

FILED
DECEMBER 22, 2016
INDIANA UTILITY
REGULATORY COMMISSION

44893

VERIFIED DIRECT TESTIMONY

OF

CHAD A. ROGERS

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

**VERIFIED DIRECT TESTIMONY OF CHAD A. ROGERS
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY**

1 **Q1. Please state your name, employer, and business address.**

2 A1. My name is Chad A. Rogers. I am employed by Indianapolis Power & Light Company
3 (“IPL” or “Company”), whose business address is One Monument Circle, Indianapolis,
4 Indiana 46204.

5 **Q2. What is your position with the Company?**

6 A2. I am a Senior Regulatory Analyst in Regulatory Affairs.

7 **Q3. Please describe your duties as Senior Regulatory Analyst.**

8 A3. I provide financial, technical and regulatory analysis and manage various regulatory
9 projects and filings.

10 **Q4. Please summarize your educational and professional qualifications.**

11 A4. I hold a Bachelor of Science Degree in Accounting and Finance from the Kelley School
12 of Business at Indiana University. I received my Certified Public Accountant (“CPA”)
13 license for the State of Indiana and have fulfilled the necessary educational requirements
14 to allow use of the CPA designation. I have also attended various regulated utility
15 training courses such as Edison Electric Institute (“EEI”) Utilities Accounting Courses
16 (Intro and Advanced), EEI Electric Rates Advanced Course, and PWC Rate Case
17 Experience Course. I also am a member of the Society of Utility and Regulatory
18 Financial Analysts (“SURFA”).

19 **Q5. Please summarize your prior work experience.**

1 A5. I have been an employee of IPL since April 2006, initially as a Senior Accountant and
2 later as Section Leader in the accounting and external reporting team. From June 2009 to
3 September 2013, I worked as a Senior Analyst and later as a Section Leader in Financial
4 Planning and Analysis. I have been in my current role in Regulatory Affairs since
5 September 2013.

6 From February 2004 to April 2006, I was employed by Cinergy Corporation (now Duke
7 Energy). At Cinergy, I held a Senior Accountant role and was responsible for various
8 accounting, financial analysis, and financial reporting duties.

9 From January 2001 to January 2004, I was employed by KPMG LLP as a Senior
10 Associate in assurance services. In that position I was responsible for audits, reviews,
11 compilations, and control assessments for clients spread over a wide range of industries.

12 **Q6. Have you previously testified before the Indiana Utility Regulatory Commission**
13 **(“Commission”) or other regulatory agencies?**

14 A6. Yes. I have provided testimony in IPL’s most recent semi-annual Environmental
15 Compliance Cost Recovery Adjustment proceeding in Cause No. 42170-ECR-28.

16 **Q7. What is the purpose of your testimony in this proceeding?**

17 A7. The purpose of my testimony is to explain how the Company calculated several pro
18 forma adjustments to the test year and to support those adjustments, which I sponsor in
19 the following schedules:

20 **Revenues**

21 IPL Financial Exhibit IPL-OPER, Schedule REV8 – Summary of Miscellaneous Electric
22 Revenues Per Books and Pro Forma Total Electric at Present Rates for the Twelve

1 Months Ended June 30, 2016. For this schedule, the adjustment shown in line 4 is
2 sponsored by IPL Witness Cutshaw.

3 **Operating Expenses**

4 IPL Financial Exhibit IPL-OPER, Schedule OM18 – Pro Forma Adjustment to Remove
5 Image-Building Advertising Costs for the Twelve Months Ended June 30, 2016.

6 IPL Financial Exhibit IPL-OPER, Schedule OM19 – Pro Forma Adjustment to EEI and
7 Indiana Energy Association (“IEA”) Dues.

8 IPL Financial Exhibit IPL-OPER, Schedule OM28 – Pro Forma Adjustment to
9 Uncollectible Accounts Expense.

10 IPL Financial Exhibit IPL-OPER, Schedule OM29 – Pro Forma Adjustment to Public
11 Utility Fee.

12 **Q8. Were these schedules prepared or assembled by you or under your direction?**

13 A8. Yes.

14 **Q9. Did you submit any workpapers?**

15 A9. Yes. I am sponsoring workpapers that support the financial schedules that I sponsor.

16 **Q10. Please explain IPL Financial Exhibit IPL-OPER, Schedule REV8 – Summary of**
17 **Miscellaneous Electric Revenue Per Books and Pro Forma Total Electric at Present**
18 **Rates for the Twelve Months Ended June 30, 2016.**

19 A10. This schedule summarizes the pro forma adjustments to test year miscellaneous electric
20 revenues required to arrive at miscellaneous electric revenues at present rates. The first
21 adjustment is a \$486,000 decrease to Net loss/sundry billings. This adjustment is to

1 remove revenues primarily associated with two non-recurring, large, customer-requested
2 projects related to overhead to underground conversion of main feeder lines.

