

FILED
May 14, 2021
INDIANA UTILITY
REGULATORY COMMISSION

CITIZENS THERMAL

**Verified Petition for Approval
of
Fuel Cost Adjustment for Steam Service
Effective
August 1, 2021**

Cause No. 41969 FAC 62

**Direct Testimony and Attachments
of
Kenneth J. Flora
and
Todd W. Fuller**

**Filed
May 14, 2021**

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Tab 1

**BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION**

PETITION OF THE BOARD OF DIRECTORS)	
FOR UTILITIES OF THE DEPARTMENT OF)	
PUBLIC UTILITIES OF THE CITY OF)	
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)	
OF A PUBLIC CHARITABLE TRUST FOR)	CAUSE NO. 41969 FAC 62
APPROVAL OF FUEL COST ADJUSTMENT)	
FOR STEAM SERVICE EFFECTIVE)	
AUGUST 1, 2021 PURSUANT TO THE)	
COMMISSION’S ORDER IN CAUSE NO. 44781 AND)	
APPLICABLE LAW.)	

**VERIFIED DIRECT TESTIMONY
OF
KENNETH J. FLORA**

**ON BEHALF OF
CITIZENS THERMAL**

Petitioner’s Exhibit No. 1

INTRODUCTION AND BACKGROUND

1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. My name is Kenneth J. Flora. My business address is 2020 N. Meridian Street,
3 Indianapolis, IN 46202.

4 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A2. I am employed by the Board of Directors for Utilities of the Department of Public Utilities
6 of the City of Indianapolis (the “Board”). The City of Indianapolis is the successor trustee
7 of a public charitable trust and, acting through the Board doing business as Citizens Energy
8 Group (“Citizens”), owns and operates the steam utility doing business as Citizens Thermal
9 that is the Petitioner in this proceeding (“Citizens Thermal” or “Petitioner”). I serve as
10 Manager, Rates and Regulatory Affairs.

11 **Q3. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

12 A3. I hold a Bachelor of Science Degree in Accounting from Indiana University – Purdue
13 University at Indianapolis and a Master of Business Administration from the University of
14 Indianapolis. I have completed the Leadership Development Program at the University of
15 Virginia’s Darden School of Business and have attended various regulated utility courses
16 offered by industry organizations. I received my Certified Public Accountant’s license for
17 the State of Indiana and have fulfilled the necessary educational requirements to allow use
18 of the CPA designation.

19 **Q4. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**
20 **EXPERIENCE.**

1 A4. I have more than 25 years of experience working in the utility industry, serving in various
2 regulatory, financial, and operations roles. I worked for Indianapolis Power & Light
3 Company (“IPL”) from February 1995 through August 2018. Prior to joining IPL as an
4 employee, I was employed by a temporary services firm from December 1994 through
5 February 1995 that provided accounting support to IPL. While employed by IPL, my
6 positions included various accounting staff roles, Team Leader of Administrative Support
7 at IPL’s Harding Street Station, Power Supply Accounting Team Leader, Team Leader of
8 Corporate Accounting, and Director, Regulatory Affairs.

9 From August 2018 until November 2018, I was employed by the Indiana State
10 Board of Accounts, where I audited certain state and local government agencies. I have
11 been employed by Citizens in my current role since November 2018.

12 **Q5. WHAT ARE YOUR RESPONSIBILITIES AND DUTIES AS MANAGER, RATES**
13 **AND REGULATORY AFFAIRS FOR CITIZENS?**

14 A5. I am responsible for the implementation and administration of rates and charges and terms
15 and conditions for service for Citizens’ regulated utilities as well as the regulated utilities
16 held by Citizens Resources.

17 **Q6. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

18 A6. Yes. Please see Attachment KJF-5, Testimony in IURC Dockets – Kenneth J. Flora, for a
19 list of Commission cases in which I have previously submitted testimony.

20 **Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY AND ATTACHMENTS IN**
21 **THIS FAC PROCEEDING?**

1 A7. My testimony and attachments describe and provide support for the proposed FAC factor
2 Citizens Thermal is requesting Commission approval of in connection with the steam
3 service it provides to customers.

FUEL ADJUSTMENT CLAUSE CALCULATION

4 **Q8. PLEASE IDENTIFY PETITIONER’S EXHIBIT NO. 1.**

5 A8. Petitioner’s Exhibit No. 1 is my direct testimony in this FAC 62 proceeding.

6 **Q9. WERE EXHIBIT NO. 1 AND ITS ATTACHMENTS PREPARED BY YOU OR**
7 **UNDER YOUR DIRECT SUPERVISION?**

8 A9. Yes, they were.

9 **Q10. PLEASE DESCRIBE ATTACHMENT KJF-1.**

10 A10. Attachment KJF-1 is a copy of the Verified Petition in this proceeding.

11 **Q11. PLEASE DESCRIBE ATTACHMENT KJF-2.**

12 A11. Attachment KJF-2 is a copy of Standard Contract Rider No. 1. Citizens Thermal proposes
13 to make the revisions to Standard Contract Rider No. 1 part of its steam service tariff upon
14 the Commission’s approval of the proposed FAC charge. Standard Contract Rider No. 1
15 sets forth the amount of the FAC charge that Citizens Thermal proposes to apply to the
16 steam service it provides under Rate 1, Rate 2, and Rate 3B, effective August 1, 2021.

17 **Q12. PLEASE PROVIDE A BRIEF EXPLANATION OF EACH OF THE ABOVE-**
18 **DESCRIBED RATE CLASSES OF CITIZENS THERMAL.**

19 A12. Citizens Thermal’s steam tariffs contain three rates for steam service: Rate 1 – General
20 Steam Service; Rate 2 – Demand Rate Service; and Rate 3 – Additional Summer Service.
21 Under Rate 3, Citizens Thermal offers steam using: (1) Provision A (referred to as Rate

1 3A), and (2) Provision B (referred to as Rate 3B). Additionally, certain steam customers
2 are served pursuant to customer-specific contracts that have been approved by the
3 Commission.

4 Retail customers served under Rates 1 and 2 are impacted by the calculation of
5 Citizens Thermal's FAC charge. The sales to all customers served under Rates 1 and 2 are
6 included in the calculation of the proposed FAC charge.

7 The situation under Rate 3 is slightly different. During the summer months, the
8 Indianapolis Resource Recovery Project (Covanta) has extra steam available. Rate 3A
9 provides a reduced rate for eligible customers with the ability to use additional steam-
10 driven equipment in the summer. The cost of summer steam is tracked separately and
11 billed directly to the customers using it. Therefore, summer steam used under Rate 3A is
12 not included in either the cost or revenue portions of the FAC calculation.

