FILED
April 16, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF (1) CAPACITY ("CAP") ADJUSTMENT FACTORS; AND (2) OFFSYSTEM SALES ("OSS") MARGIN ADJUSTMENT FACTORS FOR ELECTRIC SERVICE FOR THE BILLING MONTHS OF JUNE 2021 THROUGH MAY 2022.	))))))))	**CAUSE NO. 44795 OSS-05**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR ("OUCC")

TESTIMONY OF

KALEB G. LANTRIP - PUBLIC'S EXHIBIT NO. 1

APRIL 16, 2021

Respectfully submitted,

Randall C. Helmen
Attorney No. 8275-49
Chief Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 44795 OSS-5
INDIANAPOLIS POWER & LIGHT COMPANY

I. INTRODUCTION

Q: Please state your name and business address, and employment capacity

A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A summary of my educational background and experience is included in Appendix A attached to my testimony.

Q: What is the purpose of your testimony?

A: I reviewed Indianapolis Power & Light Company's ("IPL" or "Petitioner") filing, specifically, its Capacity ("CAP") and Off-System Sales ("OSS") Margin Sharing Adjustment Factor calculations. I conclude IPL's proposed factors comply with the ratemaking and accounting treatment the Indiana Utility Regulatory Commission ("Commission") authorized in its Cause No. 45029 Order.

Q: Please describe the review and analysis you conducted in order to prepare your testimony.

A: I reviewed IPL's petition, testimony, schedules, and workpapers. I also reviewed the testimonies and orders from prior IPL OSS Cause No. 44795 rider filings to gain an understanding of the rider's context and parameters.

Q: Please describe Petitioner's requested relief in this Cause.

A: Petitioner seeks approval for its proposed CAP Adjustment and OSS Margin Sharing Adjustment Factors to be applicable during the billing months of June 2021 through May 2022. As ordered in OSS-1, Petitioner aligned its reconciliation period with the Midcontinent Independent System Operator's ("MISO") Planning Year (June 1 through May 31) for its CAP and OSS Margin Sharing Adjustments.

II. CAP ADJUSTMENT

Q: Please discuss the evidence Petitioner submitted supporting its requested CAP Adjustment.

A: IPL had enough capacity to meet its forecasted peak demand plus its Planning Reserve Margin Requirement and was in a long position regarding its resources for the MISO Planning Year 2020-2021. IPL provided its reconciled capacity purchases expense for the period June 1, 2020 through May 31, 2021. IPL reconciled capacity sales revenue for this period based on its net MW position for the MISO Planning Year 2020-2021 and its expected bilateral prices gathered from market intelligence (communication with brokers and potential counterparties). Capacity sales revenues are credited 100% to customers, less \$11.29 million capacity revenues embedded in base rates, per the Commission's Cause No. 45029 Order.[1] IPL reconciles its capacity purchases expense according to the Commission Order in Cause No. 45029, with no embedded expense in base rates. IPL proposes to recover its forecasted capacity purchases expense, forecasted capacity sales revenue for the period June 1, 2021 through May 31, 2022, and its prior period variance from the reconciliation period, June 1, 2019 through May 31, 2020.

[1] See Petitioner witness Patrick J. Donlon, p. 3, lines 8-9.

Q: What capacity costs does IPL propose tracking in the current proceeding?

A: IPL proposes tracking total capacity costs of $13,692,357.[2] This amount includes $(188,748) forecasted capacity sales revenues, $11,288,000 embedded base rate capacity sales revenues, and the $2,593,105 reconciliation variance.

Q: What is the impact of IPL's proposed CAP Adjustment factor on a typical residential customer's monthly bill?

A: The impact on the monthly bill, for a typical residential customer using 1,000 kWh per month, is an approximate $0.23 increase.[3]

Forecasted Capacity Sales Revenues and Purchases Expense

Q: How was IPL's forecasted capacity purchases expense for the period June 2021 through May 2022 calculated?