3 The next adjustment totaling \$660,000 is comprised of the following three items as noted
4 in footnote 2 of the schedule. The first is a \$362,000 decrease to Customer services and
5 other miscellaneous revenue. This adjustment is to remove non-recurring revenue
6 associated with customer payments related to construction of large Rate REP solar
7 projects.

8 The next adjustment is to remove \$146,000 of Customer services and other miscellaneous
9 revenue that were misclassified as revenue rather than credited as a customer contribution
10 toward lighting projects. Since these were not properly recorded revenues in the test year,
11 they are not expected to be recurring revenues in the future. This amount was properly
12 reclassified after the test year in August 2016 to utility plant.

13 The next adjustment is a \$152,000 decrease to Customer services and other
14 miscellaneous revenue. This adjustment is to remove the servicing fees IPL charged IPL
15 Funding Corporation in connection with servicing accounts receivables sold to IPL
16 Funding Corporation as part of a receivables purchase agreement. This agreement ended
17 in October 2015 and IPL will no longer be receiving this revenue.

18 The last adjustment reflected on this schedule is to remove the non-jurisdictional revenue
19 of \$1,895,000 associated with certain non-jurisdictional plant on IPL Financial Exhibit
20 IPL-RB, Schedule RB5. This adjustment is sponsored by IPL Witness Cutshaw.

21 These adjustments to test year miscellaneous electric revenue per books are necessary to
22 give effect on a pro forma annual basis to decreases in revenues that are fixed in time,

1 known to be occurring and measurable in amount. If these adjustments are not made, the
2 pro forma electric operating revenues included in the determination of IPL's
3 jurisdictional electric operating income at present rates would be overstated and not
4 representative of future operating revenues during the period when the requested rates are
5 expected to be in effect.

6 **PRO FORMA ADJUSTMENTS AT PRESENT RATES AND**
7 **AT PROPOSED RATES TO OPERATIONS AND**
8 **MAINTENANCE EXPENSES**

9 **Q11. Please describe IPL Financial Exhibit IPL-OPER, Schedule OM18, regarding**
10 **image-building advertising costs.**

11 A11. This schedule includes an adjustment to remove \$2,508,000 of image-building
12 advertising costs included in FERC account 930.1 during the test year. These costs were
13 determined to fall outside of the material benefit rule set forth in 170 Indiana
14 Administrative Code ("IAC") 1-3-4.

15 **Q12. Please discuss how you determined and removed image-building advertising from**
16 **the Company's advertising expense.**

17 A12. The Company uses separate FERC accounts to separate image-building advertising from
18 instructional and safety advertising. Account 930.1 – *General Advertising Expense* is
19 used for image-building and Account 909.1 – *Information and instructional advertising*
20 *expenses* is used for instruction and safety advertising as described in 170 IAC 1-3-4. In
21 preparation for this filing, the accounting team worked with the Company's Community
22 Relations department to review Account 909.1 and identify any image-building
23 advertising that was improperly booked to that account. Adjustments were made to

1 reclassify any image-building advertising that originally was recorded outside of FERC
2 930.1.

3 **Q13. Please describe IPL Financial Exhibit IPL-OPER, Schedule OM19, regarding the**
4 **EEI and IEA dues expenses.**

5 A13. This schedule reflects pro forma adjustments totaling a reduction of \$249,000 to EEI and
6 IEA dues expenses. IPL's EEI dues are part of the total EEI dues calculated and invoiced
7 by EEI to AES. I used the underlying information from EEI in the calculation of IPL's
8 portion of the fee. I employed the same methodology utilized to calculate the adjustment
9 in IPL's last rate case (IURC Cause No. 44576). I then reduced the fee by the portion
10 designated on the invoice as being for legislative or charitable activities. The resulting
11 pro forma adjustment reduces the per books EEI dues expense down to IPL's share
12 excluding legislative and charitable activities. Due to legislative activities, none of the
13 IEA dues are included in the pro forma expense.