13 Sales of steam under Rate 3B apply when normal summer customer load is greater
14 than the steam available from Covanta. If Rate 3 customers still require steam when no
15 Covanta steam is available, any additional load is billed under Rate 3B. Since Citizens
16 Thermal will be producing steam to meet the needs of those customers being served under
17 Rate 3B, the FAC charge applies to Rate 3B. Applying the FAC charge to Rate 3B allows
18 those customers to contribute the same amount toward the cost of steam as Rate 1 and Rate
19 2 customers. All customer classes pay the same costs when the steam must be generated
20 or purchased to meet their load.

1 The charges paid by customers served under customer-specific contracts also are
2 adjusted by the FAC factor and, therefore, included in the calculation of the FAC charge
3 and related variance recovery.

4 Citizens Thermal uses secondary steam primarily to generate electricity for sale to
5 IPL pursuant to a contract the Commission approved in Cause No. 44635. Use of
6 secondary steam for this purpose occurs when IPL calls upon Citizens Thermal to generate
7 electricity, and for certain other limited circumstances. Since secondary steam is generally
8 used only for the generation of electricity sold to IPL, it is not included in the costs
9 recovered through the FAC charge.

10 For purposes of calculating the average cost of fuel, the total fuel cost and
11 purchased steam cost, exclusive of purchases for Rate 3A and secondary steam, are divided
12 by the total sales volumes for Steam Rates 1, 2, 3B, and customer-specific contracts. This
13 calculation assures the same cost per unit applies to these rate classes and that each rate
14 class pays no more or less than the average cost of fuel. The amount of fuel cost allocated
15 to FAC-related sales is determined by multiplying the average cost of fuel per therm (which
16 is the same for Rates 1, 2, 3B, and customer-specific contracts) by FAC-related sales.

17 **Q13. PLEASE DESCRIBE ATTACHMENT KJF-3.**

18 A13. Attachment KJF-3 consists of all the schedules required in support of the proposed FAC
19 charge shown in Attachment KJF-2.

20 Schedule 1 reflects the resulting calculation of the proposed FAC charge based on
21 the data and calculations in Schedules 1A, 2, 3, 4, 5, and 6 described below.

Attachment KJF-3, Schedule 1A, provides information on forecasted steam sales and cost of fuel during the three months beginning August 1, 2021. Forecasted hedging transaction costs, discussed by Mr. Fuller in his testimony, are included in Schedule 1A, lines 1-4. Schedule 2 provides information on forecasted steam sales and cost of fuel during the twelve months beginning August 1, 2021. Attachment KJF-3, Schedules 3, 4, 5, and 6 contain and establish the actual cost of fuel Citizens Thermal incurred for its steam utility system during the period from November 2020 to January 2021, and those schedules reconcile actual fuel costs to fuel adjustment cost revenue collected during the same period. Hedging transaction costs for the reconciliation period of this FAC are included on Schedule 3, lines 1-4.

Q14. HAS CITIZENS THERMAL CHANGED THE METHODOLOGY USED IN MAKING THE CALCULATION SET FORTH IN ATTACHMENT KJF-3, AND THE IDENTIFIED SCHEDULES, FROM THAT USED IN ITS PRIOR FAC FILINGS?

A14. No. FAC 62 reflects the use of the same methodology the Commission authorized and approved in its October 30, 2007 Order in Cause No. 43201.

Q15. WHAT IS THE PURPOSE OF ATTACHMENT KJF-4?

A15. Attachment KJF-4 is included for the purpose of providing the Commission with evidence related to the “earnings test” as set forth in a Stipulation and Settlement Agreement the Commission approved in Cause No. 41969 FAC 3 S1.

Q16. FOR PURPOSES OF THE EARNINGS TEST, WHAT WERE PETITIONER’S EARNINGS FOR THE RELEVANT PERIOD?

1 A16. Petitioner's net operating income for the twelve months ended January 2021 was
2 \$5,394,899. In Cause No. 44781, Citizens Thermal's most recent general rate case, the
3 Commission authorized annual earnings of \$8,721,950. The differential from this FAC,
4 when reflected in the earnings test sum of the differentials, results in an updated total
5 accumulated deficit of (\$35,992,734), as shown in Attachment KJF-4.

6 **Q17. IS THE INFORMATION SET FORTH IN PETITIONER'S ATTACHMENTS KJF-**
7 **1 THROUGH KJF-5 TRUE AND CORRECT?**

8 A17. Yes, to the best of my knowledge, the information is true and correct.

9 **Q18. WHAT IS THE AMOUNT OF THE FUEL COST ADJUSTMENT CHARGE**
10 **CITIZENS THERMAL HAS APPLIED FOR IN FAC 62?**

11 A18. The proposed fuel cost adjustment charge in FAC 62, which upon Commission approval
12 would become effective August 1, 2021, is \$0.56917 per therm.

13 **Q19. HOW DOES THE PROPOSED FUEL COST ADJUSTMENT CHARGE**
14 **COMPARE TO THE EXISTING FUEL COST ADJUSTMENT CHARGE**
15 **APPROVED IN FAC 61?**

16 A19. The proposed fuel cost adjustment charge is 1.78% higher and represents an increase of
17 \$0.00997 per therm from the current fuel cost adjustment charge of \$0.55920 per therm.

18 **Q20. WHAT IS THE PERCENTAGE IMPACT ON TYPICAL RATE 1 AND RATE 2**
19 **CUSTOMERS OF THE PROPOSED FAC 62 CHARGE, WHEN COMPARED TO**
20 **THE EXISTING FUEL COST ADJUSTMENT CHARGE?**

1 A20. The proposed increase of \$0.00997 per therm from the current fuel cost adjustment charge
2 will result in an increase of 0.37% for Rate 1 and an increase of 1.09% for Rate 2 typical
3 customers.

4 **Q21. WHAT IS THE VARIANCE AMOUNT CALCULATED IN FAC 62?**

5 A21. The variance amount calculated for the three months reconciled in this FAC 62 proceeding,
6 November 2020 through January 2021, is an under recovery of \$231,784. The proposed
7 FAC 62 charge to be effective August 1, 2021 includes a quarterly allocation of the
8 foregoing reconciliation variance from this FAC proceeding and the three prior FAC
9 proceedings. Therefore, the total FAC variance included in the proposed FAC 62 charge,
10 including prior period variances, is an under recovery of \$203,290.

11 Citizens Thermal continues to review its projections and operations on a quarterly
12 basis prior to filing its FAC petition to reflect a fact-based estimation of its fuel cost. The
13 outcome is that Citizens Thermal's customers pay the cost of fuel used to produce the steam
14 they purchase.