A: IPL forecasted no capacity purchases expense for the MISO Planning Year 2021-2022 due to it being in a long position.[4]

Q: Did IPL forecast capacity sales revenues for the MISO Planning Year 2021-2022?

A: Yes. As stated above, IPL anticipates it will be in a long position for the 2021-2022 MISO Planning Year and will be able to sell its excess capacity. After complying with the MISO Resource Adequacy requirement for the 2021-2022 Planning Year, IPL anticipates it will have an approximate 172.4 MW (net) surplus capacity.[5] IPL has the following options regarding selling its surplus capacity: 1) sell in the bilateral market before the MISO Planning Resource Auction ("PRA"), 2) offer in the MISO PRA, or 3) implement a combination of

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[2] See Petitioner's Attachment PJD-1, Sch. 1, line 3.
[3] See Donlon, p. 15, lines 12-13.
[4] See Donlon, p. 5, lines 28-30.
[5] See Petitioner witness David Jackson, p. 3, lines 15-18.

bilateral purchases and MISO PRA sales, depending on liquidity and pricing of the bilateral market.

Q: Did IPL address the effect of the planned Petersburg Unit 1 on forecasted capacity expense or revenues?

A: Yes. IPL witness David Jackson indicated the planned Petersburg Unit 1 retirement removes the corresponding capacity from being available in the auction and will reduce IPL's long capacity position by 215.5 MW.[6]

Q: What is IPL's forecasted capacity sales revenue/expense for the period June 2021 through May 2022?

A: IPL forecasted $188,748 capacity sales revenue for the MISO Planning Year 2021-2022.[7] This forecasted capacity sales revenue amount will be fully shared and credited to customers.

Q: Is the MISO 2021-22 PRA complete?

A: Yes. On April 15, 2021, MISO released the results of its annual PRA for Planning Year 2021-22. MISO Zone 6, which includes Indiana, had a PRA clearing price of $5.00 MW/day.[8]

Q: Are you aware of whether IPL sold all or a portion of its 172.4 MW excess capacity into the MISO 2021-22 PRA?

A: No, I am not. MISO's 2021-22 PRA results were not issued until after IPL filed its case-in-chief testimony in this Cause. Mr. Jackson stated in testimony, "IPL will continue to monitor the bilateral market for capacity sales but has not entered any sales contracts as of the date of this filing."[9]

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[6] See Jackson, p. 4, lines 1-3.
[7] See Jackson, p. 4, lines 17-18 and Petitioner's Attachment PJD-1, Sch. 3, line 13.
[8] https://cdn.misoenergy.org/PY21-22%20Planning%20Resource%20Auction%20Results541166.pdf
[9] See Jackson, p. 3, lines 17-18.

Q: If IPL sold its 172.4 MW excess capacity in the MISO 2021-22 PRA, how would the 2021-22 PRA results affect IPL's forecasted capacity sales calculation in this filing?

A: Assuming IPL's full long position of 172.4 MW cleared in the auction, I calculate the effective capacity sales revenues to be $314,573 versus the $188,748 IPL forecasted. Based on my calculation, this would result in a $0.22 CAP Adjustment factor increase on the monthly bill of a typical residential customer using 1,000 kWh per month – $0.01 less than IPL's $0.23 CAP Adjustment factor increase proposal.

Q: Are you recommending IPL adjust its June 1, 2021 through May 31, 2022 forecasted capacity sales revenues in this proceeding?

A: No, I am not. I am unaware whether IPL sold any or all of its excess capacity, nor am I aware which option IPL selected in selling its excess capacity. Even if IPL sold all of its excess capacity in the MISO 2021-22 PRA, the difference between my calculation of capacity sales revenues, which is based on the $5.00 MW/day MISO 2021-22 PRA clearing price, and IPL's forecasted capacity sales revenues is miniscule. Additionally, IPL's June 1, 2021 through May 31, 2022 forecasted capacity sales revenues will get reconciled in a subsequent OSS rider.

