

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF RICHMOND,)
INDIANA, BY AND THROUGH ITS MUNICIPAL)
ELECTRIC UTILITY, RICHMOND POWER AND)
LIGHT, FOR APPROVAL OF A NEW SCHEDULE)
OF RATES AND CHARGES FOR ELECTRIC)
SERVICE AND APPROVAL OF AN)
AMENDMENT TO ITS ENERGY COST)
ADJUSTMENT PROCEDURES)

CAUSE NO. 45361

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

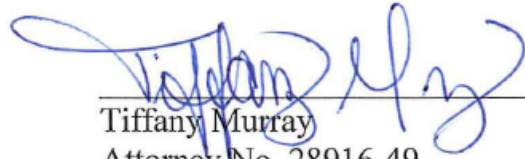
PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS

KALEB G. LANTRIP

JULY 2, 2020

Respectfully submitted,



Tiffany Murray
Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 45361 RP&L RATE CASE
RICHMOND POWER AND LIGHT

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St., Suite
3 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer
6 Counselor's ("OUCC") Electric Division. A summary of my educational background
7 and experience is included in Appendix A attached to my testimony.

8 **Q: What is the purpose of your testimony?**

9 A: I testify regarding Richmond Power and Light's ("RP&L" or "Petitioner") requested
10 rate of return described in its case-in-chief. I introduce and provide a brief overview of
11 other OUCC witnesses in this case and incorporate their recommendations regarding
12 certain revenue and expense adjustments, capital structure, and rate base in the OUCC's
13 schedules. I also explain and support adjustments to uncollectible accounts expense,
14 payment in lieu of taxes ("PILT"), and utility receipts tax ("URT"). Ultimately, I
15 recommend:

16 (1) Applying a 4.59% rate of return to RP&L's net utility plant, in the amount
17 of \$2,204,105;

18 (2) Reducing RP&L's proposed uncollectible accounts expense adjustment
19 from \$29,774 to \$16,543 to reflect the OUCC's lower revenue requirement;

1 (3) Reducing RP&L's proposed URT adjustment calculation from \$110,231 to

2 \$61,269, based on the OUCC's lower revenue requirement;

3 (4) Reducing RP&L's PILT revenue requirement component to \$761,443, a

4 \$16,349 reduction from RP&L's proposed amount of \$777,792; and

5 (5) Disregarding RP&L's \$1,361,917 annual excess cash transfer to the City of

6 Richmond's general fund as justification for RP&L's proposed return.

7 **Q: What did you review to prepare your testimony in this Cause?**

8 A: I read RP&L's petition and testimony in this proceeding, as well as relevant Indiana
9 Utility Regulatory Commission ("IURC" or "Commission") Orders. I reviewed
10 Petitioner's workpapers and its Minimum Standard Filing Requirements ("MSFR")
11 filing. I submitted data requests and reviewed Petitioner's responses. I examined
12 portions of Indiana Code's Title 8 concerning municipal utility structure and financial
13 presentation, and reviewed RP&L's audit package responses to OUCC requests. I
14 participated in discussions with RP&L personnel. I also participated in discussions with
15 other OUCC staff members in identifying issues in this Cause.

16 **Q: Have you prepared schedules to accompany your testimony?**

17 A: Yes. The following schedules reflect issues OUCC witnesses address in this Cause:

18 Schedule KGL-1 - Revenue Requirement, Revenue Conversion Factor, and
19 Comparison of Income Statement adjustments by Petitioner and
20 OUCC;

21 Schedule KGL-2 - Balance Sheet as of September 30, 2018, and September 30,
22 2019;

23 Schedule KGL-3 - Net Operating Income Statements for the periods ending
24 September 30, 2018, and September 30, 2019;

25 Schedule KGL-4 - Pro-Forma Net Operating Income Adjustments and Adjustment
26 Schedules;

1 Schedule KGL-5 - Summary of Net Operating Income Adjustments and
2 Adjustment Schedules;

3 Schedule KGL-6 - Determination of Adjusted Rate Base and Rate of Return as of
4 September 30, 2019;

5 **Q: Please summarize your findings regarding Petitioner's revenue requirement.**

6 A: RP&L proposes a three-phase rate increase. Phases 1, 2, and 3 will be implemented
7 beginning January 1, 2021, January, 1 2022, and January 1, 2023, respectively.¹ My
8 compilation of the OUCC's analysis shows RP&L's revenue deficiency is \$4,376,350,²
9 in which a 5.42% rate increase is warranted. In contrast, RP&L calculates a revenue
10 deficiency of \$7,735,847 and is requesting a 9.58% rate increase. The OUCC calculated
11 RP&L's revenue deficiency based on a 4.59% Weighted Average Cost of Capital
12 ("WACC"). OUCC witness Dr. Peter Boerger addresses how this increase will be
13 phased in over three years.

14 **Q: To the extent you do not address a specific item or adjustment, should it be**
15 **construed to mean you agree with Petitioner's proposal?**

16 A: No. Excluding any specific adjustments or amounts RP&L proposes does not indicate
17 my approval of those adjustments or amounts. Rather, the scope of my testimony is
18 limited to the specific items addressed herein.

19 **Q: Does the OUCC have overarching concerns regarding RP&L's proposed increase**
20 **in base rates?**

21 A: Yes. At the time of RP&L's filing, it had \$28.6 million in combined restricted and
22 unrestricted cash. Even though RP&L has an abundance of cash, in this proceeding it
23 seeks additional cash funding for future projects and other uses through an excessive

¹ See Testimony of Joseph R. Mancinelli, p. 24, lines 14-18.

² See Schedule KGL-1, p. 1.

1 return, which is addressed in my testimony and supported by OUCC witness Wes R.
2 Blakley. RP&L's proposal is driven by its desire to fund future capital projects (which
3 the OUCC justifies lowering), future cash transfers to the City of Richmond, future
4 decommissioning expenses for Whitewater Valley Station ("WWVS"), direct funding
5 to remediate WWVS's Coal Combustion Residuals ("CCR") pond, and future funding
6 for RP&L's cash operating reserve. In summary, RP&L expects all future projects to
7 be funded by ratepayers entirely with cash (i.e. no debt financing). OUCC witnesses
8 address why RP&L does not need the level of funding it requests, nor a 6.59% return.

II. OUCC WITNESSES

9 **Q: Please introduce the OUCC's witnesses in this Cause.**

10 A: The following OUCC witnesses provide testimony regarding the following issues:

11 **Wes R. Blakley** analyzes and makes recommendations regarding: (1) the appropriate
12 level of cash return for a municipally-owned utility; (2) the difference between the
13 OUCC's and RP&L's revenue requirement calculation methodology prior to any
14 adjustments; (3) the difference between RP&L's calculation of rate base and the
15 OUCC's calculation of rate base and how it affects the return percentage; (4) the
16 treatment of interest income in the revenue requirement calculation; (5) RP&L's cash
17 needs for capital projects and reserve funding; and (6) the return percentage and
18 associated revenue requirement. (Public's Exhibit No. 2).

19 **Anthony A. Alvarez** provides recommendations concerning RP&L's Capital
20 Improvement Plan. (Public's Exhibit No. 3).

21 **Lauren M. Aguilar** presents her analysis and recommendations regarding RP&L's
22 proposals related to: 1) electric vehicles; and 2) CCR pond closure costs. (Public's
23 Exhibit No. 4).

24 **Caleb R. Loveman** addresses RP&L's proposed: 1) labor expense; 2) employee
25 benefits expenses; 3) Federal Insurance Contributions Act ("FICA") tax expense; 4)
26 environmental remediation expense amortization period for the CCR pond at the

1 WWVS; 5) remediation expense removal; and 6) dollar amount and amortization
2 period for the WWVS demolition. (Public's Exhibit No. 5).

3 **Peter M. Boerger** testifies regarding RP&L's proposed cost of service study and rate
4 design. Specifically, Dr. Boerger addresses: 1) the reasonableness of RP&L's overall
5 cost of service methodology; 2) RP&L's proposal for mitigating the size of the
6 residential rate increase in this case; 3) RP&L's proposal to increase its rates in three
7 phases; 4) RP&L's proposal to increase facilities charges for residential and other rate
8 classes; and 5) the OUCC's proposal to eliminate one of RP&L's rate classes. (Public's
9 Exhibit No. 6).

III. **OVERVIEW OF RP&L'S CASE AND OUCC REVENUE REQUIREMENTS**

10 **Q: What rate relief does Petitioner seek in this Cause?**

11 A: Petitioner requests a three-phase revenue increase based on an Adjusted Rate Base
12 amount of \$65,714,525, as of September 30, 2019. Petitioner proposes a Phase 1 overall
13 revenue increase of \$2,507,985,³ a Phase 2 overall revenue increase of \$5,221,591, and
14 a Phase 3 overall revenue increase of \$7,880,190.

15 **Q: Does the OUCC's revenue requirement analysis indicate a need for additional**
16 **revenue in this Cause?**

17 A: Yes. The OUCC recommends increasing RP&L's base rate revenue by \$4,376,364, as
18 shown in Schedule KGL-1, page 1.

³ See Petitioner Witness Ms. Laurie Tomczyk testimony, table LAT-3 on p. 25-26. Difference between revenues from proposed rates to the base test year amount of \$80,579,584.

