

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER &)
LIGHT COMPANY D/B/A AES INDIANA)
PURSUANT TO IND. CODE § 8-1-39-9 FOR: (1))
APPROVAL OF AN ADJUSTMENT TO ITS)
ELECTRIC SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION, AND)
STORAGE SYSTEM IMPROVEMENT)
CHARGE (“TDSIC”) RATE SCHEDULE,)
STANDARD CONTRACT RIDER NO. 3; AND (2))
AUTHORITY TO DEFER 20% OF THE)
APPROVED CAPITAL EXPENDITURES AND)
TDSIC COSTS FOR RECOVERY IN)
PETITIONER’S NEXT GENERAL RATE CASE.)

CAUSE NO. 45264 TDSIC-3

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

WES R. BLAKLEY - PUBLIC’S EXHIBIT NO. 1

AUGUST 23, 2021

Respectfully submitted,



Jeffrey M. Reed
Attorney No. 11651-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 45264 TDSIC-3
INDIANAPOLIS POWER AND LIGHT COMPANY D/B/A AES INDIANA

I. INTRODUCTION

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

2 A: My name is Wes R. Blakley and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am a Senior Utility Analyst for the Office of Utility Consumer Counselor
6 (“OUCC”).

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

8 A: My testimony addresses Indianapolis Power and Light Company d/b/a AES
9 Indiana’s (“IPL”) proposal to adjust its electric rates through a Transmission,
10 Distribution, and Storage System Improvement Charge (“TDSIC”) mechanism
11 pursuant to Ind. Code ch. 8-1-39. I address IPL’s TDSIC revenue requirement
12 calculation, as proposed and shown in IPL witness Natalie Herr Coklow
13 Attachments NHC-1 through NHC-11. I also comment about specific issues
14 relating to the TDSIC tracker discussed by IPL witness Chad A. Rogers.

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

17 A: I reviewed IPL’s petition, testimony, workpapers, and exhibits filed in this Cause.
18 I also reviewed the Commission’s Cause No. 45264 TDSIC-1 Order (IPL’s initial
19 TDSIC tracker cost recovery filing).

II. IPL'S TDSIC PROPOSAL PURSUANT TO IND. CODE 8-1-39
("TDSIC STATUTE")

1 **Q: Under IPL's proposal, how are TDSIC costs going to be recovered through**
2 **its revenue requirements?**

3 A: Ms. Coklow explains IPL's TDSIC revenue requirement is calculated for
4 transmission and distribution investments incurred as of March 31, 2021 and
5 includes: 1) a return on TDSIC capital improvements; 2) regulatory assets for
6 carrying charges; 3) deferred depreciation and accumulated depreciation; 4) the
7 recovery of forecasted expense and amortization of costs recorded through March
8 31, 2021 for carrying charges; and 5) TDSIC Plan ("Plan") development costs,
9 depreciation, and property taxes. The TDSIC Statute authorizes timely recovery
10 of 80% of the approved revenue requirement on the TDSIC costs and the creation
11 of a regulatory asset for the remaining 20% of the approved capital expenditures,
12 including carrying charges, until such costs are reflected in IPL's retail electric
13 rates.

14 **Q: What are the TDSIC costs IPL proposes to recover for its TDSIC-3 projects?**

15 A: IPL proposes to recover a total revenue requirement of approximately
16 \$16,112,000 for its TDSIC-3 projects. This includes recovery of approximately
17 12,753,000 annual revenue requirement, which consists of a return on new
18 TDSIC completed investment, Construction Work in Progress ("CWIP"), and
19 deferred post in service carrying charges ("PISCC") as of March 31, 2021. IPL's
20 total revenue requirement also includes recovery of: 1) \$1,534,000 operating
21 expenses, which includes property taxes; 2) \$969,000 depreciation expense
22 (including a \$410,000 credit for retirements); 3) \$800,000 amortization expense

1 for Plan development costs over three years; and 4) \$56,000 amortization of
2 PISCC over the life of the transmission and distribution assets. After applying
3 the 80%/20% split, the 80% cash revenue requirement to be tracked in TDSIC-3
4 totals \$12,889,600, with \$3,222,400 representing 20% of the revenue
5 requirement that will be deferred for recovery in IPL's next base rate case.

6 **Q: Did IPL make any additional adjustments in its TDSIC-3?**

7 A: Yes. As indicated by Ms. Coklow on page 14 of her testimony, IPL reflected a
8 correction from TDSIC-1 recalculation of the capital structure, which results in a
9 \$67,000 one-time credit (\$36,000 one-time credit for residential customers).
10 Adding this \$67,000 credit to IPL's proposed \$12,889,600 cash revenue
11 requirement results in \$12,822,600 (\$6,934,879 for residential customers) total
12 TDSIC-3 costs to be recovered through the TDSIC tracker.