14 If this adjustment is not made, the pro forma electric operation expense included in the
15 determination of IPL's jurisdictional electric operating income at present and proposed
16 rates would be overstated and would include amounts the Commission does not
17 recognize for ratemaking purposes.

18 **Q14. Please explain IPL Financial Exhibit IPL-OPER, Schedule OM28, which adjusts**
19 **uncollectible accounts expense.**

20 A14. This adjustment calculates a pro forma level of electric uncollectible accounts expense,
21 derived by applying a historical write-off experience rate to total electric operating
22 revenues. To be consistent with the components considered in deriving the experience

1 rate, the pro forma total electric operating revenue for this computation is reduced by
2 sales for resale, rents from electric property, and miscellaneous electric revenue (other
3 than connect and reconnect charges).

4 The historical write-off experience rate is the ten-year average uncollectible rate with the
5 removal of the highest and lowest years, as was approved in IPL's last basic rates case
6 (IURC Cause No. 44576, Order at 61). The Order (at 61) states: "The purpose of
7 ratemaking is to develop an overall revenue requirement that is reflective of utility operations
8 going forward. For uncollectible expense, this is best demonstrated by the ten-year average
9 uncollectible rate, with the removal of the two outlier years." The 10-year (2006-2015)
10 uncollectible rate with the removal of the highest (2007) and lowest (2012) years is
11 0.3527%.

12 The computation is first applied to pro forma total electric operating revenues at present
13 rates, and compared with test year total electric uncollectible accounts expense. The
14 \$645,000 pro forma expense increase is included in the summary of electric operation
15 and maintenance expense adjustments on IPL Financial Exhibit IPL-OPER, Schedule
16 OM1, Line 28, column 2.

17 Next, the computation is applied to pro forma total electric operating revenues at
18 proposed rates, and compared with the original calculation at present rates. The
19 additional \$323,000 pro forma expense increase is included in the summary of electric
20 operation and maintenance expense adjustments on IPL Financial Exhibit IPL-OPER,
21 Schedule OM1, Line 28, Column 3.

1 If these pro forma adjustments are not made, the expense level for uncollectible accounts
2 included in the determination of IPL's jurisdictional electric operating income at present
3 and proposed rates would each be understated and not be representative of future
4 operating costs during the period when the requested rates are expected to be in effect.

5 **Q15. Please explain IPL Financial Exhibit IPL-OPER, Schedule OM29, which adjusts the**
6 **public utility fee.**

7 A15. This schedule computes the public utility fee expense based on pro forma total electric
8 operating revenues at present and proposed rates and adjusts the test year public utility
9 fee expense accordingly. IPL is assessed this fee annually by the State of Indiana. The
10 assessment is a function of the applicable annual electric sales revenue, which excludes:
11 capacity sales, sales for resale, rents from electric property, customer collection charges
12 and miscellaneous electric revenue. The computation of the assessment also reduces
13 applicable revenue for the amount of electric uncollectible accounts expense. This
14 adjustment reflects the currently effective public utility fee assessment factor of
15 0.1171996%. The computation is first applied to pro forma total electric operating
16 revenues at present rates, and compared with test year total electric expense. The
17 resulting \$194,000 pro forma expense increase is included in the summary of electric
18 operation and maintenance expense adjustments on IPL Financial Exhibit IPL-OPER,
19 Schedule OM1, Line 29, Column 2.

20 The computation is also applied to pro forma total electric operating revenues at proposed
21 rates, and compared with the amount calculated at present rates. The resulting \$107,000
22 pro forma expense increase is included in the summary of electric operation and

1 maintenance expense adjustments on IPL Financial Exhibit IPL-OPER, Schedule OM1,
2 Line 29, Column 3.

3 If these pro forma adjustments are not made, the expense level for public utility fees
4 included in the determination of IPL's jurisdictional electric operating income at present
5 and proposed rates would be understated and not representative of future operating costs
6 during the period when the requested rates are expected to be in effect.

7 **Q16. Does that conclude your verified pre-filed direct testimony?**

8 A16. Yes.

VERIFICATION

I, Chad A. Rogers, Senior Regulatory Analyst for Indianapolis Power & Light Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.


Chad A. Rogers

Dated: December 22, 2016