1 **Q: What base rate revenue requirement did the Commission approve in RP&L's last**
2 **electric base rate case?**

3 A: The Commission's Order in Cause No. 42713, dated February 5, 2005, authorized a
4 base rate revenue requirement of \$66,018,290, which was an increase of \$2,897,420 or
5 6.5%.⁴

IV. UTILITY PLANT IN SERVICE/RETURN CALCULATION

6 **Q: What is the basis of RP&L's request for a reasonable rate of return?**

7 A: Indiana Code § 8-1.5-3-8(e) states, "The board may recommend to the municipal
8 legislative body rates and charges sufficient to include a reasonable return on the utility
9 plant of municipality."

10 **Q: What rate of return is RP&L proposing in this cause?**

11 A: RP&L witness Ms. Laurie A. Tomczyk proposes a return based on a 4.59% proxy cost
12 of debt derived from the March 2019 reported average return on long-term municipal
13 tax exempt, investment grade bonds. Two-hundred basis points were added to arrive at
14 a 6.59% WACC.⁵

15 **Q: What is the effective amount of RP&L's proposed rate of return?**

16 A: As found in Table LAT-1 of Ms. Tomczyk's testimony, the requested rate of return
17 revenue requirement component is \$4,330,587, calculated upon a rate base of
18 \$65,714,525.

⁴ See Commission Final Order in Cause No. 42713, dated February 9, 2005, p. 5.

⁵ Petitioner Witness Ms. Laurie A. Tomczyk, p. 23, lines 8-14.

1 **Q: Do you agree with Petitioner's proposed rate of return?**

2 **A:** No. I disagree with RP&L's calculation for the following reasons:

3 1) RP&L is proposing a hypothetical capital structure that includes both debt and
4 equity. RP&L does not have any outstanding debt obligations requiring principal
5 and interest payments. While RP&L may propose such a proxy capital structure to
6 allow for the possibility of regulatory comparison, RP&L's historic and planned
7 capital structure is on a cash basis, which results in lower risk due to its liquidity
8 and flexibility. Therefore, I disagree with Ms. Tomeczyk's proxy debt/equity even
9 though she provides support for a proxy cost of debt by referencing the 2018
10 American Public Power Association ("APPA") based proxy debt/equity weighting
11 of capital structure to simulate an investor-owned utility ("IOU").⁶

12 2) RP&L's proposed 200 basis-point adjustment is not supported by any substantial
13 evidence. The OUCC requested the method Ms. Tomeczyk used to determine her
14 recommended rate of return and she referenced a proxy group, which includes
15 Indiana-based IOU's such as Duke Energy Indiana and Indianapolis Power and
16 Light. RP&L's comparison of RP&L to this proxy group is not reasonable. A
17 municipal utility does not have external shareholders like an IOU that expect
18 dividends.

⁶ See Attachment KGL-2: RP&L Attachment 2.4-2: 2018 APPA Financial and Operating Ratios in response to OUCC DR 2.

V. RETURN ON UTILITY PLANT

1 **Q: What documents did you review while analyzing Petitioner's requested rate of**
2 **return?**

3 A: I reviewed Petitioner's testimony and petition in this Cause and the Commission's Final
4 Order in Cause No. 37187 (The Town of Bainbridge). Additionally, I reviewed the
5 Commission's Orders in Cause Nos. 41771 (East Chicago Municipal Water) and 38250
6 (City of Bluffton). Both cases cited the decision in the Bainbridge case regarding
7 capital structure framework as a basis for determining the rate of return for a municipal
8 utility. I read Indiana Code § 8-1.5-3-8(e) regarding how municipalities may request a
9 reasonable rate of return on its utility plant. Finally, I attended several meetings with
10 other OUCC staff to identify and discuss the return issue in this Cause.

11 **Q: Can you elaborate on areas where you disagree with Petitioner?**

12 A: Yes. Ms. Tomczyk's testimony (page 36) lists RP&L's rate base components as: Net
13 Plant in Service, Working Capital, Materials and Supplies, Prepayments, and
14 Contributions in Aid of Construction ("CIAC").⁷ However, municipal utilities are
15 entitled to a return only on its net utility plant, not on "rate base." In its Final Order in
16 *City of Bluffton*, Cause No. 38250, the IURC stated:

17 I.C. 8-1.5-3-8(e) allows utilities, following election, to recommend
18 'rates and charges sufficient to include a reasonable return on utility
19 plant of the municipality.' There is a distinction between 'utility plant'
20 and 'rate base'. Pertinent to this case, 'utility plant' does not include
21 materials and supplies or working capital.⁸

22 The return calculation on page 5 of the *City of Bluffton* Order also excludes CIAC as a
23 line item in the calculation of net utility plant. Since RP&L is a municipal utility,

⁷ See Tomczyk's testimony, p. 36, lines 9-15.

⁸ See IURC Order in Cause No. 38250, dated Nov. 4, 1987, p. 5.

1 common stock issuances are not available as a long-term basis equity source of capital.

2 Also, while tax-exempt municipal bonds are permitted as a source of long-term capital,

3 RP&L witnesses testify its Utility Service Board is not in favor of issuing debt.⁹

4 Therefore, I recommend RP&L's return be calculated only on net plant in service, less

5 the adjustments for CIAC and WWVS, as reflected in Table KGL-1, below:

Table KGL-1
Rate Base/Net Plant In Service Summary

Line No.	Description	Test Year Actual Results	RP&L Adjustments	Adj. No.	Adj. Test Year	OUCC Recommended Basis of Return
Net Plant In Service						
1	Gross Plant In Service	\$ 191,504,954	\$ 2,272,617	(1)	\$ 193,777,571	\$ 191,504,954
2	Accumulated Depreciation	(135,403,172)	(2,717,077)	(2)	(138,120,249)	(135,403,172)
3	Net Plant In Service	56,101,782	(444,460)		55,657,322	56,101,782
4	Working Capital	9,397,980	104,362	(3)	9,502,342	-
5	Materials and Supplies	2,206,209	-		2,206,209	-
6	Prepayments	319,362	-		319,362	-
7	Subtotal Rate Base/ NPIS	68,025,333	(340,098)		67,685,235	56,101,782
8	Contributions in Aid of Construction	(1,970,710)	-		\$(1,970,710)	(1,970,710)
9	Rate Base/NPIS	<u>\$ 66,054,623</u>	<u>\$ (340,098)</u>		65,714,525	54,131,072
Less: Whitewater Valley Station Plant						
10	WWVS Plant, Sept. 30, 2019				53,095,746	-
11	Less: Accumulated Depreciation				<u>(46,984,399)</u>	-
12	Less: Net WWVS Utility Plant				<u>\$6,111,347</u>	<u>\$(6,111,347)</u>
13	OUCC Pro-Forma Net Utility Plant in Service					<u><u>\$48,019,724</u></u>

⁹ See Petitioner Witness Mr. Randall Baker's testimony, p. 9, line 20 through p. 10, line 8.

1 **Q: Please explain how you calculated Petitioner's net utility plant in service on**
2 **Schedule KGL-6.**

3 A: I used Petitioner's Table LAT-4 as a starting point to calculate net utility plant in
4 service, which is a summarized version of the test year's actual gross plant in service
5 of \$191,504,954. I reduced gross plant by \$135,403,172 in accumulated depreciation
6 to arrive at \$56,101,782 net plant in service. Since CIAC is contributed plant (i.e. not
7 the municipal electric utility's investment), I deducted \$1,970,710 before applying the
8 rate of return. As supported in Mr. Blakley's testimony, I recommend a further
9 adjustment (\$6,111,347) to remove the net plant related to the WWVS, as it will be
10 fully depreciated when RP&L's proposed rates take effect. This adjustment reduces net
11 utility plant in service to \$48,019,724.

12 **Q: Please explain how you determined the appropriate rate of return on Schedule**
13 **KGL-6.**

14 A: I accept the tax-exempt bond rate Petitioner provided in response to OUCC Data
15 Request Set 2, Question 3. The source was the Russell Tax-Exempt Bond's ("FTSE")
16 average coupon rate on a 10+ Year issuance of 4.59%,¹⁰ which results in a \$2,204,105
17 return. This return was from a March 31, 2019 report and is reasonable when compared
18 to an updated version of the report dated March 31, 2020, which displayed the 10+ year
19 average coupon rate as 4.52%.¹¹

20 **Q: Are there other sources in which a municipal utility may choose to invest its excess**
21 **cash as an alternative source for a return?**

22 A: Yes. There are six recommended options municipal utilities use as low risk sources of
23 investment – five are T-bills and the other is a 90-day Certificate of Deposit. The state

¹⁰ See Attachment KGL-3: RP&L Attachment 2.3-1, in response to OUCC DR 2.

¹¹ See Attachment KGL-4: March 31, 2020 FTSE US Municipal Tax-Exempt Investment Grade Bond Index.