13 **Q: Using IPL's data, have you verified its rate calculation and the rate impact**
14 **for residential customers?**

15 A: Yes. Attachment WRB-1 displays my calculation of IPL's TDSIC-3 rate for
16 residential customers. Both the transmission and distribution revenue requirement
17 components are summed and multiplied by 80% to derive the eligible
18 transmission and eligible distribution cash revenue requirements for tracking in
19 TDSIC-3. These amounts are then multiplied by the transmission residential
20 service rate allocation percentage investment and the distribution residential rate
21 allocation percentage investment to derive the transmission cash revenue
22 requirement and distribution cash revenue requirement for residential customers.
23 Next, the cash revenue requirements for transmission and distribution are summed
24 and the one-time credit related to the TDSIC-1 cost of capital calculation

1 correction is added. The resulting product is then divided by the total projected
2 annual residential kWh sales, resulting in a TDSIC-3 rate of \$0.001326 per kWh
3 for residential customers.

4 **Q: What is your opinion of IPL's estimated TDSIC adjustment factors for the**
5 **relevant period?**

6 A: Nothing came to my attention indicating IPL's calculation of estimated TDSIC-3
7 adjustment factors for the relevant period is unreasonable.

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

9 A: Yes.

APPENDIX A

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

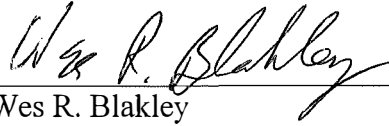
2 A: I received a Bachelor of Science Degree in Business with a major in Accounting
3 from Eastern Illinois University in 1987 and worked for Illinois Consolidated
4 Telephone Company until joining the OUCC in April 1991 as a staff accountant.
5 Since that time, I have reviewed and testified in hundreds of tracker, rate cases
6 and other proceedings before the Commission. I have attended the Annual
7 Regulatory Studies Program sponsored by NARUC at Michigan State University
8 in East Lansing, Michigan as well as the Wisconsin Public Utility Institute at the
9 University of Wisconsin-Madison Energy Basics Program.

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

11 A: Yes.

AFFIRMATION

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



Wes R. Blakley
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

Cause No. 45264 TDSIC-3 – AES Indiana

Date: August 23, 2021

Indianapolis Power and Light ("IPL")
 Cause No. 45264 TDSIC-3

Calculation of Environmental Cost Adjustment ("TDSIC") Tracker Rate for Residential Customers (RS)

Cash Revenue Requirements for the 80% Trackable TDSIC Transmission and Distribution Projects

		Rate RS		
		Allocation %	Rate RS	
<u>Transmission Revenue Requirement</u>				
Return on Transmission Investment	\$2,442,000			
Property Tax Expense	217,000			
Depreciation Expense	96,000			
Plan Development Cost - Amortization	140,000			
Deferred Post in Service Carrying Charge - Amortization	3,000			
Total Transmission Revenue Requirement	<u>\$2,898,000</u>			
Times: 80%		80%		
Total 80% Transmission Cash Revenue Requirement		<u>\$2,318,400</u>	40.50%	<u>\$938,952</u>
<u>Distribution Revenue Requirement</u>				
Return on Distribution Investment	\$10,311,000			
Property Tax Expense	1,317,000			
Depreciation Expense	873,000			
Plan Development Cost - Amortization	660,000			
Deferred Post in Service Carrying Charge - Amortization	53,000			
Total Distribution Revenue Requirement	<u>\$13,214,000</u>			
Times: 80%		80%		
Total 80% Distribution Cash Revenue Requirement		<u>\$10,571,200</u>	57.06%	<u>6,031,927</u>
Total Transmission and Distribution Revenue Requirement (80%)				<u>\$6,970,879</u>
Less: TDSIC - 1 True-Up Cost of Capital				<u>36,000</u>
Total Net Transmission and Distribution Revenue Requirement (80%)				<u>\$6,934,879</u>
Annual kWh Sales for RS				5,231,643
TDSIC-3 Adjustment Factor (per kWh)				\$1.326

CERTIFICATE OF SERVICE

This is to certify that a copy of the Indiana Office of Utility Consumer Counselor's Testimony of Wes R. Blakley has been served upon the following parties of record in the captioned proceeding by electronic service on August 23, 2021.

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