

ORIGINAL

Handwritten signatures and initials: SJK, DW

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER)
& LIGHT COMPANY FOR APPROVAL OF IPL'S) CAUSE NO. 45264
TDSIC PLAN FOR ELIGIBLE CAUSE NO.)
TRANSMISSION, DISTRIBUTION, AND STORAGE)
SYSTEM IMPROVEMENTS PURSUANT TO IND.) APPROVED: MAR 04 2020
CODE § 8-1-39-10.)

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Jennifer L. Schuster, Administrative Law Judge

On July 24, 2019, Indianapolis Power & Light Company (“Petitioner” or “IPL”) filed its Verified Petition, together with its verified direct testimony, attachments and workpapers, seeking approval of its seven-year plan for eligible transmission, distribution, and storage improvements (“TDSIC Plan” or “Plan”). The following witnesses provided testimony in support of IPL’s case-in-chief:

- Barry J. Bentley, AES U.S. Vice President, U.S. Utilities Operations
- James William Shields, Jr., IPL Director of TDSIC Plan Development
- Jason D. De Stigter, Business Lead, Capital Asset Planning Utility Consulting for Burns & McDonnell Engineering Company, Inc. (“Burns & McDonnell”)
- William D. Williams, Associate Vice President in Asset Management Practice of Black & Veatch Corporation (“Black & Veatch”)
- Matthew R. Kinghorn, Senior Research Analyst, Indiana University Business Research Center
- Chad A. Rogers, IPL Senior Program Manager, Regulatory Affairs

Petitions to Intervene were filed on July 26, 2019 by Citizens Action Coalition of Indiana, Inc. (“CAC”) and by an ad hoc group of IPL’s industrial customers (“IPL Industrial Group” or “IG”). Each petition to intervene was granted by docket entry dated August 7, 2019.

On August 2, 2019, the Indiana Office of Utility Consumer Counselor (“OUCC”) and CAC filed a Joint Motion to Establish Multiple Field Hearings (“Joint Motion”). The Presiding Officers granted the Joint Motion by docket entry on August 5, 2019, and public field hearings were held in this Cause on September 3, 2019 and September 10, 2019 in Indianapolis. At the field hearings, members of the public made statements to the Commission under oath.

On September 13, 2019, the city of Indianapolis, Indiana (“City”) filed a Petition to Intervene, which was granted by docket entry dated September 25, 2019. On September 30, 2019, the Environmental Law & Policy Center (“ELPC”) filed a Petition to Intervene, which was granted by docket entry dated October 10, 2019.

On October 7, 2019, the OUCC, CAC, City, IG, and ELPC filed their respective testimony and attachments. The OUCC initially submitted testimony from the following witnesses:

- Brian R. Krieger, Utility Analyst–Natural Gas Division, OUCC¹
- Wes R. Blakley, Senior Utility Analyst, OUCC

The IPL Industrial Group provided testimony from Brian C. Collins, Principal, Brubaker & Associates, Inc.

CAC and ELPC provided testimony and attachments from the following witnesses:

- Kerwin L. Olson, Executive Director, CAC
- Ronny Sandoval, President, ROS Energy Strategies, LLC

The City provided testimony and attachments from the following witnesses:

- Paul J. Alvarez, President, Wired Group
- Dennis Stephens, Senior Technical Consultant, Wired Group

On October 23, 2019, IPL filed its rebuttal testimony and attachments from its six case-in-chief witnesses along with testimony from Jeffrey W. Cummings, Senior Vice President of UMS Group.

The Commission commenced the evidentiary hearing in this Cause at 9:30 a.m. on November 14, 2019 and continued the hearing on November 21 and 22, 2019 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana, at which the parties' evidence was heard. IPL, the OUCC, CAC, IG, the City, and ELPC appeared at and participated in the hearing.

Based upon the applicable law and the parties' evidence of record, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearings in this Cause was given and published by the Commission as required by law. IPL is a "public utility" under Ind. Code §§ 8-1-2-1 and 8-1-39-4. Under Ind. Code ch. 8-1-39 (the "TDSIC Statute"), the Commission has jurisdiction to approve a public utility's TDSIC plan. Ind. Code § 8-1-2-23 also provides the Commission with authority to approve improvements to utility facilities. Therefore, the Commission has jurisdiction over IPL and the subject matter of this proceeding.

2. Petitioner's Characteristics. IPL is a corporation organized and existing under the laws of the state of Indiana, with its principal offices at One Monument Circle, Indianapolis Indiana. IPL is engaged in rendering electric service in the state of Indiana and owns and operates plant, equipment, and related facilities in Indiana that are in service and used and useful in the generation, transmission, distribution, and furnishing of such service to the public.

¹ At the evidentiary hearing, the OUCC did not offer Mr. Krieger's testimony into evidence.

3. **Requested Relief.** IPL requests approval of its TDSIC Plan pursuant to Ind. Code § 8-1-39-10(a). IPL's TDSIC Plan proposes seven years of defined investment totaling \$1.2 billion to replace, rebuild, upgrade, redesign, and modernize a wide range of IPL's aging transmission and distribution ("T&D") system assets in two general categories, age and condition and deliverability. The TDSIC Plan consists of the following 13 projects:

Age and Condition

1. Circuit Rebuilds
2. Substation Assets Replacement
3. XLPE Cable Replacement
4. 4 kV Conversion
5. Tap Reliability Improvement projects ("TRIP")
6. Meter Replacement
7. Central Business District ("CBD") Secondary Network Upgrades
8. Static Wire Performance Improvement
9. Remote End – Breaker Relay/Upgrades
10. Pole Replacements
11. Steel Tower Life Extension

Deliverability

12. Distribution Automation
13. Substation Design Upgrades

4. **IPL's Case-in-Chief.**

A. **Overview.** Mr. Bentley explained that IPL's TDSIC Plan addresses grid resiliency so that the grid can better withstand the impact of weather, allowing electricity to be more easily restored when outages inevitably occur. Mr. Bentley added that the TDSIC Plan provides a structured and proactive means for capital investment of \$1.2 billion over the Plan period, and he identified the Plan capital costs by year. He opined that systematic investment in IPL's energy delivery system allows IPL to better utilize capital dollars, realize economies of scale, and promote efficiency through better planning of workflow and resources, all of which benefits customers.

B. **TDSIC Plan.** Mr. Shields explained that, to develop the proposed TDSIC Plan, IPL engaged a third-party consultant, Burns & McDonnell, to model and prioritize investments ("Risk Model"). Mr. Shields testified that IPL also engaged Black & Veatch to review the Risk Model, validate the cost estimates, and assist in the TDSIC Plan development. Mr. Shields also discussed how IPL considered plan feasibility in developing the scope and schedule of the proposed improvements.

Mr. Shields stated that, while the Plan does not include any "targeted economic development projects" as that term is used in the TDSIC Statute, energy delivery infrastructure remains important to the communities in which IPL provides retail service, and the Plan supports economic development in IPL's service area. Mr. Shields added that the TDSIC Plan capital

investment will require contract labor and other resources over the Plan period, which will have a positive economic impact.

Mr. De Stigter explained that Burns & McDonnell utilized a risk-based assessment of IPL's electric transmission and distribution system to help identify high-risk assets and identify projects to be included in the TDSIC Plan. He said that Burns & McDonnell utilized an approach similar to that used in other TDSIC proceedings based on the ISO 31000 framework for risk management and the ISO 55001 standard for asset management practices. Burns & McDonnell developed a Risk Model for all critical substation and circuit assets, including 1,690 substation assets and nearly 220,000 circuit section assets (628 circuits covering 8,789 circuit miles). Mr. De Stigter explained that the risk-based assessment is data driven and was augmented by subject matter experience from both the Burns & McDonnell and the IPL team. The Risk Model prioritizes assets based on the amount of risk they pose to the IPL system and the cost to buy down asset risk.

Mr. De Stigter said that the main purposes for the Risk Model are to identify high-risk assets, to establish a plan to mitigate the risk, and to invest capital into the system that provides the highest risk reduction per dollar invested. He explained that the Risk Model used condition data, hierarchy, and other information to determine each individual asset's likelihood of failure ("LOF") and consequence of failure ("COF"). He said that the asset LOF is based on an asset class survivor curve, age, and Asset Health Index, which is derived from available asset condition information, inspection information, and service history or test data. He said that an asset's COF is derived for six different criteria that consider the impact to IPL customers, stakeholders, or its system in the event of an asset failure. He said that the criteria are summed to calculate a total consequence score for each asset.

According to Mr. De Stigter, the Risk Model also includes risk frameworks and asset risk information already developed by IPL through its asset management program. He explained how the Risk Model identified projects to be included in the IPL TDSIC Plan. The framework was initially developed by IPL staff and previously reviewed in a collaborative effort conducted per the Commission's Order in Cause No. 44576 dated March 16, 2016. The Risk Model provides a prioritized list of assets for replacement based on the risk score, risk reduction benefit, replacement cost, and other resource constraints that targets high-risk assets and provides the highest risk reduction per dollar invested into the system. He said that the output of the Risk Model was reviewed and then used by IPL to develop the projects included in the TDSIC Plan.

Mr. Williams described the Black & Veatch independent review of the Risk Model and concluded that the Risk Model is appropriate to use to identify capital expenditures for substations and circuits that are part of IPL's TDSIC filing.

C. Best Estimate. As summarized in the Plan and discussed by Mr. Bentley and Mr. Shields, IPL presented Association for the Advancement of Cost Engineering ("AACE") Class 2 cost estimates for many of the proposed projects for Plan Years 1 and 2. AACE Class 3 and Class 4 estimates were developed for the remaining projects. This information was compiled in Table 1 of Mr. Shields's testimony and supported with additional details in the IPL TDSIC Plan, Plan appendices, and IPL's workpapers. IPL proposes to update these cost estimates through its periodic trackers. IPL also developed a process to validate its cost estimates to ensure it is providing the Commission with the best estimates of TDSIC Plan costs. As discussed by Mr.

