

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS)
POWER & LIGHT COMPANY, AN INDIANA)
CORPORATION, FOR APPROVAL OF)
ALTERNATIVE REGULATION PLAN FOR)
EXTENSION OF DISTRIBUTION AND SERVICE)
LINES, INSTALLATION OF FACILITIES AND)
ACCOUNTING AND RATEMAKING OF COSTS)
THEREOF FOR PURPOSES OF THE CITY OF)
INDIANAPOLIS' AND BLUEINDY'S ELECTRIC)
VEHICLE SHARING PROGRAM PURSUANT TO)
IND. CODE § 8-1-2.5-1 ET SEQ.)

CAUSE NO. 44478

APPROVED:

FEB 11 2015

ORDER OF THE COMMISSION

Presiding Officers:

Carolene Mays-Medley, Vice Chair

Jeffery A. Earl, Administrative Law Judge

On April 9, 2014, Indianapolis Power & Light Company ("IPL") filed its Verified Petition in this Cause. On April 10, 2014, IPL filed the direct testimony and exhibits of the following witnesses:

- Ken Flora, Director, Regulatory Affairs, at IPL;
- Joan M. Soller, Manager, Transmission Operations, at IPL; and
- Kimberly Berry, Research Analyst in Regulatory Affairs at IPL.

The City of Indianapolis, Indiana ("City") and the Citizens Action Coalition of Indiana, Inc. ("CAC") intervened in this Cause.

On April 10, 2014, the City filed the direct testimony and exhibits of the following witnesses:

- Hon. Gregory A. Ballard, Mayor of the City;
- David Rosenberg, Director of Enterprise Development for the City;
- Paul Mitchell, President and CEO of Energy Systems Network ("ESN"); and
- Hervé Muller, President of BlueIndy, LLC.

On June 20, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony and exhibits of the following witnesses:

- A. David Stipppler, Utility Consumer Counselor for the State of Indiana;
- Edward T. Rutter, Utility Analyst in the OUCC's Resource Planning and Communications Division; and

- Stacie R. Gruca, Senior Utility Analyst in the OUCC's Electric Division.

The OUCC also filed a Notice of Request for Field Hearing and Written Consumer Comments.

On June 20, 2014, the CAC filed the direct testimony and exhibits of Kerwin L. Olson, Executive Director of the CAC.

On July 11, 2014, IPL filed rebuttal testimony from Mr. Flora and the City filed rebuttal evidence from Mayor Ballard, and Msrs. Rosenberg and Mitchell.

The Commission held a public field hearing in this Cause at 6:00 p.m. on August 13, 2014, at Crispus Attucks Magnet School, 1140 Dr. Martin Luther King, Jr. Street, Indianapolis, Indiana. At the field hearing, the Commission received written and oral testimony from members of the public.

On August 20, 2014, the OUCC filed additional written consumer comments.

On August 21, 2014, IPL, the City, and the OUCC filed a Joint Stipulation and Settlement Agreement ("Settlement").

On August 26, 2014, IPL filed testimony from Mr. Flora, the City filed testimony from Mr. Rosenberg, and the OUCC filed the testimony of Barbara A. Smith, Director of the OUCC's Resource Planning and Communications Division, all supporting the Settlement.

On September 17, 2014, the CAC filed testimony from Mr. Olson opposing the Settlement.

On September 25, 2014, IPL filed settlement rebuttal testimony from Mr. Flora, and the City filed settlement rebuttal testimony and exhibits from Mr. Rosenberg.

On October 1, 2014, the OUCC filed additional written consumer comments.

The Commission held an evidentiary hearing in this Cause at 9:30 a.m. on October 3, 2014, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. IPL, the City, the OUCC, and the CAC appeared at and participated in the hearing. No members of the public appeared or sought to participate.

Based on the evidence presented and the applicable law, the Commission finds:

1. **Notice and Jurisdiction.** Notices of the hearings in this Cause were given and published as required by law. IPL is a "public utility" as defined in Ind. Code § 8-1-2-1(a) and is an "energy utility" providing "retail energy service" as those terms are defined in Ind. Code §§ 8-1-2.5-2 and 8-1-2.5-3. Under Ind. Code ch. 8-1-2.5, the Commission has jurisdiction over requests for an alternative regulatory plan ("ARP"). Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

2. **IPL's Characteristics.** IPL is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office and place of business at One

Monument Circle, Indianapolis, Indiana. IPL renders electric utility service to approximately 470,000 retail customers located principally in and around Marion County, Indiana. IPL owns, operates, manages, and controls electric generating, transmission, and distribution plant, property, and equipment and related facilities, which are used and useful for the convenience of the public in the production, transmission, delivery, and furnishing of electric utility service.

3. **Requested Relief.** IPL seeks approval of an ARP that provides for the extension of electric facilities (“Extension Costs”) and installation of BlueIndy-owned equipment (“Installation Costs”) for an electric vehicle (“EV”) car-sharing service for the general public in the Indianapolis metropolitan area (“BlueIndy Project”) and associated accounting and ratemaking treatment.

4. **IPL’s Direct Evidence.** Mr. Flora provided an overview of the ARP, and discussed the agreement that IPL and the City entered into to facilitate the BlueIndy Project. Mr. Flora said that the ARP provides for the extension of electric facilities to the BlueIndy Project, installation of BlueIndy-owned electric vehicle supply equipment (“EVSE”), and associated accounting and ratemaking treatment.

Mr. Flora explained that IPL’s proposed ARP provides for the extension of distribution and service lines and the installation of approximately 200 new charging locations, each of which will include BlueIndy-owned EV chargers and kiosks, to serve the BlueIndy Project. Mr. Flora discussed the predicted public, economic development, and market transformation benefits of the introduction and accelerated deployment of EV technology and infrastructure.

He explained that the ARP was created because the BlueIndy Project does not meet the 30-month revenue test for the extension of distribution and service lines. Therefore, it does not readily fit within the traditional ratemaking framework.

Mr. Flora described how the ARP and its proposed ratemaking and accounting are designed to promote efficiency in the rendering of retail energy services and how approval of the ARP serves the public interest. He explained the ARP is necessary for the BlueIndy Project to become a reality. He said that approval of the ARP furthers the continuing goal of the Commission in the provision of safe, adequate, efficient, and economic retail energy services and should be approved.

Ms. Soller discussed the estimated costs and project management processes associated with the ARP. She explained that IPL facilities are close to the proposed BlueIndy locations but require electrical line extensions to connect new services. She described the process used by IPL to estimate the costs of extending electrical facilities to BlueIndy locations and provided a summary of estimated costs. She said the costs to install the proposed equipment at approximately two hundred locations are estimated at \$12.3 million. These costs coupled with the line extensions total approximately \$16 million, excluding carrying costs. She said additional locations will be installed to the extent funds remain within the \$16 million total. Ms. Soller stated that BlueIndy will be served under IPL Rate SS and described how IPL estimated the total revenues expected from BlueIndy would be approximately \$700,000 over 30 months. She also explained how IPL will work with a competitively selected electrical contractor as its installation vendor.

