rates and charges will be based upon a cost of service study and will include the most current base rate-related tracking factor governing its purchases of electricity from IMPA.

13. Petitioner plans to utilize a test year for purposes of determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirement under present and proposed rates based on the twelve (12) months ended March 31, 2016, and believes the financial and accounting data, when properly adjusted pursuant to Petitioner's evidence, including, but not limited to, additional capital requirements Petitioner must meet and finance over the next few calendar years, fairly reflect the Petitioner's annual operations. Therefore, such test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates.

14. Petitioner considers IC 8-1-2-42, 8-1-2-42.7, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

15. The attorneys authorized to represent Petitioner in this proceeding, who are authorized to accept service of papers in the proceeding on behalf of Petitioner are:

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16. Pursuant to 170 IAC 1-1.1-15, Petitioner requests that a date be promptly fixed for a preliminary hearing in this proceeding.

WHEREFORE, Petitioner respectfully prays the Commission promptly conduct a prehearing conference, determine a procedural schedule, conduct an evidentiary hearing, and take such further action as it deems appropriate, and thereafter issue a final order approving the issuance of bonds, notes, or other obligations, authorizing an increase in Petitioner's rates and charges for electric service as requested by Petitioner, and approving the establishment of new schedules of electric rates and charges applicable thereto, with such schedules to properly reflect and establish the proposed rate increase. Petitioner also respectfully prays the Commission make such other and further orders as the Commission may deem appropriate and proper.

Respectfully submitted,

By: 

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Attorneys for Petitioner

The City of Frankfort, Indiana

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the foregoing was served this 27th day of September, 2016 by hand delivery to:

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