1 of treasury bills during the first six months of 2020 have shown a consistent decline
2 from early January, where a one-month bill had a 1.53% yield, compared to a 30-year
3 bill's 2.33%. In late June, this range decreased to 0.13% and 1.41% respectively.¹² In
4 comparison, the June 2020 90-day Certificate of Deposit rates ranged from an annual
5 percentage rate of 0.25% to 0.70%.¹³

VI. CITY OF RICHMOND CASH TRANSFERS

6 **Q: Do you have additional concerns regarding RP&L's justification for its proposed**
7 **return?**

8 A: Yes. RP&L transfers \$1,361,917 of its excess cash to the City of Richmond's general
9 fund.¹⁴ In discovery, the OUCC asked RP&L why it makes this annual transfer and, in
10 response to the OUCC's data request, RP&L provided a 1993 ordinance from the City
11 of Richmond authorizing the transfer of funds from RP&L to the city to address an
12 emergency in Richmond's general fund.¹⁵ This cash transfer is in addition to RP&L's
13 PILT obligation, and RP&L continues to annually transfer an amount under the City of
14 Richmond's annually filed budget. RP&L claims this transfer is in compliance with
15 Indiana Code § 8-1.5-3-11(a), which permits transferring surplus earnings of a utility
16 to a municipal general fund.¹⁶ These cash transfers indicate RP&L's revenue
17 requirement is providing more money than it needs to operate, as it has been able to
18 continue to transfer excess cash every year since its last rate case.

¹² Treasury.gov, accessed on July 1, 2020. (<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yieldYear&year=2020>)

¹³ Interest.com, accessed on June 9, 2020. (<https://www.interest.com/savings/cd/3-month-cd-rates/>)

¹⁴ See Tomczyk's testimony, p. 26, line 34 of Table LAT-3.

¹⁵ See Attachment KGL-5: RP&L Attachment 3.5, in response to OUCC DR-3.

¹⁶ See Attachment KGL-6: RP&L Response to OUCC DR 11.1.

VII. PAYMENT IN LIEU OF TAXES

1 **Q: Can you elaborate on Schedule KGL-5 - Calculation of PILT?**

2 A: Yes. I used the information Petitioner provided in response to OUCC Data Request
3 11.2 and 11.3 to derive the percentage of RP&L's customers and assets within the City
4 of Richmond's tax jurisdictional boundaries (90%), and the gross corporate tax rate
5 (\$1.5374 per \$100 Assessed Valuation).¹⁷ First, I calculated the total taxable assets by
6 adding the \$48,019,724 adjusted net utility plant in service valuation calculated by Mr.
7 Blakley to Petitioner's construction work in progress ("CWIP"), both of which were
8 adjusted for the percentage of RP&L's operations inside the City of Richmond. I then
9 multiplied this figure by the gross corporate tax rate resulting in a total PILT of
10 \$761,443. This is a \$16,349 decrease from Petitioner's proposed PILT amount of
11 \$777,792.

VIII. UNCOLLECTIBLE ACCOUNTS EXPENSE

12 **Q: Do you agree with Petitioner's uncollectible accounts expense percentage and the**
13 **method it used to calculate its adjustment for uncollectible accounts expense?**

14 A: Yes. I agree with Petitioner's uncollectible accounts expense percentage of 0.378% of
15 gross sales revenues and its method to calculate the uncollectible accounts expense
16 adjustment. However, since the OUCC's increase in revenue requirement is lower than
17 Petitioner's, the uncollectible accounts expense is also lower. Using the same
18 percentage, I recommend an uncollectible accounts expense adjustment increase of
19 \$16,543, a \$13,231 difference from Petitioner's uncollectible accounts expense amount
20 of \$29,774.

¹⁷ See Attachment KGL-7: RP&L Response to OUCC DR 11.2 and 11.3.

IX. UTILITY RECEIPTS TAX ("URT")

1 **Q: How did you arrive at your URT adjustment?**

2 A: Similar to the adjustment for uncollectible accounts expense, my recommended URT
3 amount differs from Petitioner's due to a lower overall increase in revenue requirement.
4 I used the statutory 1.4% tax on gross sales receipts to arrive at a \$61,269 increase to
5 the test year URT balance, which is a \$48,976 decrease from Petitioner's URT of
6 \$110,231.

X. OUCC RECOMMENDATIONS

7 **Q: What does the OUCC recommend regarding RP&L's proposed recovery in this**
8 **proceeding?**

9 A: The OUCC recommends:

- 10 1. The Commission accept the adjustments and proposals made by OUCC witnesses
11 in this Cause;
- 12 2. The Commission authorize RP&L to earn a \$2,204,105 (4.59%) return on net utility
13 plant;
- 14 3. RP&L's uncollectible accounts expense be increased by \$16,543 to a \$321,251
15 uncollectible accounts expense balance;
- 16 4. URT be increased by \$61,269 to a \$1,116,411 URT balance;
- 17 5. Petitioner's PILT amount assessment be embedded in rates at \$761,443; and
- 18 6. The Commission disregard RP&L's \$1,361,917 annual excess cash transfer to the
19 City of Richmond's general fund as justification for RP&L's proposed return.

20 **Q: Does this conclude your testimony?**

21 A: Yes.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a Bachelor
3 of Science in Business with majors in Accounting and Finance. I am licensed in the
4 State of Indiana as a Certified Public Accountant. I attended the National Association
5 of Regulatory Utility Commissioners ("NARUC") Spring 2018 Conference held by
6 New Mexico State University and the Intermediate Course Fall 2019 conference held
7 by the Institute of Public Utilities at Michigan State University. In August 2019, I
8 attended the Intermediate Ratemaking Course at Michigan State University held by the
9 Institute of Public Utilities. In September 2019, I attended the annual Society of
10 Depreciation Professionals conference held in Philadelphia and the Basics of
11 Depreciation course.

12 **Q: Have you previously testified before the Commission?**

13 A: Yes.

14 **Q: Please describe your duties and responsibilities at the OUCC.**

15 A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility
16 Regulatory Commission ("Commission"). This involves reading testimonies of
17 Petitioners and intervenors, previous orders issued by the Commission, and any
18 appellate opinions to inform my analyses. I prepare and present testimony based on
19 these analyses and make recommendations to the Commission on behalf of Indiana
20 utility consumers.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Kaleb G. Lantrip

Kaleb G. Lantrip
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45361
Richmond Power & Light

July 2, 2020
Date

**Richmond Power and Light
Cause Number 45361**

**Comparison of Petitioner's and the OUCC's
Revenue Requirements**

Revenue Requirement	Per Petitioner	Per OUCC	Sch. Ref.	OUCC More/(Less)
Purchased Power	\$ 63,409,146	\$ 63,409,146	5	\$ -
Operations and Maintenance Expense	12,579,820	12,390,666	4*	(189,154)
Depreciation Expense	4,055,996	\$4,055,996	4	0
Amortization Expense	2,680,000	\$ 1,811,802	4	(868,198)
Taxes Other Than Income Tax and new URT	2,388,012	2,331,735	4	(56,277)
Return on Plant	4,330,587	2,204,105	6	(2,126,482)
Other Revenues and Interest Income	(1,130,363)	(156,268)	3	974,095
Revenue Requirement	\$ 88,313,198	\$ 86,047,182		(2,266,016)
Plus: URT Amt. on Adjustments	110,231	61,269	5-12	(48,962)
Plus: Uncollectible Amt. on Adjustments (Note 1)	29,774	16,543	5-6	(13,231)
Total Revenue Requirement	88,453,203	86,124,994		(2,328,209)
Pro-forma Present Rate Revenues	80,717,356	81,748,630	4	(1,031,274)
Recommended Pro-forma Revenue Increase	<u>\$ 7,735,847</u>	<u>\$ 4,376,364</u>		<u>\$ (3,359,483)</u>
Recommended % Increase/(Decrease)	<u>9.58%</u>	<u>5.42%</u>		

Utility Receipts Tax on Proposed Increase

Revenue Increase/(Decrease	100.000%	4,376,364
Less: Indiana Utility Receipts Tax	1.400%	61,269
Bad Debt Expense	<u>0.378%</u>	<u>16,543</u>
Revenue Conversion factor	<u>98.222%</u>	<u>\$ 4,298,552</u>

* *Pro-forma* Present Rates O&M Expense (Sch 4)
Less: Purchased Power (Sch 5-1)

Note 1: Petitioner included \$29,774 Uncollectible account adjustment in its pro-forma O&M expense category.