Shields, IPL employed Black & Veatch to conduct an independent review of the cost estimates and the process used to develop them. A summary of the review and the results of the analysis are found in Mr. Williams's testimony, and the Black & Veatch Cost Review and Validation Report are included with IPL's TDSIC Plan as Appendix 8.6.

Mr. Williams described the approach Black & Veatch used to validate IPL's cost estimates. Black & Veatch (1) reviewed the cost estimate documentation for a sample of IPL's TDSIC cost estimates developed for the Plan; (2) discussed and reviewed IPL's cost-estimating processes to understand what tools and processes were used in cost estimating for the TDSIC projects; (3) developed independent cost estimates for a sample of the projects using Black & Veatch cost-estimating tools, databases, and expertise; (4) assessed the AACE Cost Estimate level for the sample estimates based on review of the cost estimate documentation; and (5) utilized expertise and professional judgement to complete the check for reasonableness. Based on this review, Mr. Williams testified that IPL's cost estimating process is aligned with industry good practice based on Black & Veatch's experience and professional judgement and the AACE classification guidelines. He also testified that, based on Black & Veatch's review of IPL's cost-estimating process and the independent estimates, he believed that IPL's cost estimates are the best estimates of the projects identified in the TDSIC Plan.

D. Public Convenience and Necessity. Mr. Bentley explained that there is a reasonable and apparent need for the Plan. He stated that the TDSIC Plan identify what projects will be undertaken, when they will be undertaken, and why these projects are necessary and beneficial. He added that many of the TDSIC projects are designed to improve the safe and reliable functioning of IPL's system through the planned replacement and modernization of aging electric system components, which, if not undertaken, would likely result in more frequent or extended outages for customers or might otherwise impair the resiliency of the system. He said that the planned replacement of infrastructure that has or is reaching the end of its useful life hardens the energy delivery system and minimizes emergency restoration. He stated that modernizing the electric system enhances system operation and control, enables customers to have access to more information to manage their usage, and lays the foundation for new technologies to be deployed in the future. He testified that the improved operation and reliability of IPL's energy delivery system also safeguards public and employee safety, improves the customer experience, and fosters economic development in the communities IPL serves. Mr. Bentley concluded that IPL's proposed TDSIC Plan is suited to the public need.

E. Plan Benefits. Mr. Bentley explained that IPL's TDSIC Plan aligns with the TDSIC Statute, as the projects will be undertaken for the purposes of safety, reliability, system modernization, and support of economic development. He testified that the estimated costs of the improvements included in the IPL TDSIC Plan are justified by incremental benefits attributable to the Plan. He opined that, without these improvements, IPL's T&D system will face increasing levels of risk and an erosion in overall grid integrity and reliability, which will be difficult to correct. He said that the Risk Model developed by Burns & McDonnell and IPL shows a system risk reduction of approximately 36.6 percent over the seven-year TDSIC Plan period.

Mr. Bentley also opined that the TDSIC Plan will provide qualitative benefits, introduced in TDSIC Plan Section 3 (TDSIC Benefits) and expanded upon in the TDSIC Plan Section 6

(TDSIC Project Narratives) that, combined with the quantifiable benefits, will meet the intent of the TDSIC Statute.

As summarized in Section 3 of the IPL TDSIC Plan and in Mr. Bentley's direct testimony, the seven projects that lend themselves to monetization, when viewed as part of a total portfolio, will provide a net benefit (equal to the total escalated nominal benefits minus the total escalated nominal cost of the Plan) of \$939 million to IPL's customers over a 20-year period. Mr. Bentley stated that the monetization analysis is supported by the Burns & McDonnell Risk Reduction Benefit Monetization Report presented by Mr. De Stigter (Appendix 8.11 to the TDSIC Plan). The Burns & McDonnell Risk Reduction Benefit Monetization Report explained the monetization analysis and presented both the nominal and net present value benefits.

Mr. Kinghorn testified about the study that IPL commissioned from the Indiana Business Research Center of the Kelley School of Business at Indiana University to evaluate the economic impact resulting from the TDSIC Plan. This study is included as Appendix 8.5 to the IPL TDSIC Plan. Mr. Kinghorn explained that, based on his analysis, local spending associated with IPL's plan to upgrade and modernize its electric transmission and distribution system between 2020 and 2026 will support an estimated 880 jobs per year in Marion County worth \$62.2 million in annual compensation. He added that the full impact of these activities will combine to contribute an estimated \$92.6 million per year to Marion County's gross domestic product and generate an estimated \$3.3 million per year in state and local government revenue. At the state level, these estimates rise to a total employment impact of 950 jobs per year, \$65.9 million in annual compensation, \$98.5 million in GDP per year, and \$3.5 million in annual state and local government revenues.

F. Implementation and Annual Updates. Mr. Bentley testified regarding IPL's plan to implement the Plan's projects on August 1, 2019 and ramp up to full project implementation in 2020 upon receipt of Commission approval of the Plan. Because IPL's experienced contract labor resources have multiple opportunities in other parts of the country, IPL found it necessary to advance the scheduling of certain work to secure these contractors for the TDSIC projects. Mr. Bentley added that, in order to implement the Plan in a timely manner, IPL found it necessary to undertake certain pre-construction and initiate limited project construction prior to Commission approval. Mr. Bentley stated that IPL has taken steps to secure the necessary contract labor resources through a competitive solicitation process and will use these resources to implement the TDSIC projects. He added that issuing the competitive solicitation for contract labor resources allowed IPL to improve the quality of the cost estimates and risk modeling presented in this Cause.

Mr. Shields testified that IPL is proposing to provide the following updates to its TDSIC Plan in annual tracker filings: (1) a report on the work that has been completed and the work planned during the upcoming year; (2) the actual costs of the projects completed in the prior year and updated cost estimates of the projects for the following year; (3) for projects with actual or projected costs higher than the previous estimate, an explanation of the variance; and (4) intra-year changes and longer-term changes in the Plan when appropriate. Mr. Shields stated that IPL is prepared to confer with stakeholders on the format and content of the report prior to its initial filing, as well as to refine the content of the update filing over time as necessary and appropriate.

G. TDSIC Plan Development Costs. Mr. Shields explained that, to obtain Commission approval of the TDSIC Plan, IPL was required to perform risk modeling and planning and prepare evidence. As noted above, IPL hired independent consultants to support this effort, including Burns & McDonnell, Black & Veatch, and the Indiana Business Research Center. Mr. Shields testified that, as of the date of his testimony, the total amount incurred by IPL in plan development costs was approximately \$2.3 million.

Mr. Rogers testified that IPL is seeking Commission approval to defer these TDSIC Plan development costs by creating a regulatory asset and to recover these costs through rates over a three-year amortization period.

H. Accounting and Ratemaking. Mr. Rogers testified that the proposed investments in IPL's seven-year TDSIC Plan were not included in IPL's rate base in its most recent general rate case (Cause No. 45029). He also explained that IPL's accounting for depreciation expense and its procedures for accrual of Allowance for Funds Used During Construction ("AFUDC") are consistent with the Uniform System of Accounts and Commission practice.

Mr. Rogers stated that IPL is requesting Commission approval to defer TDSIC Plan costs until they are recovered through a TDSIC tracker or included in basic rates. Mr. Rogers testified that IPL is also seeking Commission authority to create regulatory assets to record post-in-service AFUDC (both debt and equity) and depreciation and property tax expenses associated with the projects until such costs are reflected in the TDSIC tracker rates or IPL's retail electric rates. Mr. Rogers stated that IPL will record AFUDC during construction and post-in-service AFUDC until the costs are reflected in the TDSIC tracker. He also explained IPL's proposal regarding depreciation on the TDSIC Plan projects and stated that IPL is proposing to utilize the applicable depreciation rates for transmission and distribution assets approved in its most recent rate case (Cause No. 45029). Mr. Rogers testified that IPL is also proposing that it be allowed to recover depreciation expense prospectively to avoid regulatory lag that would otherwise occur.

Mr. Rogers stated that IPL plans to file an annual request for a TDSIC tracker under Ind. Code § 8-1-39-9 ("Section 9") in order to timely recover 80% of the TDSIC Plan capital expenditures and costs, which includes depreciation expense, property taxes, and pretax returns. IPL is also proposing to defer 20% of the TDSIC tracker revenue requirement with carrying costs pursuant to Section 9 until such costs are reflected in its retail electric rates. IPL plans to update its TDSIC Plan on an annual basis through the Section 9 TDSIC tracker filings. Mr. Rogers testified that IPL anticipates making its first Section 9 TDSIC tracker filing in the second quarter of 2020 and added that IPL intends to confer with the OUCC and interested intervenors in making these filings.

Mr. Rogers also described the TDSIC Plan's estimated impact on retail revenues. He testified that, as shown below (Table 1 of his testimony), IPL's Plan does not result in an average aggregate increase in IPL's total retail revenues of more than two percent in a 12-month period.

Table 1 – Average Aggregate Increase in IPL’s Total Retail Revenues²

<i>\$ in millions</i>		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
TDSIC tracker Revenues		\$11.4	\$26.3	\$45.3	\$65.5	\$83.6	\$100.8	\$115.3
Incremental Rider Revenue		\$11.4	\$14.9	\$19.0	\$20.2	\$18.1	\$17.3	\$14.5
Total Estimated Retail Operating Revenues	\$1,454.6 ³	\$1,466.0	\$1,480.9	\$1,499.9	\$1,520.1	\$1,538.2	\$1,555.5	\$1,569.9
Annual % Increase		0.8%	1.0%	1.3%	1.3%	1.2%	1.1%	0.9%

5. **OUC’s Evidence.** Mr. Blakley addressed three issues in his testimony regarding IPL’s Plan: (1) the method and timing of calculating the gross-up of federal income taxes on the deferred return; (2) the three-year amortization period for plan development costs; and (3) not recognizing plant retirements embedded in base rates replaced by TDSIC projects, which will affect the depreciation expense calculation in subsequent TDSIC tracker proceedings.

