

STATE OF INDIANA

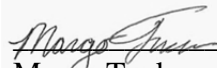
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT)
COMPANY ("IPL") FOR (1) AUTHORITY TO INCREASE)
RATES AND CHARGES FOR ELECTRIC UTILITY)
SERVICE, (2) APPROVAL OF REVISED DEPRECIATION)
RATES, ACCOUNTING RELIEF, INCLUDING UPDATE OF)
THE MAJOR STORM DAMAGE RESTORATION)
RESERVE ACCOUNT, APPROVAL OF A VEGETATION)
MANAGEMENT RESERVE ACCOUNT, INCLUSION IN) CAUSE NO. 45029
BASIC RATES AND CHARGES OF THE COSTS OF)
CERTAIN PREVIOUSLY APPROVED PROJECTS,)
INCLUDING THE EAGLE VALLEY COMBINED CYCLE)
GAS TURBINE, THE NATIONAL POLLUTION)
DISCHARGE ELIMINATION SYSTEM AND COAL)
COMBUSTION RESIDUALS COMPLIANCE PROJECTS,)
RATE ADJUSTMENT MECHANISM PROPOSALS, COST)
DEFERRALS, AMORTIZATIONS, AND (3) APPROVAL OF)
NEW SCHEDULES OF RATES, RULES AND)
REGULATIONS FOR SERVICE.)

SUBMISSION OF SETTLEMENT TESTIMONY OF CAC, ICHS, INCAA, AND SC

Citizens Action Coalition, Indiana Coalition for Human Services, Indiana Community Action Association, and Sierra Club (collectively, "Joint Intervenors" or "JI") respectfully submit the Settlement Testimony of Kerwin L. Olson (JI Exhibit 5) in the above referenced Cause to the Indiana Utility Regulatory Commission ("Commission").

Respectfully submitted,


Margo Tucker

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by electronic mail or U.S.

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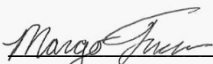
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SETTLEMENT TESTIMONY OF KERWIN L. OLSON ON BEHALF OF
CITIZENS ACTION COALITION OF INDIANA, INDIANA COALITION FOR HUMAN
SERVICES, INDIANA COMMUNITY ACTION ASSOCIATION,
AND SIERRA CLUB

JULY 23, 2018

1 **Q. Please state your name, position and business address.**

2 A. My name is Kerwin L. Olson, and I am the Executive Director for Citizens Action
3 Coalition of Indiana, Inc. (“CAC”). My business address is 1915 West 18th Street, Suite
4 C, Indianapolis, IN 46202.

5 **Q. Are you the same Kerwin Olson who previously filed pre-filed direct testimony in**
6 **this case?**

7 A. Yes.

8 **Q. On whose behalf are you appearing?**

9 A. I am appearing on behalf of Citizens Action Coalition of Indiana, Inc., Indiana Coalition
10 for Human Services, Indiana Community Action Association, and Sierra Club
11 (collectively, “Joint Intervenors” or “JIs”).

12 **Q. What is the intended purpose and scope of your testimony?**

13 A. The general purpose and scope of my testimony is to support the Settlement Agreement
14 in this Cause. The Settlement was reached between Indianapolis Power & Light
15 (“Petitioner,” “IPL,” or “Company”), Indiana Office of Utility Consumer Counselor
16 (“OUCC”), IPL Industrial Group, The Kroger Co., Wal-Mart Stores East, LP, and Sam’s
17 East, Inc., Rolls-Royce Corporation, University of Indianapolis, City of Lawrence, and
18 Joint Intervenors consisting of Citizens Action Coalition of Indiana, Inc. (“CAC”),
19 Indiana Coalition for Human Services, Indiana Community Action Association, Inc., and
20 Sierra Club (collectively, “Settling Parties”) after several weeks of intensive discussions
21 and negotiations.