**Richmond Power and Light
Cause Number 45361**

**Comparison of Petitioner's and the OUCC's
Operating Adjustments**

<u>Operating Adjustments</u>	Per Petitioner	Per OUCC	Sch. Ref.	OUCC More/(Less)
<u>Operating Revenue:</u>				
Large Customer Load Increase	\$356,111	\$356,111	5-1	0
Customer Class Migration	(218,339)	(218,339)	5-2	-
Total Operating Revenue Adjustments	<u>\$137,772</u>	<u>\$137,772</u>		<u>-</u>
<u>Operating Expense:</u>				
Purchased Power Expense	\$405,349	\$405,349	5-3	-
Labor Expense	254,123	67,641	5-4	(186,482)
Advertising Expense	(17,117)	(17,117)	5-5	-
Rate Case Expense Amortization	50,000	50,000	5-7	0
Employee Benefit Expense	112,768	110,096	5-8	(2,672)
Depreciation Expense	(528,849)	(528,849)	5-9	0
Environmental Remediation Amortization Expense	2,680,000	1,811,802	5-10	(868,198)
FICA Taxes	53,389	13,460	5-11	(39,929)
Payment in Lieu of Taxes Adjustment	-	(16,349)	5-13	(16,349)
Total Operating Expense	<u>3,009,663</u>	<u>\$1,896,033</u>		<u>(1,113,630)</u>
Total Adjustments	<u>\$ (2,871,891)</u>	<u>\$ (1,758,261)</u>		<u>\$ 1,113,630</u>

**Richmond Power and Light
Cause Number 45361**

**Comparative Balance Sheets
As of September 30, 2018 and September 30, 2019**

<u>Description:</u>	<u>September 30, 2018</u>	<u>September 30, 2019</u>
<u>Assets</u>		
Utility Plant:		
Utility Plant in Service	\$ 189,375,031	\$ 192,226,810
Construction Work in Progress	4,697,946	7,011,371
Less: Accumulated Depreciation	(133,254,011)	(137,411,247)
Net Utility Plant in Service	<u>60,818,966</u>	<u>61,826,934</u>
Restricted Assets:		
Depreciation Reserve - Investment	9,914,625	9,924,178
Insurance Reserve - Investment	1,349,355	1,359,434
Cash Reserve - Cash	1,604,781	1,604,780
Consumer Deposit - Cash	678,627	694,144
Payroll Deduction Fund	(14)	(37,094)
Deferred Pension Outflows	2,844,905	1,369,869
Total Restricted Assets	<u>16,392,279</u>	<u>14,915,311</u>
Current Assets:		
Cash Operating Fund - Cash	15,437,416	15,089,357
Notes Receivable - Parallax	2,548,849	2,492,311
Interest Receivable	577,232	576,511
Petty Cash Fund	1,700	1,700
Accounts Receivable	7,485,456	7,167,621
Allowance for Doubtful Accounts	(17,992)	(17,245)
Materials and Supplies	2,530,132	2,206,209
Prepaid Expenses	331,895	319,362
Miscellaneous Deferred Debits	315,841	38,761
Total Current Assets	<u>29,210,529</u>	<u>27,874,587</u>
 Total Assets	 <u>\$ 106,421,774</u>	 <u>\$ 104,616,832</u>

**Richmond Power and Light
Cause Number 45361**

**Comparative Balance Sheets
As of September 30, 2018 and September 30, 2019**

<u>Description:</u>	<u>September 30, 2018</u>	<u>September 30, 2019</u>
<u>Liabilities</u>		
Equity		
Retained Earnings Beg. Balance	\$ 70,707,023	\$ 55,493,497
Appropriated Retained Earnings	(12,851,609)	(974,486)
Adj. to Retained Earnings	(1,361,917)	(1,361,916)
Total Retained Earnings	<u>56,493,497</u>	<u>53,157,095</u>
Contributions in Aid of Construction	<u>1,947,617</u>	<u>1,970,710</u>
Liabilities from Restricted Assets		
Customer Deposits	705,031	734,988
Net Pension Liability	21,161,826	20,873,650
Payable to City in Lieu of Taxes	2,674,636	2,674,636
Deferred Pension Inflows	515,785	924,075
Environmental Remediation Liability	11,816,183	12,370,846
Total Liabilities from Restricted Assets	<u>36,873,461</u>	<u>37,578,195</u>
Liabilities from Current Liabilities		
Other Payables	8,576	(39,210)
Accrued Vacation	503,685	538,313
Accrued and Tax Payable	195,900	202,025
Account Payables	104,332	357,668
Purchase Power Payable	11,294,706	10,852,036
Other Current Liabilities	<u>12,107,199</u>	<u>11,910,832</u>
Pensions and Benefits Reserve		
Total Liabilities and Equity	<u>\$ 107,421,774</u>	<u>\$ 104,616,832</u>

**Richmond Power and Light
Cause Number 45361**

**Comparative Income Statements
For the Twelve Months Ended September 30, 2018 and September 30, 2019**

<u>Description:</u>	<u>Twelve Months Ended September 30, 2018</u>	<u>Twelve Months Ended September 30, 2019</u>
Sales of Electricity	\$ 81,499,906	\$ 80,579,584
Other Operating Revenues	879,960	1,031,274
Total Operating Revenues	<u>82,379,866</u>	<u>81,610,858</u>
Operating Expenses		
Production Allowances	135,779	
Purchase Power	63,157,311	63,003,797
Transmission Expenses & Distribution	4,160,250	4,041,025
Customer Accounts & Service	1,270,765	1,335,814
Administrative and General	7,491,332	6,803,207
Total O&M Expense	<u>76,215,437</u>	<u>75,183,843</u>
Depreciation Expense	4,967,403	4,584,845
Taxes		
Contribution in Lieu of Taxes	777,792	777,792
IURT	875,580	1,108,142
Other Taxes - FICA	463,491	448,690
Total Operating Expenses	<u>83,299,703</u>	<u>82,103,312</u>
Net Operating Income	<u>(919,837)</u>	<u>(492,454)</u>
Other Income (Expense)		
Interest Income	116,026	156,713
Other Deductions		
Interest on Revenue Bonds	7,356	
Environmental Remediation	13,034,000	631,877
Interest Expense - Consumer Deposits	6,441	6,868
Total Other Deductions	<u>13,047,797</u>	<u>638,745</u>
Net Income	<u><u>(\$13,851,608)</u></u>	<u><u>(\$974,486)</u></u>

**Richmond Power and Light
Cause Number 45361**

***Pro-forma* Net Operating Income Statement**

<u>Description:</u>	<u>Year Ended 9/30/2019</u>	<u>Adjustments</u>	<u>Sch Ref</u>	<u><i>Pro-forma</i> Present Rates</u>	<u>Adjustments</u>	<u>Sch Ref</u>	<u><i>Pro-Forma</i> Proposed Rates</u>
Sales of Electricity	\$ 80,579,584	\$ 356,111 (218,339)	5-1 5-2	\$ 80,717,356	\$ 4,376,364	1	\$ 85,093,720
Other Operating Revenue	1,031,274			1,031,274	0		1,031,274
Total Operating Revenues	<u>81,610,858</u>	<u>137,772</u>		<u>81,748,630</u>	<u>4,376,364</u>		<u>86,124,994</u>
O&M Expense							
Purchased Power	63,003,797	405,349	5-3	63,409,146			63,409,146
Distribution Operations and Maintenance	4,041,025	91,987	5-4	4,133,012			4,133,012
Customer Accounts and Service	1,335,814	(17,117)	5-5	1,339,680	16,543	5-6	1,356,223
General and Administrative	6,803,207	20,983	5-4	6,917,974			6,917,974
		50,000	5-7				
		110,096	5-8				
		(45,329)	5-4				
Depreciation Expense	4,584,845	(528,849)	5-9	4,055,996			4,055,996
Amortization Expense		1,811,802	5-10	1,811,802			1,811,802
Taxes							
Payment in Lieu of Taxes	777,792	(16,349)	5-13	761,443			761,443
IURT	1,108,142			1,108,142	61,269	5-12	1,169,411
Other Taxes - FICA	448,690	13,460	5-11	462,150	0		462,150
Total Operating Expenses	<u>82,103,312</u>	<u>1,896,033</u>		<u>83,999,345</u>	<u>77,812</u>		<u>84,077,157</u>
Net Operating Income	<u>\$ (492,454)</u>	<u>\$ (1,758,261)</u>		<u>\$ (2,250,715)</u>	<u>\$ 4,298,552</u>		<u>\$ 2,047,837</u>

Richmond Power and Light
Cause Number 45361

Operating Adjustments

(1)

Change in Revenues from large Customer Load Increase (Per Petitioner)

Description:	
Pro-forma Revenue	\$ 1,725,675
Less: Test Year Revenue	(1,369,564)
Adjustment Increase (Decrease)	<u>\$ 356,111</u>

(2)

Change in Revenue from Customer Migration (Per Petitioner)

Description:		
Pro-forma Revenue	\$	5,955,443
Less: Test Year Revenue		(6,190,704)
Adjustment Increase (Decrease)	Ties to WP-5, Adj. 16 figures.	<u>\$ (218,339)</u>

(3)

Purchased Power (Per Petitioner)

Description:	
Pro-forma Adjustment to Purchased Power Billings	\$63,409,146
Less: Test Year Costs	<u>(63,003,797)</u>
Adjustment Increase (Decrease)	<u>\$405,349</u>

(4)

Pro-Forma Labor Expense (per OUCC)

Description:	T&D Operation	T&D Maintenance	Customer Accounts	Admin & General	Total
Pro-Forma Labor Expense	\$ 1,323,140	\$ 1,835,043	\$ 720,431	\$ 1,679,470	\$ 5,558,084
Less: Test Year Expense	(1,284,601)	(1,781,595)	(699,448)	(1,724,799)	(5,490,443)
Adjustment Increase (Decrease)	<u>\$ 38,539</u>	<u>\$ 53,448</u>	<u>\$ 20,983</u>	<u>\$ (45,329)</u>	<u>\$ 67,641</u>

(5)

Advertising Expense (Per Petitioner)

Description:	
Eliminate Advertising Expense	<u>\$ (17,117)</u>
Adjustment Increase (Decrease)	<u>\$ (17,117)</u>

(6)

Uncollectible Expense (per OUCC)

Description:	
OUCC Recommended Revenue Increase	\$4,376,364
Multiply by uncollectible percentage	<u>0.38%</u>
Adjustment Increase (Decrease)	<u>\$16,543</u>

