STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER COMPANY, AN INDIANA CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A PHASE IN RATE ADJUSTMENT; AND FOR APPROVAL OF RELATED RELIEF INCLUDING: (1) REVISED DEPRECIATION RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION IN RATE BASE OF QUALIFIED POLLUTION CONTROL PROPERTY AND CLEAN ENERGY PROJECT; (4) ENHANCEMENTS TO THE DRY SORBENT INJECTION SYSTEM; (5) ADVANCED METERING INFRASTRUCTURE; (6) RATE ADJUSTMENT MECHANISM PROPOSALS; AND (7) NEW SCHEDULES OF RATES, RULES AND REGULATIONS.	)	**CAUSE NO. 45235**

South Bend's Exceptions to I&M's Proposed Order

South Bend's Exceptions to I&M's Proposed Order primarily respond to those sections of the Proposed Order that address matters on which South Bend presented evidence or cross examination. Following a brief Summery section, each South Bend Exception section herein follows the format of I&M's Proposed Order and would allow it to be substituted for or dropped within I&M's matching section. South Bend takes general exception to I&M's entire Proposed Order and specific exceptions as presented herein. Unless otherwise stated herein, not addressing some sections of I&M Proposed Order is not intended to be, nor should it be viewed as agreement with those sections, acceptance of those sections or a wavier of any South Bend's right to address or oppose those I&M positions here and in the future. South Bend relies on the other consumer parties to provide a summary of their own evidence and thereafter will respond as needed.

SUMMARY

South Bend's positions and requests are clear, well supported, and meritorious.

Streetlights. Each month South Bend is charged excessive rates for about 9,000 inefficient, obsolete I&M owned High Pressure Sodium (HPS) and Mercury Vapor (MV) streetlights. I&M's cost of service study ("COSS") shows SL streetlight customers currently pay a 11.27% return on investment while I&M's overall class return is 3.41%. (WP att. MWN-2 P.4). I&M's proposal would have municipal SL customers paying an even higher 12.83% return on investment. *Id.* South Bend needs every dollar it can save to continue to provide diverse public services to its citizens, including the public safety and commercial stimulus service of street lighting. Property tax caps exert increased budgetary municipal pressure. It is egregious that these 100% public service dedicated governmental entities have been charged rates that yield three times the average return, and are now designed by I&M to charge even more. Streetlights are a tiny portion of I&M's annual revenue, but annual streetlight charges are the first or second highest annual municipal electric costs. Elimination of the streetlight subsidy will have de minimus impact on other rate classes, but yield desperately needed material savings to municipalities struggling to pay for their diverse public services and will promote installation of new streetlights. I&M's ECLS LED rates do not reflect the lower O&M cost and longer lives of LED's. The rates should be lower and be less than HPS rates.

Public Efficient Streetlight Program (PES) I&M's PES framework for municipalities to have I&M replace its own obsolete inefficient streetlights with LEDs is so overpriced that among I&M's 72 municipal customers not a single streetlight has been converted to LED. The abject failure of PES to create such easily harvested energy savings, enhanced nighttime public safety and commerce is tragic.

South Bend has great interest in its 9,000 I&M owned streetlights being converted to LED, to promote energy efficiency, environmental stewardship, operating savings and public nighttime safety, but the LED rates must be reasonable. Yet in this case I&M proposes to raise its already overstated PES rates. All of I&M's rates, services and tariffs are subject to review in a base rate case where the utility alleges its rates are insufficient to meet expenses and provide a reasonable return. PES rates are premised on I&M's maintenance cost for old technology HPS streetlights. That overstates PES rates to be charged to very long-lived low maintenance cost LED streetlights. I&M contends these excessive PES rates and charges and their failure to improve public safety energy savings and environmental stewardship have no place in this rate case. Rather it argues South Bend should take no action here, not address I&M's existing LED rates and tariffs, but wait for I&M's DSM case, and fervently hope there to get fair PES rates approved. However, there is no certainty the PES rates resulting from the DSM docket will be fair to South Bend, or that PES will even get approved at all in that docket.

In I&M's last base rate case South Bend complained about I&M's failure to provide reasonable LED conversion rates. The Settlement Agreement Section 14.4 required I&M to meet with South Bend and discuss these rates. South Bend has received no streetlight relief from I&M and is back again protesting I&M's unreasonable LED and non LED street light rates. South Bend has invested in seeking affordable LED conversion rates and the Commission has the regulatory authority and ability to require and approve new I&M LED conversion rates. I&M's failure to reasonably convert its obsolete energy wasteful streetlights to LED is an inadequate service. The public well being warrants strong Commission support in this Cause and if needed elsewhere, to contour I&M's LED conversion rates to not be excessive and to

support South Bend's public service efforts to affordably implement efficient public LED lighting for its streets, walkways and business areas.

COSS. The record includes COSS proposals for 12 C P, 6 C P, 5 CP, 4 C P, and 3 C P. The record makes clear that I&M's annual customer electricity demands peaks are May – September, with the highest peaks in June, July and August. I&M is not a summer and winter peaking utility, it is summer peaking. The winter peak demands are far below the warm weather peaks. I&M's most recent IRP shows that I&M expects to remain a summer peaking utility through 2038. I&M's plant is sized, built and cost based on the designs and engineering needed to meet highest peak demands. Meeting lower peaks is automatically satisfied by the fixed costs required to safely and reliably meet the highest peak demands. True cost of service supports a 3 CP method based on the three highest warm weather month peaks, but a 5 CP method is also acceptable because includes all the peak warm weather months, which each greatly exceed the winter month peaks.

AMI. In light of the customer impact of IM's base rate increase just 19 months ago, this request for a base rate increase, I&M's testimony that it will be back with yet another base rate increase in just two years, and the continuing I&M tracker adjustments, I&M's base rate expenses and investments must carefully be separated between those that are truly needed and those not needed or that arguably provide only a modest incremental benefit. I&M's $93,619,000 expenditure on AMI meters is not in the group that is truly needed. I&M's current AMR meters are not that old, function well and enjoy a very low replacement rate. They are not near the end of their functional useful lives and do not require total mass replacement with AMI meters at this

time. I&M has 13,487 spare AMR meters in inventory and if needed, I&M has the ability and business sophistication to secure additional supplies of AMR from a current manufacturer and from functional AMR meters that have been replaced elsewhere. Moreover, I&M failed to show that AMI meters will be a cost effective investment. Rates are already high from investments and expenses determined to be necessary and should not be increased more for what might arguably offer some new attributes but is not needed. If AMI is approved the limited number of AMI opt out customers should if they choose, be allowed to read their own meters to avoid the potentially prohibitive $16.48 monthly reading charge and monthly report to I&M under reasonable terms and conditions like those approved in Duke Cause No. 44963.

PEVs. Electric vehicles will continue to explode in popularity and no time should be lost in developing and supporting PEV charging programs and tariffs that ensure EVs are charged efficiently off-peak with savings benefits to PEV users and demand management benefits to the entire I&M system. Contouring PEV charging to efficiently occur at night using Level 2 240 volt service allows the PEV to be fully charged by the morning commute, and diverts to the off peak valley what otherwise will be material peak load growth. Shifting PEV charging off peak provides all I&M customers the valuable cost reducing electric service of helping divert the need for matching amounts of future generation and or purchased power growth. I&M's proposal for PEV incentives should be approved, but it's off peak incentive rate is overstated and instead should be lower to reflect off peak costs. Pricing should follow cost and be efficient. PEV off peak load charging rates should not be yet another class that provides a hefty rate subsidy. Also, there is no good reason to exclude I&M's DG customers from I&M's PEV off peak program.

Economic Development Programs. When Hoosier jobs are created or retained all stakeholders benefit from the direct and the ripple effects of increased economic cash flow. Creating jobs in

part drives the sale of electricity thereby helping all electric customers by spreading fixed costs over increased sales. New employment opportunities help reduce uncollectable expense and increase tax revenues for local and state governments. These improve I&M's provision of electric service. I&M's modest economic development programs help improve its service area economy. They should be approved, expanded and I&M and its owner should be encouraged to do more on its own in financially supporting Economic development programs with shareholder funding, while being transparent and in close partnership with local experts and community leaders.

Customer Assistance Programs. With I&M's next projected base rate case in two years, its base rates will have increased three times over about 4 to 5 years. I&M's customer assistance programs will provide customers with assistance, education, and tools to help the financial resiliency of customers who are challenged to pay their electric bill. Reducing I&M's uncollectable expense and keeping the lights on for people who otherwise would have no electricity are reasonable regulatory goals. The Commission's cornerstone statute Ind. Code 8-1-2-1 makes clear the definition of service in that service is used it its broadest and most inclusive sense and includes among many things including accommodation afforded to consumers. The knowledge and benefits to be gained by these tiny pilot programs is a laudable accommodation and service to the most challenged of I&M customers, will likely yield benefits to all customers and should be approved. At the same time it should be made very clear to I&M that it and its owner with their resources and capacity should themselves do more for I&M's financially vulnerable and not exclusively rely on a revenue requirement program. The programs should be transparent and responsive to community needs.

Municipal Solar Programs (MSP). Renewable energy installations continue to grow in Indiana and so does the cash flow to their out of state owners. The Commission should order I&M to work with the City of South Bend to collaboratively search for ways to implement a MSP, thereby creating more "Indiana First" economic and environmental benefits. The IURC has already ordered NIPSCO to do an MSP in Cause No. 45194. Much has been and will be learned through such collaborative efforts. I&M's tariffs and income tax position are completely different from NIPSCO's and there are many opportunities for "win-win" collaboration in I&M's service territory.

South Bend's Specific Requests for Service Improvements.

