44893

VERIFIED DIRECT TESTIMONY

OF

JAMES L. CUTSHAW

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

INCLUDING IPL WITNESS JLC ATTACHMENTS 1 THROUGH 2

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

A1. My name is James L. Cutshaw. I am employed by Indianapolis Power & Light Company ("IPL" or "Company"), whose business address is One Monument Circle, Indianapolis, Indiana 46204.

Q2. What is your position with IPL?

A2. I am Revenue Requirements Manager.

Q3. Please describe your duties as Revenue Requirements Manager.

A3. I provide financial, technical and regulatory analysis and assimilate technical and economic information into rate design. In addition, I am involved in the filings supporting changes in fuel cost adjustment factors and other rate recovery mechanisms.

Q4. Please summarize your educational and professional qualifications.

A4. I graduated from Ball State University, located in Muncie, Indiana, with a Bachelor of Science Degree in Accounting. I received my Certified Public Accountant license for the State of Indiana and have fulfilled the necessary educational requirements to allow use of the CPA designation.

Q5. Please summarize your prior work experience.

A5. I have been an employee of IPL since May 22, 2006, initially as a Senior Regulatory Analyst. From July, 2004 to May, 2006, I was employed by London Witte Group, LLC ("London Witte") as a Manager. London Witte is a certified public accounting firm that provides an array of accounting and consulting services to public utility, private and governmental clients. I was part of its Municipal & Utility Services group which specializes in assisting state agencies, political subdivisions, school corporations and utilities in developing and implementing financing plans and establishing appropriate rate structures.

From January, 2002 to July, 2004, I was employed by American Water Works Service Company, Inc. as a Senior Financial Analyst. In that position I was responsible for maintaining the financial integrity of three affiliated utilities in Indiana, Ohio and Michigan through the filing of rate adjustment applications, and was also intimately involved in all regulatory activities and budgeting processes. I held the officer titles of Assistant Treasurer and Assistant Secretary for these companies.

From August, 1993 to December, 2001, I performed these same functions and held the same officer titles for Indiana-American Water Company, Inc. in the position of Director of Rates and Revenues. I worked closely with the personnel responsible for the accounting and financial statement preparation to ensure consistent and proper treatment among the financial, regulatory and budgeting functions.

From 1987 to 1993, I was employed by Consolidated Water Services, Inc. ("CWSI") in positions of increasing responsibility in which I was responsible for the regulatory activities of several water and wastewater utilities of CWSI, including Indiana Cities Water Corporation. I also had responsibilities involving customer billing, fixed asset accounting, systems development and accounting controls, and general accounting matters for these utilities.

From 1983 to 1987, I was employed by the public accounting firm of Ernst & Whinney (now called Ernst & Young). I was involved in audits, reviews, compilations, tax and basic bookkeeping services for that firm's clients.

Q6. Have you previously testified before the Indiana Utility Regulatory Commission ("Commission") or other regulatory agencies?

A6. Yes. I have testified before the Commission, the Michigan Public Service Commission, the Missouri Public Service Commission, and the Public Utilities Commission of Ohio. The scope of my testimony has included accounting adjustments necessary to determine annualized and pro forma operating revenues and expenses, and rate base and capitalization for ratemaking purposes. In addition, I have testified concerning post-in-service allowance for funds used during construction ("AFUDC") and deferred depreciation related to major construction projects placed in service between rate cases, the accounting and ratemaking treatment of the acquisition of water utility property, and financing programs consisting of the issuance and sale of General Mortgage Bonds and Common Stock.

I also have provided testimony in IPL's recent semi-annual Environmental Compliance Cost Recovery Adjustment ("ECR" or "ECCRA") proceedings beginning with Cause No. 42170-ECR-12 and recent IPL Demand Side Management ("DSM") proceedings (Cause Nos. 43623, 43911, 43960 and 44497). In addition, I have provided testimony in both Phases I and II of Cause No. 43426 regarding the Midcontinent Independent System Operator, Inc. ("MISO") Ancillary Services Market, and in Cause No. 42693-S1 regarding the Commission's generic investigation into the effectiveness of DSM programs on a state-wide basis. I have provided testimony regarding accounting and ratemaking treatment of certain projects in IPL's most recent requests for a Certificate of Public Convenience and Necessity (Cause Nos. 44242, 44339 44540, and 44794). I also provided testimony in IPL's basic rates case, Cause No. 44576 and IPL's Regional Transmission Organization ("RTO") Adjustment (Cause No. 44808-RTO-1).

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

A7. My testimony explains IPL's requested rate relief. I present certain test year adjustments to rate base, revenues, and operating expenses. I also discuss the Major Storm Damage Restoration Reserve account and the amortization of IPL's deferred MISO Non-Fuel costs regulatory asset. I testify that IPL intends to continue its existing riders, and explain IPL's proposed changes to these riders. Lastly, I show that IPL has been and will continue after this rate proceeding to be one of the lowest cost investor-owned utilities in Indiana.

Q8. Are you sponsoring any exhibits or attachments?

A8. Yes. I am sponsoring or co-sponsoring the following exhibits and attachments:

- IPL Financial Exhibit IPL-REVREQ, Schedule REVREQ1 – Allowable Electric Operating Income Requirement.
- IPL Financial Exhibit IPL-RB, Schedule RB5 – To Remove Non-Jurisdictional MISO MTEP Plant in Service.
- IPL Financial Exhibit IPL-RB, Schedule RB6 – To Remove Asset Retirement Cost.
- IPL Financial Exhibit IPL-RB, Schedule RB9 – Regulatory Assets Included as Electric Rate Base.
- IPL Financial Exhibit IPL-OPER, Schedule REV3 – Summary of Electric Operating Revenue Adjustments Taking Total Electric Retail Revenue to Total Electric Basic Rate Revenue (*i.e.*, remove Rider revenues).

- IPL Financial Exhibit IPL-OPER, Schedule REV5 – Summary of Electric Operating Revenue Adjustments Adding Back Pro Forma Rider Revenues to Achieve Total Electric Retail Revenue.

- IPL Financial Exhibit IPL-OPER, Schedule REV8 – Summary of Miscellaneous Electric Revenue

- IPL Financial Exhibit IPL-OPER, Schedule OM12 – Pro Forma Adjustment to Exclude Non-Jurisdictional MISO MTEP Operations and Maintenance ("O&M") Expenses.

- IPL Financial Exhibit IPL-OPER, Schedule OM13 – Pro Forma Adjustment to Storm Expenses.

- IPL Financial Exhibit IPL-OPER, Schedule OM15 – Pro Forma Adjustment to MISO Costs (Post-Deferral).

- IPL Financial Exhibit IPL-OPER. Schedule OM16 – Pro Forma Adjustment for MISO Deferred Expense Amortization.

- IPL Witness EKC Attachments 1 & 2 IPL's proposed new Tariff (clean and redline):
  – certain language changes to existing riders: Standard Contract Rider No. 6 Fuel Cost Adjustment ("FAC"), Standard Contract Rider No. 24 Capacity ("CAP") Cost Recovery Adjustment, Standard Contract Rider No. 25 Off-System Sales ("OSS") Margin Adjustment, and Standard Contract Rider No. 26 Regional Transmission Organization ("RTO") Adjustment.

- IPL Witness JLC Attachment 1, which shows the determination of lost revenue margin rates.

- IPL Witness JLC Attachment 2, which includes excerpts from the Commission's 2004 Annual Report, the Commission's 2015 Annual Report, and the Commission's 2016 Residential Bill Survey.