15 **Q22. PLEASE DESCRIBE PETITIONER'S IPL GENERATION OFFSET.**

16 A22. On November 18, 2015, in Cause No. 44635, the Commission approved a Power Purchase
17 Agreement ("PPA") between Petitioner and IPL, which allows Citizens Thermal to
18 optimize the use of its electric generators, provide a low-cost source of electricity for IPL
19 and its electric customers and provide Citizens Thermal revenues that can be used to reduce
20 fuel costs to its steam customers through the FAC. Pursuant to the Order in Cause No.
21 44635, the actual revenues from the sale of electricity via the PPA are to be credited to
22 Petitioner's FAC to reduce fuel costs charged to customers. The actual revenues from sales

1 of electricity to IPL during November 2020, December 2020, and January 2021 were
2 \$41,277, \$35,167 and \$24,146, respectively. The revenue amounts received are offset
3 against the current FAC calculation. Included in this FAC on Schedule 1 and Schedule 1a
4 is an estimate of the amount of the IPL Generation Offset. Petitioner believes it is
5 reasonable to include this estimated offset in the calculation of estimated fuel cost in this
6 and future FAC calculations.

7 **Q23. DOES THAT CONCLUDE YOUR PREFILED DIRECT TESTIMONY?**

8 A23. Yes.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of his knowledge, information and belief.



Kenneth J. Flora

Tab 2

**BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION**

PETITION OF THE BOARD OF DIRECTORS)	
FOR UTILITIES OF THE DEPARTMENT OF)	
PUBLIC UTILITIES OF THE CITY OF)	
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)	
OF A PUBLIC CHARITABLE TRUST FOR)	CAUSE NO. 41969 FAC 62
APPROVAL OF FUEL COST ADJUSTMENT)	
FOR STEAM SERVICE EFFECTIVE)	
AUGUST 1, 2021 PURSUANT TO THE)	
COMMISSION’S ORDER IN CAUSE NO. 44781 AND)	
APPLICABLE LAW.)	

VERIFIED PETITION

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, d/b/a Citizens Thermal (“Petitioner”), respectfully represents and shows the Commission, as follows:

1. Petitioner is a municipal steam utility subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including certain sections of the Public Service Commission Act, as amended. Petitioner’s rates and charges and terms and conditions for steam service are subject to the approval of this Commission by virtue of the provisions of Ind. Code § 8-1-11.1-3(c)(9). Pursuant to Ind. Code § 8-1-11.1-3.1, Petitioner’s Board of Directors operates as both the board and the municipal legislative body for purposes of Ind. Code § 8-1.5-3-8(f). Petitioner’s principal office is at 2020 North Meridian Street, Indianapolis, Indiana 46202.

2. Petitioner is authorized to and is engaged in rendering steam utility service in Marion County, Indiana. It owns, operates, manages and controls plant and equipment, which

are used and useful for the distribution and furnishing of steam service to the public.

3. The books and records of Petitioner supporting the data, calculations and allegations contained in this Petition are available for inspection and review by the Commission and the Indiana Office of Utility Consumer Counselor.

4. The names and addresses of Petitioner's attorneys in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Michael E. Allen (Attorney No. 20768-49)
Citizens Energy Group
2020 North Meridian Street
Indianapolis, Indiana 46202

Michael B. Cracraft (Attorney No. 3416-49)
Ice Miller LLP
One American Square, Suite 2900
Indianapolis, Indiana 46282-0200

The foregoing attorneys are authorized to accept service of papers in this Cause on behalf of Petitioner. In addition, papers filed in this proceeding should be served on:

Kenneth J. Flora
Manager, Rates and Regulatory Affairs
Citizens Energy Group
2020 North Meridian Street
Indianapolis, Indiana 46202

5. This Verified Petition is an application for Commission approval of Petitioner's fuel cost adjustment to be effective August 1, 2021. It is filed in accordance with the Public Service Commission Act, as amended, and in compliance with Petitioner's rates and charges and terms and conditions for steam service approved by the Commission in Cause No. 44781 on November 22, 2016.

6. A copy of Petitioner's Standard Contract Rider No. 1 incorporating its proposed fuel cost adjustment is attached as Attachment KJF-2.

7. Petitioner's average cost of fuel for steam for the three (3) months of August 2021 through October 2021, after taking into consideration its estimated fuel costs and the actual fuel costs for the months of November 2020 through January 2021 is estimated to be \$0.56120 per therm. After adjustment for Indiana Utility Receipts Tax, the proposed fuel cost adjustment is \$0.56917 per therm. This proposed fuel cost adjustment represents an increase in the applicable steam rates and charges to be effective August 1, 2021. The data and calculations supporting such estimated fuel cost and proposed fuel cost adjustment are set forth in Attachment KJF-3, Schedules 1 through 6, and Attachment KJF-4, which are attached hereto and made a part hereof.

8. Petitioner seeks to make the proposed fuel cost adjustment effective August 1, 2021 for retail steam service rendered by Petitioner.

9. Petitioner is filing the proposed fuel cost adjustment tariff and supporting schedules consistent with the provisions of this Commission's October 30, 2007 Order in Cause No. 43201 approving the change from an annual FAC to a quarterly FAC.

10. Petitioner is filing concurrently herewith its prepared direct testimony and exhibits supporting the relief requested in this Verified Petition.

WHEREFORE, Petitioner respectfully requests that the Indiana Utility Regulatory Commission conduct a summary hearing on the matters set forth herein and thereafter enter an Order in this Cause:

- (1) approving Petitioner's proposed Standard Contract Rider No. 1, as attached to this Verified Petition;

- (2) authorizing and approving the fuel cost adjustment set forth on Standard Contract Rider No. 1, and in the supporting schedules attached to this Petition, to become effective August 1, 2021 and
- (3) making such further orders and providing such further relief as may be appropriate and proper.

DATED this 14th day of May 2021

BOARD OF DIRECTORS FOR UTILITIES FOR THE
DEPARTMENT OF PUBLIC UTILITIES OF THE CITY
OF INDIANAPOLIS, AS SUCCESSOR TRUSTEE OF A
PUBLIC CHARITABLE TRUST d/b/a CITIZENS
THERMAL

By: /s/LaTona S. Prentice
LaTona S. Prentice
Vice President
Citizens Energy Group
2020 North Meridian Street
Indianapolis, Indiana 46202
(317) 927-4529

ATTEST: /s/Michael D. Strohl
Michael D. Strohl
Senior Vice President and
Chief Customer Officer

VERIFICATION

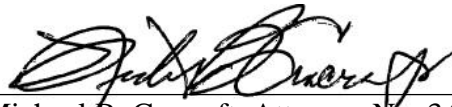
The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of her knowledge, information and belief.


