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RESOLUTION NO. 03-2016

**A RESOLUTION OF THE BOARD OF PUBLIC WORKS OF THE
CITY OF AUBURN, INDIANA, APPROVING A MODIFICATION TO THE
TWO-PART TRACKER INCLUDED IN THE SCHEDULE OF RATES AND
CHARGES FOR SERVICE PROVIDED
BY AUBURN MUNICIPAL ELECTRIC DEPARTMENT**

SUMMARY

This Resolution approves a modification to the two-part tracking mechanism included in the schedule of rates and charges for service provided by the Auburn Municipal Electric Department. This Resolution serves to amend previously passed **Board of Public Works Resolution No. 01-2015**, passed on or about **January 22, 2015**, to revise the two-part tracking mechanism that is attached as Appendix A to Auburn Municipal Electric Department's schedule of rates and charges. This modified rate schedule shall also be approved by the City of Auburn Common Council.

_____ Recorder's Office

___ Publish Public Hearing

_____ Auditor's Office

_____ Clerk's Office

___ Publish O/R after adoption

_____ Other

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**A RESOLUTION OF THE BOARD OF PUBLIC WORKS OF THE
CITY OF AUBURN, INDIANA, APPROVING A MODIFICATION TO THE
TWO-PART TRACKER INCLUDED IN THE SCHEDULE OF RATES AND
CHARGES FOR SERVICE PROVIDED
BY AUBURN MUNICIPAL ELECTRIC DEPARTMENT**

WHEREAS, the City of Auburn, Indiana, owns and operates by and through the Board of Public Works (the "Board") of the City a municipal electric utility known as Auburn Municipal Electric Department (the "Utility") for the purpose of providing electric utility service to residential, commercial and industrial customers within the City of Auburn, Indiana and contiguous areas in DeKalb County, Indiana pursuant to Ind. Code § 8-1.5; and

WHEREAS, on **March 27, 2014**, the Utility filed with the Indiana Utility Regulatory Commission ("Commission") a Verified Petition in Cause No. 44472 seeking approval of a new schedule of rates and charges for electric service and authority to implement a two-part tracking mechanism to distinguish between demand and energy costs, which was included in the Utility's rate schedules as Appendix A; and

WHEREAS, on **December 17, 2014** the Commission issued an Order in Cause No. 44472, approving a new schedule of rates and charges for the Utility, as well as the proposed two-part tracking mechanism; and

WHEREAS, following issuance of the Order in Cause No. 44472, the City of Auburn Common Council passed Ordinance No. 2015-03 entitled An Ordinance of the City of Auburn, Indiana Approving and Adopting A New Schedule of Rates and Changes

For Services Rendered By Auburn Municipal Electric Department and Approved by the Indiana Utility Regulatory Commission; and

WHEREAS, Ordinance No. 2015-03 was adopted pursuant to a recommendation made in **Board of Public Works Resolution No. 01-2015**, passed on or about **January 22, 2015**; and

WHEREAS, the rates adopted pursuant to Ordinance No. 2015-03 included the two-part tracking mechanism set forth in Appendix A and went into effect in April of 2015; and

WHEREAS, since that time there has been defined a need to make a modification/adjustment to the previously passed two-part tracking mechanism; and

WHEREAS, the adjustment is needed because the two-part tracker filing approved in Cause No. 44472 and incorporated into the Utility's schedule of rates and charges as Appendix A, contained errors in the tracker formula and other issues that prevented the mechanism from providing for accurate recovery of changes in the cost of purchased power by the Utility; and

WHEREAS, on April 7, 2016 the Utility filed proposed changes to the language and formulas set forth in Appendix A with the Commission for approval in Cause No. 44774, which changes have been reviewed and approved by the Indiana Office of Utility Consumer Counselor and Intervenor, Metal Technologies, Inc.; and

WHEREAS, the hearing in Cause No. 44774 is scheduled for June 9, 2016; and

WHEREAS, the Board of Works has responsibility to recommend to the Common Council “reasonable and just rates and charges for services” under Ind. Code § 8-1.5-3-4 and Ind. Code § 8-1.5-3-8; and

WHEREAS, the Board and its advisors believe and recommend that (i) the Common Council should adopt an Ordinance approving a revised two-part tracking mechanism that replaces the Utility’s existing two-part tracking mechanism set forth in Appendix A of its rates and charges; and (ii) the proposed revisions to the two-part tracking mechanism attached hereto as Exhibit “A” will result in rates and charges that are nondiscriminatory and “reasonable and just rates and charges for services” within the meaning of Ind. Code § 8-1.5-3-8; and