Q9. Were the exhibits or attachments or portions thereof you are sponsoring prepared or assembled by you or under your direction or supervision?

A9. Yes.

Q10. Did you submit workpapers?

A10. Yes, I submitted IPL Witness JLC Workpapers 1 through 5. In addition, I am sponsoring workpapers that support the financial exhibit schedules listed above.

I. Revenue Requirement

Q11. Please explain IPL Financial Exhibit IPL-REVREQ, Schedule REVREQ1.

A11. This schedule shows the calculation for the revenue increase IPL is proposing in this proceeding. First, a rate of return on fair value of 5.70% was applied to the total fair value rate base of $3,749.885 million for a resulting allowable electric operating income requirement of $213.743 million. The allowable net operating income and fair rate of return is supported by the testimony and attachments of IPL Witness McKenzie. The fair value rate base reflected on this schedule is supported by IPL Witnesses Reed, Bulkley and McKenzie, and is from IPL Financial Exhibit IPL-RB, Schedule RB1. The deficiency in electric operating income of $57.572 million (Line 5) was determined by subtracting the amount of pro forma electric operating income at present rates of $156.171 million obtained from IPL Financial Exhibit IPL-OPER, Schedule OPINC, Column 4, Line 13 from the allowable electric operating income requirement (Schedule REVREQ1, Line 3). The deficiency in electric operating revenue of $91.662 million on Line 7 was determined by dividing the deficiency in electric operating income (Line 5) by the revenue conversion factor (Line 6). This amount was utilized in the determination of the rates proposed by IPL in this Cause. The additional electric operating revenue of $91.662 million (Line 8) produced by the rates proposed by IPL in this Cause corresponds to the amount on IPL Financial Exhibit IPL-OPER, Schedule OPINC, Column 5, Line 1.

At the bottom of this schedule is another calculation of the allowable electric operating income using original cost rate base. First, the original cost rate base of $3,041.396 million (Line 9) from IPL Financial Exhibit IPL-RB, Schedule RB2 was multiplied by a rate of return of 6.81% (Line 10) from IPL Financial Exhibit IPL-CC, Schedule CC3 to determine the allowable electric operating income before fair value of $207.119 million (Line 11). A fair value increment of $6.624 million (Line 12) provided by IPL Witness McKenzie was added resulting in the same $213.743 million (Line 13) allowable electric operating income as on Line 3 of this schedule discussed above.

II. Removal of Non-Jurisdictional MISO MTEP Revenues and Costs

Q12. Please discuss the adjustments made to remove non-jurisdictional revenues and costs.

A12. IPL Witness Holtsclaw discusses certain types of capital projects which can be constructed as part of the MISO Transmission Expansion Plan ("MTEP") in his testimony and also discusses the cost allocations and recovery of these projects through the FERC-approved MISO Tariff. In its Order in Cause No. 44576 (on pages 24 & 50), the Commission found IPL's methodology to treat projects subject to MISO regional cost allocation as non-jurisdictional to be reasonable and consistent with the treatment of the same project costs for other Indiana electric utilities. The Commission accepted IPL's proposed adjustments to remove the impact of one MISO MTEP project from rate base, revenues, and expenses, and to recover all allocated Schedule 26 or 26-A charges through the RTO Rider.

In this proceeding IPL proposes to continue the approach accepted in Cause No. 44576 and has proposed several pro forma adjustments to remove the rate base and operating income statement impact of the two projects for which IPL now files an Attachment GG annually with MISO. Attachment GG is a standardized rate formula template which uses FERC Form 1 Data to quantify an annual revenue requirement for specific projects subject to cost allocation and recovery. These two projects are the Petersburg 345/138 kV Auto-transformers (a Baseline Reliability Project ID 2053 approved in MTEP09) and the IPL Petersburg to AEP Breed 345 kV line (a Market Efficiency Project ID 3212 approved in MTEP12).

To remove the rate base impact, IPL prepared IPL Financial Exhibit IPL-RB, Schedule RB5 – Removal of Non-jurisdictional MISO MTEP Plant in Service, which I sponsor. On it, the $16.406 million of utility plant (line 7) and $1.025 million of accumulated depreciation (line 8) as of June 30, 2016 are removed. If this adjustment were not made, rate base would improperly reflect this $15.381 million of non-jurisdictional net plant.

To remove the operating income statement impacts, IPL prepared multiple adjustments, two of which I am sponsoring. On IPL Financial Exhibit IPL-OPER, Schedule REV8, $1.895 million of non-jurisdictional Schedule 26 revenues received from MISO during the test year for these projects are removed. On IPL Financial Exhibit IPL-OPER, Schedule OM12, $0.725 million of allocated O&M related to the project are removed. The allocation (based on gross utility plant) is from the most recent Attachment GG filed with MISO and is used because this is the basis for recovery from MISO.

IPL Witness Tornquist supports the calculation of pro forma depreciation expense after excluding the non-jurisdictional MISO MTEP plant on IPL Financial Exhibit IPL-OPER, Schedule DEPR, and IPL Witness Allamanno supports the calculation of pro forma federal and state income taxes on income incorporating the above adjustments on IPL Financial Exhibit IPL-OPER, Schedules TX-2 and TX-3. If these adjustments were not made, operating revenues and expenses would improperly include these non-jurisdictional revenues and expenses.

III. Removal of Asset Retirement Cost

Q13. Please comment on the adjustment to remove the Asset Retirement Cost from Original Cost Rate Base.

A13. As shown on IPL Financial Exhibit IPL-RB, Schedule RB-6, IPL is proposing to remove $38.367 million from Account 101 - Utility Plant in Service and $14.969 million from Account 108 - Accumulated Depreciation related to the legal Asset Retirement Obligations recorded under FASB ASC 410 (formerly SFAS No. 143). IPL is removing these items because they are non-cash funded assets which offset estimated costs of removal related to ash ponds, asbestos removal, and other required removal obligations on the balance sheet (but not reflected in the balance sheet or capital structure) not yet incurred and paid. Without this adjustment, rate base would be overstated by $23.398 million. After these adjustments, all of the effects of legal ARO accounting have been eliminated from the filing and only the impacts of reflecting legal and non-legal retirement costs as a component of depreciation expense / accumulated depreciation remain, which is the same regulatory treatment as occurred prior to SFAS 143. This adjustment is consistent with the treatment in IPL's last rate case (Cause No. 44576) and also with the Commission's Order in Cause No. 43526 (8/25/2010) involving NIPSCO.

IV. Regulatory Assets Included In Rate Base

Q14. Please comment on the Regulatory Assets shown on IPL Financial Exhibit IPL-RB, Schedule RB9.

A14. The first two items listed on this schedule were included in the original cost rate base approved in Cause No. 44576 and IPL is requesting the same treatment in this proceeding. The costs relate to the construction of Petersburg Unit 4. IPL Financial Exhibit IPL-RB, Schedule RB9 shows that $6.872 million remains unamortized at June 30, 2016 for the deferred depreciation and post-in-service AFUDC incurred from the in-service date through the date of the Commission's Order in Cause No. 37837 including Petersburg Unit 4 in rates. The amount of $3.848 million remains unamortized at June 30, 2016 from the carrying charges on post-in-service AFUDC recorded from the Order in Cause No. 37837 through the Commission's Order in Cause No. 39938. These costs are currently being amortized over the useful life of the plant for a pro forma annual expense of $1.054 million.