22 When parties enter into compromise, they can have different reasons for doing so.
23 As a general matter, settlement testimony seeks to explain the negotiated terms and

presents each Settling Party's perspective on why the Settlement Agreement is reasonable, in the public interest and should be approved. In this respect, the Settling Parties may not agree with all opinions and explanations in our respective testimony. The settlement testimony does not change the substance of the Settlement Agreement.

Joint Intervenors believe that approval of the Settlement Agreement is in the public interest and strongly encourage the Commission to promptly enter an order approving the Settlement Agreement in its entirety.

Q. Please briefly describe the issues you will address in your settlement testimony.

A. I intend to address the following settlement terms of particular importance to Joint Intervenors:

1. The agreed-upon IPL's residential customer fixed charges of \$12.50 for usage less than or equal to 325 kWh and \$17 for all greater usage levels;
2. The slight flattening of IPL's residential declining block rate through a reduction of the second block differential by 25%;
3. The creation of a Arrearage Forgiveness Pilot Program to provide low-income customers an opportunity to catch up on their bills, the initial administrative and program costs of which will not be reflected in the revenue deficiency in this Cause;
4. IPL's contribution to the community action program network of Indiana Community Action Association to facilitate low-income weatherization in IPL's service territory (which contribution is not reflected in the revenue deficiency in this Cause);

5. Creation of a three-year pilot program in which customers can round up their own bills in order to fund programs to assist low-income customers with their electric bills. IPL will also make a contribution to this program which is not reflected in the revenue deficiency in this Cause;
6. IPL's low-income and general residential reporting requirements, including reporting data on the low-income pilot programs, which I view as a potential means to gauge success and unmet demand;
7. IPL's decision to show the fixed customer charge on all residential customers' bills going forward;
8. IPL's decision to provide residential customers with notice and a description of any proposed change to the fixed customer charge in its next general rate case; and
9. IPL's agreement to reconvene the Local Green Power Advisory Committee and work in good faith to develop a community solar pilot proposal within one year.

Q. Joint Intervenors are agreeing to an increase to the fixed customer charge for usage under 325 kWh from \$11.25 to \$12.50 for IPL's residential tariff, and to no increase to the current \$17.00 charge for all other residential usage. Please explain.

A. Joint Intervenors vehemently opposed the Company's original case-in-chief proposal to increase the fixed customer charge for bills under 325 kWh from \$11.25 to \$16.00, and to increase the fixed customer charge for all other residential bills from \$17.00 to \$27.00. Joint Intervenors filed testimony arguing that the appropriate cost-based fixed customer charge for residential customers based on IPL's originally proposed revenue requirement

was \$8.15 per month.¹ This opposition was based on our understanding that the current, as well as IPL's proposed customer charges, exceeded the proper cost-based amount, and our position that the proposed increase would:

- Inappropriately shift recovery of load-related costs to the residential fixed charge;
- Lead to subsidization of high-usage residential customers' costs by low-usage customers, and thereby inequitably increase bills for the Company's smallest residential customers; and
- Dampen price signals to consumers for investing in energy efficiency or distributed renewable generation.

Joint Intervenors are troubled by the recent trend in Indiana to allow significant increases in fixed customer charges. This includes recent increases granted to NIPSCO through base rates and the fixed customer charge component of monthly bills in Cause No. 44688, and the first impression case where Vectren was even allowed to increase the fixed portion of customer bills within their TDSIC tracker in Cause No. 44910. Given our views on the impacts of high fixed customer charges on low-income households and the diminished incentives for energy efficiency and distributed energy resources, Joint Intervenors still hold the beliefs and concerns identified in our previous testimony, but have agreed to a smaller increase to the fixed customer charge for usage at or below 325 kWh and no increase to the charge for usage about this level because of the comprehensive settlement package and latest trends before the Commission.

Joint Intervenors see great value in agreeing to maintaining or only slightly increasing the fixed charge compared to what was initially proposed by the Company.

¹ JI Exhibit 2, pp. 18-30.

From our perspective, the Settlement Agreement partially preserves a rate structure that does not shift costs and creates incentives for customers to invest in energy efficiency. We are pleased to have reached this Settlement with the Company and the other Settling Parties.