Ms. Berry described the proposed ARP accounting and ratemaking treatment, specifically, the creation and subsequent recovery through retail rates of a regulatory asset that includes associated carrying costs at IPL's weighted average cost of capital. She explained that the ARP provides for the full recovery of the regulatory asset and ongoing carrying costs in IPL's subsequent rate cases through amortization of the regulatory asset as a recoverable expense for ratemaking purposes over a period of five years and inclusion of the unamortized portion of the regulatory asset in IPL's rate base, on which IPL is permitted to earn a return. She explained that the regulatory asset would be allocated on a reasonable basis to all IPL customer classes.

Mr. Flora explained that the ARP would be approved for a fixed term of years and the accounting and ratemaking would continue until full cost recovery is completed. Mr. Flora added that in accordance with Ind. Code § 8-1-2.5-7, the ARP would be subject to termination or revision by the Commission prior to the expiration of the fixed term of years only if material and irreparable harm to IPL, IPL's customers, the state, or the safety of IPL's workforce has been established. He added that in the event the ARP is terminated in whole or in part by the Commission before the end of the fixed term of years, any such change should operate prospectively and should not prohibit the full recovery through the ratemaking process of IPL's Costs.

5. The City's Direct Evidence. Mayor Ballard discussed the public benefits of the BlueIndy Project, including how the EV sharing program has become the "linchpin" in the City's broader strategy to help the Indianapolis community, our state, our country, and other countries move away from their reliance on foreign oil and to provide economic development.

Mayor Ballard discussed the overwhelmingly positive response from the corporate and university community regarding the EV sharing announcement. The Mayor noted that IPL, which he stated has some of the lowest EV charging rates in the country and has been recognized for its efforts in the area of EV technologies, has the experience, corporate commitment, and ability to help ensure the program is successful. He discussed the City's contributions to the BlueIndy Project, including the removal of parking meters, the use of city-controlled rights of way and associated curb cuts, sidewalk improvements, and signage.

Mr. Rosenberg explained the nature of the agreement between the City and BlueIndy and how the City calculates its investment in the proposed EV sharing program. He explained that the program will be rolled out in phases, with full deployment anticipated by June 30, 2016. Mr. Rosenberg discussed how the City and BlueIndy arrived at the minimum numbers for EVs. He said that the number of charging stations and locations were designed to ensure that the minimum performance requirements of the program are met such that the substantial direct benefits of the program will be delivered. He also discussed the termination and profit-sharing provisions of the City-BlueIndy Agreement.

Mr. Muller described the Bolloré Group and the Autolib project, which is the Bolloré Group's car sharing program in Paris, France. Mr. Muller also discussed the BlueIndy Project for Indianapolis and explained how it works. Mr. Muller discussed the demand for EV sharing in the United States and the Bolloré Group's experience in managing projects in North America. Mr. Muller discussed the financial and operational strengths that the Bolloré Group brings to the

BlueIndy Project, highlighted the unique aspects of the BlueIndy Project, and discussed the benefits for the Indianapolis community.

Mr. Mitchell explained ESN's role in the BlueIndy Project, provided background on the BlueIndy Project, and explained why he believes the program will be a success. Mr. Mitchell testified that the deployment of the electric infrastructure necessary to support EVs serves the public interest, as it will permit a good understanding of EV demand for electricity, which in turn can facilitate utility planning and management of such demand. He noted that if this happened outside the control of the utility and Commission, EV-related demand might be added to the network in a way that could create a burden for the utility and stress its infrastructure. He added that Indiana has historically been a leader in the development of EV technology and there are economic development and environmental benefits associated with the BlueIndy Project. He stated that in the future, EV technology could offer a real opportunity for demand response because we will effectively have a distributed storage system where EVs with batteries are plugged into the grid.

6. **OUCC's Evidence.** Ms. Gruca recommended two changes to IPL's proposed accounting and ratemaking treatment. First, she proposed that the Commission require IPL to use its long-term debt rate, currently 5.8%, as the carrying charge on the regulatory asset resulting from the BlueIndy Project. Alternatively, she recommended the Commission require IPL to use a return on equity ("ROE") of no more than 10.2% if IPL's overall weighted average cost of capital is used in the calculation of carrying charges. Second, Ms. Gruca recommended that the Commission determine the amortization period for IPL's regulatory asset resulting from the BlueIndy Project, in the context of a comprehensive review in IPL's next rate case. She added that if the Commission determines an amortization period in this proceeding, then the OUCC recommends the Commission require IPL to amortize the regulatory asset over a 10- to 20-year period.

7. **CAC's Evidence.** Mr. Olson recommended the Commission deny the request for cost recovery for the BlueIndy Project, stating that it is simply an improper use of ratepayer funds. Mr. Olson applauded the Mayor for his strong desire to move Indianapolis beyond oil and to improve the environment. But he said that the CAC opposes forcing IPL's captive ratepayers to subsidize a program and assume risk for a project that has absolutely nothing to do with IPL's obligation to provide affordable and reliable electric service to its ratepayers.

Mr. Olson pointed out that the extension of electric facilities for the EV sharing project does not come close to meeting the 30-month revenue test in 170 IAC 4-1-27. He expressed concerns regarding the City's lack of effort in seeking other funding options and the fact that the City never brought the proposal to the Indianapolis City-County Council. He acknowledged that Bolloré is investing approximately \$35 million for this project, but said that Bolloré's investment is voluntary, which is exactly how private investments should work. Mr. Olson stated that the investment being asked of IPL's ratepayers is involuntary. He explained that IPL's ratepayers are subject to monopoly service, meaning that they cannot choose another electric service provider within IPL's service territory. Mr. Olson also stated CAC's disapproval of the fact that Bolloré and its investors will be made whole before captive IPL ratepayers. He explained that the profit sharing mechanism has no certainty of any benefits to IPL ratepayers and may never mitigate the overall rate impact to IPL's ratepayers.

Mr. Olson said that the CAC is skeptical that all of IPL's ratepayers could afford the service. He noted that there will be a membership fee established of approximately \$150 per year or about \$13 per month to use the BlueIndy EV sharing program. In addition, users would have to pay a flat fee of \$5 for the first 20 minutes, with per-minute charging after that up to \$15 per hour. Mr. Olson argued that it is unfair for the low-income ratepayers within IPL's service territory to be asked to fund this project, even though they may never participate in the program.

8. IPL's Rebuttal. Mr. Flora explained that public policy underpins the provisioning of retail electric service and thus the cost of that service. He noted Indiana energy policy supports an "all of the above" energy strategy, including support for renewable energy, energy efficiency, clean coal technology, smart grid technology, and economic development. He stated that the costs of projects undertaken to further those objectives are reflected in utility rates.