The second two items listed on this schedule are post-in-service AFUDC and deferred depreciation incurred for multiple projects approved for recovery in IPL's ECCRA. The NOx, MPP, and MPP2 clean coal technology projects approved in the Commission's orders in Cause Nos. 42170, 42700, and 43403 rolled into basic rates and the regulatory assets were included in the original cost rate base approved in Cause No. 44576, and IPL is requesting the same treatment in this proceeding. Also included is the MATS Compliance Project approved in Cause No. 44242 and the Harding Street 7 ("HS7") Refueling Project approved in Cause No. 44540 which are currently reflected in IPL's ECCRA. These projects are in service and included in Utility Plant in Service in this proceeding, and IPL is proposing the same rate treatment (both a return on and return of) as is occurring in the ECCRA. A total of $13.226 million for all these projects remains unamortized at June 30, 2016 for the post-in-service AFUDC incurred from the applicable in-service date until the applicable effective date of ECCRA rates reflecting the projects. These costs are being amortized over the useful life of the assets as approved in these orders for a pro forma annual expense of $0.846 million. A total of $13.969 million for all these projects remains unamortized at June 30, 2016 for the depreciation deferred from the applicable in-service date until the applicable effective date of ECCRA rates including the projects. The pro forma annual expense of $0.648 million was determined by dividing the deferral by the remaining useful lives as approved in the applicable orders.

The next item listed is the Electric Vehicle Supply Equipment ("EVSE") costs which were authorized for deferral and subsequent recovery in Cause No. 43960. A total of $0.467 million of these costs remain unamortized at June 30, 2016. This regulatory asset was included in the original cost rate base approved in Cause No. 44576, and is currently being amortized over a two year period in accordance with that order for a pro forma annual expense of $0.267 million.

Q15. Please continue with your discussion of the regulatory assets shown on <u>IPL Financial Exhibit IPL-RB, Schedule RB9</u>.

A15. In its Order in Cause No. 44478, the Commission authorized IPL to defer extension costs for the BlueIndy Project, including carrying costs, until such costs are recognized in a subsequent rate case through amortization of the regulatory asset as a recoverable expense for ratemaking and inclusion of the unamortized portion of the regulatory asset in IPL's rate base. On line 7, IPL has reflected the deferred balance as of June 30, 2016, of $0.672 million and an annual amortization of $0.067 million over ten years per the approved Settlement. Please note that this regulatory asset will continue to grow as the BlueIndy Project will continue to deploy locations through 2017. To mitigate the balance on which carrying charges will be calculated in the future, it would be prudent to update the balance in rate base and the related amortization based upon the amount deferred at the time of the update of the CCGT estimate prior to the hearing in this proceeding.

In its Order in Cause No. 44540, the Commission authorized IPL to create a regulatory asset for the remaining twenty percent (20%) of the capital, operating, maintenance, depreciation, tax and financing costs (revenue requirement) for the Compliance Project not timely recovered through the ECCRA, with carrying costs, until such costs are reflected in the Company's retail electric rates. On line 8 IPL has reflected the deferred balance for the HS7 Gas Conversion as of June 30, 2016, of $0.185 million and an annual amortization of $0.062 million over three years. On line 9 IPL has reflected the deferred balance for the NPDES projects at Petersburg and Harding Street as of June 30, 2016, of $0.757 million and an annual amortization of $0.252 million over three years. Please note that these regulatory assets will continue to grow during the pendency of this proceeding. To mitigate the balance on which carrying charges will be calculated in the future, it would be prudent to update the balance in rate base and the related amortization based upon the amount deferred at the time of the update of the CCGT estimate prior to the hearing in this proceeding.

In its Order in Cause No. 42170 ECR-26, the Commission authorized IPL to create a regulatory asset for the compliance costs related to HS7 incurred for the MATS

Compliance Project authorized in Cause No. 44242 to be amortized over ten years and included in the recoverable MATS Compliance Projects costs in the ECCRA. IPL is proposing the same rate treatment (both a return on and return of) as is occurring in the ECCRA. On line 14, IPL has reflected the deferred balance for these Preservation Costs as of June 30, 2016, of $4.234 million and an annual amortization of $0.423 million over ten years.

Q16. Please conclude your discussion of the regulatory assets shown on <u>IPL Financial Exhibit IPL-RB, Schedule RB9</u> with the items which include an adjustment to the balance as of June 30, 2016.

A16. In its Order in Cause No. 44339, the Commission authorized IPL to create regulatory assets for the continued accrual of AFUDC (both debt and equity) and the deferral of depreciation on the EV CCGT and the HS 5&6 Refueling projects from the in-service date(s) until the date of a Commission order authorizing recovery of a return and including depreciation expense thereon in IPL's recoverable operating expenses. On lines 10 through 13, IPL has reflected the deferred balances as of June 30, 2016, for these items in Column 1. Then in Column 4 IPL presents the projected deferred balances as of the expected order date in this proceeding three hundred (300) days from the filing of the petition in this proceeding based upon Ind. Code § 8-1-2-42.7. Please note that for the projected deferred depreciation adjustments, an offsetting amount has been added to Accumulated Depreciation on <u>IPL Financial Exhibit IPL-RB, Schedule RB10</u> consistent with the journal entry to record the deferral, so there is not an overall increase to rate base for these adjustments.

To provide optionality, IPL separated the projected deferrals into two parts. In Column 2 IPL determined the additional deferrals through December 31, 2017 which would be approximately three hundred sixty (360) days after the filing of the petition in this proceeding. This estimate considers the possibility that the Commission suspends the three hundred (300) day deadline for sixty (60) days as allowed in the statute. Then in Column 3, IPL calculated a credit for what would have been deferred during the suspension period (the sixty days) in order to determine the projected balance as of three hundred (300) days when temporary rates would be effective. This amount was then divided by the estimated remaining life of the assets to determine the annual amortization amounts shown in Column 5.

If the Order in this proceeding is not issued within the three hundred (300) day deadline, then the adjustments in Column 3 should not be reflected and the annual amortization should be adjusted to be based upon the total of Columns 1 and 2. In addition, the offsetting adjustments of the amounts in Column 3 for deferred depreciation made to Accumulated Depreciation on <u>IPL Financial Exhibit IPL-RB, Schedule RB10</u> should not be reflected.

V. Revenue Adjustments

Q17. Please explain the adjustments to revenue on IPL Financial Exhibit IPL-OPER, Schedule REV3.

A17. The purpose of the adjustments on IPL Financial Exhibit IPL-OPER, Schedule REV3 is to take total retail revenues per books for the twelve months ended June 30, 2016 to per book revenues generated by the existing basic rate tariffs. This roll forward is accomplished by removing recorded revenues from the Company's approved rate adjustment mechanisms which are shown in the table below:

Table 1	
Standard Contract Rider No.	
6	Fuel Cost Adjustment (FAC)
20	Environmental Compliance Cost Recovery Adjustment (ECCRA)
21	Green Power Initiative (GPI)
22	Demand-Side Management Adjustment (DSM)
24	Capacity Adjustment (CAP)
25	Off-System Sales Margin (OSS Margin)
26	Regional Transmission Organization Adjustment (RTO)

The customer billings related to each of these riders are tracked separately in IPL's customer billing software and in its general ledger. In addition to customer billings, the general ledger includes certain regulatory deferrals related to these riders. The total amounts recorded to revenues in IPL's general ledger during the test period is the source for the amounts deducted from per books total revenues on IPL Financial Exhibit IPL-IPL-OPER, Schedule REV3. Please note that no amounts for the new CAP, OSS Margin, and RTO rate adjustment mechanisms authorized in Cause No. 44576 are reflected because no rates other than $0.000000 per kWh were billed in the test year. The balances by customer class from this schedule then flow to IPL Financial Exhibit IPL-OPER, Schedule REV4 sponsored by IPL Witnesses Chambers and Forestal, which adjusts such revenue for weather normalization, customer annualization, the annualization of the impact of the current basic rates authorized in Cause No. 44576 and removal of unbilled revenues.