Mr. Blakley explained that he opposed IPL’s proposal to gross up the entire TDSIC revenue requirement for taxes, depreciation expense, property taxes, and amortization of plan development costs and then defer 20% of the grossed-up amount. He testified that IPL’s proposal makes it possible that the 20% deferred TDSIC revenue requirement, when eligible for recovery in IPL’s next rate case, might once again be grossed up, allowing IPL to recover a portion of federal income tax twice. To avoid this, Mr. Blakley recommended that IPL only gross up the 80% that is eligible for immediate recovery. The deferred 20% would be grossed up in the proceeding when it is eligible for recovery.

Regarding IPL’s proposed three-year amortization period for its \$2.3 million in plan development costs, Mr. Blakley opined that it was more appropriate to amortize the costs over the life of the assets. He testified that aligning the amortization period and the depreciable life of the assets also mitigates the rate impact for IPL’s customers. For costs associated with T&D investments, Mr. Blakley testified that the amortization rate should be at the depreciation rate approved from IPL’s last rate case for the particular plant account.

On the issue of not recognizing plant retirements embedded in base rates replaced by TDSIC projects, Mr. Blakley testified that retirement accounting affects the TDSIC revenue requirement by reducing the plant account at retirement. When new investment results in a

² See Ind. Code § 8-1-39-14.

³ IPL’s total retail revenues for the 12 months ended January 31, 2019.

retirement of an existing asset, depreciation expense included in the revenue requirement will be reduced by the depreciation expenses amount attributed to those retired assets. If retirement accounting is not used, Mr. Blakley stated that IPL will receive a return of the new replacement assets while at the same time continuing to receive a return of the retired assets that are no longer used and useful. Mr. Blakley noted this method had already been accepted by the Commission with regards to the retiring of other types of assets in Cause No. 44182 on page 59 of the Commission's Order. He specifically pointed to Commission language concluding that this treatment has "no effect on rate base," and, therefore, the new investment does not need to be lowered in the calculation of return in the tracker.

6. IPL Industrial Group's Evidence.

A. TDSIC Plan. Mr. Collins testified that IPL has repeatedly asserted that it already has a very reliable electric system and has taken recent steps to improve its system reliability. According to Mr. Collins, these improvements to reliability should reduce the need for aggressive spending to achieve smaller increments of reliability benefits. Mr. Collins contended that IPL has not demonstrated a pressing need to make the aggressive spending necessary to complete \$1.2 billion of work in the next seven years. He also testified that IPL's proposed Plan appears out of proportion with other TDSIC Plans approved by the Commission. He recommended that the Commission either deny the relief sought by IPL or condition its approval on IPL submitting a revised plan that spreads the proposed expenditures over a longer period of time such as two TDSIC periods instead of one. He opined that a \$600 million plan would be more appropriate for a utility like IPL with a compact service territory and a history of reliable service, would be more in line with other approved TDSIC plans for larger electric utilities in Indiana, would permit immediate attention to the highest priority work yielding the greatest benefits to reliability, and would have a more reasonable impact on IPL's rate base and customer rates through the time of the next rate case.

Mr. Collins testified that risk analysis is an appropriate planning tool, but effective planning should also include an assessment of experience and identification of system components that IPL knows to perform poorly. Noting issues faced by Indiana University and Indiana University Health, Mr. Collins raised a concern that ongoing issues at certain IPL customer locations such as these with a history of service disruptions are not adequately addressed in the IPL planning process.

B. Best Estimate. Mr. Collins stated that the cost estimates used to determine the costs of the investments contained in the TDSIC Plan could reduce the level of benefits. He said that IPL's cost estimates for five of the seven Plan years reflect a cost variability of 50% and include large contingency allowances. He added that, as IPL proposes to update its estimates in future tracker proceedings, there is considerable risk that the ultimate cost of the Plan will end up being substantially greater than the \$1.2 billion estimated by IPL in this proceeding. He opined that, once those estimates are approved by the Commission, IPL will have assured rate recovery up to the estimates, including the contingency portion, and its incentive to maintain cost discipline within those bounds will be relaxed. He contended that where costs are preapproved for recovery in rates, the Commission should exercise restraint in allowing contingencies in estimates.

C. Plan Benefits. Mr. Collins testified that a utility like IPL is expected to provide reasonably adequate service and facilities and should make the necessary and appropriate

investments to keep its system in sound working condition so that it can continue to deliver reliable service. He opined that the spending level proposed by IPL is excessive to achieve incremental benefits to what IPL has repeatedly represented as being already highly reliable service.

Mr. Collins stated that IPL presented only nominal dollar figures without any adjustment to determine a net present value (“NPV”) of the benefits and, therefore, does not account for the time value of money. He added that the computation is only relative to a “do-nothing” alternative, which he opined is not the relevant comparison, because even in the absence of an approved TDSIC plan, a reasonable and prudent utility would not “do nothing.” He noted that the analysis presented by IPL does not compare the asserted benefits of the proposed TDSIC Plan to an alternative plan with a lower level of spending over the next seven years and therefore does not demonstrate that the proposed \$1.2 billion investment would yield sufficient incremental benefits compared to such an alternative. He stated that the analysis does not account for the risk of cost increases and possibility of additional projects. He added that the “break-even point” shown in the monetization analysis does not occur until after the seven-year plan period.

Mr. Collins stated that the economic analysis presented by Mr. Kinghorn analyzes the economic impact of the proposed investments, including the direct spending by IPL and associated ripple effect, but does not assess the downside impact on IPL ratepayers who must fund the TDSIC plan through rates. He contended that the relevant cost-benefit analysis focuses on ratepayers and the benefits to those paying the costs, not externalities that treat costs preapproved for recovery through rates as a form of economic stimulus funding.

D. Updates to Cost Estimates. Mr. Collins stated that the TDSIC Statute calls for “specific justification” by the utility and “specific approval” by the Commission before costs in excess of approved estimates may be recovered in rates. He stated that it appears that IPL intends to provide simply an “explanation” for increases in cost estimates, as opposed to “specific justification.” He proposed that the Commission require IPL to provide specific justification for any increased cost estimates.

E. Accounting and Ratemaking. Mr. Collins testified that, over its last two rate cases in the past five years, IPL added a large amount of rate base and proposes to add even more rate base in this matter. He opined that IPL’s TDSIC proposal will have a serious impact on rates, both during the plan period and in IPL’s next rate case. Mr. Collins testified that IPL’s rate impact analysis assumes that the return on equity approved in its last rate case will also apply to its TDSIC tracker, but the return approved in the last rate case reflects the risk of a utility without a TDSIC plan and the preapproval sought in this proceeding greatly reduces IPL’s risk profile. He stated that these concerns tend to aggravate the rate impact, which is already problematic in light of the magnitude of the proposed investments.

7. City’s Evidence.

A. TDSIC Plan Development and Projects. Mr. Stephens testified that, for five components of its Plan, IPL used an age-based approach to select assets for prospective replacement (in advance of demonstrated need) and opined that this is not standard industry practice. He added that age is a poor predictor of asset failure, and IPL’s future asset failure rate assumptions, which it calls survivor curves, have no basis in historical asset failure rates. Mr.

Stephens said that the survivor curves and associated failure rate predictions are based entirely on assumptions. He recommended that the Commission reject the five components of the Plan that IPL developed using the age-based approach to asset replacement selection.

Mr. Stephens identified the asset types typically replaced prospectively using standard industry practices and the commonly employed tests which constitute standard industry practice for the identification of assets for prospective replacement. Mr. Stephens recommended that the Commission require results from industry standard tests as justifications for prospective asset replacement.

Mr. Stephens testified that he advocates for the use of standard industry practices (as opposed to “grand” plans such as the TDSIC Plan) which he believes have proven their worth in distribution grid planning over the past 100 years. If IPL has been delivering safe, exceptionally reliable service at reasonable rates through compliance with standard industry practices, Mr. Stephens testified that he sees no reason to depart from standard industry practices in IPL’s TDSIC Plan.

Mr. Stephens testified that the Distribution Automation project warrants approval with conditions. He recommended that the Commission require IPL to report performance on the integrated volt-var control (“IVVC”) for conservation voltage reduction (“CVR”). Mr. Stephens also recommended IPL’s pole replacement proposal be approved under the condition that inspection failure documentation be provided for replaced poles and requested that poles replaced in accordance with the City’s street light agreement with IPL should be excluded from the TDSIC Plan. He said that IPL should be allowed to include life extension efforts for steel towers which fail inspection as part of its TDSIC Plan, under the condition that inspection failure documentation be provided for towers identified for life extension efforts.

Mr. Stephens testified that the capabilities IPL proposes in its Plan for underground CBD facilities could improve employee and public safety, limit potential equipment damage, and benefit other utilities. He testified that IPL did not include any cost-benefit analysis of its CBD network investment in its TDSIC Plan and added that if IPL can develop and provide a thorough and substantiated analysis which indicates benefits in excess of costs for central business district upgrades, the proposed capabilities should be approved for inclusion in IPL’s TDSIC Plan.

Mr. Stephens testified that the data he provided on IPL’s reliability performance (finding it to be exceptionally good relative to other utilities) calls into question whether public convenience and necessity require IPL’s TDSIC Plan. Mr. Stephens also explained his opinions that the TRIP, Meter Replacement, Static Wire Performance Improvement, and Substation Design Upgrade components of IPL’s Plan should be rejected.

B. Plan Benefits. Mr. Alvarez opined that IPL’s TDSIC Plan will cost customers far more than they will receive in benefits. He contended that IPL’s reliability improvement valuations cannot be validated and presented an analysis using the United States Department of Energy (“DOE”) Interruption Cost Estimate (“ICE”) calculator showing that IPL needed to achieve 42% improvements in both System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) in order to deliver \$1.079 billion in reliability-related customer value over 20 years. He opined that IPL has overstated the

estimated customer savings benefits of the Plan both in terms of reliability-related benefits and other economic benefits.

Mr. Alvarez opined that, without knowing what projects are included in the proposed TRIP, it is impossible to estimate the reliability improvements that the tap projects will deliver. He testified that IPL's analysis overstates the economic benefits from sources other than reliability improvements. He said that it is difficult to understand how IPL can estimate \$50 million in operating expense savings for TRIP from zero headcount reduction.