Mr. Flora explained the nexus between EVs, EVSE, and the provision of electric service and discussed the potential benefits of the development of EVSE infrastructure. Mr. Flora discussed how technological developments have changed the roles of utilities and customers and the role EVs can play in reducing overall emissions of greenhouse gases and providing long-term utility-system benefits. Mr. Flora views the ARP as an EVSE infrastructure program and path to the future. Mr. Flora explained that the BlueIndy Project addresses the need for an extensive public charging network—necessary to assuage range anxiety in a meaningful way—at a fraction of what it would otherwise cost. He explained that the nexus between electric service provisioning and the BlueIndy Project is analogous to Indiana's utility regulatory policy support for renewable energy, economic development, and energy efficiency.

Mr. Flora said the BlueIndy Project cost is reasonable and the Commission's line extension rule contemplates the presentation of certain infrastructure deployment projects to the Commission where necessary or appropriate to give consideration to the public or community benefits of a project. He acknowledged that the BlueIndy Project infrastructure goes beyond line extensions because it includes the cost to install the EVSE.

In response to Ms. Gruca's testimony, Mr. Flora said that IPL is willing to use, subject to Commission approval, an ROE of 10.2% in the calculation of the carrying charges to be recorded on the BlueIndy Project unless and until a new ROE is established in a future base rate case. He said use of the weighted average cost of capital recognizes that IPL will fund the BlueIndy Project with a mix of debt, equity, and internally generated cash. He said that while IPL proposed to amortize the regulatory asset over a period of five years after it is included in rate base, an amortization period of 10 years would also be reasonable given IPL's proposal to include the unamortized balance in rate base and earn a return on and of the balance at each rate case until the balance is fully amortized. He calculated that these adjustments would result in a customer impact of \$0.28 per month beginning in 2018 for a typical residential customer using 1,000 kWh per month.

9. City's Rebuttal. Mayor Ballard thanked the CAC for their praise of the BlueIndy Project and reiterated that the BlueIndy Project serves the public interest. He explained that the BlueIndy Project benefits the utility customer and system in addition to other benefits to energy security, economic development, talent attraction, mass transit, and the environment. He noted that in the past, public interest pay phones were paid for by everyone, whether they used them or

not. Today, utilities provide energy efficiency programs, the costs of which are reflected in rates paid by electric service customers whether they directly participate in the programs or not.

In response to Mr. Olson's concerns about the affordability of the car sharing service, he noted that the costs of the BlueIndy Project are far less expensive than the costs of typical car ownership or rental car options, even if you add the estimated costs that the average residential electric service customer would pay in rates to support the installation costs of the line extensions, charging stations, and kiosks. He stated that it is better to utilize energy options produced here at home, which cost less and are subject to regulation, than to continue to rely on foreign sources of energy.

Mr. Rosenberg stated that the substantial benefits of the BlueIndy Project warrant some of the costs being included in utility rates. He clarified that every cent that IPL receives from BlueIndy from the profit share will be dedicated to the sole purpose of rate mitigation. He explained that the proposed agreement reflects best efforts to balance a multitude of considerations, mitigate risks, and incentivize success. He added that the agreement represents a transformational, unique opportunity to reduce our addiction to foreign oil and achieve the many additional benefits discussed throughout the City's testimony.

10. Settlement. IPL, the City, and the OUCC ("Settling Parties") reached a Settlement in this case, which is attached to this Order and incorporated by reference. The CAC did not join the Settlement.

A. IPL's Settlement Evidence. Paragraph 1 of the Settlement provides for Commission approval of the ARP as modified by the provisions of Paragraph 2 of the Settlement. Mr. Flora explained that Paragraphs 2(a) and 2(b) of the Settlement state that the costs of the BlueIndy Project shall be amortized by IPL over 10 years, with a return on and of the unamortized balance, and that the ROE on carrying charges for IPL shall be 10.2%. Mr. Flora explained that with this modified accounting and ratemaking treatment, the anticipated impact on a typical residential customer using 1,000 kWh per month is \$0.28 per month beginning in 2018, or 0.28% of the customer's bill relative to rates currently in effect. He said this estimated rate impact would not occur until after the BlueIndy Project installation is completed and a general rate case is conducted. This rate estimate also does not reflect Profit Sharing and other terms of the Settlement negotiated to mitigate the impact of the BlueIndy Project on rates for electric service.

Mr. Flora said that Paragraph 2(c) memorializes IPL's proposal to flow any profit sharing it receives through to customers even after the cost of the initial investment is recouped. He explained that IPL will establish a regulatory liability for any profit sharing received after the regulatory asset established for this project has been fully amortized. The regulatory liability, and associated carrying charges, will be amortized to reduce IPL's revenue requirement in subsequent rate case(s) until it is eliminated.

Mr. Flora described the annual reporting contemplated by Paragraph 2(e) of the Settlement. He stated the annual report would be filed in this docket and served on the parties, and would address data gathered at each charging site for purposes of observing consumer behavior associated with EV infrastructure deployment and the impact of EVs on IPL's system

in terms of operational effects and costs. He stated this information would be provided on a generic basis so as to not invade customer privacy, similar to what was done with IPL's previous EVSE pilot.

Mr. Flora explained that Paragraphs 2(i) and 2(j) of the Settlement focus on energy efficiency and recognize that EV/EVSE is one component that can further Indiana's "all of the above" energy policy and economic development policy but that it is not the only component. He said that while IPL has long engaged in demand-side management ("DSM") and energy efficiency, the Settling Parties negotiated two additional ways to further energy efficiency and economic development in IPL's service territory. Paragraph 2(i) states that IPL will collaborate with its DSM Oversight Board to develop an energy-efficient street lighting program, which will make a total of up to \$1.5 million available for IPL's Rate MU-1 customers for the conversion of existing street lighting to modern LED lights or for the upgrade and expansion of a street lighting system to LED lights.

Mr. Flora said that Paragraph 2(j) also focuses on energy efficiency and states that IPL shall work with its DSM Oversight Board to assess the ISO 50001 energy management system, or other similar strategic energy management programs. Mr. Flora explained that this standard establishes a framework for large and small organizations, including commercial, institutional, governmental, and industrial facilities, to manage energy use and consumption. He said that the Settlement reflects the OUCC's recommendation that the City or K-12 schools in the IPL service territory be considered as the initial participating customers in a possible pilot program.

Mr. Flora testified that Paragraph 2(k) states that IPL and the City shall collaborate with BlueIndy to determine the feasibility of using the BlueIndy EVs as providers of energy back to the IPL grid as a demand response resource and whether a vehicle-to-grid ("V2G") pilot is viable. He said IPL will provide a report to the OUCC and to the Commission on its efforts in this regard within a year of the public opening. Mr. Flora added that if a pilot program is proposed by IPL and approved by the Commission, the Settlement states that any material net benefits realized as a result of a V2G pilot will be used for rate mitigation to benefit IPL customers.