Q18. Please explain the adjustments to revenue on IPL Financial Exhibit IPL-OPER, Schedule REV5.

A18. The purpose of the adjustments on IPL Financial Exhibit IPL-OPER, Schedule REV5 is to take total adjusted rate revenue at existing basic rate tariffs (from IPL Financial Exhibit IPL-OPER, Schedule REV4) to total electric retail revenues pro forma at present rates. This roll forward is accomplished by adding back the pro forma levels of revenues from the Company's FAC, ECCRA, DSM, RTO and GPI rate adjustment mechanisms. (Pro forma revenues for the CAP and OSS Margin riders are reflected on IPL-OPER Schedules REV9 and REV6, respectively). The balances by line item from this schedule then match the Pro Forma Revenues at Present Rates (Column 3) on IPL Financial Exhibit IPL-OPER, Schedule REV1 sponsored by IPL Witness Forestal.

The pro forma Rider 6 FAC revenues were calculated based upon normalized kilowatt hours multiplied by the proposed change to the base cost of fuel shown on IPL Financial Exhibit IPL-OPER, Schedule OM2, so the total fuel revenue and expense are the same. The pro forma Rider 20 ECCRA revenues exclude the return IPL accrued on construction work in progress on the NPDES projects during the year (which will remain in the rider), and reflect the annualized ECR revenues for MATS and HS7 projects moving into base rates. The pro forma Rider 22 DSM Lost Revenues reflects the lost revenues recorded during the test year which will be rolling into base rates. Finally, the pro forma Rider 25 RTO revenues were calculated based upon proposed change in the net MISO Non-fuel costs shown on IPL Financial Exhibit IPL-OPER, Schedules REV8 and OM15, so that total RTO revenues and expenses are the same.

Please note that the adjustments on page 1 of this schedule exclude revenues that will not be incorporated in the determination of the new basic rates resulting from this proceeding (in other words, only the revenues from these riders that will be incorporated in new basic rates in this proceeding are reflected on page 1). Accordingly, a subtotal (Column 6 of page 1) titled Total Electric Adjusted Basic Rate Revenue Pro Forma at Present Rates has been provided.

Q19. Please continue with your explanation of the adjustments to revenue on IPL Financial Exhibit IPL-OPER, Schedule REV5.

A19. Page 2 of this schedule reflects the pro forma revenues of three riders for which the expenses will continue to be recovered completely through the existing rider (not incorporated into the new basic rates). The pro forma Rider 20 ECCRA revenues are zero because the NPDES expenses in the test year net to zero due to deferrals. As noted above, the return IPL accrued on construction work in progress for its NPDES projects during the test year and which will continue to be recovered through the ECCRA mechanism has been excluded from the calculation of allowable electric operating income in these financial exhibits since this project was removed from rate base. The pro forma Rider 21 GPI revenues are the same as the test year per books amounts. Finally, the pro forma Rider 22 DSM revenues are the test year revenues adjusted to exclude the lost revenues (which are shown on page 1) and to exclude the performance incentives accrued on DSM programs during the test year, so the resulting DSM revenues and expenses are the same.

Please note that since the revenues for these three riders equal the expenses, there is no impact to pro forma net operating income at present rates and therefore no impact to the requested revenue increase in this proceeding. But it is important to present the revenues in this manner to correctly reflect the total pro forma present rate revenues of the Company.

VI. Storm Expense Adjustment and Major Storm Damage Restoration Reserve

Q20. Is IPL including an O&M adjustment to the test year for storm expense?

A20. Yes, IPL is proposing an adjustment to decrease test year storm expense by $1.611 million as shown on IPL Financial Exhibit IPL–OPER, Schedule OM13. This adjustment consists of two components: a $1.923 million decrease to normalize test year experience to a 3-1/2 year average, partially offset by a $0.312 million increase from the reconciliation and amortization of the projected balance of the Major Storm Damage Restoration Reserve authorized in Cause No. 44576.

Q21. Please explain the adjustment to normalize test year storm expense.

A21. In Cause No. 44576, the Commission approved the Company's proposal of a 5-1/2 year average to normalize storm expense (2009 to June 30, 2014 was utilized because it reflected the last two Level 3 storms IPL had faced). In reviewing recent storm history, IPL Witness Holtsclaw identifies the number of storms by level that have occurred each year since 2011 (5-1/2 years prior to the June 2016 test year in this case). His Table 1 shows that Level 3 storms occurred in 2014 and 2015 and that the average number of storms over the last 3-1/2 years (which includes these last two Level 3 storms) is very comparable to the 5-1/2 year average. His Table 1 also shows that another Level 3 storm occurred in 2016 but after the test year end, which is three such storms in three calendar years. Based on this data the continued use of a 5-1/2 year average is no longer an appropriate period to determine a representative annual level of storm costs.

IPL is proposing to use a 3-1/2 year average to normalize storm costs. Therefore, in order to determine the pro forma level of annual storm expense (excluding base labor) IPL reviewed historical storm O&M costs (excluding base labor) for the period beginning in 2013 through the end of the test year broken down into two categories (Level 1&2 Storms and Level 3&4 Major Storms) and developed an annual average for each category based on 2016 dollars. The pro forma level for each category shown on Schedule OM13 is the average level for that category. For Level 1&2 storm costs, IPL is proposing to adjust the test year level to the pro forma level resulting in a decrease of $1.108 million. For Level 3&4 storm expenses, IPL is proposing to adjust the test year level to the pro forma level resulting in a decrease of $0.815 million for a total decrease of $1.923 million.

Q22. Please discuss the update and amortization of the Major Storm Damage Restoration Reserve IPL is proposing in this proceeding.

A22. In Cause No. 44576, the Commission approved IPL's proposal to create a Major Storm Damage Restoration Reserve account. 44576 Order at 64. Accordingly, in April 2016 IPL began recording monthly 1/12 of the $0.831 million annual Major Storm Restoration Expense authorized, with an offsetting credit to the Major Storm Regulatory Liability, and will continue this entry until the issuance of a rate order in this proceeding. In addition, IPL recorded the $1.976 million cost (excluding base labor) of the Level 3 storm in August 2016 discussed by Witness Holtsclaw against the Major Storm Reserve Regulatory Liability.

As can be seen at the bottom of IPL Financial Exhibit IPL–OPER, Schedule OM13, IPL projects that, with no other major storm activity, as of June 30, 2017 there would be a debit balance of $0.937 million in the Major Storm Regulatory Liability (which makes it a Regulatory Asset). IPL proposes to amortize this debit balance over three years, resulting in an annual increase to storm expense of $0.312 million. In addition, IPL proposes to begin to record monthly Major Storm Expense of 1/12 of the $1.656 million average of Level 3&4 storm expense.

VII. MISO Non-fuel Costs

Q23. Please comment on the adjustment to reflect an annual level of expense for MISO Non-fuel Costs (post-deferral) in pro forma O&M expenses.

A23. As shown on IPL Financial Exhibit IPL-OPER, Schedule OM15, IPL is proposing to reflect $33.849 million as the on-going annual level of expense for MISO Non-fuel costs. This amount is based upon the proration of IPL's annual budgets for 2016 and 2017 for such costs to coincide with the fiscal year of the twelve months ending September utilized in the RTO adjustment mechanism. IPL budgets MISO non-fuel costs on a calendar year basis (dividing evenly to determine monthly amounts) using two methodologies. For Schedule 26 and 26-A charges, the estimates are based on data found in the MISO Transmission Expansion Plans ("MTEP") for charges by other market participants applicable to IPL which include estimates of the portion of IPL's MTEP cost-shared projects which are allocable to IPL. For the remaining costs, IPL looks at historical information and prior forecasts and incorporates known or expected changes in developing the annual budget.