LaTona S. Prentice

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of May 2021, I served a copy of the foregoing Verified Petition upon the Indiana Office of Utility Consumer Counselor by delivery to the following address:

Lorraine Hitz-Bradley
Indiana Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500 South
Indianapolis, Indiana 46204



Michael B. Cracraft, Attorney No. 3416-49
Ice Miller LLP
One American Square, Suite 2900
Indianapolis, IN 46282-0200
Telephone: (317) 236-2293
Email: Michael.Cracraft@icemiller.com
Attorney for Citizens Thermal



Michael E. Allen, (Attorney No. 20768-49)
Citizens Energy Group
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E-Mail: mallen@citizensenergygroup.com

Tab 3

**Citizens Thermal
2020 North Meridian Street
Indianapolis, Indiana 46202**

**Sixty-Third Revised Page No. 201
Superseding Sixty-Second Revised Page No. 201**

**STANDARD CONTRACT RIDER NO. 1
FUEL COST ADJUSTMENT
(Applicable to Rate 1 and Rate 2)**

A fuel cost adjustment shall be made in accordance with the following provisions:

- A. The fuel cost adjustment per therm shall be calculated by multiplying the Therms billed by an Adjustment Factor established according to the following formula:

$$\text{Adjustment Factor} = F/S$$

where:

1. "F" is the estimated expense of fuel based on a three-month average cost beginning with the month of August 1, 2021 and consisting of the following costs:
 - (a) the average cost of fuel burned for the production of steam in the Utility's plants, including only those items listed in Account 151;
 - (b) the average cost of purchases from the Indianapolis Resource Recovery Project (Covanta) of displaced net steam to mains.
 2. "S" is the estimated applicable sales in Therms for the same estimated period set forth in "F".
- B. The Adjustment Factor as computed above shall be further modified to allow the recovery of the utility receipts taxes and other similar revenue-based tax charges occasioned by the fuel adjustment revenues.
- C. The Adjustment Factor shall be further modified to reflect the difference between fuel cost billed and fuel cost actually experienced during the three-month period ending January 31, 2021, and other Commission authorized adjustments as appropriate.
- D. The Adjustment Factor to be effective with meter readings on August 1, 2021 for all General Service and Demand Rate Accounts is \$0.56917 per Therm.

Tab 4

CITIZENS THERMAL
Determination of Steam Fuel Cost Charge
For August, September, and October 2021

			A	B	C	D	E
			Estimated Sales,Therms (Sch. 2)	Estimated Fuel Cost (Sch. 1A, col A)	Estimated Covanta Purchases (Sch. 1A, col.G)	Estimated IPL Generation Offset (Sch. 1A, col. A)	Total Fuel Costs (F) (col. B + col. C + col. D)
Line No.	Month	Year	(Sch. 2)	(Sch. 1A, col A)	(Sch. 1A, col.G)	(Sch. 1A, col. A)	(col. B + col. C + col. D)
1	August	2021	3,694,647	\$1,171,803	\$932,799	(\$40,000)	\$2,064,602
2	September	2021	3,655,683	1,278,477	809,685	(\$40,000)	\$2,048,162
3	October	2021	3,918,988	771,111	1,277,161	(\$40,000)	\$2,008,272
4	Total		11,269,318	\$3,221,391	\$3,019,645	(\$120,000)	\$6,121,036
5	Total FAC variance (Sch.6, ln.14)						\$203,290
6	Total Cost to be recovered in FAC (ln.4 + ln.5)						<u>\$6,324,326</u>
7	FAC factor to be recovered per therm of steam used (ln.6 /ln.4, col.A)						\$0.56120
8	FAC factor modified for Indiana Utility Receipts Tax (ln.7 / (1-1.4%)), per therm						<u>\$0.56917</u>

CITIZENS THERMAL
Estimated FAC Fuel Cost

			A	B	C	D	E	F	G
Natural Gas-Perry K			Dth	Price, \$/Dth	Cost				
Line no.									
1	August	2021	337,760	\$3.4693	\$1,171,803				
2	September	2021	369,858	\$3.4567	1,278,477				
3	October	2021	219,360	\$3.5153	771,111				
4	Total		926,978	\$3.4752	\$3,221,391				
Fuel Oil			Usage, gal.	Usage in DTH	Price, \$/Gal.	Cost			
Line no.									
5	August	2021	0	0	\$0.0000	\$0			
6	September	2021	0	0	0.0000	0			
7	October	2021	0	0	0.0000	0			
8	Total		0	0		\$0			
Total Fuel Cost									
Line no.									
9	August	2021	\$1,171,803	(ln.1 + ln.5)					
10	September	2021	\$1,278,477	(ln.2 + ln.6)					
11	October	2021	\$771,111	(ln.3 + ln.7)					
12	Total		\$3,221,391						
IPL Generation Offset									
Line no.									
13	August	2021	(\$40,000)						
14	September	2021	(\$40,000)						
15	October	2021	(\$40,000)						
16	Total		(\$120,000)						
Covanta			Base Primary Steam (+ winter incentive)			Additional Primary Steam			Total Covanta FAC Cost (C+F)
Line no.			Therms	\$/therm	Cost	Therms	\$/therm	Cost	
17	August	2021	2,254,772	\$0.4137	\$932,799	0	\$0.0000	\$0	\$932,799
18	September	2021	1,957,178	0.4137	809,685	0	0.0000	0	809,685
19	October	2021	3,087,166	0.4137	1,277,161	0	0.0000	0	1,277,161
20	Total		7,299,116		\$3,019,645	0		\$0	\$3,019,645