South Bend expressed interest in and support for service improvements such as automated Benchmarking, aggregated net metering for public sector local DG customer governments and school districts, virtual aggregation for community/neighborhood/multi-family tenant organizations. These are legitimate areas of service improvement. I&M indicated that it is working on application with First Fuel for benchmarking and aggregating multi site energy usage and is evaluating community solar. Tr. F 74. I&M and South Bend in large part seem to be interested in the same or similar programs and service improvements. That commonality should be harnessed to reach and contour I&M offerings and improvements by agreement when possible. I&M should augment and accelerate its efforts to provide these services with informed customer input to better ensure services under development will meet customer needs. However, that avenue to explore and harness commonality will only happen if it is required and framed by the Commission. Without a Commission framework it will fall to the side of overly busy I&M business schedules. The Commission should require I&M to offering and facilitate with South Bend an ongoing monthly utility / customer renewable energy and energy efficiency

collaborative to exchange information and suggestions for program creation. Improvements or expansion can be vetted with the goal of reaching agreements in these areas.

South Bend Specific exceptions to I&M's Proposed Order at page 8

A 7. **Advanced Metering Infrastructure (AMI)**

3. South Bend's Evidence. Mr. Sommer testified that AMR meters provide the benefits of, reduced meter reading costs, better information on outages, and power quality, many of the same benefits as AMI. He pointed out that currently customers can call or email I&M and report when their power is out. That customer utility information relationship works well and does not require a large additional capital and O&M cost be added to rates. His Attachment 9, I&M's Response to South Bend data request, 4-17 and 4-18, describes the currently installed distribution system devices that allow I&M to monitor circuit loads and outages. Therein I&M stated that AMI would more accurately detect power outage locations and efficiently dispatch crews. But Mr. Sommer testified that with customers trying to cope with continually escalating I&M electric rates, the asserted incremental benefits of AMI do not outweigh AMI's $93,619,000 cost to perhaps do incrementally better than what is already done well. He concluded that the asserted incremental benefits of AMI do not overcome the resulting increase in I&M rates. Sommer 33, 35.

Mr. Sommer also testified I&M's AMR meters are currently operating well. He found nothing that proves I&M's AMR meters are unreliable or failing at an unreasonable rate or will soon fail at an unreasonable rate. He pointed out that I&M did not present a quantitative cost benefit analysis intended to show AMI is cost effective. *Id.* 34. He recommended that if AMI and it associated cost recovery is approved, the $43,000,000 AMR undepreciated balance should not be approved for recovery.

a. AMI Customer Opt-Out

Ms. Dorau testified I&M's proposed customer option to opt out of an AMI meter seems reasonable, understanding that some customers will have personally significant concerns about the AMI technology in their homes. She recommended that I&M allow opt-out customers a self-read option to avoid I&M's proposed $16.48 monthly meter reading charge. Dorau, 17. Ms. Dorau agreed with OUCC that without the self read option the proposed $16.48 monthly meter reading charge will be a barrier that forces an AMI meter on customers who really do not want it on their home, particularly less affluent customers. Dorau Cross Answering, 15.

Mr. Sommer testified some customers dislike AMI because of concerns over their privacy, or having radio frequency radiation emitting device forced on their home, concern that the customer's hour to hour energy usage patterns is a matter of their privacy and should not be

shared without their consent, and concern that AMI is the first step to mandatory time of use rates. He explained such concerns were a matter of contention in both the Ohio and Michigan legislatures. He pointed out that Duke Energy offers its Indiana customers an AMI opt out and self-meter reading opportunity. He concluded to avoid customer dissatisfaction and meet customers reasonable needs, if AMI is approved, I&M should allow customers the right to opt out and allow them to read their own meters and avoid the opt-out customer meter reading charge. Sommer, 34, 36.

5. Discussion and Findings. To support its request for AMI preapproval and cost tracking I&M's Proposed Order argues that based on the record here the question is not "whether" to deploy AMI technology but rather "when" to do so, over a three-year time period or should it be organically as existing meters are naturally replaced? I&M Proposed Order 11. That position ignores that multiple consumer Parties have presented substantial evidence to support the conclusion that I&M's AMI proposal should not at this time be approved regardless of any possible future deployment proposals. OUCC and Intervenors' positions include: AMI should not be approved without a detailed cost/benefit analysis; there is no evidence that proves I&M AMR meters are unreliable or will soon fail at an unreasonable rate; no evidence that the proposed AMI investments are expected to be cost-effective over the life of the investments; I&M provided no supporting cost benefit analysis; and the upward pressure on I&M base rates resulting from AMI replacing the current AMR meters is not warranted at this time, particularly in the face of continually increasing I&M rates.

The evidence here favors a conclusion that I&M's AMR meters continue to provide reasonable and adequate service now, and in the foreseeable future, and do not require replacement at this time. For example, South Bend Cross Exam Ex. 1 shows I&M's discovery response admissions that I&M has approximately 581,000 AMR meters installed since 2005. Over those approximate 14 years I&M has only had to replace approximately 10,000 due to failure to work properly. That's only about 1.7% replacement. In more recent years I&M's AMR meter replacements have been: 2013 -1,019; 2014 - 983; 2015 - 1,171; 2016 - 1,358; 2017 - 1,251; 2018 - 1,392; and as of August 19, 2019 736. The annualized 2019 replacement would mathematically be 736 / 275 days for 2.67 meters per day times 365 days equaling about 976 meters this year. This annual AMR meter replacement rate since 2013 is relatively flat rather than escalating. The annualized replacement rate for that seven year period is not indicative of 581,000 meters that need to be replaced in the next two years. I&M's Response to IURC Data Request 1-02 states that I&M has 13,487 replacement AMR meters in its inventory.

The consumer Parties and the I&M customer statements received at field hearing and in writing since express strong concern over I&M's continual increases in base rates, the most recent of which was 17 months ago. Concern over the affordability of I&M's electric service is common among ratepayers and Intervenors are well documented and legitimate. I&M's

testimony indicates it will seek another rate increase in two years. Balance is needed between approving necessary revenue requirements increases, while trying to not increase revenue requirements for items and activities that are not necessary at this time. We find I&M's AMI replacement proposal should not be approved at this time. The conversion is not proven to be necessary nor cost effective. I&M indicates it expects to be back for another base rate increase in two years, the same two years it expects to take to complete an AMI conversion. If I&M choses to move forward with its proposed AMI conversion it will do so without our preapproval and the wisdom and the prudence and cost effectiveness of its decision and rate base addition can be evaluated at the time of its next base rate case. We find I&M's AMI tracking proposal is also denied. The expected AMI costs are not sufficiently volatile nor sufficiently unpredictable to warrant tracking.

The record here shows that a relatively small percentage of AEP customers will opt out of AMI. AEP Ohio had only about 516 customers opt out of AMI. Tr. B, 114, South Bend CX-2. Yet these are there are customers with strong personal concerns about AMI being attached to and operational in their homes. We find at the time of its next base rate proceeding if I&M again pursues approval of, or has on its own implemented an AMI program it should again offer a customer opt-out option. An opt out option is required in Michigan and Ohio and is reasonable here also. As part of that option we find I&M should offer an opt-out customer self-read option with appropriate customer conformance requirements including that failure to timely provide three meter readings in a twelve month period will justify removal from the self- read option, similar to the customer opt out terms approved for Duke Energy Indiana in Cause No. 44963. Thereby customers can earn the accommodation to read their own meter and timely monthly report to I&M, or be removed from the program for failure to timely provide meter readings.

South Bend Specific exceptions to I&M proposed Order starting page 36.

B. <u>Customer Assistance Programs and Affordability.</u>

3. <u>South Bend's Evidence.</u> Ms. Dorau testified the City is in principle, supportive of I&M's four pilot customer assistance programs as they complement the City's programs to help the most financially vulnerable. She stated the City is very enthusiastic about I&M's proposed Income Qualified Safety & Health Pilot Program as it complements South Bend's Home Repair Initiative. Dorau Direct, 11-12.

Ms. Dorau described South Bend's municipal programs intended to protect and empower South Bend's financially vulnerable. She described South Bend's Home Repair Initiative, South Bend's implementation of lifeline rates for municipal water and sewer customers, South Bend's rideshare for at-risk employees, sector-specific job retraining related to the state's Next Level

Jobs initiatives, and technical assistance from a nationally-renowned safe housing organization to streamline and coordinate lead hazard reduction activities. *Id.* 9-10. She testified that South Bend programs such as these, which target low-income residents, are in danger if South Bend's electricity costs continue to increase. However, if I&M's municipal rates do not increase and, where appropriate, are decreased, these South Bend programs can continue to help those least able to afford increases in their electricity rates. *Id.* 9-10.

Ms. Dorau testified I&M should do more to protect its financially vulnerable customers from the hardship of increasing electric rates pointing to I&M's recent rate increase of July 2018. She stated I&M has the resources and expertise to provide more programs and funding for vulnerable customers unable to adapt to increasing electric rates. *Id.* 10-11.

Ms. Dorau testified there are customers in South Bend who simply don't have the money to pay the increased rates, and existing safety nets like LIHEAP may not be available, or are inadequate. The financially vulnerable customers need the help of all stakeholders – ratepayers, regulators, and investor-owned utilities. The customer assistance programs I&M offers are only modest. They total only $550,000 out of I&M's proposed annual operating revenues of $1,313,249,251. She opined that all I&M regulatory stakeholders should agree to include such a modest amount in rates to help protect the most vulnerable from ever increasing electric costs. She supported I&M's proposed inclusion of these modest programs in base rates. Dorau Cross-Answering, 7-8.