Please note that the overall pro forma adjustment of $24.442 million results because actual test year expenses did not reflect a full year of such on-going costs since IPL was deferring the MISO non-fuel cost types shown in the top half of Schedule OM15 as a regulatory asset in accordance with the Commission's orders in Cause Nos. 42266, 42685 and 42962. IPL began recording these costs to expense upon the effective date of the rates from the March 16, 2016 order in our last rate case (Cause No. 44576). In that order, the Commission authorized an additional $14.905 million of MISO non-fuel costs in the revenue requirement which was annualized into revenues on Schedule REV4. However, without this adjustment on Schedule OM15, pro forma operating expenses would be understated.

Q24. Please comment on the adjustment to reflect an annual level of amortization for MISO Non-fuel Costs that were deferred as a regulatory asset through the effective date of the order in Cause No. 44576.

A24. As shown on <u>IPL Financial Exhibit IPL-OPER, Schedules OM16</u>, IPL is proposing to reflect $13.495 million as the annual level of amortization of the total MISO Non-fuel costs deferred in accordance with orders in Cause Nos. 42266, 42685, and 42962 through the effective date of the rates approved in Cause No. 44576.

Please note that the overall pro forma adjustment of $10.553 million results because actual test year expenses did not reflect a full year of such amortization since the 44576 Order was not issued until March 16, 2016. In that order, the Commission authorized

$11.77 million of amortization of deferred MISO non-fuel costs in the revenue requirement which was annualized into revenues on Schedule REV4. However, without this adjustment on Schedule OM16 pro forma operating expenses would be understated.

Q25. Please explain why the deferred balance of MISO Non-fuel costs in this proceeding is larger than the amount discussed in Cause No. 44576.

A25. In the 44576 Order, the Commission approved a ten year amortization period for $117.675 million of such deferred MISO costs for IPL (the balance as of June 30, 2014 plus the estimated costs to be deferred during the adjustment period in that Cause). IPL had anticipated an Order in that Cause, pursuant to the Statute, in October 2015. The Order was issued in March 2016 with rates effective March 31. Pursuant to the orders granting the deferral authority, IPL continued to defer until the rates took effect. The actual total amount deferred is $134.952 million. The table below show the details of deferred costs at these two dates:

Table 2		
Deferred MISO Non-Fuel Costs (in $ millions)		
Description	Estimated Deferred Balance at June 2015	Actual Deferred Balance including March 2016
Day 1 Costs (Schedule 10)	$34.531	$36.545
Day 2 Costs (Schedule 16 & 17 Market Admin Costs)	$29.566	$30.974
Day 2 Costs (Admin Socialized Costs)	$41.271	$41.528
Day 2 Costs (Schedule 24 Balancing Authority Costs)	$3.792	$3.911
Day 2 Costs (Schedule 24 Balancing Authority Credits)	($6.045)	($6.526)
Day 2 Costs (RSG over Benchmark - Contestable)	$0.813	$0.692
Day 2 Costs (RSG Costs prior to 12/09/05)	$2.674	$2.674
Transmission Expansion Costs (Sch. 26 & 26A)	$10.133	$24.214
Schedule 1 Costs	$0.940	$0.940
Total	$117.675	$134.952

In this proceeding, IPL is requesting the same amortization period for the difference between the $134.952 million balance of the deferred costs as the effective date of the rates in Cause No. 44576 and the $117.675 million estimated amount reflected in that case.

VIII. Rate Adjustment Riders

Q26. Please list IPL's current rate adjustment riders.

A26. IPL's seven current rate adjustment riders are listed in the table below:

Table 3		
Standard Contract Rider No. and Filing Frequency		
6	Fuel Cost Adjustment (FAC)	Quarterly
20	Environmental Compliance Cost Recovery Adjustment (ECCRA)	Semi-Annually
21	Green Power Initiative (GPI)	Annually
22	Demand-Side Management Adjustment (DSM)	Semi-Annually
24	Capacity Adjustment (CAP)	Annually
25	Off-System Sales Margin Adjustment (OSS Margin)	Annually
26	Regional Transmission Organization Adjustment (RTO)	Annually

Q27. Does IPL propose that each of the rate adjustments riders continue after the issuance of an order in this proceeding?

A27. Yes. As discussed below IPL is proposing changes to language on the FAC, ECCRA, CAP, OSS Margin and RTO rate adjustment riders. In addition, IPL is proposing to adjust the then current FAC, DSM, ECCRA, CAP, OSS Margin and RTO rate adjustment riders for costs which will be reflected in the new basic rates and charges resulting from this proceeding. Please note that IPL is proposing to continue to recover all expenses for DSM and GPI in their respective rate adjustment riders.

Q28. Please explain the proposed modification to the FAC rate adjustment rider.

A28. As discussed by IPL Witness Dininger, IPL proposes a new base cost of fuel (see IPL Financial Exhibit IPL-OPER, Schedule OM2). The only modification proposed for the language on the FAC rider is to change the base amount of fuel used to calculate the FAC charge on the tariff to $0.032603 per kWh (instead of the current $0.031520), which has been reflected on the proposed Standard Contract Rider No. 6 (FAC) in IPL Witness EKC Attachment 1.

In addition, when new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current FAC Factor to reflect the new base cost of fuel as of the same effective date.

Q29. Please explain the proposed modifications to the ECCRA rider.

A29. IPL is proposing one modification to the language on Standard Contract Rider No. 20. Based upon the cost of service study, one adjustment factor would be calculated for those Large C&I customers taking service at secondary voltage (Rates SL and PH) and another for those taking service at primary voltage or higher (Rates PL and HL). Currently, one factor is calculated for Rate HL and another for the remaining Large C&I rates. This modification has been reflected on the proposed Standard Contract Rider No. 20 (ECCRA) in IPL Witness EKC Attachment 1.

The rate base, revenues and operating expenses proposed in this filing include certain qualifying pollution control equipment placed in service before June 30, 2016 that is currently receiving timely cost recovery under the ECCRA rate adjustment mechanism. When new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current ECCRA Factor to reflect the removal of this in-service plant and related expenses as of the same effective date. This proposal includes the MATS Compliance Project listed on the MATS attachments and the HS7 Refueling Project listed on the NPDES attachments in the semi-annual ECCRA filing under Cause No. 42170. The projects on these attachments would then be eliminated in future ECCRA filings after the effective date of a rate order in this proceeding. However, forecasted costs and revenues for the period prior to this effective date will still be reconciled to actual.

Additionally, IPL proposes that the ECCRA would continue to operate in order to allow timely recovery of the NPDES Compliance Project costs (other than the HS7 Refueling) approved in Cause No. 44540 which are not in service as of the rate base cut-off and therefore not reflected in this proceeding.

Q30. Please explain any proposed modification to the DSM rate adjustment rider.

A30. IPL is not proposing any modifications to the language on Standard Contract Rider No. 22. But as discussed above, coincident with the approval of new rates in this proceeding IPL will cease the calculation and collection of lost revenues associated with all energy efficiency measures installed through the end of the test year. Accordingly, when new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current DSM Factors to reflect the removal of the lost revenues as of the same effective date. IPL will continue to calculate and collect through this rider lost revenues for all measures that were installed subsequent to the end of the test year pursuant to approvals received in Cause No. 44497.