Mr. Flora explained why IPL is involved with the BlueIndy Project and the Settlement. He stated that the BlueIndy Project is a catalyst for making EV and EVSE technology readily available throughout the community, which provides potential benefits to the electric distribution system. He explained that as the provider of public utility service, IPL works with the customer to meet its needs and assists the customer in sorting through the applicable regulatory framework. He said the cost of providing this service is necessarily recognized in the ratemaking process and public policy underpins that cost. Mr. Flora stated that, here, the request for electric provisioning assistance came from the largest municipality in the state. Given that the Commission's traditional facilities extension rule contemplates that certain matters may need to be presented to the Commission for consideration of whether the extension of the requested facilities is in the public interest, Mr. Flora explained that IPL worked to structure the BlueIndy Project consistent with the public interest.

Mr. Flora described how IPL worked with the OUCC and the City to improve the structure of the ARP, resulting in the Settlement. He said that IPL has provided considerable

technical and commercial expertise to BlueIndy and the City and IPL maintains project execution risk. He explained that the ARP, as modified by the Settlement, is consistent with other initiatives approved by the Commission and the energy policy discussed in his direct and rebuttal testimony.

Mr. Flora testified that the Settlement is the result of serious negotiations and bargaining, with the Settling Parties considering various options and evaluating the issues. He said the Settlement avoids potentially protracted litigation, permits a more efficient process, and increases the benefits to customers.

Mr. Flora explained why it was reasonable that some of the infrastructure that IPL will install will be owned by BlueIndy. He stated that while IPL does not generally install or own equipment dedicated to the needs of an individual customer, that line gets blurred where projects have broader public interest or provide benefits to the broader customer base. He noted that IPL's energy efficiency programs reflect the cost of installing customer-owned energy efficiency measures as well as some or all of the cost of the measure itself, and that technological change can alter the way we traditionally view infrastructure and cost allocation.

Mr. Flora said that the Settlement reflects consideration of the concerns raised by the CAC as well as concerns voiced at the field hearing. He said IPL heard much support for the BlueIndy Project at the field hearing, which echoed the BlueIndy Project support identified in the written public comments filed by the OUCC and the public support noted in the City's evidence. But he also recognized that the CAC and others have expressed concerns about the ARP and the BlueIndy Project, including concerns about the rate impact, the locations of the EVSE, the benefits to the average residential customer, and the overall public interest. He explained that the direct and rebuttal testimony, as well as his settlement testimony, address the economic development, market transformation, talent attraction, and utility system benefits anticipated with approval of the BlueIndy Project. He said these improvements benefit all electric customers by expanding the base across which the cost of providing electric service is necessarily spread. The Settlement reduces the rate impact of the ARP and the energy efficiency components of the Settlement expand the ARP to provide additional direct benefits to the broader community. He said the Settlement also reasonably addresses location issues and provides additional direct benefits to customers.

Mr. Flora testified that the ARP, as modified by the Settlement, and the BlueIndy Project are reasonably designed to provide low-cost electric service, modernization, and other benefits while also addressing transportation, economic development, and other challenges within IPL's service area. Mr. Flora stated that IPL is committed to maintaining its record as a reliable and low-cost provider of electricity. He stated that IPL understands that any rate increase can be challenging for its customers, particularly low-income customers and senior citizens. He noted that through this regulatory process and settlement negotiations, IPL has been able to reduce the monthly impact of the BlueIndy Project on typical residential customer rates to less than one third of a percent, relative to rates currently in effect, while enhancing the potential benefits from the BlueIndy Project to the electric system and consumers.

Mr. Flora stated the terms of the Settlement are reasonable and serve the public interest. He said the Settlement improves the ARP by reducing the impact on customer rates and

expanding the plan benefits. He said that Ind. Code ch. 8-1-2.5 recognizes that the public interest is served by an environment in which Indiana consumers will have available state-of-the-art energy services at economical and reasonable costs.

Mr. Flora concluded that the Settlement presents a balanced and comprehensive resolution of the issues in this case and reflects the compromise that occurs in the negotiation process. Therefore, he said, the Commission should find that the Settlement is reasonable and in the public interest and promptly enter an order approving the Settlement in its entirety.

B. The City's Settlement Evidence. Mr. Rosenberg explained that Paragraph 2(d) changes the distribution of the profit share to allow the costs relating to the BlueIndy Project incurred by ratepayers to be mitigated more quickly than originally proposed. Paragraph 2(d) dedicates all of the profit share to IPL, to be used solely for rate mitigation to benefit IPL customers, until 125% of all project costs incurred by customers have been recovered. At that point there is an equal 50-50 split of the profit share between IPL, for the benefit of further rate mitigation, and the City. He said that this result is especially positive for customers because it can further reduce the impact of the BlueIndy Project costs on the rates for electric service.

Mr. Rosenberg said that Paragraph 2(f) creates an advisory board with membership of the City, IPL, BlueIndy, and the OUCC to meet regularly to discuss BlueIndy Project details, including implementation progress, IPL's Costs (as that term is defined in the City-BlueIndy Agreement), the City's costs incurred as its contribution to the BlueIndy Project, and locations. He said the City believes this will be a useful way to keep the Settling Parties and BlueIndy in regular communication about the various aspects of the BlueIndy Project.

Mr. Rosenberg explained that Paragraph 2(g) of the Settlement incentivizes new customers by providing IPL customers who sign up for an annual membership in the BlueIndy service within the first six months after the public opening with two months of free membership.

Mr. Rosenberg said that Paragraph 2(h) contractually commits the City to make all reasonable best efforts to apply for grant funding for rate mitigation and make reasonable efforts to secure other funding, particularly from corporate citizens, for rate mitigation. He noted that the Settlement makes it clear that BlueIndy locations would not be "traded" for such contributions, as it is critical that sites be selected by BlueIndy based on market-driven factors. He said that the funds secured through the City's efforts will be utilized for rate mitigation only. The City also agreed to provide periodic updates to the OUCC on its efforts to secure funding.

Mr. Rosenberg testified that Commission approval of the Settlement would be in the public interest because it would permit the BlueIndy Project to proceed and the many anticipated benefits to be realized. He said that the BlueIndy Project results in several public benefits because it should make EV technology readily available throughout our community at a scale not otherwise possible. He also said that the BlueIndy Project will reduce our reliance on foreign oil and is expected to lead to increased demand for EVs and related technology, with a variety of economic development, mass transit, and talent attraction-related benefits.

C. OUCC's Settlement Evidence. Ms. Smith testified that the OUCC continues to generally support EVs. She said that the concerns expressed in the OUCC's case-in-chief were not directed at the BlueIndy Project's concept, economic development, or technical merit but rather challenged whether the ratemaking requested by IPL in its proposal was in the public interest. She said that having taken into account the risks inherent in any litigation and the concessions the OUCC was able to obtain from the City and IPL, the OUCC believes the Settlement is in the public interest due to enhanced customer protections.