WHEREAS, the proposed changes to the language and formulas set forth in the two-part tracking must be approved by the Common Council of the City of Auburn, Indiana and the Commission; and

WHEREAS, this Resolution is adopted by the Auburn Board of Public Works to amend **Board of Public Works Resolution No. 01-2015** to be consistent with the proposed petition currently pending before the Commission regarding Appendix A to the Electric Rates of the City of Auburn. The revised language and formulas set forth in the two-part tracking mechanism attached as Exhibit “A” upon passage by the Common Council and approval by the Commission shall be the basis upon which wholesale power costs are tracked to the Utility’s customers; and

WHEREAS, it is anticipated that the AUBURN COMMON COUNCIL shall pass an Ordinance to replace the version of Appendix A approved by **Ordinance 2015-03**, with the modified rate schedule and tariff that is attached as Exhibit "A" hereto; and

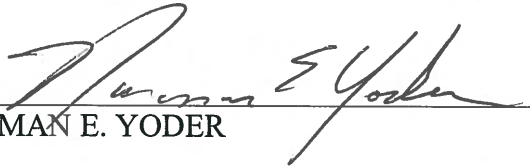
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF PUBLIC WORKS OF THE CITY OF AUBURN, INDIANA, that the revised two-part tracking mechanism attached hereto as Exhibit "A" should be approved and adopted for use by Auburn Municipal Electric Department upon approval by Order adopted by the Indiana Utility Regulatory Commission in Cause No. 44774; and

BE IT FURTHER RESOLVED, that the version of the two-part tracking mechanism attached as Exhibit "A" will supersede the previously-approved version of Appendix A of the Utility's schedule of rates and charges to be effective upon proper passage by the Common Council of the City of Auburn, Indiana, the Commission and all other appropriate notices, hearings, and publications; and

BE IT FURTHER RESOLVED, that said Board of Public Works recommends to the Common Council of the City of Auburn that it take appropriate action to adopt and implement the revised two-part tracking mechanism set forth in Exhibit "A" as required by the terms of Ind. Code § 8-1.5-3-8.

Adopted this 26th day of May, 2016

BOARD OF PUBLIC WORKS OF THE CITY OF AUBURN, INDIANA

BY: 
NORMAN E. YODER

HERB HORROM, Member


DANNY MCAFEE, Member

ATTEST: 
PATRICIA M. MILLER, CLERK-TREASURER

EXHIBIT "A"

ELECTRIC RATES & CHARGES MUNICIPAL CITY OF AUBURN, INDIANA

Appendix A:

- Part I – Rate Adjustment:

Rate adjustments shall be based on the Wholesale Power Tracking Factor occasioned solely by changes in the cost of purchased power. Currently, Auburn Municipal Electric Department (“Auburn”) purchases wholesale power under a “Formula Agreement”. The formula contains capacity, energy, fuel and the PJM OATT Market charges. The capacity wholesale power cost and demand true-up is charged to Auburn on a \$/kW basis. Auburn charges its demand metered Customers on a \$/kVA basis. The demand metered Rate Codes are 39, 40, 41, 42, 43, 44, 45 and 45T. The wholesale power energy, fuel, PJM OATT Market costs, and any energy related true up charges are recovered from all metered Customers on a \$/kWh basis. For the purposes of equitable distribution of credits and charges, the true-up charges are further segmented into four distinct elements, defined below as D₁, D₂, M₁, and M₂.

The costs of purchased power at the wholesale level included in the Indiana Utility Regulatory Commission Order No. 44472 approved electric rates for Auburn are as follows:

Demand Charge for all Metered Rate Codes	\$17.05667/kW/month
Energy Charge for all Metered Rate Codes	\$.032893/kWh

The Wholesale Power Tracking Factor shall be scheduled for review and adjustment twice annually.