Mr. Alvarez testified that he believed some parts of IPL's proposed \$1.2 billion capital spend will deliver economic benefits to some parts of the central Indiana economy. However, he opined that the study IPL commissioned is fundamentally flawed because it does not take into account the detrimental effects of any rate increases associated with the IPL investment plan.

Finally, Mr. Alvarez testified that IPL's cost-benefit analysis understated the costs of its TDSIC Plan because it ignores carrying charges customers will pay through rates. Mr. Alvarez estimated the revenue requirement for the first 20 years of IPL's TDSIC Plan, including carrying charges, to be \$1.991 billion, 63% more than IPL's cost estimate of \$1.218 billion.

Based on these observations, Mr. Alvarez concluded that the costs of IPL's TDSIC Plan to customers will significantly exceed the benefits and recommended that the Commission reject the TDSIC Plan for that reason.

8. CAC-ELPC Evidence. Mr. Olson testified regarding the fact that IPL is not offering customers the ability to opt out of smart meter installation. Mr. Olson explained that customers have concerns about the advanced capabilities of smart meters, including around health impacts, consumer and data privacy, safety, and increased cybersecurity risks potentially related to the installation and utilization of smart meters. Mr. Olson noted that the most common concern that CAC hears from the public relate to the privacy of customers' usage information and access to that data.

Mr. Olson explained that other Indiana electric utilities have offered their customers the ability to opt out of the installation of smart meters, including Northern Indiana Public Service Company ("NIPSCO"), Duke Energy Indiana, LLC ("Duke"), and Indiana Michigan Power Company ("I&M"). Mr. Olson recommended that the Commission direct IPL to file an opt-out tariff giving customers the option to elect to not have a smart meter installed on their premises until and unless the Commission or the legislature have adopted policies and rules protecting customers' rights related to the installation and use of advanced metering infrastructure ("AMI") and associated data. Mr. Olson also recommended that the Commission direct IPL to update their terms and conditions to reflect the data which will be collected through AMI technology and the rights of customers relating to the usage of that data. Finally, he recommended that the Commission commence a rulemaking to update statewide consumer protections relating to smart meters' advanced capabilities.

Mr. Sandoval recommended that the Commission require IPL to initiate an Integrated Distribution Planning ("IDP") process, explaining that an IDP identifies five capabilities needed to ensure utilities and customers get the most out of grid modernization: (1) advanced forecasting

and system modeling, (2) hosting capacity analysis, (3) disclosure of grid needs and locational value, (4) new solution acquisition, and (5) meaningful stakeholder engagement. He stated that an IDP would help ensure that IPL's customers actually benefit from its advanced technology investments and that those investments do not hinder the deployment of distributed energy resources. Mr. Sandoval also recommended that the Commission require IPL to provide a concrete plan to better leverage the benefits of AMI and to track and report year-over-year performance metrics associated with its TDSIC investments, beyond costs, on an annual basis.

9. IPL Rebuttal.

A. Plan Development and Risk Model.

i. IPL's Risk-Based Approach. Mr. Cummings and Mr. De Stigter responded to the other parties' view that IPL's TDSIC Plan consists of projects primarily focused on improving reliability. Mr. Cummings and Mr. De Stigter explained that a large portion of IPL's TDSIC Plan results from the review of the condition of individual assets that are currently functioning well but are operating at varying levels of risk (with an ever-increasing number of assets migrating into the high-risk zone). Mr. Cummings explained that, in submitting its TDSIC Plan, IPL seeks to counter the continuing trend of more assets moving into the high-risk region, which will lead to more frequent equipment failures affecting larger numbers of customers.

Mr. Cummings clarified that the TRIP and Distribution Automation projects, representing 15% of the TDSIC Plan, provide for improved reliability. The TRIP targets taps prone to reoccurring outages (equivalent to a worst performing circuit program, but isolated to overhead fused taps). However, because only a small number of customers are affected by these outages, the TRIP will improve reliability at the circuit level, but will have no major impact on system reliability.

Mr. Cummings explained that Distribution Automation, on the other hand, strategically prepares the distribution system for managing distributed energy resources and loads, providing the benefits of improved reliability, enhanced safety, voltage management, and energy conservation. Mr. Cummings explained why extending these reliability improvement benefits to predict overall system reliability improvement on a quarterly or annual basis is difficult.

Mr. De Stigter testified that the risk-based approach used by IPL and Burns & McDonnell to identify assets for replacement, prioritize the investments, and provide justification is based on a robust data-driven best practice methodology recognized by ISO and applied by utilities across Indiana and nationwide. He discussed the investment scenario alternatives considered in the Risk Model Report and testified that the results of the evaluation shown in the various risk grids (TDSIC Plan Appendix 8.3) show that IPL's system has high-risk assets and the need for proactive replacement.

Mr. Williams said that IPL's Plan is risk based, not "age based" as stated by Mr. Stephens, and is based on scoring of LOF and COF. Mr. Williams explained that age is only one component of the Risk Model. In assessing the likelihood of failure, the model utilizes asset age and existing condition data to adjust the position of the assets on a survivor curve. The Risk Model also considers the criticality of the assets in order to score their overall risk, allowing prioritization and

prudent allocation of resources as different mitigations are applied to assets that have different consequences of failure.

Mr. De Stigter explained that an age-based approach would replace all assets in an asset class when they reached a predetermined age. He said that a risk-based approach, in alignment with ISO 31000 and 55001, identifies assets for replacement based on their risk and location in the risk grid. He stated that an age-based approach could require significantly more investment over the next seven years.

Mr. Shields clarified that IPL has not overlooked reliability concerns for specific customers served by IPL's T&D system. He explained that the IPL Risk Model identified a significant number of T&D assets for replacement in the area that serves the customers identified by Mr. Collins. Mr. Shields added that IPL has been working directly with its customers on action plans outside of the TDSIC Plan to further improve reliability in the area and added that these additional action plans are being implemented in 2019.

ii. Interruption Cost Estimator. In response to Mr. Alvarez's analysis of reliability improvements, Mr. Cummings explained that the DOE ICE calculator supports two perspectives, estimating either interruption costs or the benefits associated with reliability improvements. He explained that, in the case of IPL's TDSIC Plan, the focus of the five Asset Replacement projects is on estimating interruption costs to quantify, in the absence of replacing aging assets, the effect of additional interruptions and a likely outcome in the event of a failed asset.

iii. Standard Industry Practice. In response to Mr. Stephens's statement that the industry practice is to replace assets only as they fail, Mr. Cummings explained that this has been a standard approach in the past, but, consistent with effective asset management practices, the industry as a whole is trending towards a more proactive approach. Key factors driving this trend include lower customer tolerance for unplanned outages (even during major storm events and independent of the number of customers affected); the mounting "bow wave" of assets with a high risk of failure, potentially resulting in more frequent extended outages (discussed by Mr. De Stigter); and the addition of more distributed resources to the distribution system, resulting in more customers being isolated until restoration. Mr. Cummings added that Mr. Stephens's testimony erroneously assumes that IPL will maintain a steady risk profile at current levels and focus of investments. Mr. De Stigter explained that proactive replacement aligns with the best practice asset management Mr. Stephens promotes and is an active strategy employed by many utilities.

Mr. Shields also responded to Mr. Stephens's testimony regarding specific TDSIC Plan projects and conditions. Mr. Shields explained that Mr. Stephens's rationale that double recovery should not be allowed is reasonable. He also testified that Mr. Stephens was mistaken regarding the details of the street light contract between IPL and the City. Mr. Shields explained that the cost of replacing a wood pole that fails inspection is not a cost that the City pays under the contract.

Mr. Shields also pointed out that Mr. Stephens appears to assume (incorrectly) that the cost of replacement towers is currently included in IPL's TDSIC Plan Steel Towers Life Extension

project. Mr. Shields clarified that this project includes only the cost of the inspection and treatment of Steel Towers on IPL's transmission system, as shown in IPL TDSIC Plan Section 6.11.

With respect to the CBD Secondary Network project, Mr. Shields explained that public safety is of paramount importance and was a primary driver in the Commission launching its previous investigation. The CBD Secondary Network offers the benefit of providing public safety and maintains compliance with the direction from IPL's existing Collaborative (established in Cause No. 44602).

Mr. Shields pointed out that Mr. Bentley's workpaper showed that the TRIP project has a benefit to cost ratio of 3.3 and is cost effective. This project calls for the inspection and mitigation of poorly performing taps in a targeted and deliberate manner to improve customers' experience while being cost justified. While Mr. Stephens testified that IPL did not identify specific projects related to the TRIP project, Mr. Shields noted that this was not accurate. Mr. Shields explained that IPL submitted 20 TRIP Class 2 estimates in its filing. He added that, since this project involves an "inspect and then mitigate" approach (similar to the Pole Replacement project that Mr. Stephens supports), prudence dictates that IPL key the scope of subsequent years on the most recent inspection review information.

Mr. Shields explained that there are several benefits relating to the Static Wire Performance Improvement and Substation Design Upgrades projects. First, in replacing 3#8 Alumaweld static wire in a proactive manner, IPL is addressing a known poorly performing component of its transmission system. In addition, the replacement of static wire with optical ground wire represents a modernization effort that supports microprocessor relay protection. Finally, the Substation Design Upgrades project proactively addresses known system deficiencies in IPL's T&D system.

iv. **Other Utility TDSIC Plans.** Mr. Cummings addressed the relevance of comparing the level of investment of IPL's TDSIC Plan with Commission-approved TDSIC plans for other Indiana utilities. Because Indianapolis represents a comparably large population center with a wide range of customer categories and corresponding increased expectations for safe and reliable service, the consequences of any service interruption are potentially higher than potential outages in some other utilities' service territories. He stated that the comparison by Mr. Collins focused on other factors (*e.g.*, larger service territories, heavier load, and less favorable reliability metrics) to suggest that IPL's funding request is out of proportion with other TDSIC plans approved by the Commission and ignores the effect of these potentially higher consequences.

v. **"Do Nothing" Modeling Scenario.** Mr. De Stigter responded to claims made by Mr. Collins regarding the "do nothing" scenario in IPL's Risk Model. Mr. De Stigter testified that use of the "do nothing" scenario is appropriate, as it represents the increased risk for the assets in the Asset Risk Model if no assets are replaced during the seven-year planning period. He said that this provides a baseline for comparing investment scenarios and their impact to IPL's system risk. Mr. De Stigter further testified that using this approach is appropriate because few utilities, including IPL, have a long-term baseline of five to ten years for capital improvements with specific projects. Mr. De Stigter and Mr. Williams also explained that "do nothing" scenarios are routinely used to perform this type of analysis because the scenario is

consistent, can be readily modeled, and is appropriate for use in creating risk reduction comparisons.