Ms. Smith explained that the OUCC was initially concerned that IPL customers would not receive any rate mitigation or other customer benefits until BlueIndy achieves profitability and that even then those funds would be shared with the City. She explained how Paragraph 2(d) of the Settlement alters Section 5.02 of the City-BlueIndy Agreement to enhance IPL customer rate mitigation. She explained that the City agrees to forego any profit share until 125% of the BlueIndy Project costs are refunded to customers, and thereafter the profit share will be split evenly between the City and IPL customers for additional rate mitigation.

Ms. Smith testified that Paragraph 2(h) was built into the Settlement to address the OUCC's concerns that neither the City nor IPL had pursued alternative funding from supportive businesses or grants to help offset the rate impact. Under to Paragraph 2(e), IPL has agreed to report on an annual basis to the Commission and OUCC on these matters. In addition, Paragraph 2(f) of the Settlement requires the City to establish an advisory board with membership consisting of representatives of the City, IPL, BlueIndy, and the OUCC. She said that in order to keep the OUCC apprised of the BlueIndy Project's progress the advisory board will meet regularly to discuss project details as well as the costs incurred by IPL and the City.

Ms. Smith also described other customer benefits of the Settlement, including Paragraphs 2(i), 2(j), and 2(k). With respect to the street lighting provisions in Paragraph 2(i), she said that public safety is a principal concern for any municipality, and the OUCC worked with the other Settling Parties to develop this "outside-the-box" benefit that not only promotes energy efficiency but also enhances public safety and provides other public benefits. She said it results in a truly "win-win" proposition for both the City and IPL's customers. Ms. Smith stated that IPL is willing to forego both lost revenue and shareholder incentives for developing this program until new rates resulting from its next rate case go into effect.

Ms. Smith explained that Paragraph 2(j) does not require IPL to implement an energy management system, but it does state that IPL will work with its DSM Oversight Board to assess the viability of an ISO 50001 energy management system and, after careful analysis and information sharing, a decision will be made whether a pilot program is in IPL customers' best interests.

Ms. Smith stated the V2G provision in Paragraph 2(k) requires IPL, the City, and BlueIndy to collaborate and determine the potential feasibility of using the BlueIndy EVs to provide electricity to the IPL grid as a demand response resource. She stated that Paragraph 2(k) specifically states that any benefits realized as a result of any V2G pilot must be used for rate mitigation to benefit IPL customers.

Ms. Smith said that under the Settlement IPL agreed to a reduced ROE and a longer amortization period, which results in a 45% monthly reduction to the originally proposed customer charge. She said that the Settlement also provides for a number of other customer benefits, including potential rate mitigation and a discount to IPL customers who sign up for the BlueIndy Project. Ms. Smith said that these customer benefits and those discussed above promote energy efficiency and provide advantages to IPL customers that would not have been otherwise realized as a result of litigation.

Ms. Smith said that given the agreement reached on the customer benefits as outlined in the Settlement and explained in her settlement testimony, the OUCC believes the Settling Parties struck a fair resolution of the divergent positions initially taken by the Settling Parties. She added that the OUCC therefore believes the Settlement is supported by substantial evidence, is in the public interest, and should be approved.

D. CAC's Settlement Testimony. Mr. Olson said that the CAC did not participate in the settlement negotiations because it was not invited to or made aware that the negotiations were taking place. Mr. Olson recommended the Commission reject the Settlement because, in his view, it did not address the over-arching concern that this is an improper use of customer funds. Mr. Olson argued that the BlueIndy Project is largely a business investment by IPL and has nothing to do with providing electric service to its existing ratepayers. He said that the electric utility industry is struggling with stagnant electricity sales and that EVs are being viewed as a way to add load to increase sales and revenues.

Mr. Olson stated that Paragraph 2(a) of the Settlement, which states that the costs of the BlueIndy Project shall be amortized by IPL over 10 years, does not change the fact that customers should not fund what is largely a business investment by IPL that has nothing to do with providing electric utility service to customers. Mr. Olson also raised the concern that spreading the amortization out may actually increase total costs to ratepayers with additional carrying costs.

Mr. Olson commented on Paragraphs 2(c) and 2(d) of the Settlement, which apply all of IPL's and the City's profit share in the BlueIndy Project to ratepayer mitigation until 125% of all costs incurred by ratepayers have been recovered. He said that profitability of the project is not guaranteed and that no business case was put forward to support that these provisions would actually provide a benefit to ratepayers. Mr. Olson also noted that BlueIndy is required to share money only when the project is profitable.

He also questioned whether Paragraph 2(g) of the Settlement, which requires BlueIndy to provide two months of free membership to IPL customers who sign up within the first six months of the program, is an actual benefit. He said that the estimated value of this benefit is \$26 per customer. He opined that ratepayers with moderate means and low- or fixed-incomes may be unable to afford the service with or without any free months, because those ratepayers would be required to pay for the remaining 10 months of the annual membership fee. Mr. Olson believes this provision is nothing more than a marketing gimmick.

With regard to Paragraph 2(i) of the Settlement, regarding the \$1.5 million energy-efficient street lighting program, Mr. Olson stated the CAC strongly supports LED street

lighting. But he explained that while there can be tremendous public benefits to LED street lighting, the short-term impact of this program is another cost for customers who may or may not be the appropriate funding source for this program. Mr. Olson argued that IPL's agreement to forego certain lost revenues for this program is of no benefit to ratepayers because IPL has not been awarded recovery of lost revenues for its other DSM programs. He also questioned the customer benefits of the Settlement provision regarding consideration of the ISO 50001 energy management system because the proposal lacks specificity and evidence of tangible benefits.

Mr. Olson discussed consumer comments filed with the OUCC and made at the field hearing, which showed a healthy public opposition to the imposition of a fee to fund the BlueIndy Project. He recommended additional modifications to the Settlement should the Commission approve it. First, he proposed that the Commission modify the Settlement to require 50% of the total costs be allocated to IPL shareholders. Second, he proposed that an opt out be created to allow at least those households living at 200% of the federal poverty level or below the option of opting out of any tariff established for this program. Third, he recommended that a voluntary EV tariff be established that would allow those that support the program to show their support by signing up for this voluntary tariff to help mitigate the bill impact on all customers.

E. IPL's Settlement Rebuttal Evidence. Mr. Flora responded to Mr. Olson's concern that the amortization of the regulatory asset over 10 years may actually increase total costs to ratepayers. He explained that the approach reflected in the Settlement is a reasonable and accepted means of balancing the impact on customer rates with cost recovery. Mr. Flora agreed that extending recovery over a longer period of time could increase the total cost to customers because of the return component that would be reflected in future rate cases, but he said that the actual impact to customers would depend on the timing of future rate cases and the amount of profit sharing received.

Mr. Flora said that Mr. Olson's contention that 50% of the total project costs should be allocated to IPL is simply another way of asking the Commission to disallow cost recovery. He said that this proposal is contrary to ratemaking policy and IPL cannot accept this modification to the Settlement.

