

**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:

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

where:

1. "F" is the estimated expense of fuel based on a one year average cost beginning with the Month of June, 2007, 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.
 - (c) the base cost of fuel adjusted to the IURT \$0.22005 per therm.¹
 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 incremental fuel cost billed and the incremental fuel cost actually experienced during the one year period ending January 31, 2007.
- D. The Adjustment Factor to be effective with meter readings on November 1, 2007 through January 31, 2008 for all General Service and Demand Rate Accounts is \$0.53593 per Therm.

¹ The \$0.21697 per therm is divided by 0.986 (1-1.4%) for IURT. Prior to the Commission order in Cause No. 43201, the base cost of fuel was excluded from the FAC factor because it was recovered through the then in place base rates. Pursuant to the October 30, 2007 Order, all fuel costs shall be recovered through the FAC factor, (i.e. the new base rates do not include the base cost of fuel component. Therefore, the base cost of fuel is added to the FAC 07 until the Commission approves FAC 08.