CITIZENS THERMAL

Estimated Sales Volume for the Twelve Months ending July 31, 2022

Line No.	Month	A Rate 1	B Rate 2	C Rate 3B	D Rate 4- Special Contract	E Total sales subject to FAC
	First Quarter					
1	Aug 2021	38,117	1,642,836	828,321	1,185,373	3,694,647
2	Sep 2021	37,967	1,631,699	893,619	1,092,398	3,655,683
3	Oct 2021	79,325	2,039,204	446,189	1,354,270	3,918,988
4	Quarter total	155,409	5,313,739	2,168,129	3,632,041	11,269,318
	Second Quarter					
5	Nov 2021	205,462	2,658,908	59,434	1,769,228	4,693,032
6	Dec 2021	320,289	3,223,995	16,738	2,147,590	5,708,612
7	Jan 2022	371,696	3,659,962	15,525	2,511,407	6,558,590
8	Quarter total	897,447	9,542,865	91,697	6,428,225	16,960,234
	Third Quarter					
9	Feb 2022	286,785	3,042,429	50,865	2,090,985	5,471,064
10	Mar 2022	251,019	2,867,444	103,278	1,966,224	5,187,965
11	Apr 2022	150,135	2,267,333	331,007	1,540,476	4,288,951
12	Quarter total	687,939	8,177,206	485,150	5,597,685	14,947,980
	Fourth Quarter					
13	May 2022	67,610	1,943,092	444,012	1,309,994	3,764,708
14	Jun 2022	46,369	1,639,424	516,625	1,220,668	3,423,086
15	Jul 2022	49,391	1,634,561	786,727	1,071,518	3,542,197
16	Quarter total	163,370	5,217,077	1,747,364	3,602,180	10,729,991
17	Year Total - Therms	1,904,165	28,250,887	4,492,340	19,260,131	53,907,523
			Quarterly allocation factor			
18	First Quarter (Col.E, ln 4 / ln 17)		20.90%			
19	Second Quarter (Col.E, ln 8 / ln 17)		31.46%			
20	Third Quarter (Col. E, ln 12 / ln 17)		27.73%			
21	Fourth Quarter (Col.E, ln 16 / ln 17)		19.91%			
22	Total (ln 18 + ln 19 + ln 20 + ln 21)		100.00%			

1/ Lines 18 through 21 above may not total 100.00% due to rounding.

CITIZENS THERMAL
Actual Cost of Fuel

Line
No.

			A	B	C	D	E	F	G	H
			Commodity	Rate	Commodity	Transportation	Transp.	Financial Hedge	Metered	Total Cost
			Dth	\$/Dth	Cost	rate, \$/Dth	Cost	Transaction Cost	Boiler Use	(C+E+F+G)
Natural Gas-Perry K										
1	November	2020	243,591	\$2.73446	\$666,090	\$0.4096	\$99,777	(\$8,071)	\$0.00	\$757,796
2	December	2020	404,670	2.68532	\$1,086,668	0.4091	\$165,543	\$17,938	0.00	\$1,270,149
3	January	2021	463,243	2.54030	\$1,176,778	0.4078	\$188,922	\$34,537	0.00	\$1,400,237
4	Total		1,111,504	\$2.63565	2,929,536		\$454,242	\$44,404	\$0.00	\$3,428,182
Fuel Oil										
			Usage	Cost	Fuel Oil Invent.	Fuel Oil	Total Cost			
			in Gal.	\$/Gal.	Usage Cost	Misc. Invoices	(C+D)			
5	November	2020	0	\$0.000	\$0	\$0.00	\$0			
6	December	2020	0	0.000	0	0.00	0			
7	January	2021	0	0.000	0	0.00	0			
8	Total		0	\$0.000	\$0	\$0.00	\$0			
Total Fuel Cost										
			(E + F + H)							
9	November	2020	\$757,796 (ln 1 + ln 5)							
10	December	2020	\$1,270,149 (ln 2 + ln 6)							
11	January	2021	\$1,400,237 (ln 3 + ln 7)							
12	Total		\$3,428,182							
IPL Generation Offset										
			Megawatts	\$ Amount						
13	November	2020	1,847	(\$41,277)						
14	December	2020	1,645	(\$35,167)						
15	January	2021	1,067	(\$24,146)						
16	Total		4,559	(\$100,590)						
Covanta Steam - Purchased										
			Base primary	Base Cost per	Base Primary	Winter Incentive	Winter Incentive	Total FAC 1/		
			Therms	Therm	Cost	Cost per Therm	Payment	Cost (C+E)		
17	November	2020	3,584,362	\$0.41370	\$1,482,851	\$0.00000	\$0	\$1,482,851		
18	December	2020	3,698,746	\$0.41370	1,530,171	0.13570	501,920	\$2,032,091		
19	January	2021	3,671,253	\$0.41370	1,518,797	0.13570	498,189	\$2,016,986		
20	Total		10,954,361	\$0.41370	\$4,531,819		\$1,000,109	\$5,531,928		

1/ Total FAC Cost does not include Summer Steam

CITIZENS THERMAL
Actual Sales in Therms

			A	B	C	D	E	F	G	H	I	J
Line no.	Month	Year	Rate 1	Rate 2	Summer Sales Covanta Steam Rate 3A	CTE Rate 3B	Special Contract Rate 4	Total Sales	Total Sales excl Rate 3A	Total Sales excl Rate 3A & Special Contract	FAC rate in Effect	1/3 of Prior Period variance included in FAC rate
1	November	2020	163,709	2,407,362	15,796	133,127	1,585,845	4,305,839	4,290,043	2,704,198	\$0.55649	\$130,142
2	December	2020	300,000	3,434,735	1,199	4,236	2,116,296	5,856,466	5,855,267	3,738,971	0.55649	130,142
3	January	2021	416,834	3,612,922	(1,204)	(4,232)	2,264,697	6,289,017	6,290,221	4,025,524	0.55649	130,142
												<u>\$390,426</u>
4	Total Therms		880,543	9,455,019	15,791	133,131	5,966,838	16,451,322	16,435,531	10,468,693		<u>\$390,426</u>

CITIZENS THERMAL

Calculation of Actual FAC Variance

For the period of: November 2020 through January 2021

Line No.		A November	B December	C January	D Total
	<u>Steam Sales Volumes (therms)</u>				
1	Steam Rate No. 1 (Sch. 4, col.A)	163,709	300,000	416,834	880,543
2	Steam Rate No. 2 (Sch. 4, col.B)	2,407,362	3,434,735	3,612,922	9,455,019
3	Steam Rate No. 3B (Sch. 4, col.D)	133,127	4,236	(4,232)	133,131
4	Special Contract (Sch. 4, col.E)	1,585,845	2,116,296	2,264,697	5,966,838
5	Total Therm Sales (ln 1 + ln 2 + ln 3 + ln 4)	4,290,043	5,855,267	6,290,221	16,435,531
	<u>Actual Cost of FAC related Fuel Incurred</u>				
6	Cost of fuel (Sch. 3, lines 9, 10 & 11)	\$757,796	\$1,270,149	\$1,400,237	\$3,428,182
7	Cost of Purchased Steam (Sch. 3, col. F, lines 17, 18 & 19)	1,482,851	2,032,091	2,016,986	5,531,928
8	IPL Generation Offset (Sch. 3, col. B, lines 13, 14 & 15)	(41,277)	(35,167)	(24,146)	(100,590)
9	Total cost of Steam (ln 6 + ln 7 + ln 8)	\$2,199,370	\$3,267,073	\$3,393,077	\$8,859,520
	<u>Calculation of FAC Recovery</u>				
10	FAC rate Cause No. 41969-FAC 59	\$0.55649	\$0.55649	\$0.55649	
11	Actual cost of fuel billed including Utility Receipts Tax (ln 5 * ln 10)	2,387,366	3,258,398	3,500,445	9,146,209
12	Actual cost of fuel billed excluding Utility Receipts Tax (ln 11 * (1 - 1.4%))	2,353,943	3,212,780	3,451,439	9,018,162
13	Variance from Cause No. 41969-FAC 59 (\$390,426/3)	130,142	130,142	130,142	390,426
14	Fuel cost recovered to be reconciled with fuel cost incurred (ln 12 - ln 13)	2,223,801	3,082,638	3,321,297	8,627,736
15	Fuel cost variance (over)/under recovery (ln 9 - ln 14)	<u>(\$24,431)</u>	<u>\$184,435</u>	<u>\$71,780</u>	<u>\$231,784</u>

