

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) CAUSE NO. 45361
APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES FOR ELECTRIC)
SERVICE AND FOR APPROVAL TO MODIFY)
ITS ENERGY COST ADJUSTMENT)
PROCEDURES)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 24th day of August, 2020, by and between Richmond Power & Light (“RP&L” or “Utility”) and the Indiana Office of the Utility Consumer Counselor (“OUCC”) (collectively, the “Settling Parties”), who stipulate and agree for purposes of settling all matters in this Cause between them that the terms and conditions set forth below represent a fair, reasonable, and negotiated compromise resolution of all issues in this Cause, subject to their incorporation in a final order of the Indiana Utility Regulatory Commission (“Commission”).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On March 24, 2020, RP&L initiated this Cause by filing a Petition to adjust its rates and charges for electric service and for authority to modify its energy cost adjustment (“ECA”) procedures.

2. **Prefiled Evidence of Parties.** In support of its Petition, RP&L filed the prefiled testimony and exhibits of Randall W. Baker, Laurie A. Tomczyk, Joseph A. Mancinelli and Andrew J. Reger. On July 2, 2020, the OUCC filed the prefiled testimony and exhibits of Kaleb G. Lantrip, Wes R. Blakley, Anthony A. Alvarez, Lauren M. Aguilar, Caleb R. Loveman, and Peter M. Boerger. The case was settled before rebuttal testimony was filed.

3. **Settlement.** Through analysis, discussion, and extensive negotiation, as aided by their respective technical staff and experts, RP&L and the OUCC have now agreed on the terms and conditions as described herein that resolve all issues between them in this Cause.

4. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree that RP&L should be authorized to increase its rates and charges for electric service to reflect a total net revenue requirement in the amount of \$86,551,153 resulting in a total increase of 7.23% over RP&L’s current revenues at existing rates. The Settling Parties further agree that RP&L shall implement its overall 7.23% rate increase over three (3) phases with the first phase (“Phase I”) in the amount of 3.72% to be effective upon the issuance of the Commission’s final order in this Cause. The second phase (“Phase II”) in the amount 2.26% will be effective twelve months after Phase I. The third phase (“Phase III”), in the amount of 1.10%, will be effective twelve months after Phase II. This Revenue Requirement is a decrease of approximately \$1.9 Million from the amount originally requested by RP&L. Below is the agreed upon revenue requirement calculation, which is determined in accordance with I.C. § 8-1.5-3-8:

| | |
|--|----------------------|
| Purchased Power Expense | \$63,409,146 |
| O&M Expense | \$12,486,349 |
| Depreciation Expense | \$4,584,845 |
| Amortization Expense | \$2,321,930 |
| Taxes Other Than Income Taxes | \$2,348,084 |
| Other Revenue and Interest Income | (\$156,268) |
| Return on Plant | \$2,484,616 |
| <u>Revenue Requirement</u> | <u>\$87,478,702</u> |
| Plus: URT Amt on Adjustments | \$81,673 |
| Plus: Uncollectible Amt on Adjustments | \$22,052 |
| <u>Total Revenue Requirement</u> | <u>\$87,582,427</u> |
| <u>Less Other Income</u> | <u>(\$1,031,274)</u> |
| <u>Net Revenue Requirement</u> | <u>\$86,551,153</u> |

All other issues set forth in RP&L’s case-in-chief that are not specifically addressed in this Joint Stipulation and Settlement Agreement shall be approved as proposed by RP&L as set forth in its supporting Settlement Testimony.

5. **Allocation of Agreed Upon Increase in Operating Revenues.** The cost of service study (“COSS”) prepared by NewGen Strategies & Solutions attached to the Settlement Testimony of Joseph M. Mancinelli was used by RP&L to establish a new schedule of rates and charges implementing the authorized increase in operating revenues.

6. **Rate of Return.** RP&L will be authorized to earn a return on net utility plant of 4.59%.