Q31. After the approval of new rates in this proceeding, how will lost revenues by rate be calculated?

A31. The methodology to calculate the lost revenues will remain the same as the current approach as follows: First, the number of installed measures for each program (by month) by rate will be determined. Next, the number of installed measures will then be multiplied by the ex-ante estimates of the kWh consumption and kW demand reductions per measure for each program. The product is the forecasted total reduction in energy and demand for all DSM programs by rate which persist for the Estimated Useful Life ("EUL") of the measures or until the next rate case. Finally, these total savings by rate will then be multiplied by lost revenue margin rates per kWh and kW as reflected on IPL Witness JLC Attachment 1. These updated lost revenue margin rates are based upon the proposed tariffs and the cost of service study sponsored by IPL Witness Gaske.

Q32. Please explain the proposed modifications to the CAP rider.

A32. As discussed by IPL Witness Dininger, IPL proposes to reflect a pro forma level of capacity sales in base rates (see IPL Financial Exhibit IPL-OPER, Schedules REV2 and REV9). With the addition of the CCGT at Eagle Valley, IPL expects to be making sales of capacity instead of purchases of capacity as were occurring when this rider was approved in Cause No. 44576. The first modification proposed for the language on the CAP rider is to change the references from "expense (or revenue)" to "revenue (or expense)" to reflect this paradigm. The second modification is to change the base amount used to calculate the CAP charge or credit on the tariff to $8.500 million of expected net capacity sales from the current benchmark of $1.800 million for capacity purchases (and $0 for capacity sales). The third modification is to change the jurisdictional customer share percentages to reflect IPL's proposal that the customer rates ultimately reflect 100% of net capacity sales and reflect 100% of any net capacity expenses. Finally, based upon the cost of service study, one adjustment factor would be calculated for those Large C&I customers taking service at secondary voltage (Rates SL and PH) and another for those taking service at primary voltage or higher (Rates PL and HL). Currently, one factor is calculated for Rate HL and another for the remaining Large C&I rates. These modifications have been reflected on the proposed Standard Contract Rider No. 24 (CAP) in IPL Witness EKC Attachment 1.

In addition, when new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current CAP Factors to reflect the new benchmark as of the same effective date.

Q33. Please discuss how to interpret the proposed changes to the section of the tariff defining "Customer Share" for the Capacity Adjustment.

A33. To the extent that net annual Capacity sales exceed the base amount to be reflected in basic charges for service, IPL proposes that 100% of those additional sales would be reflected through an adjustment to the retail rates, resulting in a credit on the retail customer's monthly bill. This percentage is appropriate because the CCGT will be reflected in base rates and any sales of capacity are incurred on behalf of the retail customer.

If net annual Capacity sales are less than the base amount (including if net Capacity purchases occur), IPL proposes that 100% of that deficit would be reflected through an adjustment to the retail rates, resulting in a charge on the retail customer's monthly bill.

This percentage is appropriate because the basic charges for service in this proceeding will have already been decreased by the base amount. If the sales do not occur at or above the base level, then the deficit should be reflected at the same percentages as the base level (and any excess). In addition, this percentage is appropriate because any purchases of capacity are incurred on behalf of the retail customer.

Q34. Please explain the proposed modifications to the OSS Margin rider.

A34. As discussed by IPL Witness Dininger, IPL proposes to continue to reflect a pro forma level of off-system sales margin in base rates of $6.324 million (see <u>IPL Financial Exhibit IPL-OPER, Schedules REV2 and REV6</u>). The first modification proposed for the OSS Margin rider is to change the jurisdictional customer share percentages to reflect IPL's proposal that the customer rates ultimately reflect 100% of any off-system sales margins greater than $0. The second modification, based upon the cost of service study, is that one adjustment factor would be calculated for those Large C&I customers taking service at secondary voltage (Rates SL and PH) and another for those taking service at primary voltage or higher (Rates PL and HL). Currently, one factor is calculated for Rate HL and another for the remaining Large C&I rates. These modifications have been reflected on the proposed Standard Contract Rider No. 25 (OSS Margin) in <u>IPL Witness EKC Attachment 1</u>.

In addition, when new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current OSS Margin Factors to reflect the new benchmark as of the same effective date.

Q35. Why is IPL proposing to include in base rates an OSS margin of $6.324 million?

A35. In the last case, the Commission included in base rates this amount based upon a 5-year historical average OSS margins. Since then, IPL's OSS margins have been significantly below that level. This is discussed by IPL Witness Dininger. IPL is not proposing to lower the amount embedded in the retail revenue requirement because, as Mr. Dininger testifies, it is anticipated that the EV CCGT will provide a greater opportunity for OSS margins than in the past. As discussed below, under the proposed modification to the mechanism, 100% of all OSS margins above or below this base level will be flowed through to customers through the OSS Margin Adjustment.

Q36. Please discuss how to interpret the proposed changes to the section of the tariff defining "Customer Share" for the OSS Margin Adjustment.

A36. To the extent that annual OSS Margins exceed the base amount to be reflected in basic charges for service, IPL proposes that 100% of the additional margins would be reflected through an adjustment to the retail rates, resulting in a credit on the retail customer's monthly bill.

If annual OSS Margins are less than the base amount (but greater than zero dollars), IPL proposes that 100% of that deficit would be reflected through an adjustment to the retail rates, resulting in a charge on the retail customer's monthly bill. If annual OSS Margins are less than zero dollars, IPL proposes that 100% of the deficit between zero and the base amount be reflected. This percentage is appropriate because the basic charges for service in this proceeding will have already been reduced by the base amount. If the margins do not occur at or above the base level, then the deficit should be reflected at the same percentages as the base level (and any excess).

Q37. Please explain the proposed modifications to the RTO rider.

A37. As discussed above, IPL proposes to continue to reflect a pro forma level of MISO Non-fuel costs and revenues in base rates (see IPL Financial Exhibit IPL-OPER, Schedules OM15 and REV8 respectively). The first modification proposed for the language on the RTO rider is to change the base amount of MISO Non-fuel costs and revenues used to calculate the RTO charge or credit on the tariff to $33.849 million and $4.389 million respectively (instead of the current $19.358 million and $5.130 million respectively). The second modification, based upon the cost of service study, is that one adjustment factor would be calculated for those Large C&I customers taking service at secondary voltage (Rates SL and PH) and another for those taking service at primary voltage or higher (Rates PL and HL). Currently, one factor is calculated for Rate HL and another for the remaining Large C&I rates. These modifications have been reflected on the proposed Standard Contract Rider No. 26 (RTO) in IPL Witness EKC Attachment 1.

In addition, when new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current RTO Factors to reflect the new benchmarks as of the same effective date.

Q38. Is IPL proposing any new rate adjustment mechanisms in this proceeding?

A38. No.

IX. IPL is a Low Cost Electric Utility

Q39. How do IPL's residential rates compare to the other Indiana Investor Owned Utilities ("IOU")?

A39. As shown on IPL Witness JLC Attachment 2, page 3 (which is an excerpt from the Commission's 2004 Annual Report), for a 1,000 kWh residential customer IPL had the lowest or next to lowest bill of the state's five IOUs in each period from 1994 to 2004. Similarly, as shown on page 2 of IPL Witness JLC Attachment 2 (which is an excerpt from the Commission's 2015 Annual Report), for a 1,000 kWh residential customer IPL consistently had the lowest or next to lowest bill from 2005 to 2015. The most recent bill survey completed by the Commission in July 2016 (and shown on page 1 of IPL Witness JLC Attachment 2) shows that IPL's 1,000 kWh residential customer bill is the lowest among Indiana IOUs, with the next lowest IOU 5.2% more than IPL per month.[1]

Q40. Will IPL continue to be a low cost electric utility after this rate proceeding?