**Richmond Power and Light
Cause Number 45361**

Operating Adjustments

**(7)
Total Rate Case Expense (Per Petitioner)**

Description:	
Total Rate Case Expense	\$250,000
Amortization Period: (5 years)	5
Adjustment Increase (Decrease)	\$50,000

**(8)
Employer-Paid Benefits (Per OUCC)**

Description:	
Employees not included in the test year that are now employed	\$ 3,877,034
Less: Parallax Employee Benefits excluded	(2,495)
Less: Employees included in the test year that are no longer employed	(3,764,443)
Adjustment Increase (Decrease)	\$ 110,096

**(9)
Depreciation (Per Petitioner)**

Description:	
Utility Plant in Service as of September 30, 2020 (adjusted)	\$193,777,571
Times: Depreciation Rate (adjusted composite)	2.09%
Total Pro-forma Depreciation Expense (Unadjusted)	4,055,996
Less: Test Year Expense	(4,584,845)
Adjustment Increase (Decrease)	(\$528,849)

**(10)
Amortization (Per OUCC)**

Description:	
RP&L Pro-Forma Allocation to Environmental Remediation Reserve Fund	\$2,680,000
OUCC Adjustment to Amortization Schedule for 8 years instead of 5.	(868,198)
Adjustment Increase (Decrease)	\$1,811,802

**Richmond Power and Light
Cause Number 45361**

Operating Adjustments

**(11)
FICA Taxes (Per OUCC)**

Description:

RP&L Pro-Forma FICA Tax Expense Amount	\$	502,078
OUCC Pro-Forma FICA Tax Expense Adjustment		(39,928)
Less: Test Year Expense Amount		<u>(448,690)</u>
Adjustment Increase (Decrease)	\$	<u>13,460</u>

**(12)
Utility Receipts Tax (per OUCC)**

Description:

OUCC Recommended Revenue Increase		\$4,376,364
Times: Utility Receipts Tax Rate		<u>1.40%</u>
Adjustment Increase (Decrease)		<u>\$61,269</u>

**(13)
Payment In Lieu of Taxes per RP&L Resp. to OUCC DR 11-2**

Description:

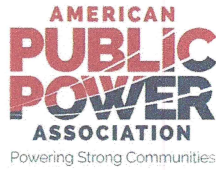
Net Utility Plant in Service as of September 30, 2019	\$	48,019,724
Times: Inside City Multiplier		<u>90.00%</u>
Inside City Utility Plant in Service		43,217,752
Add: Construction Work in Progress*Inside City Multiplier		<u>6,310,234</u>
Estimated Inside City Net Utility Plant		49,527,986
Times: Gross Corporate Tax Rate (per \$100 Assessed Valuation)		<u>1.5374</u>
Pro Forma Contribution in Lieu of Property Taxes		761,443
Less: Test Year		<u>(777,792)</u>
Adjustment Increase (Decrease)	\$	<u>(16,349)</u>

**Richmond Power and Light
Cause Number 45361**

OUCC Return On Utility Plant

Description	Amount	Amount
Utility Plant in Service as of September 30, 2019		\$191,504,954
Less : Accumulated Depreciation		(135,403,173)
Net Utility Plant		\$ 56,101,781
Less : Contribution in Aid of Construction (CIAC)		(1,970,710)
Net Utility Plant in Service, less CIAC		54,131,071
Adjustment (Note 1)		
Whitewater Valley Station (WWVS) Plant September 30, 2019	53,095,746	
Less : Accumulated Depreciation	(46,984,399)	
Net WWVS Utility Plant	6,111,347	(6,111,347)
Net Utility Plant in Service, less CIAC and WWVS Plant		48,019,724
Multiply: Return on Net Utility Plant		4.59%
OUCC Total Recommended Return on Net Utility Plant		\$2,204,105

Note 1: See Testimony of Wes Blakley



FINANCIAL AND OPERATING RATIOS

of Public Power Utilities

ABOUT THIS REPORT

This is the latest in the annual report series prepared by the American Public Power Association on financial and operating ratios. Many of the ratios in this report were suggested by the Association's Performance Management Committee and its predecessor, the Task Force on Performance Indicators.

The report was prepared by the Regulatory Affairs Department.

COMMENTS OR QUESTIONS ABOUT THIS REPORT

Members are encouraged to comment on the content and format of this report. Comments or questions should be directed to: Paul Zummo, Director, Policy Research and Analysis (PZummo@publicpower.org), or at:

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TABLE B. FINANCIAL & OPERATING RATIOS: MEDIAN VALUES BY REGION

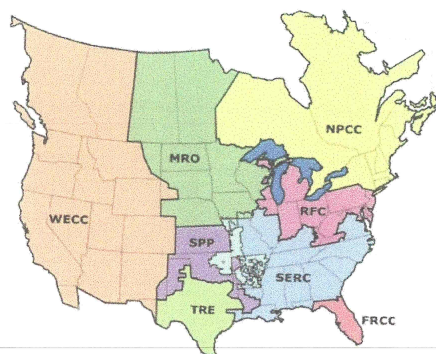
Ratio	Northeast	Southeast	North Central/Plains	Southwest	West
1. Revenue per KWH					
a. All Retail Customers	\$0.135	\$0.099	\$0.094	\$0.091	\$0.090
b. Residential Customers	\$0.138	\$0.111	\$0.111	\$0.105	\$0.105
c. Commercial Customers	\$0.144	\$0.104	\$0.103	\$0.092	\$0.090
d. Industrial Customers	\$0.123	\$0.069	\$0.081	\$0.074	\$0.064
2. Debt to Total Assets	0.156	0.303	0.237	0.393	0.365
3. Operating Ratio	0.909	0.891	0.854	0.807	0.791
4. Current Ratio	2.01	2.20	2.78	4.01	3.02
5a. Times Interest Earned	3.91	5.76	4.90	2.89	3.70
5b. Debt Service Coverage	3.32	2.58	2.67	2.16	3.01
6. Net Income per Revenue Dollar	\$0.055	\$0.034	\$0.065	\$0.048	\$0.081
7. Uncollectible Accounts per Revenue Dollar	\$0.0032	\$0.0016	\$0.0006	\$0.0026	\$0.0016
8. Retail Customer per Non-Power Generation Employee	322	308	343	290	301
9. Total O&M Expense per KWH Sold	\$0.116	\$0.091	\$0.079	\$0.073	\$0.063
10. Total O&M Expense (Excluding Power Supply Exp.) per Retail Customer	\$956	\$434	\$524	\$574	\$567
11. Total Power Supply Expense per KWH Sold	\$0.071	\$0.075	\$0.062	\$0.064	\$0.044
12. Purchased Power Cost per KWH	\$0.065	\$0.072	\$0.063	\$0.051	\$0.040
13. Retail Customers per Meter Reader	7,277	6,399	6,608	5,423	6,605
14. Distribution O&M Expense per Retail Customer	\$197	\$171	\$167	\$122	\$200
15. Distribution O&M Expense per Circuit Mile	\$23,016	\$6,687	\$7,036	\$6,149	\$7,551
16. Customer Accounting, Service, and Sales Expense per Retail Customer	\$96	\$58	\$56	\$64	\$112
17. Administrative and General Expense per Retail Customer	\$285	\$163	\$204	\$234	\$234
18. Labor Expense per Worker-Hour	\$81.53	\$32.83	\$41.03	\$34.84	\$52.08
19. Energy Loss Percentage	2.44%	3.67%	3.02%	4.12%	3.28%
20. System Load Factor	55.0%	55.1%	60.4%	58.5%	57.4%
21. Capital Expenditures to Depreciation Expense	\$1.28	\$1.29	\$1.11	\$1.10	\$1.15

TABLE C. FINANCIAL & OPERATING RATIOS: MEDIAN VALUES BY POWER GENERATION CLASS*

Ratio	No Generation	More than 0 but less than 10%	10 to 50%	50 to 100%
1. Revenue per KWH				
a. All Retail Customers	\$0.098	\$0.091	\$0.095	\$0.135
b. Residential Customers	\$0.106	\$0.105	\$0.112	\$0.114
c. Commercial Customers	\$0.093	\$0.112	\$0.097	\$0.095
d. Industrial Customers	\$0.071	\$0.074	\$0.080	\$0.071
2. Debt to Total Assets	0.230	0.366	0.439	0.489
3. Operating Ratio	0.888	0.851	0.817	0.688
9. Total O&M Expense per KWH Sold	\$0.088	\$0.078	\$0.076	\$0.063
11. Total Power Supply Expense per KWH Sold	\$0.074	\$0.060	\$0.056	\$0.046
12. Purchased Power Cost per KWH	\$0.069	\$0.054	\$0.042	\$0.047
17. Administrative and General Expense per Retail Customer	\$162	\$202	\$284	\$227
18. Labor Expense per Worker-Hour	\$37.48	\$38.56	\$44.66	\$44.79
19. Energy Loss Percentage	3.67%	3.08%	2.41%	3.40%
21. Capital Expenditures to Depreciation Expense	\$1.32	\$1.04	\$1.28	\$0.92

* Only those ratios affected by power generation are included in this table.

APPENDIX C: Regional Definitions



The regions used for this report correspond to regions of the North American Electric Reliability Corp. (NERC) as specified below.