7. **Mitigation of COSS Cost Allocations.** At the as-settled revenue increase, the Parties agree that RP&L’s rate increases by class shall be as follows:

| | As-Settled Rate Increases |
|-------------------------------|------------------------------|
| Residential | 11.89% |
| Commercial Lighting Service | 2.58% |
| General Power Service | 4.37% |
| Large Power Secondary | 9.05% |
| Large Power CP - Primary | 4.21% |
| Large Power CP - Secondary | 11.44% |
| Industrial Service - Primary | 4.16% |
| Industrial Service CP Primary | 2.58% |
| Electric Heating Schools | 13.79% |
| General Electric Heating | 8.70% |
| Outdoor Lighting Services | 13.79% |
| Street Light Services | 8.54% |
| System Increase | 7.23% |

8. **Three-Phase Rate Increase Methodology.** The Parties agree that RP&L’s rate increase will occur in three phases¹ as set forth below:

¹ The phase percentage increases are compounded to result in the total percentage increases.

| Class | Phase 1 | Phase 2 | Phase 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Residential Electric Service | 3.65% | 3.90% | 3.90% | 11.89% |
| Commercial Lighting Service | 2.58% | 0.00% | 0.00% | 2.58% |
| General Power Service | 3.48% | 0.86% | 0.00% | 4.37% |
| Large Power Service - Secondary | 5.00% | 3.86% | 0.00% | 9.05% |
| Large Power Services - Coincident Peak - Primary | 3.40% | 0.78% | 0.00% | 4.21% |
| Large Power Services - Coincident Peak - Secondary | 5.00% | 5.00% | 1.08% | 11.44% |
| Industrial Service - Primary | 3.38% | 0.75% | 0.00% | 4.16% |
| Industrial Service Coincident Peak - | 2.58% | 0.00% | 0.00% | 2.58% |
| Electric Heating Schools | 4.40% | 4.40% | 4.40% | 13.79% |
| General Electric Heating | 5.00% | 3.52% | 0.00% | 8.70% |
| Outdoor Lighting Services | 4.40% | 4.40% | 4.40% | 13.79% |
| Street Light Services | 5.00% | 3.37% | 0.00% | 8.54% |

9. **Customer/Facility Charges and Rate Schedules.** The Settling Parties agree that the monthly customer/facility charge for the Residential Class shall be increased by seventy-five cents (\$0.75) in each of the three phases, for a total increase in the monthly customer/facility charge of two dollars and twenty-five cents (\$2.25), resulting in a total residential customer/facility charge not to exceed \$12.25. Mr. Mancinelli will present the Rate Design Model in his Settlement Testimony which includes the rate schedules for each class setting forth the monthly customer/facility charges, demand charges and energy charges for each customer class as agreed to by the Settling Parties. Mr. Mancinelli's Settlement Testimony also includes a revenue proof demonstrating that the agreed schedule of rates and charges will produce the annual Revenue Requirement agreed upon herein. The Settling Parties further agree to the Non-Recurring Charges set forth in Mr. Mancinelli's Settlement Testimony.

10. **Customer Specific Contract Tariff.** The Settling Parties agree that RP&L shall remove and no longer offer a Customer Specific Contract tariff offering.

11. **Restricted Fund Requirements.** The Settling Parties agree that RP&L shall deposit into restricted fund accounts the following amounts (the “Restricted Fund Requirements”).

a. **Coal Combustion Residual ("CCR") Pond.** The Parties agree to an average annual amount of \$2,321,930, as agreed to as part of the revenue requirement such that at the conclusion of the agreed six-year amortization period, the restricted fund account for the CCR Pond liability will be funded at a total of \$13,931,580. Due to the phased-in rate structure, RP&L will fund \$6,965,790 into the restricted fund account for the CCR Pond liability over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund the restricted account in later years, so the annual funding levels will not be the same for each year of the three-year phase in period. After the three-year phase in period, the average annual funding level will be \$2,321,930.

b. **WWVS Decommissioning.** The Parties agree to an average annual amount of \$953,721. This amount is “below-the- line” and not a component of the revenue requirement. Due to the phased-in rate structure, RP&L will fund \$2,861,163 into the restricted account over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund this account in later years, so the annual funding levels will not be the same for each year of the three-year phase-in period. After the three-year phase-in period, the average annual funding level for the WWVS decommissioning liability will be \$953,721 for the remainder of the agreed nine-year amortization period.

c. **Miscellaneous Substation Modifications.** The Parties agree to an average annual amount of \$200,000. This amount is “below-the- line” and not a component of the revenue requirement. Due to the phased-in rate structure, RP&L will fund \$600,000

into the restricted account over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund this account in later years, so the annual funding levels will not be the same for each year of the three-year phase-in period. After the three-year phase-in period, the average annual funding level for Miscellaneous Substation Modifications will be \$200,000 for the remaining life of RP&L's rates set herein.