Reconciled Capacity Sales Revenues and Purchases Expense

Q: What was IPL's total capacity purchases expense variance for the June 2019 through May 2020 reconciliation period?

A: IPL's total capacity purchases expense variance for the 12-month period was a $(3,697) over-recovery to be refunded to customers.[10] This was due to IPL having a long capacity position and not purchasing any capacity in the reconciliation

[10] See Jackson, p. 5, lines 7-8 and Petitioner's Attachment PJD-1, Sch. 5, total of line 18.

period. Also, Rate CGS had $3,697 of capacity credits IPL paid customers with qualifying facilities for capacity those customers provided it in meeting its planning year obligation.[11] Per the Commission's Cause No. 45029 Order, no capacity expense was embedded in base rates; therefore, $(3,697) is being passed back as a full credit to customers through this filing.

Q: How were IPL's capacity sale revenues calculated for the June 1, 2019 through May 31, 2020 reconciliation period?

A: IPL recovered $225,325[12] of capacity sales revenues during this period. After applying the $11,288,000 embedded base rate amount per the Commission's Cause No. 45029 Order, the resulting net under-recovery charge to customers is $11,062,675.[13]

III. OSS MARGIN SHARING ADJUSTMENT

Q: Please discuss the evidence Petitioner submitted supporting its requested OSS Margin Sharing Adjustment.

A: IPL provided its forecasted OSS Margin Customer Share for the period June 2021 through May 2022. As Mr. Jackson indicated, IPL forecasts OSS volume to generating units based on a ranking of units from highest production cost to lowest production costs. Since the higher production cost units are used in off-system sales, these higher production costs are assigned to be netted against any off-system sales revenues. This methodology ensures the lowest cost generation is assigned to IPL's retail load. Revenues are assigned to those units based on the forecasted Locational Marginal Prices, and OSS margins are the revenues from

[11] See Donlon, p. 8, lines 16-18.
[12] See Attachment PJD-1, Sch. 6, line 13.
[13] See Petitioner's Attachment PJD-1, Sch. 6, line 18.

those units less the fuel and production costs for those units.[14] IPL witness Patrick J. Donlon's workpapers support Mr. Jackson's testimony, with the forecasted megawatt hour ("MWh") sales netted against projected fuel and production costs to show IPL's forecasted OSS margins.

Q: What OSS margins does IPL propose tracking in its current proceeding?

A: IPL proposes tracking $11,914,265[15] total OSS margins customer charge through its OSS Margin Sharing Adjustment. This includes $(957,429)[16] forecasted OSS margins over-recovery plus the $12,871,694[17] OSS margins variance from the prior period reconciliation.

Q: What is the impact of IPL's proposed OSS Margin Sharing Adjustment factor on a typical residential customer's monthly bill?

A: The impact on the monthly bill, for a typical residential customer using 1,000 kWh per month, is an approximate $0.32 decrease.[18]

Q: How were IPL's forecasted OSS margins calculated for the June 2021 through May 2022 period?

A: IPL forecasted $18,963,914 OSS margins for the June 2021 through May 2022 period.[19] After removing the forecasted Lakefield Wind Project revenues, which are returned to customers through IPL's Fuel Adjustment Clause ("FAC") process, the forecasted net OSS margins are $17,281,429.[20] The $16,324,000 base rate amount was subtracted from this amount to derive the $957,429 net margin revenue above the base level.

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[14] See Jackson, p. 7, lines 9-16.
[15] See Petitioner's Attachment PJD-2, Sch. 1, line 3
[16] See Petitioner's Attachment PJD-2, Sch. 2, p. 2, line 42.
[17] See Petitioner's Attachment PJD-2, Sch. 3, line 6.
[18] See Donlon, p. 15, lines 13-14.
[19] See Jackson, p. 8, line 4 and Petitioner Attachment PJD-2, Sch. 2, p. 1, line 13.
[20] See Jackson, p. 8, line 7 and Attachment PJD-2, Sch. 2, p. 2, line 39.