Mr. Flora also responded to Mr. Olson's concerns about the LED street lighting provision. He said that the Commission has previously recognized that modernizing street lighting can enhance economic development by providing better visibility, improving aesthetics, and focusing light where it is needed rather than dissipating light into unwanted areas. He stated that modern street lighting can attract people to commercial areas, help revitalize blighted or deteriorated neighborhoods, and enhance public safety. He explained this is not a new Commission policy, and quoted from an earlier IPL order where the Commission found it reasonable that the costs of rendering street lighting service should be shared by all customers. He said IPL was mindful of the impact on customer rates during the negotiation of the Settlement and believes the other Settling Parties were too. He said the energy efficient street lighting program is modest in size (\$1.5 million) but can spark substantial customer benefits.

Mr. Flora next responded to Mr. Olson's proposal that the Commission modify the Settlement to allow certain low- and fixed-income customers to opt out of the proposed EV charges and tariff. He said this recommendation rests on Mr. Olson's belief that these customers

are unlikely to use the program, which was refuted by the City's testimony. He said that the benefits to customers from the BlueIndy Project accrue to all customers, not just those who may use the EV sharing or EVSE. He explained that this is similar to the benefit of energy efficiency programs. As an example, he explained that the costs of the income-qualified weatherization program are allocated to all residential customers even though the program is not expected to provide net benefits to all customers. He noted non-participants cannot opt out of the weatherization program. He recommended the Commission reject Mr. Olson's proposed modification to the Settlement.

Mr. Flora also responded to Mr. Olson's recommendation that the Commission modify the Settlement to require the development of a voluntary EV tariff to help mitigate the rate impact on others. He said that from IPL's perspective, the Settlement structure is preferable because the City may be expected to produce a level of voluntary financial support that is more significant than what may be expected from a voluntary EV tariff. He stated that proceeding with both the City's effort and a voluntary EV tariff may undermine the City's efforts and cause confusion. Mr. Flora explained that IPL's green power initiative ("GPI") tariff has been available to customers, in some form, for more than a decade and is offered at among the lowest rates in the nation. Even so, only approximately 1% of customers participate in the voluntary program. He said based on this level of participation, under the current GPI rate, annual revenues would be less than \$300,000. He said experience from IPL's GPI suggests that the cost of administering a voluntary tariff as proposed by Mr. Olson and processing changes through Commission proceedings may outweigh the benefit. Therefore, the Commission should reject Mr. Olson's proposed modification and find the approach reflected in the Settlement reasonable.

F. The City's Settlement Rebuttal Evidence. Mr. Rosenberg responded to Mr. Olson's assertion that the City should have identified a different funding stream for the BlueIndy Project. He explained that the City is already making significant contributions to the success of the BlueIndy Project, and the City thinks that the request for IPL's customers to bear the costs of the installation of line extensions, charging stations, and kiosks is the most appropriate course. He said that the City believes there are substantial benefits to the provision of public utility service that warrant some of the costs of the BlueIndy Project being included in utility rates and thus IPL requested the Commission's approval of the ARP.

Mr. Rosenberg responded to Mr. Olson's comments about the two free months of membership when an IPL customer signs up for an annual membership. He stated this is more than a marketing gimmick, as Mr. Olson contends, as the incentive is a contractual obligation that requires the City to cause BlueIndy to offer two free months to IPL customers who sign up for an annual membership. He said it was a smart incentive to utilize the service in its infancy that is provided to IPL customers. He noted the more customers who use the service, the more successful it will be, which helps to facilitate the many benefits to be achieved from the BlueIndy Project.

Mr. Rosenberg responded to the concern that people in lower income brackets might be precluded from using the service because BlueIndy requires a credit card. He said that if BlueIndy were required to accept other forms of payment, the price for the service would likely be higher due to the increased costs associated with collection. He explained that a customer who consents to keep their credit card on file can be easily charged for their usage of the service, and

it is up to the credit card company to resolve actual collection from the customer. Thus, BlueIndy can keep prices lower than they otherwise would be. If this were not the case, it can be expected that a higher price for the service might keep a broader base of people from using the service.

Mr. Rosenberg concluded that the OUCC joins the City and IPL in requesting approval of the proposal, and the Settling Parties hope the Commission will find it appropriate to approve this proposal.

11. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

Further, any Commission decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission’s own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

The Settlement seeks approval of IPL’s ARP, as modified by the Settlement, pursuant to Ind. Code ch. 8-1-2.5. Under Ind. Code § 8-1-2.5-6(a)(1), the Commission may adopt alternative regulatory practices, procedures, and mechanisms and establish rates and charges that (a) “Are in the public interest as determined by a consideration of the factors described in [Ind. Code § 8-1-2.5-5]” and (b) “Enhance or maintain the value of an energy utility’s retail energy services or property.” The alternative regulatory practices may include practices, procedures, and mechanisms focusing on the price, quality, reliability, and efficiency of the service provided by the energy utility.

In determining whether an ARP is in public interest, we must consider the following:

- (1) The impact of technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies;
- (2) The extent to which the ARP will be beneficial for the energy utility, the utility’s customers, or the state;
- (3) The extent to which the ARP will promote energy utility efficiency; and
- (4) The impact of the ARP on the utility’s ability to compete with other providers of functionally similar energy services or equipment.

See Ind. Code § 8-1-2.5-5(b).

In addition, although not mandated to do so when making ARP decisions, we also factor in the substance and declaration of Ind. Code § 8-1-2.5-1. *Citizens Action Coalition of Ind., Inc. v. Ind. Statewide Assoc. of Rural Elec. Coops. Inc.*, 693 N.E.2d 1324, 1330 (Ind. Ct. App. 1998). Thus, we consider the extent to which an ARP furthers the provision of safe, adequate, efficient, and economical retail energy service and the ARP will provide state-of-the-art energy services at economical and reasonable costs. See Ind. Code § 8-1-2.5-1(1) and (4).

A. Evidence Related to Public Interest.

1. The impact of technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies.

Mr. Flora testified that EVs and EVSE can play a role in reducing greenhouse gas emissions and dependence on foreign oil. He said that the ARP allows IPL to create an extensive public charging network that can address range anxiety and encourage the use of EVs. Mr. Mitchell testified that deploying EVSE and supporting infrastructure can help IPL gain an understanding of EV demand for electricity, which in turn can facilitate utility planning and management of such demand. He also testified that in the future, EV technology could offer an opportunity for DSM because it could effectively create a distributed storage system of EVs with batteries plugged into the grid. In light of this testimony, we find that there is some evidence that the ARP could have a beneficial impact on IPLs technological or operating conditions.

There is no evidence of any competitive forces that lends support to the need for the ARP. In fact, IPL's request for an ARP to fund the Extension and Installation Costs demonstrates that no other entities, including the City and BlueIndy, are willing to make a full investment in the BlueIndy Project. In addition, in the Installation Services Agreement between IPL and the City, IPL agrees to "not install, maintain, or use IPL's EV charging infrastructure to support a competing EV car-sharing service other than by offering retail electric service." It seems reasonable to suggest that assisting a single entity in such an environment may even deter competitive forces. Therefore, we find that competitive forces are not a supporting factor for the ARP.

