

FILED
August 12, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER &)
LIGHT COMPANY D/B/A/ AES INDIANA FOR)
APPROVALS AND COST RECOVERY ASSOCIATED)
WITH THE RETIREMENT OF PETERSBURG UNITS 1)
AND 2, INCLUDING: (1) APPROVAL OF IPL'S)
CREATION OF REGULATORY ASSETS FOR THE)
NET BOOK VALUE OF PETERSBURG UNITS 1 AND 2)
UPON RETIREMENT; (2) AMORTIZATION OF THE)
REGULATORY ASSETS BASED UPON THE)
COMPANY'S DEPRECIATION RATES; AND (3))
RECOVERY OF THE REGULATORY ASSETS)
THROUGH INCLUSION IN AES INDIANA'S RATE)
BASE AND ONGOING AMORTIZATION IN AES)
INDIANA'S FUTURE RATE CASES.)

CAUSE NO. 45502

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SETTLEMENT TESTIMONY OF

WES R. BLAKLEY - PUBLIC'S EXHIBIT NO. 3

AUGUST 12, 2021

Respectfully submitted,

IURC
PUBLIC'S 3
EXHIBIT NO. 3
8-31-21
DATE REPORTER

Lorraine Hitz
Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

OFFICIAL
EXHIBITS

SETTLEMENT TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 45502
INDIANAPOLIS POWER AND LIGHT COMPANY D/B/A AES INDIANA

I. INTRODUCTION

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

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

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

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

7 **Q:** Are you the same Wes R. Blakley who filed direct testimony in this
8 proceeding?

9 A: Yes.

10 **Q:** What is the purpose of your settlement testimony in this Cause?

11 A: My settlement testimony provides a review of the ratepayer benefits achieved by
12 the Stipulation and Settlement Agreement ("Settlement") entered into between
13 Indianapolis Power and Light Company d/b/a AES Indiana ("IPL" or "AES
14 Indiana"), the OUCC, and the AESI Industrial Group (collectively "Settling
15 Parties") relating to the proposed recovery and ratemaking treatment of costs
16 associated with the retirement of Petersburg Units 1 and 2.

II. REGULATORY ASSET TREATMENT OF PETERSBURG UNITS 1 AND 2

17 **Q:** Please describe the Settlement's basic ratemaking terms.

18 A: The Settlement requires AES Indiana to reduce the size of the regulatory assets
19 created by the retirement of Petersburg Units 1 and 2 through amortization. The
20 regulatory assets' respective reduction through amortization will occur on a

1 monthly basis from the time each unit is retired until the regulatory assets are
2 included in base rates at AES Indiana's next base rate case. The Settlement results
3 in a total \$25.7 million depreciation/amortization expense, plus an additional \$17.2
4 million amortization expense agreed to by the Settling Parties to be deducted from
5 the Petersburg Unit 1 and Unit 2 regulatory assets. I explain more specifically
6 below the details of the amortization of each unit.

7 **Petersburg Unit 1.** AES Indiana will be permitted to record a regulatory
8 asset for Petersburg Unit 1 of \$65,913,231, representing the unrecovered net plant
9 balance as of the May 31, 2021 retirement date.¹ The amount of annual depreciation
10 expense on Unit 1, based on AES Indiana's current depreciation rates, is \$5.0
11 million with approximately \$400,000² amortized monthly against the Unit 1
12 regulatory asset beginning in June 2021. The Settling Parties agreed to a negotiated
13 amount of additional amortization expense totaling \$6.9 million annually, recorded
14 on a monthly basis. The agreed amount of additional expense against the Unit 1
15 regulatory asset will start in the month in which the Settlement is executed, which
16 was August 2021. The negotiated amount reasonably resolves the contested issue
17 associated with the operations and maintenance and other costs for Petersburg Unit
18 1 embedded in base rates.

19 **Petersburg Unit 2.** Upon retirement of Petersburg Unit 2, AES Indiana
20 will be permitted to record a regulatory asset for Petersburg Unit 2, including any

¹ See Stipulation and Settlement Agreement Term 1.

² (\$5,000,000 / 12 months = \$416,667)

1 Shared (Units 1 & 2) value, at the then current unrecovered net plant balance. The
2 agreed amount of annual depreciation expense on Unit 2 is \$20.7 million, with
3 approximately \$1.7 million³ amortized monthly against the Unit 2 regulatory asset
4 upon retirement. The Settling Parties agreed to a negotiated amount of additional
5 amortization totaling \$10.3 million annually, recorded on a monthly basis. The
6 negotiated amount reasonably resolves the contested issue associated with the
7 operations and maintenance and other costs for Petersburg Unit 2 embedded in base
8 rates. The amortization expenses against the Unit 2 regulatory asset will start from
9 the date Unit 2 is retired.

10 **Q: Does the Settlement address treatment of the regulatory asset associated with**
11 **Unit 2 if new base rates are approved and placed into effect prior to the**
12 **retirement of Unit 2?**

13 **A:** Yes. If a base rate case is filed and new rates are approved and placed into effect
14 prior to the retirement of Petersburg Unit 2, 100% of all approved costs and
15 expenses including any remaining shared/common costs and expenses, as well as
16 an amount equal to the difference between the pre-tax rate of return authorized in
17 that case times the net rate base approved in that case and the pre-tax rate or return
18 authorized in that cause times the unamortized net plant amount at the time of

³ (\$20,700,000 / 12 months = \$1,725,000)

1 retirement, will be amortized on a monthly basis after the date of retirement until
2 new rates are put into effect following a subsequent rate case.

3 **Q: How do these Settlement terms benefit AES Indiana ratepayers?**

4 A: The agreement to these terms provides a savings to ratepayers by reducing the value
5 of the assets and thus reducing the rate impact for customers when the Petersburg
6 Units 1 and 2 regulatory assets are recovered in AES Indiana's next base rate case.

7 **Q: Is the Settlement in the public interest?**

8 A: Yes. The terms of the Settlement provide material financial concessions to AES
9 Indiana's customers who will benefit from the approximate \$42.9 million annual
10 reduction in Petersburg Units 1 and 2 regulatory assets, which will reduce the dollar
11 amount recovered at the time of AES Indiana's next base rate case. The Settlement
12 also states that in AES Indiana's next base rate case following the respective unit
13 retirements, "[a]ll parties reserve all rights with respect to the ratemaking treatment
14 related to the regulatory assets, including the proper rate of return and mechanisms
15 for recovery." Settlement at ¶ A.5. This allows the OUCC and other parties the
16 opportunity to address and/or recommend ratemaking treatment for Petersburg
17 Units 1 and 2 regulatory assets that will best serve AES Indiana ratepayers at the
18 time of AES Indiana's next base rate case. The Settlement reflects compromises
19 made by the Settling Parties and creates a reasonable balance of the interests of
20 ratepayers and those of AES Indiana and its shareholders.

21 **Q: Does the OUCC support the terms of the Settlement?**

22 A: Yes.

23 **Q: Does the OUCC recommend the Commission approve the Settlement?**

1 A: Yes. The Settlement is in the public interest and the OUCC recommends
2 Commission approval.

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

4 A: Yes, it does.

APPENDIX A

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

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

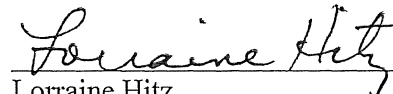
CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana Office of Utility Consumer Counselor's Settlement Testimony of Wes R. Blakley Public's Exhibit No. 3* has been served upon the following parties of record in the captioned proceeding by electronic service on August 12, 2021.

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