5. Discussion and Findings. South Bend adopts I&M's Discussion and Findings approving the pilot programs with the following end addition:

With approval of these modest customer assistance pilot programs, we expect I&M to collect and analyze data, with the intention to consider adjustment or expansion of these programs. It is appropriate we also address affordability and the potential for I&M itself to do more to make its increasingly costly electricity available to those who can least afford it. Increasing capital investments and operating costs continue to warrant increases in electricity base rates. In fashioning just and reasonable rates we have the authority and obligation to balance the interests of customers and utility owners in setting rates that meet necessary reasonable operating expenses and provide a reasonable return on prudent used and useful utility plant investments while encouraging efficiency. Our ultimate findings on those matters is often not limited to a single point, but often can be set within a range of reasonable outcomes that rests upon our learned expertise judgment and balance.

I&M's most recent base rate increase was just July 2018 and in this case it indicates it expects to return for another base rate increase in just two more years. During cross examination Mr. Thomas very generally referred to the AEP Foundation making investments for I&M

customers. But in the face of I&M's escalating base rates in 2018, here, and estimated again two years from now, it would be appropriate, reasonable and sound business that I&M's owners provide capital and increased efforts to help the most financially vulnerable to be able to afford and to maintain electric service. We strongly encourage I&M and AEP to do so in collaboration with community partners.

South Bend Specific Exceptions to I&M's Proposed Order at page 37

C. Economic Development.

3. South Bend's Testimony. Ms. Dorau testified in support of I&M's proposed economic development programs, with some modifications. Ms. Dorau requested the Apprenticeship and Training pilot list of eligible industries should be expanded to include energy and construction trades (e.g. geothermal installers, HVAC technicians, residential contractors), to provide the skillset to compete in a clean energy economy.

Ms. Dorau requested the Building Development pilot program include renovation of vacant commercial buildings and new construction on infill sites, and to increase the budget for this fund to support these highly-beneficial development opportunities. The proposed budget is only $100,000 per building $150,000 total program cap. She pointed out that I&M's proposal only targets new spec building construction and excludes the renovation of vacant existing commercial buildings. Excluding commercial building reuse misses an opportunity to add material electric customers while strengthening the municipalities and improving neighborhoods. Building renovating may reduce neighborhood blight, encourage further neighborhood redevelopment and may be less resource intensive than building a new spec structure, while creating multiple new I&M business customers. Dorau Direct 21-22.

In Cross Answering testimony Ms. Dorau testified I&M's EIG, Apprenticeship and Training, and Building Development programs are modest investments in developing I&M's expanded portfolio of economic development efforts, they should be approved and the results of the pilot programs should be reviewed and provided to stakeholders and regulators. She testified that given the broad value of an incremental economic development investment, she understood I&M's decision to include these economic development programs in rates.

She noted that I&M economic development efforts contributed to over 4,500 new jobs. She explained Economic development in municipalities means more area jobs and better quality of life for municipal citizens, who also are I&M customers, a chance to reduce the number of people who need financial assistance, including uncollectable account assistance paid for by

I&M customers, improved tax revenues for area and state government from new jobs and the cash flow ripple economic affects for area businesses. Dorau Cross-Answering, 6-7.

Ms. Dorau also testified South Bend is processing I&M EIG applications and in light of the difficulties described by Mr. Fasick, requested the deadline for remaining Cause No. 44967 Settlement-provided EIG funds in both the Second (allocated) and Third (unallocated) components should be extended an additional 2 years, and not end at the time of an order in this case or two years after the last rate case orders approval. She testified South Bend supports Fort Wayne's request for an additional $450,000 in EIG funds, annually, which could include the $137,500 for any eligible customer but should also include specific portions set aside for municipal customers. South Bend supports Fort Wayne's request for continuing EIG at $450,000 or more annually, and requests some funding be reserved for municipal governments.

5. Discussion and Findings.

South Bend accepts I&M's proposed findings with the exception of the last paragraph re EIG

that should be replaced with the following:

Economic development is an engine for economic and social advancement of I&M, its customers and local and state economies. Job creation and retention creates Hoosier paychecks that help reduce disconnections and customers' accounts becoming I&M uncollectable expenses. Economic development grows I&M electricity sales and spreads fixed costs recovery over more customers and increased sales. All of those benefits are within and components of the provision of efficient electric service.

The EIG program approved in I&M's last rate case represents another tool for I&M with its municipal customers to promote economic development benefits. The record here makes clear that at a minimum there is confusion and disagreement regarding what the guidelines are for I&M approval of continuing EIG Applications, as outlined in the Settlement Agreement in Cause No. 44967.

I&M's Proposed Order suggests that aggrieved EIG Applicants should initiate separate Commission complaint proceedings to redress the denial or lack of approval for their individual EIG Applications. Suggesting I&M municipal customers file complaint proceedings to obtain a relatively small amount of funding from a limited pot of money already earmarked to promote economic development in I&M's service territory is an unnecessarily cumbersome and wasteful approach to resolving misunderstandings and ambiguity. Such litigation would be detrimental to municipal customer / utility working relationships, would be contrary to judicial economy and

would potentially have chilling effects on future I&M settlements. I&M's limited earmarked economic development funding at stake should not be allowed to harm I&M's relationship and economic development efforts with its largest and most engaged municipal customers. Mr. Lucas testified that he expects all the EIG funds to have been exhausted by the time of this Order. Tr. G, 37. The expansion of electric service, and societal benefits of economic development are undeniable, e.g. increased sales of electricity to commercial and or industrial customers, spreading of I&M fixed costs over increased sales, jobs for the unemployed, decrease in uncollectable expanse, increased service area cash flow that promotes more business for and more electric sales to other commercial or industrial concerns, increased state and local tax revenue. It is clear the earmarked EIG funds are supposed to promote economic development within I&M's service area, not remain unused and with I&M.

Based on the evidence before us we find that if the 44976 Settlement-provided EIG funds are not fully allocated to Applicants by the date of this Order as expected by Mr. Lucas, then the deadline for those Applications should be extended by one year. These settlement-provided funds from cause 44967 should not be co-mingled with the ratepayer-provided EIG funds approved by this order. We find I&M and the Applicants should promptly work in good faith to collaboratively resolve their confusion and disagreement regarding what the guidelines are for I&M approval of EIG Applications. If there is no resolution within 90 days of the date of this order I&M and the Applicants should jointly file a report with this Commission detailing the disagreements and reasons EIG funds are not being allocated and provide copies of the Applications.

We find I&M's proposed economic development pilot programs in this case are unduly modest and should be increased by $200,000, with $150,000 of that additional amount earmarked for the Building Development pilot and the remaining $50,000 earmarked for the EIG program. With those additions we approve the following amounts: Apprenticeship and Training program at $350,000 per year for two years, Building Development Pilot at $300,000 per year for two years, and the EIG program at $187,500 in the test year and beyond. We find that these economic development pilot programs offer benefits to I&M's customers, will serve to spread fixed cost over increased sales, help reduce I&M's uncollectable expense cost and support the rendition of electric service. Accordingly we find their costs are appropriately included in I&M's revenue requirement, and should be approved.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 44.

H. I&M *IM Plugged In* Pilot Program.

3. South Bend's Testimony. Ms. Dorau testified South Bend's support of the IM PLUGGED IN pilot program as beneficially filling a gap in increasing the penetration of plug-in electric vehicles, and recommends I&M be transparent about methodologies for measuring success and calculating benefits to all customers as the pilot program progresses. Ms. Dorau concurred with I&M's description of the benefits of its IM PLUGGED IN program to all ratepayers. She referenced studies describing the grid-wide benefits of off-peak charging of plug-in electric vehicles (PEV) performed by expert consultancies and research institutions such as the Edison Electric Institute and the National Renewable Energy Lab and a Duke Energy commissioned assessment by M.J. Bradley & Associates. The Bradley study "indicates that the average PEV sold in Indiana in 2030 will increase utility net revenue by $570 over its life time, if charging is managed," which aligns closely with Witness Lehman's work papers (WP-JWL-1 and -2) indicating a $579 net benefit over ten years. The Bradley analysis is clear about the necessity of managed charging in maximizing grid benefits, "Managed charging avoids significant vehicle charging load during periods of high electricity demand and avoids potentially costly electricity grid upgrades. As such, off-peak PEV charging can increase the benefits to all Indiana utility customers by shifting PEV charging to hours when the grid is underutilized and the cost of electricity is low." Dorau Cross Answering 8-9.

Ms. Dorau disagreed with the proposed program's exclusion of existing electric vehicle owners and net-metering customers, on the basis that the grid benefits of off-peak charging are the same for these customers as they would be for any other customer. Dorau 17-18.

South Bend disagreed with the OUCC's recommendation to remove the PEV infrastructure rebates for residential rate customers and disagreed with the OUCC's recommendation that the proposed PEV tariff be amended to apply penalties to on-peak usage. She emphasized I&M's PEV goals to maximize grid benefits for all customers by confining charging to off-peak hours are best /most effectively achieved by a combination of tariffs and rebates. Dorau Cross Answering 8-13.

Ms. Dorau disagreed for several reasons with OUCC's assertion that if PEV customers are able to purchase an PEV they do not need the $250 or $500 incentive. First, the price of new PEVs has dropped dramatically and is expected to continue trending down. Brand new PEVs are available for as low as $17,150 with many models between $20,000-$30,000, including tax credits of up to $7,500. The new PEV market is open to many more purchasers, including lower income people. Second, the used vehicle market is being flooded with older model pre-owned and off-lease electric vehicles at low prices, as some early PEV adopters take advantage of rapidly changing technology. PEV ownership is becoming even more accessible to many more income levels. Third, the cost of installing a new 240 volt outlet entails pulling heavy gauge electrical conductors through walls, ceilings or underground from the building electric breaker

box. That can be a prohibitive or certainly an undesirably expensive modification for the majority of customers. The cost of upgrading to 240 volt service in the parking area will deter some customers of all incomes from charging their PEV off peak and instead are likely to be satisfied with the charging costs and longer charging period provided by their pre-existing standard 120 volt services under tariff RS, and avoid the hassle, time and expense of upgrading to 240 volt service if not otherwise incentivized. *Id.* 10-11.