Q: Did IPL explain why forecasted OSS margins were higher for the 12-month period ending May 31, 2022 in comparison to the prior year's forecast?

A: Yes. Mr. Jackson testifies the higher forecasted OSS margins for the period ending May 31, 2022 are primarily due to higher natural gas prices increasing expectations for future power prices during the period.[21]

Q: How was IPL's OSS margin variance, for the June 2019 through May 31, 2020 reconciliation period, calculated?

A: Actual OSS margins for the June 2019 through May 2020 period were $12,876,872.[22] This amount was reduced by $2,417,555 for sales attributed to the Lakefield Wind Project which were reconciled in the FAC process, resulting in a total $10,459,318 OSS margin revenue received during the 12-month period ending May 2020. This actual OSS margin revenue was netted against the $16,324,000 OSS margin embedded in base rates, for a total $5,864,682 net OSS margin under-collection charge to customers. The resulting net OSS margin under-collection charge was then adjusted for the actual $7,007,012 net OSS margin credits paid over the period,[23] for a total $12,871,694[24] under-recovery variance.

Q: Did IPL provide supporting evidence for the OSS margins under-recovery variance during the reconciliation period?

A: Yes. According to Mr. Jackson, the lower OSS margins were primarily caused by mild winter weather, with December 2019 and January 2020 temperatures above normal, and the impacts of COVID-19 in the spring of 2020. The warmer winter weather negatively impacted natural gas and power prices during the period.

[21] See Jackson, p. 8, lines 8-10.
[22] See Attachment PJD-2, Sch. 4, line 13.
[23] See Petitioner's Attachment PJD-2, Sch. 5, line 14.
[24] See Petitioner's Attachment PJD-2, Sch. 3, line 6.

Additionally, beginning in March 2020, the energy markets experienced a drop in demand from commercial, industrial, government offices, and schools due to COVID precautions and stay at home protocols. Further, as a result of these factors, Petersburg Units 1 through 4 were offline due to economics for parts of March through the end of May. These outages were discussed in detail as part of IPL's FAC proceedings, Cause No. 38703 FAC 128 and FAC 129. Additionally, Petersburg Unit 1 experienced a forced outage due to a lightning strike on July 21, 2019, which caused damage resulting in immediate shut down of the unit. Unit 1 did not return to service until September 20, 2019. This outage was discussed in Cause No. 38703 FAC 125 and FAC 126.[25]

IV. CONCLUSION

Q: What do you conclude regarding IPL's proposed CAP Adjustment and OSS Margin Sharing Adjustment tracking factors?

A: Based on my analysis of Petitioner's proposed CAP and OSS Margin Sharing Adjustment Factors for the billing period June 2021 through May 2022, IPL's proposed factors comply with the ratemaking and accounting treatment the Commission authorized in Cause No. 45029.

Q: Does this conclude your testimony?

A: Yes.

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[25] See Jackson, p. 6, line 9 through p. 7, line 2.

APPENDIX A

Q: Please describe your educational background and experience.

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

Q: Have you previously testified before the Commission?

A: Yes.

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

A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility Regulatory Commission. This involves, among other things, reading testimonies of petitioners and intervenors, previous orders issued by the Commission, and any appellate opinions to inform my analyses. I prepare and present testimony based on these analyses and make recommendations to the Commission on behalf of Indiana utility consumers.