Q. Please explain the Settlement term concerning IPL’s volumetric energy charges for residential customers.

A. IPL currently has declining block volumetric energy charges for residential customers, which means that customers pay less for the energy they use on a per unit basis as they consume more. Joint Intervenors’ direct testimony expressed our position that declining block rates do not provide correct price signals to customers, dilute incentives for efficiency and distributed generation, and shift costs from high-usage customers to those who use less.”² JI Witness Wallach recommended, in particular, that the volumetric rates for the second and third energy blocks be reduced gradually to zero over this and the next two or three rate cases, noting that it may be appropriate to phase out the third-energy block for electric space and water heat customers over a longer period.³

Under the Settlement, IPL will lessen the degree to which its volumetric block rates decline in this rate case. Specifically, it will reduce by 25 percent the difference between the first and second block volumetric rates, meaning that the first block (usage under 500 kWh) will have a somewhat lower rate, while usage in the second block (501-1000 kWh) will cost somewhat more than it would otherwise. The price differential of the third block rate, which is available to customers on the electric space heating or electric water heating tariff, will not change. Joint Intervenors strongly support this

² See JI Exhibit 2, pp. 30-35.

³ *Id.*, p. 34, line 8—p. 35, line 2.

provision of the Settlement, which will move IPL’s residential volumetric energy charges closer to a rate design that we believe provides better price signals to customers.

Q. Please explain the creation of the low-income pilot programs resulting from this Settlement.

A. We are very pleased that the Settlement Agreement creates (1) an arrearage forgiveness pilot program and (2) a round-up pilot program to address the affordability of low income customers’ bills, which was a central issue in this case.

As we described in our case-in-chief testimony, the need to create affordable monthly electric bills for low-income households is great.⁴ If customers cannot stay current on their monthly bills, it is unreasonable to expect these struggling households to have the means to pay past due balances they could not afford when they were due. Joint Intervenors recommended the development of a comprehensive low-income bill payment assistance program to address not only the struggles faced by low-income households in affording their monthly bills regularly, but also the added challenge of overdue balances that exacerbate the payment difficulties experienced by these households. Although Joint Intervenors prefer a specific rate class for low-income households with an arrearage management program, we are happy to have a settlement which promises to address both overall bill affordability and past due balances hampering low-income households day to day and in their ability to stay current on their monthly electric bills.

In the collaborative to develop the details of these programs, Joint Intervenors plan to pursue our proposal that the bill “round up” component use an “opt-out” model that enrolls all customers.

⁴ See, generally, JI Exhibits 1 and 3.

Q. Please describe the need for the collaborative in the Settlement which will develop the details of the pilot programs.

A. Due to regulatory deadlines, the numerous stakeholders, and the enormous scope of all the issues addressed in this Settlement, there simply was not enough time to drill down on all of the program details which need to be addressed to create successful programs. It is critical that we “get it right” with items such as communications and outreach, eligibility and enrollment, and administration and collaboration with the multiple agencies and organizations who serve and touch low-income households.

The collaborative will provide a forum in which the Company, Joint Intervenors, and any other interested stakeholders, like poor relief agencies, can participate and work together to create programs that succeed. It is Joint Intervenors’ strong desire that these pilots transition into permanent programs to benefit all for years to come. Joint Intervenors will commit resources to the collaborative and will work to bring to the table the expertise needed to inform the process and create the best programs we can. We are happy the Settlement Agreement includes a collaborative process to explore and create the program details with the time and care needed for these pilot programs to succeed.

Q. Please describe the low-income and general residential reporting requirements and increased customer disclosures in the pending Settlement.