REGION	CORRESPONDING NERC REGION(S)
Northeast	NPCC - Northeast Power Coordinating Council
Southeast	SERC - Southeastern Electric Reliability Council FRCC - Florida Reliability Coordinating Council
North Central/Plains*	MRO - Midwest Reliability Organization RFC - Reliability First Corporation
Southwest	SPP - Southwest Power Pool TRE - Texas Reliability Entity
West	WECC - Western Electricity Coordinating Council ASCC - Alaska Systems Coordinating Council

*: MAIN, ECAR, and MAAC joined to become the "Reliability First" NERC region, effective January 2008. However, the Energy Information Administration continues to identify utilities by their former NERC regions. The Association uses the former regions in establishing regional breakdowns to be consistent with prior reports.

APPENDIX D: Utilities Included in the 2017 Report

ALABAMA
Decatur Utilities
Huntsville Utilities
Riviera Utilities
Scottsboro Electric Power Board
Troy, City of

ARIZONA
Electrical District No. 3 Pinal County
Navajo Tribal Utility Authority
Salt River Project

ARKANSAS
Clarksville Light & Water Co.
Hope Water & Light Commission
Jonesboro City Water & Light
Paragould City Light, Water & Cable

CALIFORNIA
Azusa Light & Water
Glendale Water & Power
Modesto Irrigation District
Pasadena Water and Power Department
Redding, City of
Riverside Public Utilities
Sacramento Municipal Utility District
Silicon Valley Power
Turlock Irrigation District

COLORADO
Loveland Water & Power

CONNECTICUT
Norwich Public Utilities

FLORIDA
Beaches Energy Service
JEA
Keys Energy Services
Kissimmee Utility Authority
Lakeland Electric
Orlando Utilities Commission
Tallahassee Electric Utility

GEORGIA
Marietta Board of Lights & Water

ILLINOIS
Springfield City Water, Light & Power
St. Charles, City of

INDIANA
Lawrenceburg Municipal Utilities
Richmond Power and Light

IOWA
Ames, City of
Cedar Falls Utilities
Denison Municipal Utilities
Muscatine Power & Water

KANSAS
Kansas City Board of Public Utilities
McPherson Board of Public Utilities

KENTUCKY
Henderson City Utility Commission
Owensboro Municipal Utilities

LOUISIANA
Lafayette Utilities System

MASSACHUSETTS
Braintree Electric Light Department
Holyoke Gas & Electric
Mansfield Municipal Electric Department
Taunton Municipal Lighting Plant
Westfield Gas & Electric Light Department

MICHIGAN
Bay City, City of
Grand Haven Board of Light & Power
Lansing Board of Water & Light
Marquette Board of Light & Power
Traverse City Light & Power
Zeeland Board of Public Works

MINNESOTA
ALP Utilities
Austin Utilities
Brainerd Public Utilities
Elk River Municipal Utilities
Grand Rapids Public Utilities Commission
Marshall Municipal Utilities
Owatonna Public Utilities
Rochester Public Utilities
Willmar Municipal Utilities

MISSOURI
Carthage Water and Electric Plant
Chillicothe, City of
Independence Power & Light
Poplar Bluff Municipal Utilities & City Cable
City Utilities of Springfield

MISSISSIPPI
Greenwood Utilities Commission

NEBRASKA
Grand Island, City of
Hastings, City of
Lincoln Electric System
Loup Power District
Omaha Public Power District
Southern Public Power District

NEW MEXICO
Farmington, City of

NEW YORK
Fairport, Village of
Pittsburgh Municipal Lighting Department

NORTH CAROLINA
Fayetteville Public Works Commission
Greenville Utilities Commission
Lexington, City of
Monroe, City of
Rocky Mount, City of
Shelby, City of

OHIO
Bryan Municipal Utilities
Hudson Public Power
Omaha, City of
Westerville Electric Division

OREGON
Central Lincoln People's Utility District
Clatskanie People's Utility District
Eugene Water & Electric Board
McMinnville Water & Light
Northern Wasco County
People's Utility District
Springfield Utility Board

SOUTH CAROLINA
Orangeburg, City of

SOUTH DAKOTA
Watertown Municipal Utilities

FTSE Russell Factsheet | March 31, 2019

FTSE
Russell

FTSE US Municipal Tax-Exempt Investment-Grade Bond Index

Multi-Asset | US Dollar

The FTSE US Municipal Tax-Exempt Investment-Grade Bond Index measures the performance of the investment-grade tax-exempt municipal bond market. The index includes US Dollar-denominated bonds issued by municipalities or other municipal entities domiciled in the US and US territories. General Obligation bonds, Revenue bonds and Double-Barrel bonds that meet the design criteria are included in the composition of the index.

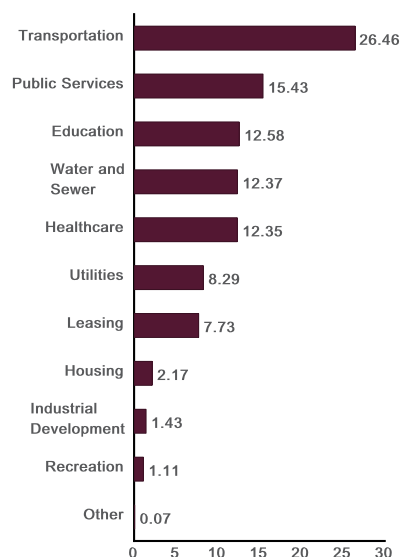
INDEX PROFILE

Description	# of Issues	Par Amount*	Market Value*	Market Weight (%)	Average Coupon (%)	Average Life (Years)	Yield to Maturity (%)	Effective Duration	OAS (bps)
Municipal Tax-Exempt Investment-Grade (Muni TE IG)	33,681	1,037.75	1,165.85	100.00	4.66	14.04	3.09	6.17	60
1-3 Years	3,730	99.61	106.70	9.15	4.73	2.00	1.63	1.87	11
3-5 Years	3,600	98.01	110.25	9.46	4.80	3.94	1.82	3.42	18
5-7 Years	3,292	88.69	102.16	8.76	4.78	5.94	2.16	4.61	25
7-10 Years	4,839	121.83	143.42	12.30	4.79	8.45	2.59	5.46	31
10+ Years	18,220	629.61	703.31	60.33	4.59	19.73	3.74	7.62	85
General Obligation (GO)	11,292	304.90	341.23	29.27	4.58	11.28	2.77	5.75	48
Revenue	22,389	732.85	824.62	70.73	4.70	15.18	3.22	6.34	65
Prerefunded	1,261	32.63	35.17	3.02	4.83	2.88	1.52	2.64	2
Special Tax	2,164	63.60	72.00	6.18	4.68	13.57	3.00	6.06	52

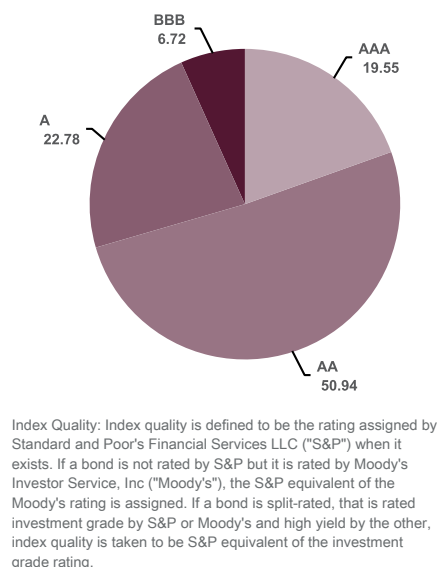
*In USD billions

USE OF PROCEEDS

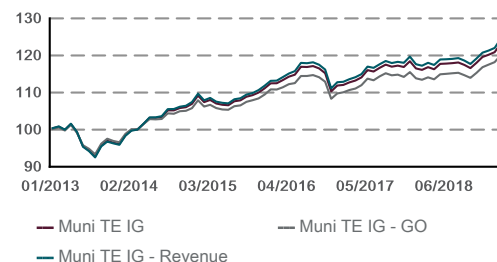
(Market Weight % of Revenue)



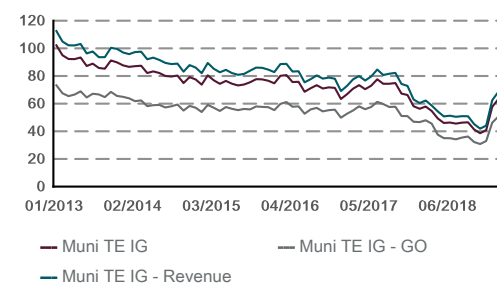
QUALITY (Market Weight % of Muni TE IG)



HISTORICAL INDEX LEVEL (Unhedged)



OPTION ADJUSTED SPREAD*



*OAS to AAA MMD

ftserussell.com

Source: FTSE Russell as of March 31, 2019. Past performance is no guarantee of future results. Returns shown prior to April 15, 2019 reflect hypothetical historical performance. Please see the end for important legal disclosures.