Ms. Dorau disagreed with OUCC that the off peak rate alone should be adequate incentive to move people to PEVs and explained that without upgrading to 240 volt Level Two charging service, residents will not have the ability to schedule their PEV charging to provide a full charge overnight, and will by necessity charge partially in on-peak/semi-peak times at 110 volts. This longer charging time, from lack of 240 volt upgrade, may diminish the value in even signing up for the PEV tariff if offered by itself. If an on-peak penalty rate is enacted, the PEV tariff become less attractive. *Id.* 11-12.

She described the "human nature" barrier to charging off peak. The new PEV owner may intend to get bids from electrical contractors, pick the best bid, schedule the 240 volt wiring upgrade, accommodate the home electrical work dates and pay the sizable upgrade cost. But the combination of cost, inconvenience and hassle may keep delaying the actual upgrade. Conversely, an I&M credit that is only valid for a limited period of time is a major incentive for the PEV owner to promptly get the 240 volt retrofit completed and shift charging usage to off peak. Delaying installation delays grid benefits. Prompt installation provides prompt benefits to the grid.

She noted this is proposed as a limited pilot program. There is no doubt people are moving toward PEVs for their quietness, performance, avoidance of the gas station, and support for the environment. Effectively finding ways to maximize their off peak charging is beneficial to all classes of I&M customers by making more efficient use of existing generation sources and avoiding new generation.

Ms. Dorau added the majority of states' utility commissions and legislatures are actively preparing for the sharp growth in PEVs. She noted per the North Carolina Clean Energy Technology Center that in the second quarter of 2019, 44 states and territories took 425 actions related to electric vehicles. These ranged from studies to incentives and encouragement to regulation and rate design. Level 2 Charging Rate Design was the 6th most popular action taken by states. Minnesota, Illinois, and Michigan were some of the most active in the country on electric vehicle issues in Q2 2019, taking a cumulative 54 actions including, in each state, a rate design action. Ms. Dorau asserted it is not unreasonable nor unusual to use utility ratemaking processes to encourage, incentivize, pilot, and prepare for an electrified-transportation future and restated the City's support for this pilot program's combination of rebate and incentive tariff, so

long as I&M's results are timely and clearly reported to all stakeholders. Dorau Cross Answering 11-13.

5. Discussion and Findings.

South Bend augments I&M's proposed Discussion and Finding paragraph with the following paragraph.

The record does not support I&M excluding its net metering customers from the PEV pilot. Customers who have gone to the expense and effort to install distributed generation are logically among the I&M customers potentially most interested in PEV's and home off peak charging. I&M's primary concern seems to be lack of billing capacity to deal with potential "negative bills." I&M presented no evidence on the likelihood of such negative bills from its small number od DG customers. But Mr. Lehman did testify currently two meters are contemplated, one for the house and DG unit and one for the PEV charger. Tr. D 84, 87. Two meters should eliminate I&M's negative bill concern. Also I&M indicated that there may be manual billing adjustment for the few PEV / DG customers. *Id*. We find I&M should not exclude its limited number of DG customers from the IM PLUGGED IN pilot program.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 59.

1. Financial Forecast.

South Bend comments upon and takes exception to I&M's recession assumption in its financial forecast. It is far too speculative and unreliable to set base rates on the possibility of an upcoming economic recession. Economic reality is the U.S. trade war and tariff exchanges with China have temporarily chilled the U.S. economy and caused financial unease. It would not make sense that trade war would be allowed to linger much before the 2020 November presidential election. A glance at the Wall Street Journal or evening national news allows all to judicially know the Dow Jones Industrials are at or near an all time highs. I&M predicts it will be pursuing another rate case in just two years. Any change in load due to economic conditions can be picked up at that time. The recession aspect of the load forecast should be excluded.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 62.

14. B. Class Cost of Service and Revenue Allocation. (I&M p. 65)

3. South Bend's Testimony.

Mr. Seelye recommended the use of 3 summer months CP but has no opposition to 4 CP or 5 CP methodology. Seelye Direct 13. He found I&M's class cost of service study to be reasonable except for two significant problems. First, I&M is proposing to allocate production fixed costs using 6 Coincident Peak methodology ("6 CP") based on the high CP demands for the summer months of June, July, and August and the much lower CP demands of three winter months of December, January, February for the test year. I&M also uses the 6 CP methodology to allocate transmission and primary distribution costs. However, given the fact that I&M is strictly a summer peaking utility, a 3-month CP methodology for allocating production, transmission and certain distribution capacity costs is more appropriate than I&M's 6 CP methodology. Mr. Seelye agreed that the use of a CP methodology is appropriate because utilities plan, engineer and build their plant to meet the rigors of customer peak demands periods. But I&M utilized a 6 CP methodology which blends much lower class CP demands during the 3 winter peak months with class CP demand during the much higher summer peak months. He testified because I&M is strictly a summer peaking utility, the 3 CP from the summer peak months should be utilized to properly reflect capital costs on I&M's system. His Graph 1 at page 9 of his Direct shows I&M's system monthly peak demands with September, August and June having the highest peaks, followed by May and July. The peaks for December, January and February are much lower than the five warm weather months May - September. He stated there is no valid basis to include the loads for December, January and February while excluding the loads for the months of May and September, which are much higher. Seelye Direct 8-10.

Mr. Seelye testified that I&M's most recent July 1. 2019 Integrated Resource Plan ("IRP") shows I&M projects that it will continue to be summer peaking utility though the entire projection period to year 2038. His Graph 2 copied from Exhibit A-6, page 7 of 28, of I&M's IRP report shows essentially the same annual load pattern and summer peaking as that shown in Graph 1 with summer peaks remaining significantly above all the winter peaks over I&M's planning horizon. *Id.* 11. Mr. Seelye explained the reason he used 3 CP is he accepted the 3 peak summer months July, August and September included in I&M's 6 CP study, but excluded the 3 much lower winter peak months I&M included. *Id.* 12.

Mr. Seelye testified he would have no opposition to use of a 4 CP methodology that reflects system peaks for the months of June, July, August and September or a 5 Summer CP methodology that includes May, June, July, August, and September as these would be more

accurately reflect cost causation on I&M's system than its proposed 6 CP methodology that includes lower peak demands for winter months. *Id.* 12

Mr. Seelye's second concern is I&M's class cost of service study failed to classify a portion of distribution poles, conductor, and line transformers as customer related. He testified the standard approach in the industry is to classify a portion of these costs as demand related and a portion as customer related. He testified the National Association of Regulatory Utility Commissioners ("NARUC") *Electric Utility Cost Allocation Manual* identifies these costs as consisting of a demand component and a customer component. I&M did not use this NARUC standard. He testified I&M is proposing a significant increase in its customer charges. However, its customer charges cannot be supported by the customer-related costs identified in its own class cost of service study. I&M's cost of service study can only support a residential customer charge of $10.13 per month, even though it is proposing a $15.00 monthly customer charge for Tariff R.S. He explained the problem rests with I&M's failure to classify certain distribution costs as customer related. I&M seeks to implement higher customer charges without utilizing a standard cost of service methodology that supports those charges. Id. 2-3, 15.

His Attachment WSS-2 is Table 6-1 from the NARUC's *Electric Utility Cost Allocation Manual* that shows a summary of how distribution plant is to be classified as customer-related and demand-related. Footnote 2 of the table states that, "A study of the minimum intercept method or other appropriate methods should be made to determine the relationship between the demand and customer components." I&M did not follow this NARUC approach. The only plant costs that I&M classifies as customer-related in its cost of service study are Account 369 – Services and Account 370 – Meters. He found it particularly troubling that I&M classifies Account 364 – Distribution Poles, Account 365 – Overhead Lines, Account 366 – Underground Conduit, Account 367 – Underground Lines, and Account 368 – Transformers entirely as demand-related costs when there are clearly customer-related components of these costs, as recognized in the NARUC *Electric Utility Cost Allocation Manual*. NARUC's manual states the following:

> **Distribution plant Accounts 364 through 370 involve demand and customer costs**. The customer component of distribution facilities is that portion of costs which varies with the number of customers. Thus, the number of poles, conductors, transformers, services, and meters are directly related to the number of customers on the utility's system. As shown in Table 6-1, each primary plant account can be separately classified into a demand and customer component. (*Id*. at page 90.)

By classifying Accounts 364 through 368 entirely as demand costs, I&M's non-standard methodology does not conform to the NARUC Electric Utility Cost Allocation Manual and should be rejected. I&M's approach is also not consistent with a leading treatise on electric utility ratemaking written by Lawrence J. Vogt, *Electricity Pricing: Engineering Principles and*

Methodologies (CRC Press: 2009).

> On the principle of cost causation, some distribution facilities can be classified as purely demand related, while other distribution facilities can be classified as purely customer related. A substantial amount of distribution plant investment has cost causation attributes of both demand and customer cost components. For instance, a line transformer, is both customer related and demand related as it provides both a load and non-load function. (*Id*., at page 494.)
>
> Seelye. 13- 15.

Mr. Seelye in detailed the two NARUC's *Electric Utility Cost Allocation Manual* methods for classifying distribution plant costs – (1) the Minimum-Size Method and (2) the Minimum-Intercept Method. While the results of the two methods are often similar he prefers the Minimum-Intercept Method because it is less subjective and doesn't assume that the customer component identified by the method includes any load-carrying costs. *Id*. 16-18

He testified that to perform a minimum intercept evaluation South Bend asked I&M to provide information from its Continuing Property Records showing the cost of overhead and underground conductor, by size and type along with the feet of conductor. and the cost and feet of line transformers by size and type. I&M did not have the requested information. He had never before encountered a utility serving more than about 1,000 customers that does not have this data and was alarmed that I&M is proposing a significant increase in its customer charge but doesn't have the data to support its customer charges, this is apparently the reason that I&M is developing its proposed residential customer charge that is essentially an arbitrary number. *Id*. 19.