A. IPL has agreed to amend and expand its ongoing Performance Metrics Collaborative annual public reports with the Commission pursuant to Cause No. 44576 to more broadly address monthly data on a variety of indicators of payment problems among general residential and low income customers, in addition to providing data on the low income pilot programs so we can gather additional information to help gauge the success and

1 make any necessary changes to ensure success of these low income programs. From the
 2 Cause No. 44576 collaborative which developed IPL's Performance Metrics Report,
 3 CAC was able to secure some reporting of certain, limited affordability data, but we are
 4 thrilled to now have much more data as a result of this Settlement. Regular reporting of
 5 indicators of payment problems is vital to assess the state of home energy security among
 6 IPL's residential customers, and to evaluate the effectiveness of programs and policies
 7 intended to protect that security. Implementing a regular data collection and reporting
 8 protocol, given sweeping changes underway in the energy and utility industry – changes
 9 with profound impact on the energy security of the Company's most vulnerable
 10 customers – is relevant and timely. We plan to encourage IPL to continue to report this
 11 data past the sunset provision of "the filing of IPL's next basic rate case or December 31,
 12 2021" in the Settlement, considering how critical it is to understanding the state of
 13 affordability within its service territory.

14 We are also pleased to see that IPL has committed to increase its informational
 15 disclosures to customers by specifying the applicable fixed customer charge on
 16 residential bills and providing customers with notice of any further proposed changes to
 17 the fixed customer charge in its next general rate case. These disclosures will help
 18 customers exercise more control over their bills and financial future, and provide them
 19 with the information they need to advocate for their interests before the Commission.

20 **Q. Please describe the Settlement terms relating to IPL contributions to the community**
 21 **action programs in IPL's service territory.**

22 **A.** Under the Settlement, IPL will provide the community action programs in its service
 23 territory with \$150,000 for low income weatherization efforts. Joint Intervenor are

strong proponents of weatherization programs for low-income customers, which are proven to improve the quality of life for low-income households by (1) reducing their monthly energy bills putting needed money back into their pockets for spending on other necessities, (2) and by creating a more comfortable, healthy, and safe living environment for all members of the household. These additional funds will be targeted to high-usage low-income customers to assist those households with the highest bills, an issue which was raised by IPL and Joint Intervenors in this proceeding.

Q. Please describe the Settlement term relating to community solar.

A. Under the settlement, IPL will reconvene the Local Green Power Advisory Council, which had many productive meetings over the last several years regarding the possibility of a community solar pilot program. When designed properly, community solar can expand access to the direct bill-reduction benefits of distributed solar to lower-income households or customers who otherwise cannot install solar systems on their own property. This is especially important considering the large percentage of IPL's customers who lease, rent, and reside in apartment buildings, condominiums, or other shared living arrangements in which they lack the ability or authority to install solar directly on the property they reside in. Additionally, Joint Intervenors believe there is a high level of interest in IPL's service territory for community solar programs and increasing access to solar for all customers. We support the effort to restart discussions about a community solar pilot program that would be attractive to IPL's customers.

1 **Q. In your opinion, is the Settlement reasonable and in the public interest? Please**
2 **explain.**

3 A. Yes, the Settlement is reasonable and in the public interest, and should therefore be
4 adopted by the Commission. A negotiated settlement that resolves the important and
5 complex technical issues and which eliminates the large uncertainties associated with
6 litigation risk is an appropriate way for the parties and the Commission to achieve a just
7 and reasonable result.

8 **Q. Please summarize your conclusions regarding the Settlement.**

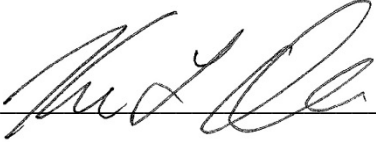
9 A. I support the Settlement as a reasonable overall resolution to the range of issues at dispute
10 in this proceeding. From Joint Intervenors' perspective, the Settlement represents a
11 substantial improvement over that which was originally presented by IPL. Overall, Joint
12 Intervenors are satisfied with the Settlement, and I recommend that it be adopted by the
13 Commission.

14 **Q. Does this conclude your settlement testimony at this time?**

15 A. Yes, it does.

VERIFICATION

I, Kerwin L. Olson, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Kerwin L. Olson

July 23, 2018

Date