In addition, because there is no evidence of other relevant state or federal regulation of EV and EVSE, we find that the extent of regulation by other state or federal regulatory bodies does not have any impact on the ARP.

2. The extent to which the ARP will be beneficial for the energy utility, the utility's customers, or the state.

IPL and the City provided evidence asserting several benefits to IPL, its customers, and the state as a whole. Mr. Flora said that the BlueIndy Project fits within Indiana's "all-of-the-above" energy strategy, which includes support for renewable energy, energy efficiency, and economic development, among other factors. The deployment of EVSE infrastructure modernizes IPL's infrastructure and could allow for a build out of extensive charging infrastructure. In addition, while IPL does not expect electricity usage from the BlueIndy Project to be significant, especially in the first few years, as the number of EVs in Indiana grows over time, the impact of EV charging practices on the electric distribution system has the potential to raise significant challenges for electric utilities. We have approved

EV-related projects for IPL and other utilities on a pilot basis, partly because such projects give the utility an opportunity to study the impact of EV charging on their systems. The BlueIndy Project would expand IPL's ability to study the impact of EV charging on its system. Therefore, we find that the ARP would provide some benefit to IPL.

The City also identified economic development, market transformation, and talent attraction benefits anticipated with approval of the BlueIndy Project that could benefit the state. Many of these are driven by the fact that the BlueIndy Project would be a first-of-its-kind EV-sharing program. We received both oral and written public comments from individuals, organizations, and local businesses supporting the City's claims. In addition, the City points out the broader economic and environmental benefits that could flow from the BlueIndy Project. These include a reduction in greenhouse gas emissions if drivers switch from gasoline-powered vehicles to EVs and a reduction in the nation's dependence on foreign oil. In light of this testimony, we find that the ARP would provide some benefit to the state.

The argument that the ARP would benefit IPL's customers is less clear. Certainly the BlueIndy Project would benefit those customers who wish to participate in it. This benefit is enhanced by the provision of the Settlement that IPL's customers who sign up for an annual BlueIndy membership within the first six months will receive two months free. But in order to sign up for and use the car-sharing service, customers must have a credit card. This limits the number of ratepayers who could benefit from this provision. Also, the evidence shows that the BlueIndy Project will have a limited service area in the first six months, further limiting the number of ratepayers who could benefit from this provision.

We received extensive written and oral public comments from IPL customers who had no interest in the BlueIndy Project. They testified that they would not use the program, could not afford to participate in the program, or would not qualify to participate because of the lack of a credit card. These customers questioned why they should be required to pay for the BlueIndy Project, and we give substantial weight to those concerns.

The Settling Parties argue that the Settlement contains many provisions that mitigate the costs to ratepayers—for example, the modified profit-sharing agreement, the extended amortization period, and the 10.2% ROE—and couch these provisions as a benefit to customers. However, these provisions only limit the costs of the program, or in the case of the longer amortization period, increase the total cost to customers. The provision to mitigate the cost to customers with the profits from the BlueIndy Project only provide a benefit if the project is successful. Yet neither IPL nor the City provided any credible evidence of the likely profitability or success of the BlueIndy Project. On the contrary, on cross examination Mr. Rosenberg admitted that no business plan exists for the project and there is no guarantee of success. In addition, the majority of the funding being requested from ratepayers is for the installation of charging station infrastructure that would be owned by BlueIndy. Should BlueIndy terminate the program, and remove the charging infrastructure, IPL's ratepayers would be left with nothing in return for their investment.

The Settlement requires IPL to collaborate with the DSM Oversight Board to develop an energy-efficient street lighting program. However, while the benefits of the street lighting program itself might be obvious (increased energy efficiency and public safety for example), we

note that under the terms of the Settlement, IPL's customers would pay for this program, too. This fact limits the extent to which we can find that the street lighting program benefits IPL's customers. Further, IPL has not provided any specific details about the project, promising only that such details would be provided in a case to be filed in the future. As a result, although this program stems from the Settlement in this Cause, it is otherwise unrelated to the BlueIndy Project. So we give it little weight in support of the ARP.

In light of this, while we find the ARP may benefit some of IPL's customers, that potential benefit is very limited and even less secure. Moreover, that limited benefit to IPL's customers is outweighed by the burden the ARP would place on those customers by requiring them to pay for the installation of the charging station infrastructure.

3. The extent to which the ARP will promote energy utility efficiency. There is limited evidence that the ARP will promote energy efficiency, primarily because energy efficiency is not the purpose of the BlueIndy Project. As we have discussed above, Mr. Mitchell testified about the possible future use of EVs as distributed storage in a DSM context. While we agree with Mr. Mitchell that such potential exists, it is far too speculative, and we give little weight to that claim in this context.

The Settlement includes two provisions that could impact energy efficiency—the energy-efficient street lighting program and the ISO 50001 program. In addition to the benefits of the street lighting program discussed above, the program would be available to replace or upgrade existing street lights with modern LED lights. Assuming that the replaced or upgraded lights are less efficient than the LED lights, the program would result in energy savings and more efficient energy usage. However, because we have not been presented with a proposed program, we cannot evaluate the full extent of such savings and efficiency. As a result, we find that insufficient evidence has been presented that the street lighting program promotes energy utility efficiency.

The Settlement also requires IPL and the Oversight Board to assess the ISO 50001 energy management system or other similar strategic energy management programs for a potential pilot program. Again, we consider the possible benefits of this program too speculative. Assessments are undertaken to determine whether benefits exists. The Settlement states the Settling Parties acknowledge that while a pilot program may have potential, it must be further evaluated to determine whether it is in the best interest of IPL's customers. In addition, similar to the street lighting program discussed above, although this program stems from the Settlement in this Cause, it is otherwise unrelated to the BlueIndy Project. Based on this evidence, we cannot find at this time that the ISO 50001 program provision of the Settlement would promote energy efficiency.

4. The impact of the ARP on the utility's ability to compete with other providers of functionally similar energy services or equipment. This criterion is set forth in the section of the statute that addresses declination of jurisdiction, but the ARP provisions direct the Commission to consider it nevertheless. There is no significant evidence affecting this finding, and we find that the impact of the ARP on IPL's ability to compete with other providers of similar services is not relevant to our consideration of the ARP.

B. Whether the ARP will enhance or maintain the value of the utility's retail energy services. The BlueIndy Project would add up to 200 EV charging stations to IPL's system. These stations would be used by BlueIndy to charge the EVs in the car sharing program, and would also be available for public use to charge privately owned EVs. It follows that IPL would experience increased revenues from the sale of electricity for EV charging. In addition, the installation of EVSE throughout IPL's service territory could result in increased demand for EVs and a corresponding increase in demand for EV charging services both at public stations and for in-home charging. Based on this evidence, we find that the ARP will enhance or maintain the value of IPL's retail energy services. However, our finding is limited to the extension of IPL infrastructure necessary to serve the charging stations.