B. Best Estimate. Mr. Shields disagreed with Mr. Collins's contention that IPL's cost estimates include an excessive contingency allowance. He testified that IPL applied contingencies of one percent to 20% depending on complexity level, with most projects receiving a 10% contingency. Mr. Shields testified that a 10% contingency is reasonable for T&D projects and is similar to contingencies used in other approved TDSIC filings.

Mr. Williams added that including an allowance for contingency in construction project budgeting allows for uncertainties to be efficiently addressed as they occur rather than creating delays from the need to seek approval for additional funds. He noted that inclusion of contingency is industry standard practice and added that IPL has included contingency consistent with the AACE cost-estimating guidelines, based upon the technical complexity and the availability of appropriate cost reference information. As discussed in Section 4.3 of IPL's TDSIC Plan, the degree of project definition was considered in determining the appropriate contingency.

C. Plan Benefits.

i. Monetization Analysis. Mr. Cummings testified that the inference that the incremental benefits as presented by IPL are overstated and do not justify the proposed \$1.2 billion of investment fails to recognize the full range of plan benefits. He explained that IPL adopted a portfolio perspective in formulating the TDSIC Plan, accounting for a host of quantitative and qualitative benefits across the comprehensive, integrated, and interrelated group of 13 projects. He stated that, in combining this portfolio perspective with monetizing only those benefits most directly realized by IPL's customers (*e.g.*, prevention or reduction of customer interruptions, energy savings, and elimination of reactive work) and limiting the monetization to seven of the 13 TDSIC projects, IPL avoided overstating or double counting the portfolio's economic value. He also stated that IPL applied industry standard approaches in monetizing reliability-related benefits, most notably the DOE ICE calculator, which is viewed as conservative in estimating the value a residential customer assigns to a service interruption.

Mr. De Stigter explained that the monetization analysis outlined in the risk monetization report, Appendix 8.11, does not consider all the benefit factors of replacing assets. He said that the monetization report describes two subcategories of the consequence of failure framework outlined in the Asset Risk Model and is supplementary and subordinate to the Risk & Investment Assessment, Appendix 8.3. Mr. De Stigter explained that the risk monetization analysis does not factor in safety, environmental, system operations, or regulatory risk reduction benefits and should be read and understood only after reading and understanding Appendix 8.3. Whereas Appendix 8.3 estimates risk as a score, Appendix 8.11 estimates risk in dollars. Mr. De Stigter also explained that the assessment does not assume all the assets replaced as part of the Plan fail within the seven years. Rather, the analysis assumes that some assets will not fail.

Mr. Cummings opined that Mr. Alvarez's approach and supporting calculations ignore a TDSIC objective to replace those assets projected to perform poorly in the near future and ignores the customer experience during major outage events. Mr. Cummings explained that IPL's focus for establishing a baseline was on the full customer experience (for example, IPL included major

event days in its calculations), whereas Mr. Alvarez excluded the more costly and longer outage duration major event days in his calculations. Mr. Cummings stated that, with major event days included, equipment failures at IPL already account for 30% of the outages and is likely to increase without the TDSIC Plan.

Mr. Cummings clarified that the savings attributed to reducing the cost of reactive work in IPL's monetization analysis (*i.e.*, the inefficiency factor for performing work in a reactive, unplanned manner) centers exclusively on the five Asset Replacement projects. He said that the specific assets identified for replacement were the result of applying the Risk Model. He opined that the approach taken by IPL coincides with standard asset management practices where the probabilistic aspect of risk provides a valid basis for making asset-related decisions and therefore demonstrates prudence in determining the appropriateness of proactively replacing critical assets.

Mr. Cummings added that the majority of the interruptions on TRIP tap lines occur outside normal business hours or during adverse weather events. He said restoration often involves tree trimming contractors, line construction contractors, and overtime for IPL employees. Therefore, the \$50 million reduction in operating expenses over a 20-year period reflects adjustments in contract labor and reduced overtime, and the IPL employees typically assigned to reactive work will likely perform activities to support the maintenance, refurbishment, operation, and replacement of assets.

Mr. Cummings and Mr. De Stigter explained why the evaluation period of 20 years is reasonable. In particular, Mr. Cummings explained that the 20 years of computed benefits represents a conservative window of continued customer benefits after the completion of the TDSIC-identified projects. He said that the asset replacement and configuration changes related to these projects generally have expected lives in excess of 20 years.

In response to Mr. Collins, Mr. De Stigter explained that the Plan's total benefits will outweigh its costs within one year after the Plan's investment stops, and therefore he is not concerned about the length of the payback period. He added that every year after year eight increases the total net monetized risk benefits to a total of \$658 million by Year 20.

ii. Carrying Charges and Nominal Versus Present Value.

Mr. Cummings said that he had not encountered a situation where a benefit and cost comparison for a capital investment portfolio included the carrying charges to which Mr. Alvarez referred. He added that the net monetized benefit of \$939 million (Table 3.3 in the IPL TDSIC Plan) exceeds the \$772 million in carrying charges estimated by Mr. Alvarez. Mr. Cummings also stated that when one accounts for the qualitative benefits that do not lend themselves to monetization (*e.g.*, improved customer experience and modernization) and additional quantifiable benefits (*e.g.*, safety and environmental benefits) that IPL opts not to monetize, the gap between the total benefits and cost of the TDSIC Plan only widens. Thus, he opined that, viewed from an overall Plan perspective, the combined contribution of all benefits (qualitative and quantitative) far exceeds these carrying charges.

Mr. De Stigter stated that Mr. Collins's contention that IPL's monetized benefits evaluation included only nominal figures is not accurate. Mr. De Stigter stated that Figure 3-3 of the Burns & McDonnell Risk Reduction Benefit Monetization Report shows both the nominal dollar figures

and net present value of the monetized risk evaluation for five projects. Mr. Cummings showed that, on a present value basis, the total monetized benefits of \$1.186 billion exceed the TDSIC Plan cost of \$944 million, for a net monetized present value benefit of \$242 million.

iii. **Meter Replacement.** Mr. Bentley disagreed with Mr. Alvarez's recommendation that the Meter Replacement project should be rejected because it is not cost effective. He explained that the proactive approach is both more efficient and avoids the risk of an unanticipated increase in the failure rate of the previously installed automatic meter reading ("AMR") meters. Mr. Bentley testified that the project will allow IPL customers to realize a savings of approximately \$17.6 million and will allow IPL to prepare for new and emerging technologies such as electric vehicle charging infrastructure and energy storage sooner, which will also benefit IPL's customers.

iv. **Economic Impact Estimate.** Mr. Kinghorn explained that his study was not intended to be a broad cost-benefit analysis. He explained that under a broad cost-benefit analysis, the cost associated with higher customer rates would be a factor, but so too would additional potential benefits, such as the value to customers of expected reliability improvements (*i.e.*, fewer or shorter service interruptions), energy conservation, and the like. He said that this type of broad cost-benefit analysis is outside the scope of this typical input-output analysis, which focuses exclusively on the degree to which the local economy in Marion County can expect to capture the expenditures associated with IPL's TDSIC Plan, as well as the magnitude of the ripple effects in the local economy related to these payments made to local businesses.

D. **Accounting and Ratemaking.** Mr. Rogers responded to the issues raised by Mr. Blakley and Mr. Collins regarding IPL's rate-impact analysis. Mr. Rogers clarified that IPL is not seeking approval of a revenue requirement in this Cause, and the purpose of including Table 1 – Average Aggregate Increase in IPL's Total Retail Revenues – in his direct testimony was to demonstrate that IPL's TDSIC Plan does not result in an average aggregate increase in IPL's total retail revenues of more than two percent in a 12-month period. He testified that this calculation is only an estimate, and IPL will file an annual request for a TDSIC tracker under Section 9 in order to timely recover the actual revenue requirement based on actual project costs.

Mr. Rogers also clarified that, to increase administrative efficiency, IPL proposes to file an annual request for a TDSIC tracker under Section 9 rather than a semi-annual request as suggested by Mr. Collins.

With respect to Mr. Collins's concern that IPL used its return on equity approved in its most recent rate case in this analysis, Mr. Rogers reiterated that IPL is not seeking approval of a revenue requirement in this Cause. He said that his estimated revenue requirement properly used the authorized return on equity from IPL's most recent rate case and IPL's cost of debt and capital structure as accepted in IPL's most recent approved Environmental Compliance Cost Recovery Adjustment filing (Cause No. 42170 ECR 32).

Mr. Shields responded to Mr. Collins's statement that IPL does not propose to track cost savings that it may realize through the planned investments. Mr. Shields explained that IPL's TDSIC Plan focuses on risk reduction, reliability, and new technologies. He said that these types of investments are not expected to result in IPL's overall O&M expense dropping, but help mitigate

ongoing increases in O&M. In other words, the projects are expected to reduce ongoing O&M as compared to what it would otherwise be. He added that each TDSIC project has an associated O&M expense component (e.g., distribution transformers are capitalized upon receipt, and the labor to install transformers is expensed at the time of installation). Specific to metering, Mr. Shields explained that IPL currently operates an AMR system, which removed the expense of reading meters manually. He said that the proposed meter replacement project moves to the next generation technology (AMI), and the expected operational savings are less than what was achieved at the time IPL transitioned to AMR.

Mr. Rogers explained why IPL will not recover income taxes on the same earnings twice as stated by Mr. Blakley and testified that IPL's treatment of federal income taxes in this case is consistent with the treatment IPL has used in other Commission proceedings.