He developed the factors for classifying the cost of distribution plant accounts 364 through 368 as customer- and demand related by using a panel of Minimum-Intercept studies that he has for electric utilities in the region of Indiana, Kentucky and Ohio during the last three years, all with minimum intercepts performed under the same methods. These regional average percentages were used in his cost of service study to classify these distribution costs as demand or customer related instead of classifying 100% of these costs as demand-related as in I&M's study and provided those distribution plant account factors.
Id. 21-22.

5. Commission Discussion and Findings. (p. 66)

(a) Demand Allocation Methodology. I&M proposed to classify electric generation production plant as 100% demand-related and allocate it to the various rate classes based upon the 6 CP

monthly loads for the three summer months of June, July, and August and the three lower peak winter months of December, January, and February. I&M suggests that because that method was approved in I&M's 2013 rate case, Cause No. 44075 it should be approved here again. This would unduly ignore the summer peaking evidence here presented by multiple parties and ignore I&M consistently remains summer peaking in its IRP annual load forecasts. I&M's load pattern and its load pattern forecast through 2038 all strongly show that I&M is a summer peaking utility. Its CP's in winter months are substantially lower that its summer peaks as clearly shown by multiple parties, e.g. South Bend's Mr. Seelye Graphs 1 and 2. I&M does not dispute that its capital plant is designed, sized and built to meet the periods of peak customer demand. It is peak demand that drive the size and in turn cost of I&M's capital assets, generation, transmission and distribution. Mr. Thomas himself recognizes the simple fact that I&M designs its generation, transmission, and distribution to meet peak customer demands. If these assets were not designed to meet peak demand they could fail and service could be interrupted. Tr. B-2. As I&M's own proposed order states:

> The record shows the energy-weighted demand allocation methodologies proposed by the OUCC and CAC-INCAA do not recognize the fact that production plant costs are fixed in nature and exist regardless of how much energy customers consume. Because production plant capacity is required to meet peak demand requirements, plant capacity costs are appropriately allocated to customers based on their contribution to peak demands, since there is a direct relationship to the demand that customers place on the system.

IG, South Bend and Joint Municipals all agree that 4 CP or 5 CP methods based on the warm months would better reflect class cost of service than I&M's 6 CP and the methods proposed by OUCC and CAC. We agree. The evidence is clear that I&M's three highest peaks are June, August and September. Not far behind in peak demands are May and June. The winter months December, January and February I&M included in I&M's 6 CP method have much lower demands. I&M's plant is sized and built to meet the highest peak demands. The much lower demands of December – February do not drive the fixed asset increased sizes, capacities and costs needed to meet the higher summer peak demands. Summer usage drives those costs, not winter usage. To include the much lower peaks of December – February is to misstate objective cost of service. Accordingly we find I&M should in this case use a 5 CP methodology. We find the 5 CP method should be used in this case.

(b) Transmission and Distribution Plant Allocation Methodology. (p. 67) The parties also disagreed over the methodology of allocating transmission and distribution plant. We have previously approved both the Minimum-Size Method and the Minimum-Intercept Methods in other rate cases, e.g. I&M Cause No. 39314, November 12, 1993, p, 176; Vectren Cause 43839 April 27, 2011 p. 72; IPL Cause No. 44602, March 16,2016 p. 65-66. The record here supports classifying a portion of distribution poles, conductor, and line transformers as customer related as suggested by the NARUC. *Electric Utility Cost Allocation.* By classifying distribution

Accounts 364 through 368 entirely as demand costs I&M's non-standard methodology misstates the drivers of those costs, does not conform to the NARUC Electric Utility Cost Allocation Manual and should be rejected. We find I&M should use the Minimum Intercept Method.

C. Subsidy Reduction. (p. 67)

3. South Bend's Testimony. Mr. Seelye testified I&M's proposal to eliminate 25% of inter-class subsidies, subject to the restriction that no rate class would see a rate reduction was unreasonable and he supported a 50% subsidy reduction. He stated artificial restrictions on the elimination of subsidies is precisely the sort of action that will perpetuate subsidies on I&M's system. This is particularly troubling when it is the municipal providers of vital public services like streetlights that are left seriously over charged by such an artificial restriction. It harms public convenience and necessity. Seelye Direct 25-26.

He explained that with the current rates of return for Street Lighting in the 11.27% to 17% range under either I&M's or his cost of service study, it is obvious that I&M has not made any progress toward eliminating the substantial subsidies that Street Lighting customers are providing to other rate classes. In I&M's cost of service study submitted in its last rate case Cause No. 44967, the rate for return for Street Lighting was 3.82% which was then in excess of the overall rate of return of 2.30%. But now, according to I&M's cost of service study, the rate of return for Street Lighting has swelled three fold to 11.27%. The price of nighttime public safety is being pushed in the wrong direction by I&M and the losers are those out at night and municipalities charged with paying for public safety services. He testified the rate classes paying exorbitant subsidies like streetlights should receive a rate reduction. This prevents subsidies from spiraling upward as has happen for Street Lighting since the last rate case. Seelye Direct 27-28

He noted that the three rate classes that would receive decreases under his revenue allocation methodology, Street Lighting (SL), Irrigation Service (IS) and Outdoor Lighting (OL), make up a small percentage of I&M's total revenue, only $12,277,494 out of $1,464,416,431 of I&M's total revenue, much less than 1%. Nollenberger Attachment MWN-2. The impact on the other rate classes for addressing the three high subsidies is relatively small, but would make a major difference for the expansion and improvement of nighttime public safety street lighting. *Id*. 29.

Ms. Dorau testified South Bend cannot afford to pay excessive I&M rate subsidies to other I&M customers across I&M's large service area with South Bend residents' dollars. "When the City is over charged, the people of the City are over charged." She testified South Bend's proposed 2020 budget will not accommodate the proposed rate increases and local governments do not have a mechanism to recoup increased costs from citizens, the way a private business

could increase the cost of goods or services from customers. South Bend will need to redirect funds from planned programs to cover utility expenses. The I&M municipal streetlight overcharges subsidize the rates of other I&M customers and reduce the funds available for public services that protect, serve and support the residents of South Bend. "I&M's municipal customer rates cannot serve as a "blank check" providing subsidies for other I&M customers if we are to best serve and protect the residents of South Bend." Dorau Direct 8-9.

5. Discussion and Finding. We find the subsidy from the Street Light class should be eliminated or at least materially reduced for several reasons. South Bend's evidence substantiates that Streetlight subsidies have unreasonably increased from I&M's last rate case from 3.82% return to 11.27% return. High street light rates limit the installation of new lights and in turn limit public safety. Municipalities are tasked with providing diverse public services to their citizens. I&M's three largest municipalities intervened in this case and the important public service role municipalities play in illumining roadways, sidewalks and public areas at night is undeniable. The beneficiaries of nighttime safety lighting are all those that travel at night, including people going to and from their industrial or commercial work, people socializing, visiting businesses at night, and those who for safety simply need to see what is happening outside their home or building at night. The amount of total annual I&M revenue to be reallocated to dramatically reduce or eliminate the SL Street Light class subsidy is very small and its reallocation will have little impact on other rate classes, $336953 annually. Nollenberger MWN-2 p. 3-4. The elimination of that subsidy from I&M's sales revenue of $1,313,249,251 will have de minimus impact on other customers. *Id.* Tr. H. 75-76. But it will provide real public service relief and public convenience and necessity improvement to municipalities seeking to meet the public need for more streetlights and to convert to LED street lights, as described by South Bend.

Joint Municipals recommended that the Streetlight subsidy be eliminated. South Bend proposed a minimum street light reduction of 50%. Recently we found that a proposed limitation that no class should receive a rate decrease, and subsidy reductions should be limited to 20% needed to be modified to allow the streetlight class to receive a rate reduction based on a 40% subsidy reduction. IPL Cause No. 44576 March 16, 2016, p. 67. While typically we might reduce the Streetlight subsidy by a smaller percentage e.g. 50% the facts here warrant more. Because the total amount of the subsidy is so small and the municipal need for improved and expanded street lighting is so great we find the Streetlight subsidy should be fully eliminated.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 68.

15. Rate Design.

A. PEV.

(c) South Bend Testimony. Mr. Seelye testified that I&M's PEV off-peak energy charge relied heavily on judgment, not on actual cost of service. His Attachment WSS 12, I&M's response to SB 7-08, explains that the *on-peak charge* was derived from the company's cost of service. However, the response to SB 7-07 explains that the *off-peak charge* was based on judgment rather than cost of service, the off-peak rate "was selected to balance the total benefits between program participants and all I&M customers." *Id.* I&M failed to list what "benefits" are being balanced. Mr. Seeley recommended that the off-peak energy charge for PEV should be lowered to reflect I&M's actual off-peak cost of service. He testified there is no justification for adopting a cost-based energy charge for the on-peak period for PEV but then deviating significantly from cost of service in developing the off-peak charge for the service.

He noted that in I&M's cost of service study all fixed production costs, all fixed transmission costs, and a significant portion of its fixed distribution costs are allocated on the basis of peak demands. The only production costs allocated based off-peak demands or usage are fuel expenses and variable operation and maintenance expenses. From I&M's own cost of service study he calculated an off peak PEV energy charge of $0.0267 per kWh to more accurately reflect off peak cost of service. Seelye, 5, 43-46

He testified I&M has no justification for excluding customers with distributed generation from the GS-PEV tariff. Customers that have installed distributed generation technologies such as solar are likely the progressive and conservation-minded people who will own PEV technologies. I&M has provided no cost basis for the proposed exclusion of distributed generation customers from PEV. Based on his experience he found he said the exclusion was unduly discriminatory. Seelye, 5, 46.