CITIZENS THERMAL
Allocation of Actual Fuel Cost Variances
For the Period of: November 2020 through January 2021

Line No.	Calculation of Total Fuel Cost Variances		
1	November	2020 (Sch.5, ln.15, col.A)	(\$24,431)
2	December	2020 (Sch.5, ln.15, col.B)	184,435
3	January	2021 (Sch.5, ln.15, col.C)	71,780
4	Total Variance from this Cause		<u>\$231,784</u>
	<u>Distribution of Variances to Quarters</u>	<u>A % sales</u>	<u>Variance (ln. 4 * col. A)</u>
5	Aug 2021 - Oct 2021 (Sch. 2, ln. 18)	20.90%	\$48,443
6	Nov 2021 - Jan 2022 (Sch. 2, ln. 19)	31.46%	72,919
7	Feb 2022 - Apr 2022 (Sch. 2, ln. 20)	27.73%	64,274
8	May 2022 - Jul 2022 (Sch. 2, ln. 21)	<u>19.91%</u>	<u>46,148</u>
9	Total (ln 5 + ln 6 + ln 7 + ln 8)	100.00%	<u>\$231,784</u>
	<u>Calculation of Variance for this Cause</u>		
10	Cause No. 41969 FAC 59 (Sch. 6, ln.8)		\$41,608
11	Cause No. 41969 FAC 60 (Sch. 6, ln.7)		13,238
12	Cause No. 41969 FAC 61 (Sch. 6, ln.6)		100,001
13	Cause No. 41969 FAC 62 (ln 5)		<u>48,443</u>
14	Total FAC variance to be included in this FAC (Over)/Underrecovery		<u>\$203,290</u>

Tab 5

Citizens Thermal
Quarterly Net Operating Income Earnings Test

Line No.	12 Months Ended		FAC No.	Net Operating Income	Authorized	Differential
	Month	Year				
1	January	2021	62	\$ 5,394,899	\$ 8,721,950	(3,327,051)
2	October	2020	61	5,372,994	8,721,950	(3,348,956)
3	July	2020	60	4,974,457	8,721,950	(3,747,493)
4	April	2020	59	4,447,420	8,721,950	(4,274,530)
5	January	2020	58	5,847,802	8,721,950	(2,874,148)
6	October	2019	57	6,760,215	8,721,950	(1,961,735)
7	July	2019	56	8,637,689	8,721,950	(84,261)
8	April	2019	55	9,005,478	8,721,950	283,528
9	January	2019	54	8,504,062	8,721,950	(217,888)
10	October	2018	53	8,967,350	8,721,950	245,400
11	July	2018	52	8,700,897	8,721,950	(21,053)
12	April	2018	51	8,057,084	8,721,950	(664,866)
13	January	2018	50	7,768,018	8,721,950	(953,932)
14	October	2017	49	6,520,223	4 8,628,740	(2,108,517)
15	July	2017	48	6,094,488	3 8,342,899	(2,248,411)
16	April	2017	47	7,283,868	2 8,057,057	(773,189)
17	January	2017	46	6,135,075	1 7,780,536	(1,645,461)
18	October	2016	45	4,860,878	7,587,903	(2,727,025)
19	July	2016	44	4,993,368	7,587,903	(2,594,535)
20	April	2016	43	4,639,292	7,587,903	(2,948,611)
21				<u>\$ 132,965,557</u>	<u>\$ 168,958,291</u>	<u>\$ (35,992,734)</u>
22	NOI to be Refunded					\$ -
23	Times:Filing Frequency					<u>25.00%</u>
24	Amount to be Refunded					<u>\$ -</u>

Note: Per IURC Order in Cause No. 44781, the earnings test will be performed each quarterly FAC through the 12-months ending with 12/31/2015.

Authorized NOI (effective Cause No. 44781)	\$8,721,950 * (62 days / 365 days)	\$ 1,481,537
Authorized NOI (effective Cause No. 44349)	\$7,587,903 * (303 days / 365 days)	<u>\$ 6,298,999</u>
	1	\$ 7,780,536
Authorized NOI (effective Cause No. 44781)	\$8,721,950 * (151 days / 365 days)	\$ 3,608,259
Authorized NOI (effective Cause No. 44349)	\$7,587,903 * (214 days / 365 days)	<u>\$ 4,448,798</u>
	2	\$ 8,057,057
Authorized NOI (effective Cause No. 44781)	\$8,721,950 * (243 days / 365 days)	\$ 5,806,668
Authorized NOI (effective Cause No. 44349)	\$7,587,903 * (122 days / 365 days)	<u>\$ 2,536,231</u>
	3	\$ 8,342,899
Authorized NOI (effective Cause No. 44781)	\$8,721,950 * (335 days / 365 days)	\$ 8,005,077
Authorized NOI (effective Cause No. 44349)	\$7,587,903 * (30 days / 365 days)	<u>\$ 623,663</u>
	4	\$ 8,628,740

Citizens Thermal
Net Operating Income Statement
For the Twelve Months Ending January 31, 2021
(Unaudited)

Line No.		
1	Operating Revenues	<u>\$64,055,544</u>
	<u>Operating Expenses</u>	
2	Operation and maintenance expenses	51,709,831
3	Depreciation and Amortization expense	5,305,273
4	Total Taxes	1,645,541
5	Total Operating Expenses	<u>\$58,660,645</u>
6	Net Operating Income (In 1 - In 5)	<u><u>\$5,394,899</u></u>

Tab 6

Testimony in IURC Dockets – Kenneth J. Flora

<u>Cause No.</u>	<u>Topic</u>
37389-GCA-XX	Gas cost recovery
41969-FAC-XX	Fuel cost recovery
38703-FAC-XX	Fuel cost recovery
40292-DSM-XX	Demand side management program cost recovery
42170-ECR-XX	Environmental compliance cost recovery
42170, 42700, 43403	Environmental compliance plans
42997	Air conditioning load management plan
43485, 43740	Wind purchase power agreements
43083, 43321	IURC investigations into Energy Policy Act
43580	IURC investigation into Energy Independence and Security Act
43426 S-1	Midcontinent Independent System Operator cost recovery
43663	IURC investigation into tree trimming practices
42693	IURC investigation into demand side management programs
43623, 43911	Demand side management program plans
43960	Ratemaking treatment for electric vehicle supply equipment
44478	Alternative regulatory plan for electric vehicle sharing program
45032 S-1	IURC investigation into the Tax Cuts and Jobs Act
45029	Rates and charges