Mr. Rogers also testified that he disagreed with Mr. Blakley's recommendation to amortize the \$2.3 million in plan development costs over the life of the assets, as opposed to a period of three years as IPL has suggested. Mr. Rogers explained that the plan development costs relate to the overall preparation and activities involved with developing and presenting the Plan for approval by the Commission and are not fully identifiable to a specific capital project. He opined that the proposal to amortize over the life of the assets does not properly recognize the nature of the costs, and a three-year amortization period has the benefit of reducing the amount of carrying costs on the deferral.

Mr. Rogers disagreed with Mr. Blakley's recommendation that the retirement of replaced assets be recognized as a reduction in depreciation expense in IPL's TDSIC tracker and explained that this would conflict with the Commission's past decision on the issue in Cause No. 44371. Mr. Rogers added that Mr. Collins is correct that IPL does not propose an adjustment to eliminate the return on the replaced assets.

E. Other Matters. In response to the concerns raised by Mr. Olson regarding AMI, Mr. Bentley testified that concerns regarding radio frequency exposure are not new and have been studied by a wide variety of health organizations over the years. He said smart meters emit a low level of radio frequency energy that is both Federal Communications Commission-approved and lower than the level of radio frequency energy emitted by many other devices that are used daily by millions of people, such as cell phones and microwave ovens. Mr. Bentley also explained why IPL opposed a smart meter opt-out program.

With respect to Mr. Sandoval's recommendations regarding IDP, Mr. Bentley stated that a comprehensive statewide study regarding IDP is already underway, as the Indiana legislature passed a bill in 2019 requiring the Commission to initiate a comprehensive study that includes the impacts of new and emerging technologies for generation of electricity, including the potential impact of such technologies on local grids or distribution infrastructure. Mr. Bentley explained why the transition to IDP is not something that needs be addressed within the context of this TDSIC case and opined that imposing new and unique IDP requirements on IPL now when the Commission is considering statewide requirements is inappropriate.

With respect to Mr. Sandoval's recommendations regarding performance metrics and reporting, Mr. Bentley stated that IPL has a well-established asset management framework and

already reports performance metrics, which were established through a stakeholder collaborative discussion conducted in accordance with the Commission order in Cause No. 44576. Mr. Bentley stated that if the Commission concludes there is a need to proceed with Mr. Sandoval's proposal, the Commission should structure such regulatory requirements through the context of IPL's existing Collaborative, established in Cause No. 44602, to mitigate cost. Mr. Bentley added that the performance-based regulation issues of interest to Mr. Sandoval are not limited to IPL but affect other utilities as well. Mr. Bentley stated that while smaller forums or collaboratives may be better suited for an initial exploration of issues, the Commission has generally convened rulemakings or other general proceedings to assess matters affecting the whole utility industry.

10. Commission Discussion and Findings.

A. Statutory Framework. Ind. Code § 8-1-39-10 permits a public utility to petition the Commission for approval of the public utility's plan for eligible transmission, distribution, and storage improvements. The Commission's order must include the following:

- (1) A finding of the best estimate of the cost of the eligible improvements included in the plan.
- (2) A determination whether public convenience and necessity require or will require the eligible improvements included in the plan.
- (3) A determination whether the estimated costs of the eligible improvements included in the plan are justified by incremental benefits attributable to the plan.

If the commission determines that the public utility's TDSIC plan is reasonable, the commission shall approve the plan and authorize TDSIC treatment for the eligible transmission, distribution, and storage improvements included in the plan.

Ind. Code § 8-1-39-10(b).

"Eligible transmission, distribution, and storage system improvements" means new or replacement electric or gas transmission, distribution, or storage utility projects that:

- (1) a public utility undertakes for purposes of safety, reliability, system modernization, or economic development, including the extension of gas to rural areas;
- (2) were not included in the public utility's rate base in its most recent general rate case; and
- (3) . . . were [among other things] described in the public utility's TDSIC plan and approved by the commission under [Ind. Code § 8-1-39-10]

Ind. Code § 8-1-39-2(a).

A 2019 amendment to the TDSIC Statute clarified that the term "eligible transmission, distribution, and storage system improvements" includes the following:

- (1) projects that do not include specific locations or an exact number of inspections, repairs, or replacements, including inspection based projects such as pole or pipe inspection projects; and
- (2) projects involving advanced technology investments to support the modernization of a transmission, distribution, or storage system, such as advanced metering infrastructure, information technology systems, or distributed energy resource management systems.

Ind. Code § 8-1-39-2(b).

Ind. Code § 8-1-39-7.8 requires that a TDSIC Plan cover a period of at least five years and not more than seven years.

B. IPL's TDSIC Plan and Eligible Improvements. IPL's TDSIC Plan consists of 13 projects designed to replace, rebuild, upgrade, redesign, and modernize a wide range of IPL's aging T&D system assets. IPL's TDSIC Plan and attached appendices identify what projects will be undertaken, when they will be undertaken, and why these projects are necessary and beneficial. The evidence presented demonstrates that the improvements are being undertaken by IPL for purposes of safety, reliability, system modernization, or economic development. IPL also showed that the proposed improvements were not included in IPL's rate base in its most recent general rate case.

The witnesses for the other parties did not challenge the TDSIC Plan on the basis that the projects are not "eligible improvements" under applicable law. Thus, based on the evidence, we find that the projects described in IPL's TDSIC Plan meet the criteria established by the TDSIC Statute and find that the projects are being undertaken by IPL for the purpose of safety, reliability, system modernization, and support of economic development. We further find that the proposed projects are "eligible improvements" as defined in Ind. Code § 8-1-39-2 and were not included in IPL's most recent rate case.

C. Best Cost Estimate. Ind. Code § 8-1-39-10(b)(1) requires that the Commission's order on a TDSIC Plan must include "[a] finding of the best estimate of the cost of the eligible improvements included in the plan."

IPL's TDSIC Plan proposes seven years of defined investment totaling \$1.2 billion. Approximately \$1.015 billion (83.3%) of the estimated Plan cost addresses risks posed by aging assets. Approximately \$203.5 million (16.7%) of the estimated Plan cost addresses deliverability projects, such as adding new technologies for advanced distribution management, adding new substations, and creating system and operating efficiencies through automation, control functions, and other advanced infrastructure. Approximately \$213.7 million of the total cost estimate is transmission cost; the remaining amount of approximately \$1 billion is distribution cost. Appendix 8.7 to the IPL TDSIC Plan provides year-by-year project details, including cost estimates in a sortable list and an associated summary of the Plan's cost by FERC account.

IPL developed cost estimates for the projects included in the proposed seven-year TDSIC Plan using the AACE Cost Classification System. As a general matter, IPL presented Class 2 cost estimates for many of the proposed projects for Plan Years 1 and 2. Class 3 and Class 4 estimates

were developed for the remaining projects. IPL's confidential workpapers included electronic spreadsheets underlying the sortable list. IPL's confidential workpapers also included the detailed cost estimates for the TDSIC Plan projects. Examples of the Class 2, 3, and 4 cost estimates were provided in IPL TDSIC Plan Appendices 8.8 through 8.10.

As shown in Table 4.2 of the IPL TDSIC Plan, AACE Class 2 estimates were developed for most of the projects for Year 1 and Year 2 of the Plan. Class 3 estimates were developed for XLPE Cable Replacement, Pole Replacements, Steel Tower Life Extension, and Distribution Automation projects using unitized costs. Class 3 estimates were utilized because these project types are low complexity and high volume. Also, the scope of the work is known at a broad level, and variation in the scope of work does not drive significant changes in project costs.

For Years 3 through 7 of the Plan, AACE Class 4 estimates were used due to limited scope definition and potential cost fluctuations. The Class 4 estimates were developed by using unitized costs. IPL explained that estimating cost of projects in the later years of the Plan with Class 4 estimates is appropriate due to the uncertainty of future costs and plan scope. IPL incorporated the results of the labor costs from the bid events for Class 2 estimates into the Class 4 estimates where applicable.⁴

IPL engaged Black & Veatch to conduct a review of its proposed TDSIC Plan capital cost estimates and the process used to develop them. Black & Veatch's review shows that the IPL cost estimates and cost-estimating process are reasonable and consistent with AACE guidelines. The level of detail IPL used to estimate T&D project cost estimates in its TDSIC Plan is consistent with common practice within the industry.

The Burns & McDonnell Report shows that alternative age-based scenarios (LOF 4 and LOF 5) would require more investment than the risk-based plan. This analysis also shows that the age-based alternatives invest capital less efficiently than the risk-based plan, which has the highest risk reduction per dollar invested.

Further, as part of its periodic update process, IPL plans to provide the actual costs of the projects completed in the prior year and update cost estimates of the projects for the following year. The ongoing, updated cost estimates will refine the cost estimates of future projects as they are engineered. For the projects where work is based on inspection and mitigation, IPL will provide an update on the facilities targeted for improvements and cost estimates for this work.

We find that IPL's estimates are sufficiently detailed and reasonably based on the AACE Cost Classification System. IPL Industrial Group witness Mr. Collins raised a concern that the cost estimates could change and thus the ultimate cost of the plan could be greater than the estimate presented by IPL in this Cause. However, we find that including contingency costs in the cost

⁴ The exception to this is the TRIP estimates, which are based on AACE Class 4 estimates beginning in Year 2. TRIP is an "inspect and mitigate" project that is focused on improving reliability to identified sections of the distribution system. The specific sections and the scope of work will be determined annually based on previous year's outage data. For this reason, the TRIP projects have Class 2 estimates for the Year 1 of the Plan and Class 4 estimates for Years 3-7 of the Plan.

estimate is consistent with the AACE system and industry practice. We also find that IPL has shown that the level of contingency reflected in its cost estimates is reasonable. Given these considerations, we find the exclusion of contingency from the cost estimate would be unreasonable and would not establish the best cost estimate as required by the TDSIC Statute.