(e) Discussion and Finding. I&M's proposed differential between on- and off-peak charges that were based on judgment instead of cost of service principles. There is no clear reason why other customers should benefit from the regulatory goal of designing and approving cost based rates, while new PEV off peak customers from the start are by rate design assessed a material rate subsidy. Some may argue that its acceptable that the PEV rates overstate cost of service so that the off peak PEV charging rate produces subsidy benefits for other classes of customer, but that suffers two problems. First PEV customers will already be providing all customers benefits by adjusting their charging load to off peak and eliminating the extent to which charging will contribute to the need for more I&M generation or purchased power. Second, that position and

I&M's pricing seeks to legitimize charging PEV off peak customers more so other classes of customers pay less, which punishes PEV customers. That excessive charge is then compounded by the position of some that I&M also should not offer a pilot program Level 2 charger installation incentive. It is inappropriate to initiate an off peak PEV charging pilot by over charging the load shifting customers, who provide the desirable off peak usage benefits of new capacity avoidance. If PEV off peak service and PEVs are to be fairly encouraged, then customers will need to have fair cost-based options that allow them to utilize PEV service in a manner that allows electric energy for electric vehicles to be competitive with fossil fuel options. By not following cost of service principles, I&M's PEV rate will discriminate against, overcharge and discourage off peak charging service. We find the proposed PEV off peak rate is excessive, should be lowered and South Bend proposed cost-based on and off-peak PEV charges should be approved.

4. Tariffs Water and Sewage Service (WSS) and Municipal Service (MS). (p. 70)

(c) South Bend Testimony. Mr. Seelye testified I&M's proposed W.S.S. demand charge reflects an antiquated design. He recommended that the demand charge for WSS should be segregated into two separate charges – (1) a demand charge that recovers distribution demand costs that would be applied to the customer's maximum demand during the month, whenever it occurs, and (2) a demand charge that recovers production and transmission demand costs that would apply to the customer's maximum demand during the peak hours of the month.

He explained the proposed W.S.S. demand charge does not encourage customers to shift their demands to off-peak periods. By applying I&M's demand charge to the customer's maximum demand whenever it occurs, customers have virtually no ability to manage their demand. Most customers have greater ability to move demands around during a day or during a week than to reduce their maximum demands during the month. He supported offering a multi-part demand charges consisting of a production and transmission demand component billed based on coincident peak demands and a distribution demand component billed on the basis of non-coincident demands.

Implementing coincident demand billing would allow I&M to offer a form of *conjunctive billing* that would allow coincident peak demands for water and sewer customers such as South Bend to be aggregated prior to applying the demand charge. Conjunctive demand billing would allow customers such as South Bend to manage the demands at multiple service locations to reduce their coincident peak demands. Reductions in customers' coincident peak demands could allow I&M to avoid or delay generation capacity additions that are currently planned to be installed by I&M and provide system wide benifits. I&M should be required to implement multi-part or conjunctive demand rate for WSS customers on an optional basis.

(e) Discussion and Finding. Because I&M's schedule W.S.S. is not time differentiated it cannot be used to encourage water and sewer customers to take measures to shift demands to off-peak periods. With the large amount of future generation capacity planned by I&M, customers need better options to encourage them to reduce their demands which could help I&M to avoid costly generation capacity. I&M is therefore ordered to file time-differentiated demand charges for W.S.S. in its next rate case.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 73.

C. Riders.

1. AMI Rider.

(e) Discussion and Finding. AMI related expenses are not sufficiently volatile or unpredictable or long lived enough to warrant a tracking mechanism. A two year- long technology transition does not warrant a tracker, particularly when I&M plans to file another rate case in two years. We find the AMI Rider is not approved.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 76.

4. *IM Green* Rider.

(c) South Bend Testimony. South Bend agreed with the Industrial Group that customers want high-quality renewable energy options, including purchasing actual energy from renewable installations "close to home." Simply purchasing renewable energy credits ("RECs") from the PJM-area market does not satisfy goals for a number of customers. Out-of-state RECs do not increase the amount of clean energy available to I&M customers, does not change the I&M fuel mix, does not provide an "energy plus REC" product, and does not provide the co-benefits that local renewables installation would provide, for example through local Municipal Solar Programs ("MSP"). There is growing dissatisfaction with solely relying on REC financial instruments and growing interest in actually participating in generating local renewable energy. Dorau Cross Answering 13.

(e) Discussion and Finding. Based on the evidence we find I&M should coordinate with major customers to expand its Green Energy offer and provide customized solutions to interested

customers and allow them to pay for discrete amounts of renewable energy, rather than just RECs.

16. Miscellaneous Issues. (I&M p. 83)

B. Streetlighting. (I&M p. 84)

1. South Bend Testimony. Ms. Dorau testified the public at large is the beneficiaries of night time street lighting and the safety and economic development they promote. But South Bend monthly must pay unreasonably high rates for approximately 9,000 I&M owned obsolete technology streetlights, almost 30% of I&M's municipal streetlight business. South Bend is interested in the lower energy use, longer life, better illuminating LED streetlights, but I&M LED streetlight rates are too high. PES's high LED conversion rates and an unaffordable up front capital contribution are so costly that neither South Bend nor any of I&M's other 71 municipalities made a single streetlight LED conversion under PES. She said it would be financially irresponsible for South Bend to participate in PES as currently priced Dorau 19-21.

Mr. Sommer testified that municipalities are extraordinary closed financial loop public service entities that make no profit, pay no dividends but instead invest and use all financial resources to provide many vital public safety, economic and social services. This should be recognized in fashioning municipal rates. The most electricity intensive of these for South Bend are street lighting and potable water wastewater services. He testified I&M's unreasonably high streetlight rates stifle public safety and economic growth Sommer 6-7.

He testified I&M's PES LED conversion rates are unreasonably high and approximate rates for HPS and Mercury vapor streetlights, and the PES energy efficiency program has been a failure without a single streetlight LED conversion. He explained that the PES rates start with I&M's ECLS O&M rates for HPS lights, which is flawed because HPS lights only last about one third as long as LED's and require more frequent and additional maintenance compared to new LEDs. The LED rate is calculated using maintenance associated with HPS lighting, so, out of the gate PES LED rates are significantly overstated. I&M fails to reflect the lower maintenance costs of LED's compared to HPS lights. PES is for LED conversions, ECLS lighting options appear to be for entirely new lights. *Id.* 10. He testified I&M's COSS shows its proposed rates impose an 11.27 return on rate class SL while the overall return is just 3.4%. Moreover, I&M's Cost of Service tab Att. MWN-2 p. 4 shows a proposed increase in revenues in the amount of $458,121, and then reduces the subsidy by $78, 281 and as a result increases the 11.27% ROR% to 12.83%. *Id*. 11.

His Attachment 4 is an excerpt from I&M's response to South Bend's Data Request 4-28.

Therein it shows the I&M annual lamp maintenance of $84.03 and the annual photoelectric control maintenance cost as $90.59. The Company indicated that these are AEP system wide average streetlight costs. Being system wide averages, i.e. averaging old technology HPS and MV lights, makes them highly overstated inaccurate maintenance costs for new LED streetlights. HPS and MV bulbs will fail approximately every six years or so. LEDs last much longer, 20 years or longer, with the only likely maintenance possibly to change the photoelectric eye. *Id.* 12.

He explained LED maintenance costs should be about 25% of what they are for HPS. LED's are more durable, last more than three times as long as an HPS bulb and need very limited cleaning. His Attachment 5 is a Vectren 30 day filing approved on July 10th of this year. Therein Vectren calculated and concludes that for LEDs there is a 75% decrease in the O&M maintenance costs relative to HPS. Vectren's calculation shows that this decrease far outweighs the additional cost of the new LED fixture. While this rate is only applicable to the equivalent of I&M's rate OL, it demonstrates the rate savings that should be reflected in pure LED rates, rather than LED rates based on old HPS maintenance costs. *Id*. 14-15.

Mr. Sommer concluded that I&M's proposed rates for ECLS and PES LED streetlights need to be substantially lower than those reflected in I&M's tariffs to reflect LED's lower maintenance, and longer life. I&M should commit to planning mass LED retrofit efforts with interested municipalities. *Id.* 17-18.

Mr. Seelye testified that I&M did not properly account for the change in the fuel basing point for the Fuel Cost Adjustment Rider (FAC) in its S.L. schedules. I&M proposed to lower the fuel basing point from $0.0159300 to $0.012989 per kWh but did not account for this reduction in the lighting charges. Costs related to none of the I&M other cost tracking mechanism, such as its DSM cost recovery mechanisms, were transferred into base rates. Only the costs of fuel were transferred into base rates. Consequently, the rates for S.L. should be reduced because of the reduction in the fuel basing point, not increased as proposed by I&M. Seelye 33-34.

Mr. Seelye also testified that the carrying charges used by I&M to develop its lighting rates included double counting of capital costs through the inclusion of the full replacement of the fixture in the operation rates for the lights. In developing its annual costs for its lighting rates, I&M includes the cost of an entire new lamp and photoelectric control in the determination of the Monthly Facility Cost. For example, in the costs shown on pages 51 and 55 of WP-MWN-4 included in Attachment WSS-7, the Monthly Facility Cost represents that annual carrying charges on a new light and fixture, which I&M says would include the cost of lamp, light housing, photoelectric control, upsweep arm, bracket and any other necessary fixture components. In calculating the Monthly Facility Cost, the carrying charges would include both

the ***recovery of*** and ***return on*** the cost of the entire fixture. Specifically, the cost of the new fixture includes the depreciation of a new light, which is expected to last for 20 years. (See page 48 of WP-MWN-4 included in Attachment WSS-7.)