A40. Yes, but likely no longer the lowest. As shown in the testimony and attachments of IPL Witnesses Sanchez and Gaske, the rates proposed in this filing would result in a monthly bill of $119.37 for a residential customer using 1,000 kWh per month. This proposed monthly bill would still be third lowest out of the five Indiana IOUs if inserted in the Commission's 2016 Residential Bill Survey, only 5.6% higher than the IOU who was second in the 2016 Survey. This comparison is conservative because it assumes rates for the other utilities do not increase by the time IPL's new rates are in effect.

Q41. Do you have any additional information regarding monthly bill impacts?

A41. Yes. IPL anticipates that customers will experience bill credits attributable to the new CCGT through the OSS Margin and CAP riders beginning in June 2017, which is before the new basic rates from this proceeding are anticipated to be effective. These bill credits

[1] Full versions of the Commission's 2004 and 2015 Annual Reports can be found at http://www.in.gov/iurc/2377.htm. The 2016 Residential Bill Survey can be found at http://www.in.gov/iurc/2761.htm.

are **not** reflected in the proposed $119.37 monthly bill for a residential customer using 1,000 kWh mentioned above.

IPL will make an annual filing in early 2017 to update these riders for the period June 2017 through May 2018. Based upon the anticipated OSS Margin and Capacity Sales for this period and the currently approved sharing mechanism, IPL anticipates that a residential customer using 1,000 kWh per month would see credits of $0.66 and $0.82 respectively on their monthly bill beginning in June 2017.

When the compliance filing is made in conjunction with an order in this proceeding, assuming IPL's proposals are approved, IPL anticipates that a residential customer using 1,000 kWh per month would see credits of $1.31 and $0.65 respectively on their monthly bill. Those anticipated credits would effectively reduce the $119.37 bill requested to $117.41, resulting in a lower overall impact to the typical residential customer than discussed by IPL Witness Gaske.

Q42. Does that conclude your verified pre-filed direct testimony?

A42. Yes.

VERIFICATION

I, James L. Cutshaw, Revenue Requirements Manager 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.

James L. Cutshaw

James L. Cutshaw

Dated: December 22, 2016

INDIANAPOLIS POWER & LIGHT COMPANY
DERIVATION OF LOST REVENUE MARGIN RATES

Rate Schedule	(1) Charge	(2) Units	(3) Applicable Block	(4) Basic Rates	(5) Less Base Fuel Costs	(6) Margin Rates (4) + (5)	(7) Less Variable O&M	(8) Less Base Fuel & Variable O&M IURT (a)	(9) Lost Revenue Margin Rates (6)+(7)+(8)
					$0.032603		($0.002407)		
Residential									
Rate RS: Residential Service (Non-space heating and water heating)	Energy	kWh	Tailblock	$0.081531	($0.032630)	$0.048901	($0.002399)	($0.000530)	$0.045972
Rate RC: Residential w/ Electric Water Heating	Energy	kWh	Tailblock	$0.067401	($0.032630)	$0.034771	($0.002399)	($0.000530)	$0.031842
Rate RH: Residential w/ Electric Space Heating	Energy	kWh	Tailblock	$0.067401	($0.032630)	$0.034771	($0.002399)	($0.000530)	$0.031842
Rate ES: Residential Service (Non-space heating and water heating)	Energy	kWh	Tailblock	$0.073378	($0.032630)	$0.040748	($0.002399)	($0.000530)	$0.037819
Rate EC: Residential w/ Electric Water Heating	Energy	kWh	Tailblock	$0.060661	($0.032630)	$0.028031	($0.002399)	($0.000530)	$0.025102
Rate EH: Residential w/ Electric Space Heating	Energy	kWh	Tailblock	$0.060661	($0.032630)	$0.028031	($0.002399)	($0.000530)	$0.025102
Small Commercial & Industrial									
Rate SS: Secondary Service (Small)	Energy	kWh	First Block	$0.104366	($0.032839)	$0.071527	($0.002428)	($0.000533)	$0.068566
Rate SH: Secondary Service - Electric Space Conditioning	Energy	kWh	Uniform Rate	$0.092593	($0.032839)	$0.059754	($0.002435)	($0.000534)	$0.056785
Large Commercial & Industrial									
Rate SL: Seconary Service (Large)	Energy	kWh	Uniform Rate	$0.037221	($0.033031)	$0.004190	($0.002444)	($0.000537)	$0.001209
	Demand	kW	Uniform Rate	$21.06		$21.06			$21.06
Rate PL: Primary Service (Large)	Energy	kWh	Uniform Rate	$0.036110	($0.031978)	$0.004132	($0.002369)	($0.000520)	$0.001243
	Demand	kW	Uniform Rate	$23.22		$23.22			$23.22
Rate PH: Process Heating	Energy	kWh	Tailblock	$0.067904	($0.032931)	$0.034973	($0.002440)	($0.000535)	$0.031998
Rate HL-1: Primary Distribution Voltage	Energy	kWh	Uniform Rate	$0.036088	($0.031979)	$0.004109	($0.002369)	($0.000520)	$0.001220
	Demand	kW	Uniform Rate	$23.21		$23.21			$23.21
Rate HL-2: Subtransmission Voltage	Energy	kWh	Uniform Rate	$0.035892	($0.031813)	$0.004079	($0.002356)	($0.000517)	$0.001206
	Demand	kW	Uniform Rate	$21.49		$21.49			$21.49
Rate HL-3: Transmission Voltage (High Load Factor)	Energy	kWh	Uniform Rate	$0.035493	($0.031422)	$0.004071	($0.002328)	($0.000510)	$0.001233
	Demand	kW	Uniform Rate	$21.14		$21.14			$21.14
Rate HL-4: Transmission Voltage (Low Load Factor)	Energy	kWh	Uniform Rate	$0.045583	($0.031422)	$0.014161	($0.002328)	($0.000510)	$0.011323
	Demand	kW	Uniform Rate	$15.33		$15.33			$15.33

(a) [(Col. 5 + Col. 7) / 0.9851] - (Col. 5 + Col. 7)   0.9851 = (1-(1.4% IURT Rate / (1-6.000% SIT Rate)))

Table 1

JURISDICTIONAL ELECTRIC UTILITY RESIDENTIAL CUSTOMER BILL SURVEY
[July 1, 2016 Billing] By Utility Name and Type

	kWh Consumption				
MUNICIPAL UTILITIES	**500**	**1000**	**1500**	**2000**	**Overall Ranking***
Anderson Municipal	$ 67.04	$ 114.38	$ 161.71	$ 209.04	6
Auburn Municipal	42.65	78.30	113.96	149.61	14
Crawfordsville Municipal	60.49	105.98	151.47	196.96	9
Frankfort Municipal	55.53	100.77	146.02	186.98	12
Kingsford Heights Municipal	50.67	97.84	145.01	192.18	13
Knightstown Municipal	59.85	114.84	165.27	215.70	4
Lebanon Municipal	62.14	114.51	163.07	211.64	5
Richmond Municipal	60.67	105.81	150.94	194.34	10
Tipton Municipal	54.87	103.75	150.33	196.92	11
INVESTOR OWNED UTILITIES					
Duke Energy Indiana	$ 67.95	$ 114.84	$ 156.92	$ 198.97	3
Indiana Michigan Power D/B/A AEP	60.18	113.05	165.93	218.80	7
Indianapolis Power & Light Co.	67.44	107.42	147.39	187.37	8
Northern Indiana Public Service Co.	66.43	121.86	177.29	232.73	2
So. Indiana Gas & Electric Co. D/B/A Vectren	83.01	155.03	227.04	299.06	1