Ind. Code § 8-1-39-10 requires the Commission order to include a “finding of the best estimate” of the cost of the proposed improvements. At this juncture, the Commission is not tasked with reviewing actual project costs. After approval of a TDSIC plan, Ind. Code § 8-1-39-9 establishes procedures for TDSIC trackers, providing that “[a]ctual capital expenditures and TDSIC costs that exceed the approved capital expenditures and TDSIC costs require specific justification by the public utility and specific approval by the commission before being authorized for recovery in customer rates.” We also note that Ind. Code § 8-1-39-14 establishes limits on TDSIC recovery within a 12-month period. We find these sections adequately address the other parties’ concerns about future variation in costs.

Based on the evidence presented, we find that the record demonstrates that the estimated cost of IPL’s TDSIC Plan — approximately \$1.2 billion — rests on a sound factual and analytical foundation and is reasonable. Accordingly, we find the best estimate of the cost of the eligible improvements included in the Plan is the estimate provided by IPL.

D. Public Convenience and Necessity. Ind. Code § 8-1-39-10(b)(2) requires that an order on a TDSIC Plan must include “[a] determination whether public convenience and necessity require or will require the eligible improvements included in the plan.”

While IPL’s customers have benefitted from a reliable system, IPL has experienced recent degradation of its infrastructure. The evidence of record in this Cause demonstrates that additional investment is necessary to reduce IPL’s risk of asset failure and the associated consequences, to maintain its system’s reliability, and to modernize service. While IPL’s evidence demonstrates that age data is a component to calculate LOF, it also clearly established that age was not the only consideration in determining risk of failure. IPL has used a risk-informed prioritization process that scored and ranked projects. The Risk Model estimated the reduction in the likelihood of failure, as well as the consequences of asset failure and prioritized projects so as to deploy capital in a way that maximizes risk reduction benefit per dollar invested.

Many of the TDSIC projects are designed to improve the safe and reliable functioning through the planned replacement and modernization of aging electric system components, which, if not undertaken, would likely result in more frequent or extended outages for customers or otherwise impair the resiliency of the system. Certain parts of the TDSIC Plan are designed to harden IPL’s energy delivery system and minimize emergency restoration. We find updating and modernizing IPL’s energy delivery system infrastructure is reasonably necessary to bring these systems up to date and prepare them for current and future demands.

Thus, we find that IPL’s Plan reduces risk of asset failure, maintains or improves reliability, improves the customer experience, supports the economy, and protects overall public safety. Therefore, we find that substantial evidence in this Cause shows that the projects included in IPL’s TDSIC Plan will serve the public convenience and necessity.

E. Incremental Benefits Attributable to the TDSIC Plan. Ind. Code § 8-1-39-10(b)(3) requires that an order on a petition for approval of a TDSIC plan must include “[a] determination whether the estimated costs of the eligible improvements included in the plan are justified by incremental benefits attributable to the plan.”

As shown in Table 3.3 of the TDSIC Plan, IPL monetized, from the customer experience perspective, the value of avoiding service outages associated with asset failure. IPL’s analysis did not attempt to quantify all project benefits, but rather focused on projects that lend themselves to monetization. This supplemental monetization analysis showed that the projects analyzed, when viewed as part of a total portfolio, will provide a net benefit that exceeds the cost of the eligible improvements whether considered on a nominal or a present value basis.

The record evidence demonstrates that the IPL Plan is proposed to reduce risk of asset failure and maintain service reliability. In doing so, the TDSIC Plan provides incremental benefits compared to how the future would otherwise unfold.

Accordingly, based on the evidence presented, we find that IPL has sufficiently prioritized and optimized the incremental benefits of its Plan and otherwise shown a sound basis for the proposed projects and associated costs. Therefore, the Commission’s determination is that the estimated costs of the IPL TDSIC Plan improvements are justified by incremental benefits attributable to the TDSIC Plan.

F. IPL’s TDSIC Plan Is Reasonable. As discussed above, IPL’s TDSIC Plan satisfies the applicable statutory requirements. The TDSIC Plan is reasonably designed to incrementally maintain or improve safety, IPL’s ability to serve its customers, the reliability and resiliency of IPL’s energy delivery system, and IPL’s response to unplanned system events. The Plan will also modernize IPL’s system, thus supporting economic development. The record establishes that IPL’s Plan is based on a logical approach and sound analysis that presents the best estimate of the cost of the investments. Accordingly, based upon our review of the evidence of record and the foregoing considerations of each component of Ind. Code § 8-1-39-10, we find that IPL’s seven-year TDSIC Plan is reasonable and is therefore approved. In accordance with Ind. Code § 8-1-39-10(b), we authorize TDSIC treatment for the improvements described in the IPL TDSIC Plan, including costs incurred starting on August 1, 2019 that were discussed by Mr. Bentley.

G. Plan Development Costs. To demonstrate compliance with the TDSIC Statute, IPL was required to perform risk modeling and planning, as well as prepare evidence showing that the TDSIC Statute criteria are satisfied. IPL hired independent consultants to support this effort, including Burns & McDonnell, Black & Veatch, and the Indiana Business Research Center. The total amount of these reasonably incurred Plan development and case support costs is approximately \$2.3 million. As stated above, IPL seeks Commission approval to defer and recover these costs over a three-year period through a TDSIC tracker to be filed in 2020 under Section 9.

No party presented evidence challenging the amount or recovery of IPL’s plan development costs. While OUCC witness Mr. Blakley proposed that the recovery of these costs should be extended over the life of the assets, Mr. Rogers clarified on rebuttal that these costs relate to the overall preparation and activities involved with developing and presenting the Plan

for approval by the Commission and are not fully identifiable to specific capital projects. Mr. Rogers testified that the three-year amortization period also has the benefit of reducing the amount of carrying costs on the deferral and explained that, if these costs were recovered over a longer period of time, carrying costs would be more substantial. Accordingly, we decline to lengthen the proposed amortization period. We further find and conclude that IPL's three-year proposal is reasonable and is approved.

H. Accounting and Ratemaking. As summarized above, IPL requests Commission approval to defer TDSIC Plan costs until they are recovered through the TDSIC tracker or included in basic rates. Mr. Rogers testified that IPL also seeks Commission authority to create regulatory assets to record post-in-service AFUDC (both debt and equity) and depreciation and property tax expenses associated with the projects until such costs are reflected in the TDSIC tracker rates or IPL's retail electric rates. Mr. Rogers stated that IPL will record AFUDC during construction and post-in-service AFUDC until the costs are reflected in the TDSIC tracker.

Mr. Rogers also explained IPL's proposal regarding depreciation on the TDSIC Plan projects and stated that IPL is proposing to utilize the applicable depreciation rates for transmission and distribution assets approved in its most recent rate case (Cause No. 45029). Mr. Rogers also provided evidence in Table 1 – Average Aggregate Increase in IPL's Total Retail Revenues, which demonstrated that that IPL's TDSIC Plan does not result in an average aggregate increase in IPL's total retail revenues of more than two percent in a 12-month period. He also testified that IPL proposes that it be allowed to recover depreciation expense prospectively to avoid regulatory lag that would otherwise occur. No party presented evidence challenging this requested relief. We find IPL's proposals are reasonable, and they are approved.

Additional issues related to accounting and ratemaking are discussed further below.

i. Recovery of Income Taxes on Deferred Regulatory Asset. Mr. Blakley raised a concern that IPL should not recover income taxes on the same earnings twice when the 20% deferred regulatory asset is included in IPL's next general rate case. We agree and find that IPL shall remove the gross up for taxes associated with the 20% deferred regulatory asset from future filings.

ii. Retirement of Replaced Assets. Mr. Blakley recommended that IPL be required to recognize the retirement of replaced assets as a reduction in depreciation expense in its TDSIC tracker. On rebuttal, Mr. Rogers noted that the Commission had previously rejected this recommendation and the Commission's determination was upheld by the Court of Appeals in *NIPSCO Indus. Grp. v. N. Ind. Pub. Serv. Co.*, 31 N.E.3d 1 (Ind. Ct. App. 2015). In that case, the Court of Appeals upheld our decision to not recognize the retirement of replaced assets as a reduction in depreciation expense while recognizing that the Commission has the authority to come to a different conclusion:

Under the TDSIC statutes, the Commission “*may* consider ... [o]ther information that the commission determines is necessary” in calculating pretax returns. I.C. § 8-1-39-13 (emphasis added). The Commission could, under this statute, address the OUCC's concern; the Commission, however, is not required to do so. We give

“great deference” to the Commission’s rate-making methodology. *Office of Util. Consumer Counselor v. Citizens Tel. Corp.*, 681 N.E.2d 252, 255 (Ind. Ct. App. 1997). This subject is “within the Commission’s special competence,” and “courts should give it greater deference.” *Duke Energy Indiana, Inc. v. Office of Util. Consumer Counselor*, 983 N.E.2d 160, 170 (Ind. Ct. App. 2012). Although we have significant concerns over the allegedly inconsistent treatment of this subject by the Commission, in light of the deference owed to the Commission, we cannot say that its methodology is erroneous given the lack of specificity in the statutes regarding this calculation.

Id. at 13.

We continue to believe that the TDSIC statute does not allow the Commission to offset the required revenues for the new assets with the retirement of the replaced assets. As we explained in our February 17, 2014 Order in *NIPSCO*, Cause No. 44371, the definition of pretax return in Ind. Code § 8-1-39-3 requires that revenues be provided for the eligible TDSIC improvements (as defined by Ind. Code § 8-1-39-2), but does not require, or even suggest, any deduction or netting of replaced assets. In addition, TDSIC costs as defined by Ind. Code § 8-1-39-7 includes this pretax return. It is also true that Ind. Code § 8-1-39-13(a)(5) allows the Commission to consider “other information” in determining the appropriate pretax return. However, in reconciling the statutory language of Ind. Code §§ 8-1-39-3 and 8-1-39-13, the “other information” can only reasonably be read as addressing the weighted average cost of capital (“WACC”) rate rather than the investment amount in eligible TDSIC improvements.