However, in developing the operation expenses for even its old technology lights, I&M assumes that lamp maintenance will be performed every five years. I&M says that the cost of maintenance would include the replacement of a lamp. (See response to SB 4-32, Attachment WSS-8.). The cost of maintenance I&M says would also include the replacement of the photoelectric control equipment. (See Responses to SB-37 and SB-39 included in Attachment WSS-9.) I&M's embedded cost of maintenance would thus include the cost of replacing a lamp and the cost of replacing the photoelectric control. Therefore, I&M is proposing to recover the cost of a lamp and photoelectric control twice – *first* through the Monthly Facility Cost which provides *recovery of* the fixture through the carrying charge rate used to determine the Monthly Facility Cost, and then a second time through the full replacement of the lamp and photoelectric control every five years. *Id.* 35-36.

He explained I&M is proposing to increase the monthly charges in its Public PES rates and charges. These charges are applied when a streetlighting customer requests an I&M streetlight be converted to LED. When an HPS or MV light is converted to LED, under I&M proposed tariff the customer would see two additional charges: (1) a one-time, upfront charge to convert to an LED light, and (2) a monthly PES adjustment that would be added to the monthly charge for each light. Mr. Seelye testified that in calculating the PES charges, I&M considered the higher cost of LED fixtures but totally ignored the lower operation and maintenance (O&M) costs of LED lights. After correcting I&M's proposed PES charges to account for the lower O&M costs, Mr. Seelye showed that the up-front payment in the PES charges could be eliminated and the PES charges could result in amounts that would be subtracted from the rates for traditional non-LED fixtures, resulting in the monthly rates for LED fixtures being lower than non-LED lights. Specifically, the monthly PES charges for fixtures less than 20,000 Lumen would be a monthly credit of $0.34 per fixture per month applied to the charge for an equivalent non-LED light, and the PES charges for fixtures greater than 20,000 Lumen would be a monthly credit of $0.07 per fixture per month applied to the charge for an equivalent non-LED light. He noted that it is widely accepted in the industry that LED lights result in materially lower O&M costs and pointed to the 75% reduction in Vectren's recent 30 day filing. *Id*. 37-41.

2. Discussion and findings. (I&M p. 86)

I&M is proposing to increase its rates for class S.L. even though I&M was proposing to distribute none of the revenue increase in this proceeding to S.L. Because of the reduction in the fuel basing point, these charges should be reduced, not increased as proposed by I&M. I&M did not provide a cogent explanation of how changes in costs recovered through its other standalone cost recovery mechanisms would not only offset the effect of changing the fuel cost basing point

but result in an increase in S.L. Other than fuel costs, which are being rolled into base rates in this proceeding, none of the other cost tracking mechanisms (e.g., the DSM mechanism) should affect base rates for S.L. Only the change in the fuel basing point, which reflects the transfer of costs recovered through the FAC should affect base rates, and this change should result in a reduction, not an increase in base rates. Accordingly, I&M's street lighting rates should be reduced to reflect the reduction in fuel basing point from $0.0159300 to $0.012989 per kWh. Because costs related to I&M's other adjustment mechanisms have not been transferred into base rates, only the change in fuel costs should affect the lighting rates. None of the other trackers should affect base rates. Specifically, the rates for S.L. should be reduced, not increased.

As previously noted, the streetlight class subsidy is excessive and should be eliminated to support the public service and necessity mission of municipalities proving public safety streetlight service.

South Bend has made clear that the beginning point of ECLS LEDs and PES LED retrofit rates are the rates for HPS and MV, including those old technology lights higher O&M costs. To continue to include those non LED higher than needed O&M costs in LED rates is unreasonable and, in the case of PES, serves to continue the failure of not a single I&M streetlight being converted to LED.

We agree with South Bend that the O&M and capital costs of I&M's non LED rates artificially increases the PES rates and chills interest in mass retrofit of I&M's old technology municipal street lights. I&M's failure to reflect the lower cost of LED fixtures in the determination of its PES rates places LED lights at a disadvantage to inefficient non-LED options. As Mr. Seelye testified, Vectren recently introduced LED rates that incorporated O&M savings of 75% as compared to non-LED lights. *Id*. 79 By ignoring the O&M savings of LED fixtures, I&M essentially ensures that municipal customers will not convert to efficient LED options, or if they do will be over charged. We find the street light rates proposed by South Bend should be approved subject to revision to reflect the COSS methodology, subsidy reduction and other components approved herein. Furthermore, we find that the PES charges for fixtures less than 20,000 Lumen should be a monthly credit of $0.34 per fixture per month applied to the charge for an equivalent non-LED light, and the PES charges for fixtures greater than 20,000 Lumen should be a monthly credit of $0.07 per fixture per month applied to the charge for an equivalent non-LED light. We also find that there should not be an up-front one-time PES charge for converting to LED lights. An up-front one-time PES charge discourages municipal customers from converting to efficient LED lights and cannot be supported based on cost of service.

In I&M's last rate case Cause No. 44967 through Section 14.4 of the Settlement Agreement terms we ordered I&M to within 90 days "…provide South Bend with explanation

and documentation of the underlying capital and O&M costs, revenue requirements and terms of I&M's PES LED conversion tariff for cooperative joint evaluation and discussion by I&M and South Bend." The record here provides no insight into that collaborative requirement, but it does robustly show South Bend's continuing concerns regarding streetlight rates, LED conversion overcharges and deep municipal customer dissatisfaction. I&M does not dispute that PES does not reflect the lower O&M expense of LEDs. The totally unsuccessful PES is the only mass LED retrofit rates and charges I&M offers its municipal customers. We have previously made our endorsement of sensible mass LED conversions clear in NIPSCO TDSIC cases. We also have made clear our interest in having investor owned utilities resolve mass LED conversion interest and dissatisfaction with municipal customers in a fair and amicable manner. "The Commission encourages the cost effective implementation of advanced lighting technology and suggests that it's technical staff can be made available to provide its expertise in moderating the dialogue if requested by the parties." IPL Cause No. 44602, March 16,2016, p. 69. Per the schedule in this Cause an Order at day 300 would be issued March 9, 2020. Per the schedule in I&M's pending DSM docket 45285 the final post hearing filings are due May 22, 2020. We recognize the quandary for South Bend wanting reasonable LED conversion rates and charges approved here and the uncertainty of waiting for what may be another litigated outcome of PES in I&M's DSM docket 45285. We also recognize that I&M's PES LED rates include the much higher O&M costs of HPS streetlights. Accordingly we find I&M should immediately make every reasonable effort to meet with South Bend and resolve upon agreed terms further South Bend's interest in an economic mass LED conversion. If requested, we will make our Commission staff available to moderate LED conversion discussions.

17. <u>Terms and Conditions of Service and Tariffs.</u> (I&M p. 87)

3. <u>South Bend Testimony.</u> Ms. Dorau testified I&M should allow opt-out customers a self-read option that would allow participating AMI opt-out customers to avoid I&M's proposed $16.48 monthly meter reading charge. Dorau Direct, 17;

Ms. Dorau agreed with OUCC that without the self read option the proposed $16.48 monthly meter reading charge will be a barrier that forces an AMI meter on customers who really do not want it on their home. She explained to not offer a self read option will force people who do not want AMI on their homes, because of lifestyle, security or health concerns etc., to accept one anyway. This is particularly true for less affluent customers. If a customer repeatedly does not report their meter reading it could be reason to remove them from the self read option. Dorau Cross Answering Ex 4, 15.

Mr. Sommer testified some customers dislike AMI because of concerns over their privacy, or having radio frequency radiation emitting device forced on their home, concern that

the customer's hour to hour energy usage is a matter of their privacy and should not be shared without their consent, and concern that AMI is the first step to mandatory time of use rates. He explained such concerns were a matter of contention in both the Ohio and Michigan legislatures. He pointed out that Duke Energy offers its Indiana customers an AMI opt out opportunity. He concluded to avoid customer dissatisfaction and meet customers reasonable needs, if AMI is approved, I&M should allow customers the right to opt out and allow them to read their own meters and avoid the opt-out customer meter reading charge. Sommer, 34, 36.

Commission Discussion and Finding. Had we approved AMI deployment we would require I&M to offer participating opt-out customer self read option with appropriate customer conformance requirements including that failure to timely provide three meter readings in a twelve month period will justify removal from the self read option, similar to that customer opt out terms approved for Duke Energy Indiana in Cause No. 4963, June 13, 2018. The $16.58 per month meter reading charge would present a barrier for some customers that have concerns about AMI privacy, security or health issues. Moreover, the only justification that I&M presented for the $16.58 charge is a rather bare undetailed statement of cost in Mr. Cooper Work paper KCC-2. With out more detail regarding the components of that cost, their determinations and reasonableness we cannot approve it.

South Bend Specific Exceptions to I&M's Proposed Order starting at page 87.

16 C. Municipal Solar Program (New Section)

South Bend proposed that I&M initiate a municipal solar program ("MSP"), much like was approved in NIPSCO Rosewater wind power purchase, Cause No. 45194, August 7, 2019. Ms. Dorau testified that Municipalities' detailed knowledge of local land use, brownfield and other siting opportunities positions them to partner with I&M to identify underutilized land in urban areas for renewable generation or micro grid installation. Bringing value to brownfields and existing sites preserves open and agricultural lands elsewhere and requires less infrastructure than a greenfield renewable energy development. South Bend, may be to able to partner with I&M and other large customers to develop one or more significant renewable energy installations within the South Bend city limits. A variety of financial arrangements could be designed to share the risks, rewards and energy output. I&M's direct investment in its communities renewable energy sites, as opposed to the purchase of wind generation output from outside its service territory, will provide a economic ripple of financial benefits. Dorau 15.