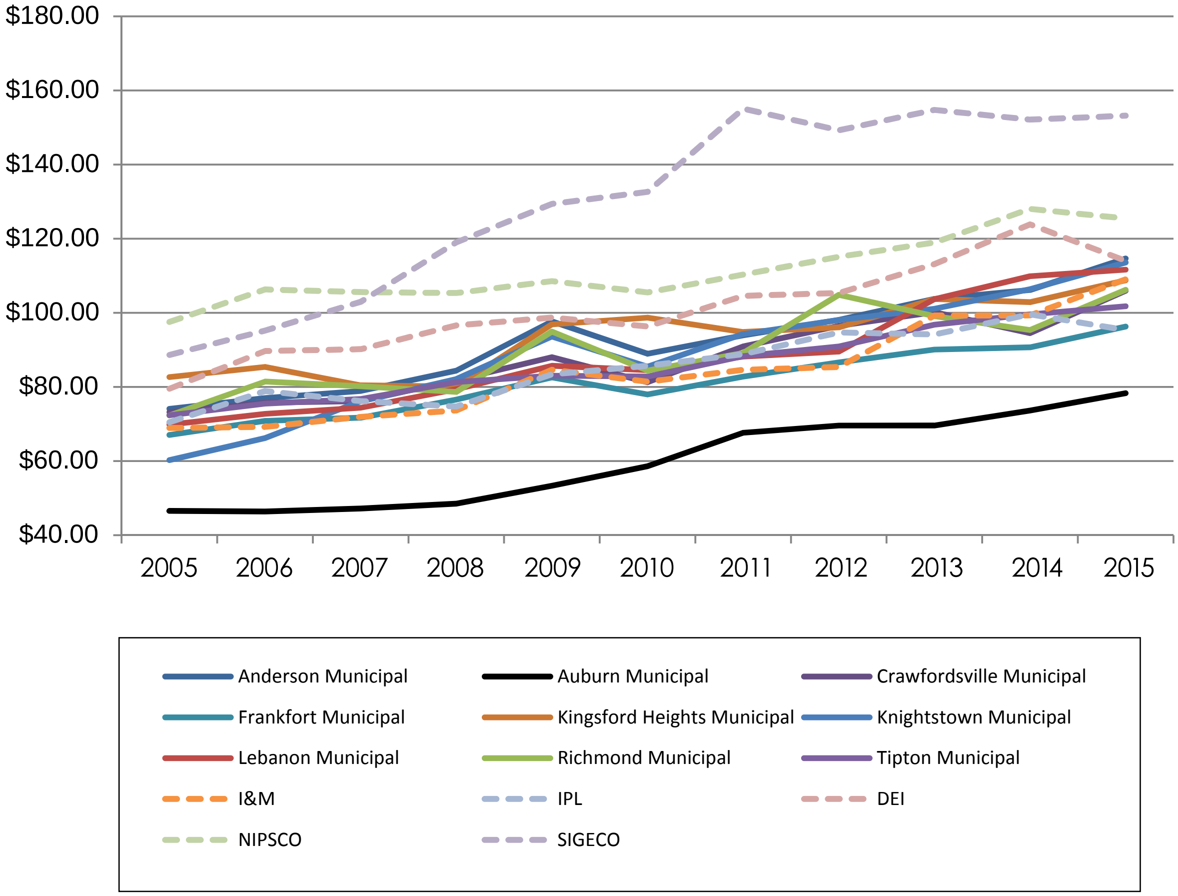
*Overall Ranking (highest to lowest) based on Total Rate at 1000 kWh consumption

Revised on July 20, 2016 to correct NIPSCO FAC input.

Residential Electric Bill Comparison

10-Year Comparison for 1,000 kWh

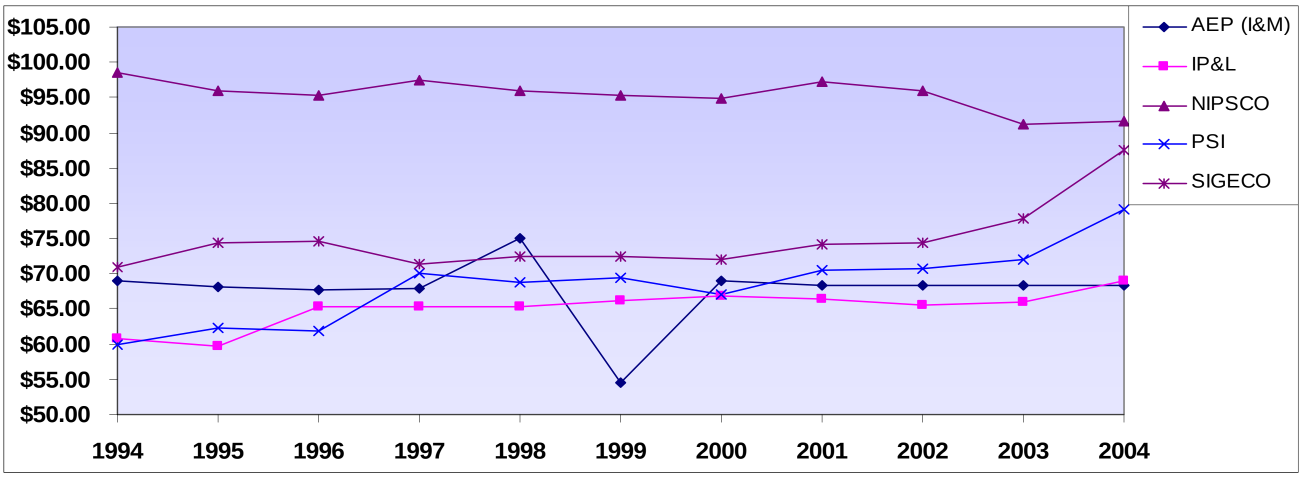
(RS Bill for 1000 kWh usage, 7/1 of each year)



APPENDIX G

10 YEAR COMPARISON OF INVESTOR-OWNED UTILITY
Residential Electric Bills At 1,000 kWh

UTILITY	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AEP (I&M)	$68.89	$68.11	$67.63	$67.90	$75.05	$54.48	$68.91	$68.24	$68.24	$68.43	$68.34
IP&L	60.71	59.79	65.24	65.39	65.37	66.23	66.86	66.49	65.62	$65.95	$68.92
NIPSCO	98.54	95.94	95.32	97.36	95.98	95.22	94.77	97.16	95.85	$91.28	$91.55
PSI	59.90	62.35	61.80	69.96	68.83	69.36	67.00	70.43	70.81	$72.08	$79.20
SIGECO	71.01	74.38	74.56	71.44	72.41	72.39	71.91	74.19	74.27	$77.91	$87.54



UTILITY	CHANGE			
	5 YEARS		10 YEARS	
American Electric Power Co. (I&M)	$ 13.86	25.4%	($ 0.55)	-0.8%
Indianapolis Power & Light	$ 2.69	4.1%	$ 8.21	13.7%
Northern Indiana Public Service Co.	($ 3.67)	-3.9%	($ 6.99)	-7.3%
PSI Energy	$ 9.84	14.2%	$ 19.30	31.0%
Southern Indiana Gas & Electric Co.	$ 15.14	20.9%	$ 16.53	22.2%