12. **System Modifications and Rebuilds.** The Settling Parties agree to a \$450,000 funding level amount for System Modifications and Rebuilds, and RP&L shall file annual progress report for these projects and associated expenditures throughout its Seven-Year Capital Improvement Plan. RP&L shall identify and provide the descriptions of the individual System Modifications and Rebuilds projects it is undertaking for the current year and following year in its annual progress report including the corresponding status, budget and expenses of previous, current and future projects. RP&L shall provide project information in a manner that promotes transparency and traceability of these projects in its annual progress report. RP&L's capital plan reports will be filed with the Commission and the OUCC beginning December 31, 2021 for the preceding 12-months, and will occur annually thereafter.

13. **Future Base Rate Case Filing.** The Settling Parties agree that no later than January 1, 2026, RP&L will file a new petition for Commission review of RP&L's base rates, which shall include a Commission determination of the appropriateness of continuing RP&L's Restricted Fund Requirements set forth above.

14. **Electric Vehicle Program.** The Settling Parties agree that RP&L's proposed \$100,000 budget for the electric vehicle ("EV") program will be removed from its capital budget, which is "below the line" and is not a component of the revenue requirement and that the EV

tariff included in Mr. Mancinelli's Settlement Testimony shall be approved. The Settling Parties further agree that RP&L shall annually report the following to the OUCC and the Commission:

- a. The number of customers in RP&L service territory who drive an EV prior to the beginning of the tariff's effective date, and yearly thereafter;
- b. The number of customers using the RP&L-provided public station each day;
- c. The duration of each charge;
- d. The kWh of each charge;
- e. The time of day charges occurred (at the very least, off-peak vs. on-peak);
- f. The general location of the customer (local or out of state) if reasonably discernable by RP&L; and
- g. The battery level of the EV prior to charging and the charge level at the conclusion (i.e. was the car empty when it started and full when it left) if reasonably discernable by RP&L.

RP&L's EV reports will be filed with the Commission and the OUCC beginning December 31, 2021 including data for the preceding 12-months, and will occur annually thereafter.

15. **Micro Turbine/Distributed Generation Pilot**. The Settling Parties agree that RP&L shall remove the \$100,000 budgeted amount for the Micro Turbine/DG Pilot, which is "below the line" and is not a component of the revenue requirement.

16. **Vehicle Acquisition and Replacement**. The Settling Parties agree to a normalized amount of \$521,277 for Vehicle Acquisition and Replacement, which is "below the line" and not a component of the revenue requirement.

17. **Line Extensions and New Loads**. The Settling Parties agree to a normalized amount of \$300,000 for Line Extensions and New Loads, which is "below the line" and not a component of the revenue requirement.

18. **Admissibility and Sufficiency of Evidence**. The Settling Parties stipulate to the admissibility of the testimony and exhibits presented by the Settling Parties in this proceeding. The Settling Parties agree that the prefiled evidence constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the

Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

19. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, and is without prejudice to and shall not constitute a waiver of any position that either Settling Party may take with respect to any issue in any future regulatory or non-regulatory proceeding. The Settlement Agreement provides the Settling Parties with certain agreed upon benefits without the uncertainty, risk, and expense of further protracted litigation.

20. **Authority to Execute.** The undersigned hereby represent and agree that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients who will hereafter be bound thereby.

21. **Proposed Order.** The Settling Parties hereby agree to submit a proposed final order for issuance by the Commission which the Settling Parties will file after the evidentiary hearing in this matter.

22. **Approval of Settlement Agreement in its Entirety.** As a condition of this Settlement, the Settling Parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties. The Settling Parties further agree, unless otherwise separately agreed to in writing by the Settling Parties, that in the event the Commission does not issue a Final Order in the form

that reflects the Agreement described herein, the matter should promptly proceed to a litigated hearing, and the Commission should thereafter rule based on the litigation evidence of record in this proceeding. The Settling Parties agree that, in such event, the evidence of record and any post-hearing filings should be considered by the Commission as if no settlement had been reached, unless otherwise agreed by all Settling Parties in a writing that is filed with the Commission. All settlement discussion shall be treated as privileged and confidential. The Settling Parties represent that there are no other agreements in existence between them relating to matters covered by this Settlement Agreement.

23. **Confidentiality.** The parties recognize that certain confidential information has been shared through discovery in this matter. Such information includes (but is not limited to) the confidential Revenue Requirement Study and the confidential electronic Cost of Service Study performed by NewGen Strategies and Solutions, which includes customer-specific proprietary usage data. The OUCC has entered into a confidentiality agreement with RP&L and the parties shall treat all such confidential information as confidential information in accordance with such agreement(s).

ACCEPTED AND AGREED:

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