Tab 7

**BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION**

PETITION OF THE BOARD OF DIRECTORS)	
FOR UTILITIES OF THE DEPARTMENT OF)	
PUBLIC UTILITIES OF THE CITY OF)	
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)	
OF A PUBLIC CHARITABLE TRUST FOR)	CAUSE NO. 41969 FAC 62
APPROVAL OF FUEL COST ADJUSTMENT)	
FOR STEAM SERVICE EFFECTIVE)	
AUGUST 1, 2021 PURSUANT TO THE)	
COMMISSION’S ORDER IN CAUSE NO. 44781 AND)	
APPLICABLE LAW.)	

**VERIFIED DIRECT TESTIMONY
OF
TODD W. FULLER**

**ON BEHALF OF
CITIZENS THERMAL**

Petitioner’s Exhibit No. 2

INTRODUCTION AND BACKGROUND

1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. My name is Todd W. Fuller. My business address is 366 Kentucky Avenue, Indianapolis,
3 Indiana, which is the address for the Perry K Steam Plant owned and operated by the Board
4 of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis,
5 as successor trustee of a public charitable trust, d/b/a Citizens Thermal (“Citizens Thermal”
6 or “Petitioner”).

7 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A2. I am employed by Citizens Thermal as Director of Thermal Operations.

9 **Q3. HOW LONG HAVE YOU HELD THAT POSITION?**

10 A3. Since December 2018.

11 **Q4. WHEN DID YOU BEGIN YOUR EMPLOYMENT WITH CITIZENS THERMAL?**

12 A4. In November 2000, I was hired by Petitioner as Assistant to Engineer for the Thermal
13 Division.

14 **Q5. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND AND**
15 **EXPERIENCE.**

16 A5. Immediately prior to my employment with Citizens Thermal, I was an employee of Mid-
17 America Energy Resources, a subsidiary of IPALCO Enterprises, and worked at the West
18 St. Chilled Water Plant. I have over 10 years of experience with the operating, maintenance
19 and project management side of the Chilled Water Business, and 11 years’ experience in
20 the management of the Chilled Water Business.

1 **Q6. WHAT ARE YOUR RESPONSIBILITIES AND DUTIES AS THE DIRECTOR OF**
2 **THERMAL OPERATIONS FOR CITIZENS THERMAL?**

3 A6. As the Director of Thermal Operations for Citizens Thermal, I participate in all aspects of
4 the oversight and operation of the Perry K Steam Plant, which includes the purchase and
5 delivery of the fuel Citizens Thermal uses for the production of steam and electricity. As
6 part of carrying out this responsibility, I supervise Citizens Thermal's fuel procurement
7 process, including the negotiation and administration of natural gas procurement contracts.

8 **Q7. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A7. Yes. I filed testimony on behalf of Petitioner in Cause No. 41969 FAC 52, FAC 53, FAC
10 54, FAC 55, FAC 56, FAC 57, FAC 58, FAC 59, FAC 60 and FAC 61.

11 **Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS FAC**
12 **PROCEEDING?**

13 A8. The purpose of my testimony is to address the subject of fuel procurement for Citizens
14 Thermal and the gas pricing for this FAC period.

NATURAL GAS PROCUREMENT

15 **Q9. HOW DID CITIZENS THERMAL PROJECT THE GAS PRICES FOR THE**
16 **MONTHS OF AUGUST 2021, SEPTEMBER 2021, AND OCTOBER 2021?**

17 A9. The majority of the gas costs for August 2021, September 2021, and October 2021 were
18 projected using the Henry Hub Natural Gas Futures as published by CME Group on May
19 5, 2021 for the three-month period, as shown in Table 1 below. The index is the same
20 index by which Citizens Thermal has priced its commodity purchases in the past. The
21 futures prices are adjusted for basis, fuel, and transportation.

Table 1

Henry Hub Natural Gas Futures Prices as of 05/05/2021	
August 2021	\$3.031
September 2021	\$3.015
October 2021	\$3.030

[HTTPS://WWW.CMEGROUP.COM/TRADING/ENERGY/NATURAL-GAS/NATURAL-GAS.HTML](https://www.cmegroup.com/trading/energy/natural-gas/natural-gas.html)

Q10. DOES PETITIONER HAVE A HEDGING TARGET FOR ITS GAS PURCHASES?

A10. Yes. Citizens Thermal previously established an initial target of 80% of its contract gas purchases to be physically or financially hedged. Petitioner typically will contract to purchase gas for each month in an amount that is less than its historical gas usage volumes. Petitioner will continue to monitor gas production, historical storage levels, and the rate of storage injections and adjust its hedged purchases accordingly, which at times may exceed or be less than the hedging target.

Q11. WHAT IS THE PERCENTAGE OF HEDGED GAS FOR THIS FAC PROJECTION PERIOD?

A11. Hedged transactions account for approximately 75% of contract gas purchases, which is approximately 54% of forecasted total purchases.

Q12. PLEASE BRIEFLY DESCRIBE PETITIONER'S OBJECTIVE IN THE USE OF HEDGING.

A12. Petitioner's primary objective with hedging is to minimize the risk of gas price volatility, to protect against catastrophic pricing and reduce exposure to the competitive natural gas market on behalf of its steam customers. However, Petitioner does not enter into hedging transactions without considering the current environment and anticipated future market

1 conditions. Petitioner utilizes the experience, expertise, and recommendations of Kinetrex
2 Energy (“Kinetrex Energy”), its 3rd party supplier, and NG Market Advisors, Inc. (“NG
3 Advisors”), a 3rd party consultant, to assess conditions in the market and provide advice on
4 hedging strategies. In order to provide greater price certainty for its customers, Petitioner
5 utilizes hedging to mitigate the inevitable market fluctuation in gas costs incurred to meet
6 its steam system supply needs. All of Petitioner’s hedging transactions are tied to physical
7 volumes of natural gas required to serve Petitioner’s customers. However, the use of
8 hedging does not ensure Petitioner will be able to purchase future supply at prices below
9 actual market prices at the time gas is purchased and delivered.