The Wholesale Power Tracking Factor will separately track capacity and energy costs for all metered Rate Codes. The cost recovery credits and charges for all Rate Codes will be developed as follows:

A. The approved wholesale portion of the demand capacity power costs collected from all metered Rate Codes through the rates approved in IURC Order 44472 will be reconciled with the wholesale capacity power costs charged to Auburn from its wholesale supplier. The demand capacity cost change impact to the utility will be determined by first, subtracting the approved demand capacity rate from the forecasted effective demand capacity rate. Then, multiplying the demand capacity rate difference by the quantity of wholesale kilowatt demand units forecasted for the reconciliation period. Next, multiplying the Total Demand related costs difference to the utility by one plus the Utility Receipts Tax rate. The demand metered Rate Codes’ share of the total reconciled demand capacity wholesale cost impact dollars to the utility shall be determined by multiplying the total demand capacity cost impact dollars by the ratio of billed coincident demand metered Rate Codes’ kilowatt demand units to the total wholesale kilowatt demand capacity units purchased during the reconciled billing period. The energy-only or non-demand metered Rate Codes shall be responsible for the remaining demand capacity costs. The wholesale energy charge shall be determined by taking the wholesale energy consumption costs including Energy, Fuel, PJM OATT market charges and any energy related true up charges collected from all metered Rate Codes through the approved rates, divided by the total wholesale energy consumption. Next, the Wholesale energy rate approved per I.U.R.C. Order 44472 is subtracted from the above wholesale energy charge. This adjusted value is then multiplied by the wholesale energy consumption and is summed with any energy related true up charges. The new total, when multiplied by one plus the Utility Receipts Tax, establishes the total energy cost dollars necessary to correct the difference in utility energy purchases and collections for the period. The demand metered Rate Codes’ responsibility is determined by multiplying the reconciled utility energy costs dollars by the ratio of demand metered Rate Codes’ billed kilowatt-hour consumption during the reconciliation billing period to the total wholesale kilowatt-hour consumption purchased during the same period. Energy-only or non-demand metered Rate Codes’ are responsible for the remaining difference between the total energy dollars and the demand metered Rate Codes’ share.

B. Determine the Demand metered Rate Codes’ reconciliation Tracker by adding the appropriate allocated demand and energy dollar amounts; then, divide that sum by the kilowatt-hours projected for the demand metered rate codes in the reconciliation recovery period. Determine the Energy-only metered Rate Codes’ reconciliation Tracker by adding the appropriate allocated demand and energy dollar amounts; then divide that sum by the kilowatt-hours projected for the energy metered rate codes for the reconciliation recovery period. The appropriate

allocation factors shall be based on the most recent period containing the same calendar months. If no such period exists, the allocation factors shall be based on the most recent period. Both Trackers will be applied to all Rate Codes within their Customer classes with equal regularity throughout the reconciliation period. Both charges and (credits) will be applied in addition to I.U.R.C. approved rates.

C. Initial Wholesale Power Tracking Factors are based on a combination of historical and forecasted data. All projected wholesale power costs will be reconciled with actual wholesale power cost and revenues collected in the next tracker filing. The reconciliation will be performed separately for demand metered and energy-only metered Rate Codes. For the demand metered Rates Codes, the reconciliation will reflect actual billing demands, capacity charges, energy consumption, energy rates and revenues previously collected. For the energy-only metered Rate Codes, the reconciliation will reflect actual sales levels, wholesale power costs and revenues previously collected.

- **Part II - Fuel Cost Adjustment:**

The actual cost of fuel varies with market conditions and the efficiencies of a blend of on-line generation sources contributing toward power delivery to Auburn. The Fuel Cost Adjustment (including Fuel Cost True Up) shall be the same as that most recently billed to the Municipal Utility by its electric power supplier divided by one (1.0) minus the total energy losses of the Municipal Utility for the preceding calendar year expressed as a decimal fraction of the total energy purchased for the same year. The Fuel Cost Adjustment shall be applied to all kWh of sales. The Fuel Cost Adjustment Tracking Factor shall be scheduled for review and adjustment twice annually.

- **Part III – System Sales Tracker Adjustment:**

Auburn Municipal Electric System is considered native load to its power supplier. On occasion, its power supplier will sell electricity “off the local grid.” Auburn will then receive a percentage of the net revenue from such transactions. The System Sales Tracker Adjustment shall be the same as that most recently billed to the Municipal Utility by its supplier of electric power divided by one (1.0) minus the total energy losses of the Municipal Utility for the preceding calendar year expressed as a decimal fraction of the total energy purchased for the same year. The Systems Sales Tracker Adjustment shall be applied to all kWh of sales.