FTSE US Municipal Tax-Exempt Investment-Grade Bond Index | 01

TOP 10 STATES (By Market Weight)

Description	# of Issues	Par Amount*	Market Value*	Market Weight (%)	Average Coupon (%)	Average Life (Years)	Yield to Maturity (%)	Effective Duration	OAS (bps)
New York	4,674	178,013.05	201,678.53	17.30	4.74	13.96	3.09	5.91	48
California	4,701	176,148.24	197,801.83	16.97	4.58	14.89	3.06	6.27	46
Texas	3,519	98,407.79	109,283.13	9.37	4.58	15.15	3.21	6.16	60
Illinois	1,331	49,640.94	54,265.23	4.65	4.84	13.82	3.55	6.20	121
Florida	1,734	42,902.35	48,142.10	4.13	4.65	14.28	3.15	6.27	63
Pennsylvania	1,216	40,771.53	45,813.35	3.93	4.70	14.49	3.17	6.78	78
Massachusetts	1,164	38,701.18	43,625.26	3.74	4.63	14.66	3.05	6.28	52
New Jersey	831	37,300.32	41,593.47	3.57	4.85	13.52	3.43	6.21	101
Washington	1,396	33,687.54	38,438.33	3.30	4.76	13.01	2.98	5.94	48
Ohio	1,051	26,494.74	29,446.58	2.53	4.58	14.30	3.01	6.27	56

*In USD billions. Source: FTSE Russell.

DESIGN CRITERIA AND CALCULATION METHODOLOGY

Coupon:	Semi-annual fixed-rate bonds and zero-coupon bonds
Currency:	USD
Minimum Maturity:	At least one year. The maturity for pre-refunded bonds will be calculated to the pre-refunded date, rather than the stated final maturity date.
Minimum Issue Size:	USD 10 million
Minimum Deal Size:	USD 75 million at the time of issuance.
Minimum Quality:	BBB- by S&P or Baa3 by Moody's
Taxability:	Federally tax-exempt; may be subject to an Alternative Minimum Tax (AMT)
Dated Date:	Dated date must be less than two years from date of index entry. Bonds with a dated date prior to December 31, 2010 are not eligible for inclusion. In the event that a bond does not have a dated date, the issue date will be used.
Weighting:	Market capitalization
Rebalancing:	Once a month on the last business day of the month (pricing as of the last business day of the monthly and settlement as of the last calendar day of the month).
Cash Reinvestment Rate:	At daily average of the one-month Eurodeposit rate, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period.
Pricing:	Prices are sourced from Refinitiv and are taken as of 4pm (New York time) on the bid side.
Calculation Frequency:	Daily
Settlement Date:	Monthly: Last calendar day Daily: Same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month
Base Date:	December 31, 2012

VENDOR CODES

- Bloomberg SBI <GO>; SBBI <GO>
- Muni TE IG – SBMUTEIG <INDEX>

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FTSE US Municipal Tax-Exempt Investment-Grade Bond Index

Multi-Sector | US Dollar

The FTSE US Municipal Tax-Exempt Investment-Grade Bond Index measures the performance of the investment-grade tax-exempt municipal bond market. The index includes US Dollar-denominated bonds issued by municipalities or other municipal entities domiciled in the US and US territories. General Obligation bonds, Revenue bonds and Double-Barrel bonds that meet the design criteria are included in the composition of the index.

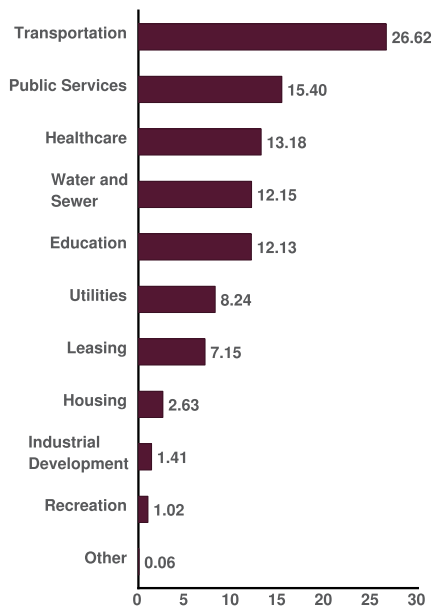
INDEX PROFILE

Description	# of Issues	Par Amount*	Market Value*	Market Weight (%)	Average Coupon (%)	Average Life (Years)	Yield to Maturity (%)	Effective Duration	OAS (bps)
Municipal Tax-Exempt Investment-Grade (Muni TE IG)	36,159	1,124.99	1,278.63	100.00	4.61	13.78	2.86	5.37	69
1-3 Years	4,620	124.42	133.48	10.44	4.73	1.96	1.37	1.73	31
3-5 Years	3,808	107.34	120.56	9.43	4.73	3.94	1.71	3.26	40
5-7 Years	3,515	95.70	111.67	8.73	4.80	5.98	1.99	4.40	37
7-10 Years	5,252	137.12	162.06	12.67	4.72	8.53	2.45	5.23	46
10+ Years	18,964	660.42	750.87	58.72	4.52	19.83	3.53	6.53	91
General Obligation (GO)	12,031	320.66	363.72	28.45	4.55	11.14	2.54	5.01	56
Revenue	24,128	804.33	914.91	71.55	4.64	14.84	2.99	5.51	75
Prerefunded	1,688	43.89	47.64	3.73	4.87	2.32	1.22	2.11	25
Special Tax	2,259	65.83	75.17	5.88	4.64	13.06	2.77	5.03	60

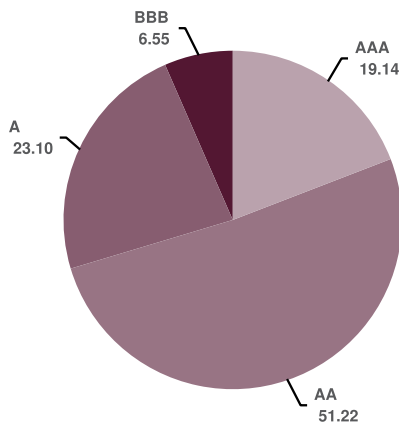
* In USD billions

USE OF PROCEEDS

(Market Weight % of Revenue)

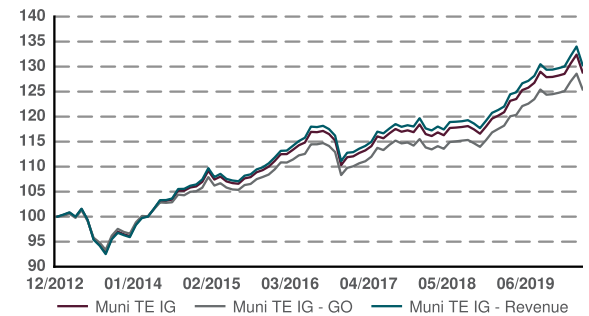


QUALITY (Market Weight % of Muni TE IG)

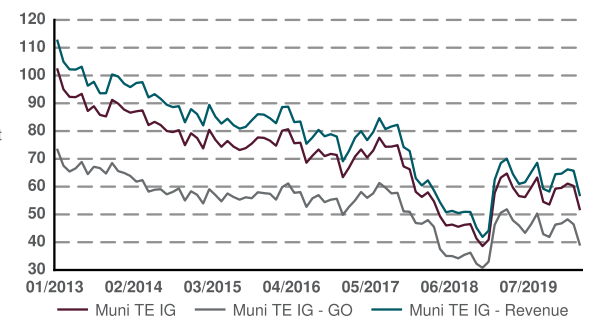


Index Quality: Index quality is defined to be the rating assigned by Standard and Poor's Financial Services LLC ("S&P") when it exists. If a bond is not rated by S&P but it is rated by Moody's Investor Service, Inc. ("Moody's"), the S&P equivalent of the Moody's rating is assigned. If a bond is split-rated, that is rated investment grade by S&P or Moody's and high yield by the other, index quality is taken to be S&P equivalent of the investment grade rating.

HISTORICAL INDEX LEVEL (Unhedged)



OPTION ADJUSTED SPREAD*



* OAS to AAA MMD

TOP 10 STATES (By Market Weight)

Description	# of Issues	Par Amount*	Market Value*	Market Weight (%)	Average Coupon (%)	Average Life (Years)	Yield to Maturity (%)	Effective Duration	OAS (bps)
New York	4,940	193.24	220.56	17.25	4.67	13.74	2.88	5.27	59
California	4,951	187.32	213.28	16.68	4.56	14.58	2.86	5.36	55
Texas	3,834	105.70	120.33	9.41	4.56	15.19	2.94	5.37	60
Illinois	1,394	51.97	56.28	4.40	4.78	13.56	3.60	5.47	164
Florida	1,888	48.39	54.89	4.29	4.57	14.64	2.92	5.58	69
Pennsylvania	1,347	45.17	51.85	4.06	4.67	14.26	2.83	5.76	79
Massachusetts	1,261	40.03	46.09	3.61	4.64	14.28	2.75	5.28	54
New Jersey	882	38.10	42.63	3.33	4.81	12.61	3.22	5.20	117
Washington	1,464	35.12	40.70	3.18	4.75	12.76	2.76	5.01	50
Ohio	1,148	29.11	32.98	2.58	4.56	13.34	2.60	5.52	57

* In USD billions

DESIGN CRITERIA AND CALCULATION METHODOLOGY

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Minimum Deal Size:	USD 75 million at the time of issuance.
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VENDOR CODES

- Bloomberg

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Cause No. 45361
OUCG Attachment KGL-4
Page 3 of 3

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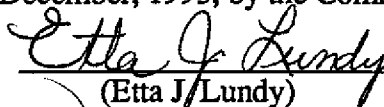
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A SPECIAL ORDINANCE TO FUND THE TRANSFER FROM THE ELECTRIC UTILITY TO THE GENERAL FUND IN THE 1994 CITY BUDGET