10 **Q13. PLEASE DESCRIBE THE FINANCIAL HEDGING INSTRUMENTS**
11 **PETITIONER CONSIDERS.**

12 A13. Financial call option hedges may be used to establish price ceilings that mitigate exposure
13 to rising market prices. When a call option is purchased, Petitioner has the right without
14 the obligation to purchase natural gas at a given strike price for a premium cost. The strike
15 price establishes a ceiling price that effectively caps supply costs if commodity prices rise
16 and exceed the strike price. Premiums are necessary when ceilings are purchased, and
17 they become part of the cost of the hedging strategy.

18 **Q14. DOES PETITIONER INCUR COSTS IN THE ADMINISTRATION OF ITS**
19 **HEDGING STRATEGY THAT ARE NOT RECOVERED IN BASE RATES AND**
20 **WHICH SHOULD BE RECOVERABLE IN THE FAC?**

21 A14. Yes, in addition to the premiums described above, which are other expenses related to fuel
22 costs, Petitioner may incur other execution costs, including but not limited to, commission

1 fees, exchange clearing fees and National Futures Association fees. Petitioner's hedging
2 strategy is intended to mitigate gas price volatility (i.e., to help stabilize Petitioner's rates
3 for steam service) associated with commodity purchases. As a result, Petitioner incurs
4 unavoidable costs, which are associated with its hedging strategy. In my opinion, those
5 costs are reasonably incurred and are expenses related to fuel costs that should be included
6 for purposes of obtaining Commission approval to recover them through the FAC
7 mechanism.

8 **Q15. AFTER FINDING THAT PETITIONER MET THE COMMISSION'S**
9 **REQUIREMENT IN FAC 44 FOR AN EXPANDED EXPLANATION IN FAC 45**
10 **OF ITS GAS PURCHASES, THE COMMISSION ORDER IN CAUSE NO. 41969**
11 **FAC 47 PROVIDED THAT "UNTIL FURTHER NOTICE, PETITIONER SHALL**
12 **CONTINUE TO EXPAND ON ITS GAS PURCHASING METHODS AND THE**
13 **PRUDENCE OF NATURAL GAS PURCHASES FROM KINETREX IN FUTURE**
14 **FAC FILINGS." PLEASE PROVIDE THE COMMISSION WITH AN EXPANDED**
15 **GAS PURCHASING EXPLANATION BASED ON CURRENT INFORMATION.**

16 A15. As noted in my FAC 56 testimony, Citizens Thermal entered into a contract with its 3rd
17 party supplier Kinetrex Energy, which became effective on October 1, 2019.

18 Also, as I discussed in my FAC 56 testimony, Petitioner entered into a consulting
19 agreement with NG Advisors effective July 29, 2019 for consulting services to provide
20 regulated commodity trading advice for futures and options, market monitoring, hedge
21 recommendations, strategic hedge plan development and execution, pricing discovery, risk
22 management reporting, technical and fundamental market analysis, and regulatory

1 assistance. Fees payable to NG Advisors for its services are included in the natural gas
2 costs for recovery in the FAC.

3 **Q16. PLEASE ELABORATE ON HOW PETITIONER WORKS WITH KINETREX**
4 **ENERGY AND NG ADVISORS REGARDING ITS GAS PURCHASES.**

5 A16. Petitioner works closely with Kinetrex Energy and NG Advisors on its gas purchases and
6 continues to determine the fiscal year volumes of monthly natural gas purchases based on
7 estimated steam sales volumes and historical volumetric usage of natural gas. Petitioner
8 typically will contract to purchase gas for each month in an amount that is less than its
9 historical gas usage volumes. Then, Petitioner will purchase incremental amounts of gas
10 during the month to make up for any shortfalls in gas usage.

11 On occasion, Petitioner may have excess gas that must be sold back to the market.
12 If Petitioner has available excess gas, Kinetrex Energy will buy back from Petitioner the
13 positive difference in gas volumes at the Platts Gas Texas Zone 1 monthly average price.
14 Alternatively, Petitioner and Kinetrex Energy may agree to a fixed price for the buyback
15 quantity in any given month. I meet with or otherwise communicate with Kinetrex Energy
16 and NG Advisors as needed to discuss and develop Petitioner's natural gas purchasing
17 strategies.

18 **Q17. PLEASE PROVIDE FIXED PRICE HEDGE TRANSACTIONS FOR THE**
19 **MONTHS OF NOVEMBER AND DECEMBER 2020, AND JANUARY 2021.**

20 A17. Information regarding fixed price hedge transactions for the months of November and
21 December 2020, and January 2021 are shown in Table 2 below.

Table 2

Month	Number of Fixed Price Hedges	Volume (Dth)	Average Price per Dth	Contract Price ¹	Difference to Contract Price
November 2020	Two (2)	110,000	\$2.5094	\$2.9060	(\$0.3966)
December 2020	Four (4)	170,000	\$2.6415	\$2.806	(\$0.1645)
January 2021	Four (4)	170,000	\$2.7576	\$2.377	\$0.3806

Q18. PLEASE EXPLAIN ANY INCREMENTAL GAS PURCHASES FOR NOVEMBER AND DECEMBER 2020, AND JANUARY 2021.

A18. Petitioner did not purchase any incremental gas in November and December 2020, or January 2021.

Q19. WERE THERE ANY TRUE UP TRANSACTIONS DURING NOVEMBER AND DECEMBER 2020, AND JANUARY 2021?

A19. Yes. In November and December 2020, and January 2021, Petitioner burned more gas than the contracted amount and had to buy additional gas from Kinetrex Energy. The reason for the additional gas usage was due to reduced output by Covanta as a result of mechanical issues with their plant. Information regarding those transactions is shown in Table 3 below.

Table 3

Month	Volume (Dth)	Price per Dth	Difference to Contract Price
November 2020	4,424	\$2.3712	(\$0.5348)
December 2020	52,775	\$2.4285	(\$0.3775)
January 2021	47,826	\$2.5310	\$0.1540

Q20. HOW IS THE FINAL DECISION MADE ON PETITIONER'S NATURAL GAS PURCHASES AND WHO MAKES THE FINAL DECISION?

¹The Contract Price is equal to Nymex -\$0.09 per the terms of the contract with Kinetrex Energy effective October 1, 2019.

1 A20. I regularly consult with Kinetrex Energy, NG Advisors, and representatives from Citizens
2 Energy Group to gather information related to making purchases of natural gas for
3 Petitioner. I also review daily publications on market conditions to determine if and when
4 to make hedging purchases. After considering that input and information, Petitioner makes
5 the final decision on volumes and price points for all of its natural gas purchases.

6 **Q21. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A21. Yes, it does.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of his knowledge, information and belief.

A handwritten signature in black ink, appearing to read 'Todd W. Fuller', is written over a horizontal line.

Todd W. Fuller