- **Wholesale Power Cost Adjustment Tracking Factor**

Notice is hereby given to rate payers of the municipally owned electric utility and other interested persons that the following Wholesale Power Cost Adjustment Tracking Factors, effective with the date of the Order in Cause No. 44472 from the Indiana Utility Regulatory Commission, are \$0/kW and \$0/kWh for demand metered Customers and \$0/kWh for energy only metered Customers.

- **Fuel Cost Adjustment Tracking Factor**

The Fuel Adjustment Tracking Factor will only apply to fuel costs that Auburn incurs itself in supplying electricity to its Customers. Notice is hereby given to Customers of the municipally owned electric utility and other interested persons that the following Fuel Cost Adjustment Tracking Factor effective October 1, 2011 is \$0.000000 per kWh per month.

- **System Sales Adjustment Tracking Factor**

Notice is hereby given to rate payers of the municipally owned electric utility and other interested persons that the following System Sales Adjustment Tracking Factor effective October 1, 2011 is \$0.000000 per kWh per month.

Wholesale Power Trackers: All Metered Customers

Demand /Capacity Component

A = Effective [or projected] Demand charge (\$/kW) the wholesale supplier charges the City of Auburn

B = Wholesale Demand charge (\$/kW) included in rates authorized by I.U.R.C. Order 44472

C = Total Metered [or Projected] Demand (kW) [or to be] charged by the wholesale supplier during the period

D₁ = Prior period True Up and Interest charges (\$) directly related to Demand charges over or under collected from the City by the Wholesale Power Provider

D₂ = Prior period True-Up and Interest charges (\$) directly related to Demand charges over or under collected from its customers by the City

E = Demand metered Rate Codes' share of Total Demand/Capacity Adjustment dollars (%)

F = Total Demand/Capacity Adjustment Tracker Dollars to be reconciled (\$)

G = (\$) Demand Metered Rate Codes' share of Demand/Capacity Adjustment Dollars to be Reconciled

H = (\$) Energy Only Metered Rate Codes' share of Demand/Capacity Adjustment Dollars to be Reconciled

$$F = (((A-B) \times C) + D1 + D2) \times (1 + \text{Utility Receipts Tax})$$

$$G = E \times F$$

$$H = F - G$$

Energy Component

J = Effective [or projected] Energy charges (\$), which include, Energy, Fuel, and PJM OATT market charges, the wholesale supplier charges the City of Auburn

K = Total Wholesale Energy consumption purchases (kWh) during the period

L = Base Wholesale Energy charge rate for all metered Rate Codes included in rates authorized by I.U.R.C. Order No. 44472

M₁ = Prior period True Up and Interest charges (\$) directly related to Energy charges over or under collected from the City by the Wholesale Power Provider

M₂ = Prior period True Up and Interest charges (\$) directly related to Energy charges over or under collected from its customers by the City

N = Demand metered Rate Codes' share of Total Energy Adjustment dollars (%)

P = Total Energy Adjustment Tracker Dollars to be reconciled (\$)

Q = (\$) Demand Metered Rate Codes' share of Energy Adjustment Dollars to be Reconciled

R = (\$) Energy Only Metered Rate Codes' share of Energy Adjustment Dollars to be Reconciled

$$P = (((J/K) - L) \times K) + M_1 + M_2) \times (1 + \text{Utility Receipts Tax})$$

$$Q = N \times P$$

$$R = P - Q$$

Demand Metered Customers Wholesale Power Tracker
Demand & Energy Components – Combined

G = Demand Metered Rate Codes' share of Demand /Capacity Adjustment Dollars to be Reconciled

Q = Demand Metered Rate Codes' share of Energy Adjustment Dollars to be Reconciled

(G + Q) = Demand Metered Rate Codes' share of Total Reconciliation Dollars

kWh_A = Projected kWh for demand metered rate codes for the Reconciliation Period

kWh_B = Projected kWh for non-demand metered rate codes for the Reconciliation Period

DT = (G + Q) / kWh_A = Demand Metered Customer Tracker for the Reconciliation Period

Energy Only (Non-Demand) Metered Customer – Wholesale Power Tracker
Demand & Energy Components – Combined

H = Energy Only Metered Rate Code's share of Demand/Capacity Adjustment Dollars to be Reconciled

R = Energy Only Metered Rate Code's share of Energy Adjustment Dollars to be Reconciled

(H + R) = Energy Only Metered Rate Codes' share of Total Reconciliation Dollars

ET = (H + R) / kWh_B = Energy Only Metered Customer Tracker for the Reconciliation Period