Public's Exhibit No. 1
Cause No. 44795 OSS-5
Attachment KGL-1

Indianapolis Power & Light Company
Cause No. 44795 OSS-5

Calculation of Capacity Sales Adjustment Impact on Customer Bills
For the Period of June 1, 2021 through May 31, 2022

Line No.	Description	Total	Residential Customer (Only)	
1	Total Forecasted kWh Sales for 12 month period ending May 2022	13,420,242,000	5,246,225,000	
2	Forecasted Capacity Purchase Expense	-	-	
3	Less: Amount Included in Base Rates per Cause No. 45029	-	-	
4	Total Forecasted Capacity Purchase Expense - Expense/(Revenue)	-	-	
5	Forecasted Capacity Sales Revenue - Expense/(Revenue)	$ (188,748.00)	$ (80,180.15)	
6	Less: Amount Included in Base Rates per Cause No. 45029	$ 11,288,000.00	$ 4,795,142.40	
7	Total Forecasted Capacity Sales Revenue - Expense/(Revenue)	$ 11,099,252.00	$ 4,714,962.25	
8	Net Capacity Expense/(Revenue) (Line 4+Line 7)	11,099,252.00	4,714,962.25	(1)
9	CAP Adjustment Reconciliation for June 2019 - May 2020 - Under/(Over) Recovery	2,593,105.08	1,057,119.10	
10	Total Recovery Through CAP - Charge/(Credit)	13,692,357.08	5,772,081.35	
11	CAP per kWh Excluding IURT (Line 10/Line 1)		0.001100	
12	CAP per kWh Including IURT (Line 11/(1-0.014)/(1-0.05002)))		$ 0.001117	(2)
13	Less: Current Approved CAP Adjustment Factor		0.000886	
14	Increase/(Decrease) in CAP (Line 12-Line 13)		$ 0.000231	
15	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 14* 1,000 kWh per month)		$ 0.23	

(1) $11,099,252 multiplied Residential demand allocation of 42.28%
(2) Difference due to rounding.

Public's Exhibit No. 1
Cause No. 44795 OSS-5
Attachment KGL-2

Indianapolis Power & Light Company
Cause No. 44795 OSS-5

Calculation of Off-System Sales Margin Sharing Adjustment Impact on Customer Bills
For the Period of June 1, 2021 through May 31, 2022

Line No.	Description	Total	Residential Customer (Only)	
1	Total Annual Forecasted kWh Sales	13,420,242,000.00	5,246,225,000.00	
2	Forecasted Annual OSS Margin	18,963,914.00	8,055,870.67	
3	Less: OSS Attributed to LWP	1,682,486.00	714,720.05	
4	Total OSS Net of LWP Margin for June 2019 through May 2020 (Line 2-Line 3)	17,281,428.00	7,341,150.61	
5	Less: OSS Margin Credit Included in Base Rates per Cause No. 45029	$ 16,324,000.00	6,934,435.20	
6	Net Margin Revenue Over/(Under) Base	957,428.00	406,715.41	
7	Net Charge/(Credit) for Customer (If Line 4 is greater than $0, and greater than Line 5, then Line 6 times 100%=Customer Credit)	(957,428.00)	(406,715.41)	
8	OSS Adjustment Reconciliation for June 2019-May 2020 - Under/(Over) Recovery	12,871,696.17	5,621,944.85	(1)
9	Total Net Customer - Charge/(Credit)	11,914,268.17	5,215,229.43	
10	OSS per kWh Excluding IURT (Line 9/Line 1/1000)		0.000994	
11	OSS per kWh Including IURT (Line 10/(1-(0.014)/(1-.05002)))		$ 0.001009	
12	Less: Current OSS Adjustment Factor (OSS-4)		0.001327	
13	Increase/Decrease in OSS (Line 11-Line 12)		$ (0.000318)	
14	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 13*1,000 kWh per month)		$ (0.32)	

(1) Difference due to rounding

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. 44795 OSS-05
Indianapolis Power & Light Co.

April 16, 2021

CERTIFICATE OF SERVICE

This is to certify that a copy of the Indiana OUCC's Testimony of Kaleb G. Lantrip has been served upon the following parties of record in the captioned proceeding by electronic service on April 16, 2021.

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