Mr. Sommer testified in support of a South Bend renewable energy collaborative with I&M to structuring and deploy Municipal and Community Solar Programs. He noted local

renewable energy would be consistent with I&M's 2019 IRP which projects 2,565 MW of new solar capacity through the 2038 planning horizon and stated that I&M currently does not plan for or promote joint renewable generation with municipalities. Sommer 18-20.

Mr. Sommer provided the estimated costs of economy of size solar installations. Mr. Sommer listed the economic and community benefits of municipally-sited renewable energy as well as the benefits to the utility and its customers. He testified renewable generation installation promotes Indiana economic development. The land lease payments where renewable generation is sited provides local Indiana economic stimulus. New construction jobs, permanent maintenance jobs, increased area cash flow, increased tax receipts and job training often created by renewable energy installations offer Indiana social, governmental and economic development benefits. He explained that local solar installations in the municipality would create many important benefits. Municipal sites would create a Hoosier "Homegrown" Energy Economic Stimulus by possibly creating lease payments to the municipality or local land owners and lowering purchased power costs for the Municipality. Public Convenience and Necessity would be enhanced by reducing or offsetting the municipality's electricity costs, thereby freeing up money to continue current municipal services or provide new services. Material solar installations within the City would also produce environmental benefits and greater public awareness of clean energy and its availability. Mr. Sommer recommended that I&M be required to commit the necessary resources to in good faith collaboratively complete within six months of an order in this Cause a joint MSP evaluation with South Bend and search for the most economic design and means to support area MSP solar of installation totaling at least 5 MW. *Id.* 21-32.

I&M Evidence. Mr. Lucas testified I&M appreciates South Bend's desire to develop renewable generation in a collaborative approach with I&M. To the extent Municipal and Community solar programs suggested by South Bend demonstrate benefits to all, I&M would be interested in considering those options in its renewable strategy.

Discussion and Findings.

No party opposed South Bend's request to require an MSP collaborative and I&M is willing to participate. South Bend provided ample evidence of potential social and economic benefits including job creation, reduced municipal budgetary constraints from reduced municipal energy use, revenue from solar power sales, land lease payments, job training, benefits to low income customers, public education, and participation in renewable energy production. This evidence supports our approval of the proposed collaborative discussion, exploration, and promotion of future details on MSP and community solar programs. As demand for and production of renewable energy increases across Indiana, it is appropriate that stakeholders look for reasonable ways to further capture the resulting economic and social benefits including benefits to Indiana's municipalities. We approve the renewable energy collaborative framework and topics proposed by South Bend. We find an initial evaluation of at least 5 MW of MSP solar

installations is reasonable and should promote economy of scale equipment and installation costs. We find the MSP collaboration between I&M and South Bend should be targeted for completion within six months of this order to keep the process moving and ensure the MSP effort has adequate procedural structure. A report from I&M and South Bend of its completion should thereafter be filed.

16 D. South Bend's Requests For Improved Services. Ms. Dorau testified I&M should enhance its services to South Bend in several areas to maximize energy efficiency and customer satisfaction.. She requested I&M expand outdoor lighting, commercial and industrial incentives, noting that I&M ran out of funding early in the program's first year and South Bend and others were turned away. She requested that incentives funding be increased to accommodate those who made application in 2019. She requested expansion of residential efficiency programs for income qualified customers. She testified I&M should strengthen its trade ally program to extend I&M's reach and help achieve energy efficiency savings goals. Dorau p. 23 – 24.

South Bend requested that I&M implement automated Benchmarking, enabling software-to-software communication of energy data from I&M to a third party such as ENERGY STAR Portfolio Manager or a facility software service for all classes of commercial, industrial, and institutional customer. Ms. Dorau explained benchmarking is a proven first step to facilitating better energy management and is supported by the NARUC and NASUCA. She noted it is already available to AEP customers in Ohio and from other utilities nationwide. *Id*. 25.

South Bend requested that I&M provided aggregated net metering for public sector distributed generation ("DG") customers such as local governments and school districts. Ms. Dorau stated that aggregated net metering will permit net metering across multiple meters at different sites, or at different meters at the same site, regardless of the physical, metered location of the distributed generation resource. Meter aggregation breaks through many barriers of on-site distributed generation by allowing for optimal siting of distributed generation. This flexibility has the potential to decrease DG installation costs, increase the size of the installation, and improve the financial payback. Private/for-profit organizations would also benefit from meter aggregation. *Id*. 25-26.

South Bend requested virtual aggregation for community/neighborhood/multi-family tenant organizations. Ms. Dorau explained this type of aggregation permits net metering credits to be applied to specific I&M customers who are subscribers of or investors in a DG resource, regardless of the location of its physical meter connection. Allowing installation of renewable DG by a collective of customers, and allowing them to share in the value provided by that energy system, provides a more tangible and localized benefit than purchasing renewable energy credits out of the PJM market. It will also open up the benefits of renewable energy to more people, including low-income customers, renters, and owners with poor locations for solar PV. Id. 26.

South Bend requested that I&M work with customers and experts to study which programs or incentives are most appropriate to reduce vehicle emission in the South Bend area. Ms. Dorau explained South Bend has several businesses in the logistics and distribution industry, as well as some public truck stops. Technologies such as plug-in anti-idling technology and electrified parking spaces for medium- and heavy-duty vehicles could benefit the utility, the customer, and the air quality. Ms. Dorau recommended that I&M expand partnerships with vehicle manufacturers to provide consumer and municipality discounts on electric vehicles, and provide additional financial support for fleet vehicles. *Id*. 27.

I&M Rebutal. Mr. Lucas testified that I&M and AEP currently have activities under way to evaluate a number of these services South Bend requested and will take South Bend's requests into consideration for potential new programs and existing program changes. Mr. Lucas verbally testified that regarding South Bend's interests in energy efficiency I&M currently has programs in place and are continuing subject to upcoming filings. He testified I&M is working on an application with First Fuel for commercial and industrial customers to be able to monitor their energy usage and to aggregate several sites and be able to compare and contrast energy usage profiles. First fuel is the automated benchmarking application used in Ohio. I&M is also doing a collaborative with ConEd to design that program and make it effective in Indiana. He explained that I&M just recently worked with a school system in Michigan to bring some of the first electric school busses to that state. Tr. F. 73-76.

Discussion and Findings. South Bend has made its keen interest in and benefits of energy efficiency, customer renewable generation and resulting environmental benefits very clear. No party presented evidence opposing the service improvements requested by South Bend. I&M and South Bend in large part seem to be interested in the same or similar programs and improvements. We find that commonality should be harnessed to reach and possibly contour I&M offerings and improvements by agreement when possible. I&M should accelerate its efforts to provide these services and ensure services under development will meet customer needs. We find that I&M should offer South Bend an ongoing at least monthly utility / customer renewable energy and energy efficiency collaborative exchange wherein information can be exchanged and suggestions for program creation, improvements or expansion can be vetted with the goal of reaching agreements in these areas. We find that within six months of this order under this Cause a report should be filed with this Commission describing the benefits achieved by both parties and other pertinent information describing the collaborative outcome at that time.

Applicable Ordering Paragraphs on South Bend Exceptions:

I&M's AMI replacement and tracking proposals are denied as described herein. Should I&M again seek approval of AMI deployment it should include a customer opt out offering with a customer self-read option and appropriate customer conformance requirements as described herein.

If the 44976 Settlement-provided EIG funds are not fully allocated to Applicants by the date of this Order then the deadline for those Applications should be extended by one year. I&M and the Applicants should promptly work in good faith to collaboratively resolve their disagreements regarding what the guidelines are for I&M approval of EIG Applications. If there is no resolution within 60 days of the date of this Order I&M and the Applicants should jointly file a report with this Commission detailing the disagreements and reasons EIG funds are not being allocated and provide copies of the Applications.

I&M's proposed economic development pilot programs in this case, with the revisions to work force development and existing commercial building infill redeveloepement suggested by South Bend and accepted by I&M are approved and should be increased by $200,000, with $150,000 of that earmarked for the Building Development pilot and $50,000 earmarked for the EIG program.

I&M's proposed customer assistance programs are approved as detailed herein.

The recession aspect of I&M's load forecast should be excluded and resulting

adjustments made.

The 5 CP demand allocation method should be used in this case.

The proposed PEV off peak rate shall be lowered, the proposed PEV incentives are approved, net metering customers shall be allowed to participate in both I&M PEV programs, and South Bend's proposed cost-based off-peak PEV charges shall be approved.

I&M shall file time-differentiated demand charges for W.S.S. in its next rate case.

I&M shall coordinate with major customers to expand its Green Energy offer and provide customized solutions to interested customers and allow them to pay for discrete amounts of renewable energy, rather than just RECs.

We find the street light rates and charges proposed by South Bend should be approved as detailed herein subject to the revisions needed to reflect the COSS methodology, subsidy reduction and other components approved herein.

I&M shall immediately make every reasonable effort to meet with and resolve upon agreed terms South Bend's interest in a mass LED conversion. If requested, we will make our Commission staff available to moderate the LED conversion discussions.

The MSP renewable energy collaborative framework and topics proposed by South Bend are approved. An initial evaluation of at least 5 MW of MSP solar installations is reasonable and the MSP collaboration between I&M and South Bend should be targeted for completion within six months of this Order. A report from I&M and South Bend of its completion should thereafter be filed.

I&M should offer South Bend an ongoing customer renewable energy and energy efficiency collaborative exchange as detailed herein.

I&M's load forecast shall remove the recession adjustment from it load forecast an base rates approved herein on the higher resulting sales.

WHEREFORE the City of South Bend requests the Commission adopt South Bend's Exceptions to I&M's Proposed Order and all other necessary and appropriate relief.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served by hand delivery, electronic transmission or U.S. Mail, first class postage prepaid, this 3rd day of December, 2019.

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