- WHEREAS the Common Council of Richmond, Indiana, serves as the Board of Directors of the city owned electric utility, commonly referred to as Richmond Power and Light, and
- WHEREAS Indiana Code 8-1.5-3-11(a) provides "the municipal legislative body, with the approval of the board, may transfer surplus earnings of the utility to the general fund", and
- WHEREAS Common Council adopted the 1994 city general fund budget on September 20, 1993, which includes "transfer from electric utility - \$2,066,677", and
- WHEREAS the Indiana Utility Regulatory Commission in cause no. 39465 by order entered December 30, 1992, fixed the annual payment in lieu of taxes from the utility to the city at \$545,816, which payment is authorized by Indiana Code 8-1.5-3-11(d), and
- WHEREAS an emergency exists because the June 30, 1993, cash balance in the utility's cash reserve fund was \$1,881,860.34 which is sufficient to fund the annual payment in lieu of taxes but is not sufficient to fund the total transfer mandated by Common Council by the amount of \$184,816.66, and
- WHEREAS surplus earnings of the utility as defined in Indiana Code 8-1.5-3-11(c) exist in excess of \$184,816.66 in the cash operating fund of the utility, and
- WHEREAS the City Controller has consulted the Indiana State Board of Accounts concerning this matter and received attached Exhibit A in response,

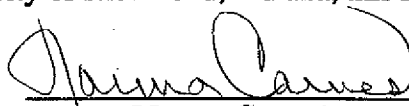
NOW, THEREFORE, be it ordained by the Common Council of the City of Richmond, Indiana, that the Finance Manager of Richmond Power and Light transfer an additional \$184,816.66 from the utility's cash operating fund to the utility's cash reserve fund during calendar year 1993 in order to fund the transfer from the electric utility to the city general fund of \$2,066,677 on or after January 1, 1994.

Passed and adopted this 20th day of December, 1993, by the Common Council of the City of Richmond, Indiana.

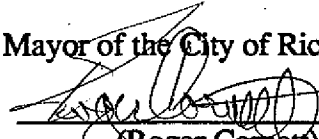

(Etta J. Lundy), President


ATTEST: 
(Norma Carnes), City Clerk

PRESENTED to the Mayor of the City of Richmond, Indiana, this 21st day of December, 1993, at 9:00 a.m.


(Norma Carnes), City Clerk

APPROVED by me, Roger Cornett, Mayor of the City of Richmond, Indiana, this 21st day of December, 1993, at 9:05 a.m.


(Roger Cornett), Mayor

ATTEST: 
(Norma Carnes), City Clerk



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STATE BOARD OF ACCOUNTS

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INDIANAPOLIS, INDIANA 46204-2738
(317) 232-2513

December 17, 1993

Mr. Dennis W. Grimes
City Controller
City of Richmond
50 North 5th Street
Richmond, IN 47374

File: Wayne - Civil

Re: Cash Reserve Fund

Dear Mr. Grimes:

This is in response to your facsimile transmission to this office on December 17, 1993, concerning the electric utility cash reserve fund.

We have reviewed the proposed ordinance No. 113-1993 concerning an emergency transfer of funds from the cash reserve fund to the general fund. Based on the information you provided, as long as such ordinance is in compliance with IC 8-1.5-3-11(e) we would not take audit exception to the emergency transfer of funds.

This should not be construed as a legal opinion. This merely represents the position we would take in an audit of the City's records.

Very truly yours,

A handwritten signature in cursive script, appearing to read "D. Buratte".

Donald L. Buratte, C.P.A.
State Examiner

CWP/tgm

cc: Data File

DISPOSITION OF ORDINANCE NO. 113-1993
 RESOLUTION NO. -199

by Common Council

Ordinance No. <u>113</u>									
Resolution No. <u> </u>	Elstro	Lundy	Brookbank	Donat	McBride	Parker	Dickman	Allen	Hutton
Date <u>12/20/93</u>									
Susp. rules 1st read Title only									✓
Seconded						✓			
Proof of Publication									
Seconded									
Move to 2nd read								✓	
Seconded					✓				
Engrossment			✓						
Seconded							✓		
Susp rules 3rd read			✓						
Seconded					✓				
Passage		✓	✓		✓	✓	✓	✓	✓
Rejection	✓			✓					

Date Passed 12/20/93
 COMMITTEE ASSIGNMENTS:

Committee _____ Date _____
 Committee Hearing Date _____
 Reassigned to Council Agenda _____

PUBLICATION DATES: _____
 AMENDMENTS:

COMMENTS:

Q. 11.1 Following up on RP&L's response to OUCC DR 3.5, please respond to the following:

- a. The 1993 Ordinance attached to RP&L's response described the \$2,066,677 transfer as an "emergency transfer of funds from the cash reserve fund to the general fund." Is there a continuing state of emergency that supports the basis for this ongoing transfer since 1993? If so, please describe the ongoing emergency. If not, please state the basis for the ongoing transfer from RP&L to the City of Richmond.**

Response: As noted in RP&L's Response to Data Request Q 3.3, the Richmond Common Council has approved budget ordinances from 2010 to present, which include a transfer from RP&L to the City's General Fund pursuant to IC 8-1.5-3-11(a) in the amount of \$2,139,708 for each year (intended to cover both the PILOT and the surplus earnings transfer). That statutory authority is the basis for the transfer of surplus earnings from the utility to the City, and it does not require an emergency, nor does it specify a particular amount for the calculation of surplus earnings. Data Request Q 3.5A asked *how* the amounts transferred from RP&L to the City were calculated, and the Response to that question indicated that RP&L could not locate a specific ordinance from its Common Council which explained *how* those amounts were calculated. The 1993 Ordinance was simply given as an example of how that particular year's transfer was calculated, and to show that a transfer in the amount of approximately \$2 million from RP&L to the City's General Fund (which covers both the PILOT amount and the surplus earnings) has occurred for decades.

- b. Can RP&L elaborate on the reason for the difference between the amount of total transfer to the City in this filing of \$2,139,709 (derived from the testimony of Laurie A. Tomczyk from Table LAT-3 displayed on p. 24-25 for table line items 16 and 34 and described on p. 30, lines 16-20.) and the \$2,066,677 figure in the 1993 ordinance?**

Response: There is no direct relationship between the surplus earnings amount in the 1993 ordinance and the amount in Ms. Tomczyk's testimony. As explained in the Response to Q. 11.1a above, the 1993 Ordinance was simply provided as an example. The \$2,066,677 amount for the transfer contained in Ms. Tomczyk's testimony is identical to the amount approved by the Richmond Common Council in its budget ordinances since 2010. For example, see Attachment DR 11.1b for the City's 2019 Budget Book, which includes a contribution from RP&L to the City's Fund 101 (General Fund) in the amount of \$2,139,709.

Q 11.2: Please provide an itemized calculation of the PILT revenue requirement requested in this Cause.

Response: While the Richmond Common Council's budget ordinances do not specifically calculate what portion of the annual budget transfer of \$2,139,709 is intended to cover a payment in lieu of taxes ("PILT" or "PILOT"), RP&L budgets a PILOT obligation of \$777,792. RP&L was able to locate a 1980 Utility Service Board Resolution that calculated the PILOT for RP&L very close to this amount at \$768,350 (see Attachment DR 11.2). RP&L has requested the City Clerk review her archives for a more recent calculation of RP&L's PILOT payment, and the Utility will supplement this response if such an ordinance is found.

However, if the PILOT were calculated based on an assessed value of property using the corporate tax rate, the result is a calculated PILOT amount of \$867,122, which is higher than what RP&L has budgeted. Please see below for the details of that calculation.

Normalized Net Utility Plant In Service	\$55,657,321
Times: Inside City Multiplier	90%
Estimated Utility Plant in Service Located in City	\$50,091,589
 Add: CWIP	 \$7,011,371
Times: Inside City Multiplier	90%
Estimated CWIP Located in City	\$6,310,234
 Estimated Inside City Utility Net Plant Incl CWIP	 \$56,401,823
 Times: Gross Corporate City Tax Rate (per \$100 Assessed Value)	 1.5374
Calculated PILOT	\$867,122
 Actual PILOT	 \$777,792
Actual Appropriation of Retained Earnings	1,361,917
Total Payments to City	<u>\$2,139,709</u>
 Difference (Total Payments to City Less Calc PILOT)	 \$1,272,587

Q 11.3 What is the cost of the utility plant in service located outside the municipal boundaries of the City of Richmond?

Response: RP&L does not keep detailed records categorizing customers and assets as inside or outside the boundaries of the City of Richmond. However, the Utility estimates that about 10% of its customers, poles, and meters are in the two mile "fringe" of its service territory that lies outside the corporate municipal boundaries of City. Also, two substations (Richmond and Highland) sit in that fringe.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1_Testimony of OUCC Witness Kaleb G. Lantrip* has been served upon the following parties of record in the captioned proceeding by electronic service on, July 2, 2020.

Attorneys for City of Richmond

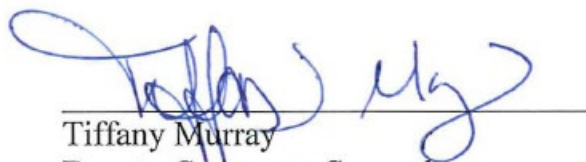
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