In support of its position, the OUCC continues to argue that the Commission has accounted for asset retirements in other cases. However, the decisions cited by the OUCC in its appeal of our Order in Cause No. 44371 are distinguishable from the situation here. In fact, as noted by the Court of Appeals, both of those cases were decided under different statutes with differing requirements.

In *NIPSCO*, 42150 ECR 21 (IURC Oct. 16, 2013), *NIPSCO* sought approval of clean coal technology (“CCT”) under Ind. Code ch. 8-1-8.7. A certificate of public convenience and necessity (“CPCN”) is required for a utility to utilize CCT in Indiana under Ind. Code § 8-1-8.7-3. In determining whether to grant a CPCN for the use of CCT, the Commission must consider the factors listed in the nine subsections of Ind. Code § 8-1-8.7-3(b), including “[a]ny other factors the commission considers relevant, including whether the construction, implementation, and use of [CCT] is in the public’s interest.” Ind. Code § 8-1-8.7-3(b)(9). In approving *NIPSCO*’s request but limiting its continued recovery on retired assets, we found that our evaluation of the public interest required “a solution that allows the utility to recover the costs of necessary replacements to its pollution control systems, but does not require ratepayers to continue paying a return on [systems] that are no longer in service.” *NIPSCO* at 14. Unlike the TDSIC statute, Ind. Code ch. 8-1-8.7 allows the Commission to consider “other factors” in determining whether to grant a CPCN; whereas, the TDSIC statute only provides for the consideration of “other factors” in determining the rate recovery amount mechanics. Thus, our decision in Cause No. 42150 ECR 21 is not persuasive in this matter.

Indiana-American Water Co., Cause No. 42351 DSIC 1 (IURC Feb. 27, 2003), involved a water utility's petition under the Distribution System Improvement Charge ("DSIC") statute, Ind. Code ch. 8-1-31. In that case, we noted that the retirement of any asset with a positive fair value will reduce the utility's fair value rate base. "Thus, if retirements are ignored and a utility is allowed to earn a return on new plant through a DSIC, they will collect a return on both the new plant through its DSIC and on the retired asset through its return on the fair value rate base determination from the utility's last rate case." 42351 DSIC 1 Order at 23. However, we also noted that the parties agreed on the method of calculating depreciation: "Each took what they considered DSIC eligible assets, deducted retirements, and applied the appropriate depreciation rates. The disagreement is in what constitutes DSIC eligible assets." *Id.* Thus, the issue of deducting the value of retired assets was not at issue and, unlike here, the value of the retired assets was being deducted from rate base, not depreciation expense. As a result, this case also provides no persuasive value.

Although we have consistently concluded that the TDSIC statute does not allow for the netting of retired assets as advocated by the OUCC, we note that we also found in our February 17, 2014 Order in Cause No. 44371, at p. 17, that the TDSIC statute "does not preclude us from increasing or decreasing the allowed return on equity [which is used in determining the utility's weighted average cost of capital], as the Commission is authorized to consider other necessary information in determin[ing] the appropriate pretax return." Based on the passage of time and the experience we have gained implementing the TDSIC statute over the past six years, as well as the OUCC's continued concerns with double recovery and the Industrial Group's concerns with the shifting of risks based on plan approval, we find it appropriate to explore a reasonable adjustment under the statutory provisions.

While we find that Ind. Code § 8-1-39-13(a) allows us to consider "other information" when determining the WACC under Ind. Code § 8-1-39-3(1), such as the impact of retirements and allocation of risk based on TDSIC plan approval, we do not find the record provides sufficient evidence for us to determine how or to what extent to reasonably adjust IPL's WACC to address the parties' concerns. Therefore, we will defer our finding on the appropriate WACC pending consideration of any reasonable adjustment until such a record has an opportunity to be developed in TDSIC 1 or other appropriate docketed forum.

11. Other Matters.

A. Process to Update the TDSIC Plan. Ind. Code § 8-1-39-9(b) provides that a utility shall update its TDSIC Plan at least annually, and IPL has indicated that it intends to make an annual filing and has described what it contemplates providing in its annual update. IPL also has indicated it plans to work with stakeholders on the format and content of the annual update process prior to its initial filing and also to refine the contents of the update filing over time as necessary and appropriate, also with stakeholder input.

We note that most electric utilities file their TDSIC trackers semi-annually. Thus, we find that IPL shall file semi-annual TDSIC trackers: one to update the TDSIC Plan and one to update its TDSIC rate. The filing of the semi-annual TDSIC trackers shall be staggered by six months, and trackers shall be filed under the cause number 45264 TDSIC X by July 1, 2020.

B. AMI Opt-Out. Mr. Olson suggested that IPL's customers should be given the chance to opt out of AMI technology. While IPL opposes this, we find that permitting customers to opt out of AMI is good practice for Indiana's electric utilities and consumers. Therefore, we are opening a subdocket under the cause number 45264 S1 to consider the development of an appropriate opt-out tariff.

C. IDP and Other Recommendations. Mr. Sandoval recommended that the Commission require IPL to initiate an IDP process. The Commission has not required any other electric utilities that have filed plans under the TDSIC statute to initiate an IDP process, and it is not required by statute in Indiana. IPL, like Indiana's other electric utilities, is required to file an Integrated Resource Plan ("IRP") in which it describes its future plans to deliver safe, reliable, and efficient electricity at just and reasonable rates. The IRP planning process is open to stakeholders' comments and input. Thus, we see no reason to impose the additional requirement of an IDP on IPL at this time.

Mr. Sandoval also recommended that the Commission require IPL to provide a concrete plan to better leverage the benefits of AMI and track and report year-over-year performance metrics associated with its TDSIC investments, beyond costs, on an annual basis. However, requiring IPL to provide this information would be beyond the scope of this proceeding, and we decline to impose these additional requirements on IPL at this time.

D. Confidentiality. IPL filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information on July 24, 2019, which was supported by the affidavits of Mr. Shields, Mr. Williams, and Brittany L. Hixon, showing that documents and workpapers to be submitted to the Commission were confidential, proprietary, competitively-sensitive, and trade secret information within the scope of Ind. Code §§ 5-14-3-4 and 24-2-3-2 and/or information required to be kept confidential by federal law, such as Critical Energy Infrastructure Information. The Presiding Officers issued a Docket Entry on August 7, 2019 finding such information to be preliminarily confidential, after which such information was submitted under seal. After reviewing the information, we find this information qualifies as confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2 and information required to be kept confidential under federal law. This information shall be held as confidential and protected from public access and disclosure by the Commission and is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

E. Administrative Notice of IPL's Workpapers. Pursuant to Commission practice, IPL submitted both public and confidential workpapers in this proceeding, copies of which were provided to all parties. During cross-examination, the OUCC and Intervenors asked questions regarding IPL's cost estimate, monetization analysis, and Risk Model details. IPL requested that the Commission take administrative notice of the workpapers it filed in this Cause to avoid any confusion about the extensive details submitted in support of IPL's filing. The OUCC and certain intervenors objected to IPL's request, and the Presiding Officers took it under advisement.

The CAC, ELPC, City, IPL Industrial Group, and OUCC cited 170 IAC 1-1.1-21(j) in objecting to IPL's request for administrative notice, which establishes that "[a] request by a party for administrative notice of a factual matter that should be included in a party's prefiled testimony shall be made at the same time the related evidence is prefiled." We disagree with these parties' interpretation of this rule. IPL's workpapers do not constitute distinct "factual matter that should be included in a parties' prefiled testimony[.]" Workpapers provide support for the technical evidence and calculations included in a party's case-in-chief. 170 IAC 1-1.1-21(j) protects other parties from being blindsided by new, previously unknown factual matter after a party has filed its case-in-chief. Such is clearly not the case here—IPL's workpapers were prefiled with its evidence in this Cause, and all parties have had access to them for months.

Thus, we disagree that granting IPL's request somehow allows IPL to unreasonably supplement its case. The Commission has authority to take administrative notice of relevant documents previously filed with the Commission. 170 IAC 1-1.1-21(h). Thus, we grant IPL's request to take administrative notice of its workpapers filed in this Cause.

12. Conclusion. IPL's \$1.2 billion TDSIC Plan is one of the largest ever proposed under the TDSIC Statute. IPL has utilized AACE Class estimates for its TDSIC Plan, which we have previously relied upon and found to be reasonable. We find that, as proposed and modified herein, IPL's TDSIC Plan meets the requirements of the TDSIC Statute. However, as required by the TDSIC Statute, IPL will be required to provide specific justification for the Commission to approve the recovery of costs in excess of approved estimates.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The projects identified in IPL's TDSIC Plan constitute eligible transmission, distribution, or storage system improvements within the meaning of Ind. Code § 8-1-39-2.
2. IPL's proposed TDSIC Plan is reasonable and approved.
3. IPL is authorized to defer post-in-service TDSIC Plan costs on an interim basis until such costs are recovered for ratemaking purposes in a future TDSIC tracker pursuant to Ind. Code § 8-1-39-9 or in a future base rate proceeding.
4. IPL's request for authority to defer its plan development costs for recovery via IPL's future TDSIC tracker pursuant to Ind. Code § 8-1-39-9 over a three-year amortization period is approved.
5. IPL's proposals to utilize the applicable depreciation rates for transmission and distribution assets approved in Cause No. 45029 and to recover depreciation expense prospectively are approved.
6. IPL shall file its TDSIC Plan updates and TDSIC rate updates separately on an annual basis, staggered six months from each other, as subdockets in this Cause under the cause number 45264 TDSIC X, with its first tracker filed on or before July 1, 2020.

7. A subdocket, Cause No. 45264 S1, is created for purposes of considering an appropriate AMI opt-out tariff.

8. IPL's motion for administrative notice of its workpapers that were filed in this Cause is granted.

9. The information filed by IPL in this Cause pursuant to its Motion for Protection and Nondisclosure of Confidential and Proprietary Information is deemed confidential pursuant to Ind. Code §§ 5-14-3-4 and Code 24-2-3-2 and applicable federal law is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

10. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: MAR 04 2020

**I hereby certify that the above is a true
and correct copy of the Order as approved.**


Mary M. Becerra
Secretary of the Commission