The evidence in this case is clear that although IPL is seeking recovery of the costs of installing the charging infrastructure itself, BlueIndy, not IPL, would own the charging infrastructure. As such, the installation of the charging infrastructure does not enhance or maintain the value of IPL's retail energy services: it primarily enhances the value of BlueIndy's car-sharing program. While there could be some benefit to IPL through increased sale of electricity as discussed above, such a benefit is not sufficient to merit the \$12.3 million cost to ratepayers, especially given the lack of evidence that the BlueIndy Project will be profitable. Therefore, we find the portion of the ARP covering the installation of BlueIndy-owned charging infrastructure will not enhance or maintain the value of IPL's retail energy services.

C. ARP Approval. The proposed ARP seeks to recover two distinct types of costs: (1) the Extension Costs to extend utility infrastructure to serve the charging stations—approximately \$3.7 million; and (2) Installation Costs to install the charging stations and related equipment that are owned by BlueIndy—approximately \$12.3 million. We address the reasonableness of each of these costs below.

1. Extension Costs. 170 IAC 4-1-27 governs the extension of distribution and service lines. Under 170 IAC 4-1-27(C), IPL is required to provide the necessary facilities to extend service to a new customer, without charge to the customer, if the estimated total revenue from the customer for utility service for a period of 30 months is at least equal to the estimated Extension Costs. We refer to this provision as the "30-Month Test." The evidence presented shows that the Extension Costs are approximately \$3.7 million. However, Ms. Soller testified that the expected 30-month revenues are only \$700,000. Therefore, IPL is not required to install the necessary facilities without charge to BlueIndy. Under 170 IAC 4-1-27(D)(1), if the Extension Costs fail the 30-Month Test, the customer would typically be required to pay for the amount of the Extension Costs that exceed the expected revenue. Here, BlueIndy would be required to pay approximately \$3 million. However, 170 IAC 4-1-27(H) also allows a utility to seek an ARP to recover the Extension Costs.

We note that once the enhanced infrastructure is in place it could be attractive to business development other than the specific BlueIndy Project. Even if BlueIndy were to abandon the car-sharing service and remove its charging equipment, the infrastructure would remain in place for another company or IPL to install EVSE for public charging or some other program. Thus, the Extension Costs result in a real addition to IPL's system aside from the BlueIndy Project.

In light of our discussion above, we find that the ARP is in the public interest and will enhance the value of IPL's retail energy services or property with respect to the line extension costs only. IPL and the City provided evidence that the BlueIndy Project will provide some benefits to IPL, its customers, and the state. However, those benefits are limited, and as discussed further below, are not sufficient to merit approval of the ARP in total. Therefore, we find that the benefits are sufficient to merit the creation of the ARP to recover the Extension Costs that exceed the expected revenues under the 30-Month Test—approximately \$3 million. But our approval of the ARP for Extension Costs is contingent on the BlueIndy Project going forward despite the denial of the ARP for Installation Costs discussed below. In the event that the BlueIndy Project does not go forward, IPL will need to provide evidence in a new proceeding justifying the Extension Costs in the absence of the BlueIndy Project.

2. Installation Costs. There can be little argument that the request to recover the Installation Costs is anything other than a request to have IPL's customers pay a portion of the start-up costs for a private business enterprise. Mr. Flora said that IPL does not generally install or own equipment dedicated to the needs of an individual customer, except in some cases where a broader public interest is at stake. Despite the benefits discussed above, the primary purpose of the BlueIndy Project is to make a profit for BlueIndy. We do not believe that ratepayer funds should be used for this purpose without sufficient justification, and we do not believe sufficient justification has been provided.

One aspect of this request that stood out to us—and to the CAC, the OUCC, and the public in general—was the seeming lack of any attempt to find alternate funding sources for the BlueIndy Project. During the hearing, the Settling Parties testified that as of that date, the City had only applied for a single grant from the U.S. Department of Energy and had not approached any possible corporate partners. There is also no evidence that the City considered funding the program from its budget or that it presented a proposal to the City-County Council. IPL expressly rejected arguments by the CAC that IPL fund the project either from shareholder funds or with a voluntary EV tariff. We do not think it is reasonable to push costs onto IPL's customers, for whom the ability to break even is not guaranteed, when the entities that stand to directly profit from the project are not willing to bear a reasonable portion of the costs themselves or to expend the effort to seek alternative sources of funding.

Also, in contrast to the Extension Costs, which result in a real addition to IPL's system, the Installation Costs result in no such addition. IPL seeks recovery of the Installation Costs to cover its costs to install EVSE and kiosks that will be owned by BlueIndy. Because the charging station infrastructure would not be owned, managed, or controlled by IPL, it cannot be considered used and useful for the benefit of IPL's customers. Should BlueIndy abandon the car-sharing service, it could remove the EVSE and kiosks, leaving ratepayers with nothing to show for their contribution to the Installation Costs.

As a result, the burden of showing that allowing the ARP for Installation Costs would provide other benefits to customers is higher than for the Extension Costs alone. As we discussed above, we find that the BlueIndy Project and the ARP do provide some benefits to IPL, its customers, and the state. Those benefits are sufficient to merit an ARP to allow IPL to recover the Extension Costs contingent on the BlueIndy Project going forward. But we find that the benefits are not sufficient to merit an ARP to pay for the Installation Costs.

3. **Conclusion.** In light of the evidence presented and our discussion above, we deny the Settlement and the ARP with respect to the recovery of the Installation Costs. IPL may only recover the Extension Costs through the proposed ARP and only if the BlueIndy Project goes forward. We approve all other elements of the Settlement and ARP. Under Ind. code § 8-1-2.5-6(e), we may not order material modifications changing the nature, scope, or duration of the ARP without IPL's agreement. Therefore, IPL has 20 days after the effective date of this Order to accept or reject the modification in writing.

12. **Reporting Requirements.** In his direct and rebuttal testimony, Mr. Rosenberg suggested that if the ARP is approved the City would be willing to report to the Commission and OUCC on the data gathered regarding usage of the EV infrastructure and the impact of EVs on IPL's system and the grid in terms of operational effects and costs. The Settlement provides that IPL shall report on an annual basis to the Commission and OUCC on (1) any profit share received and (2) data gathered at each charging site for purposes of observing, on a generic basis, consumer behavior associated with EV infrastructure deployments and the impact of EVs on IPL's system and the grid in terms of operational effects and costs. The Settlement further provides that IPL will provide a report to the OUCC and to the Commission on its efforts with respect to a V2G pilot within a year of the public opening (defined as the official opening of the BlueIndy Services to the public). Accordingly, subject to the Commission's modifications to the ARP and the Settlement being accepted, we direct the City and IPL to file an annual report in this docket on or before December 31, 2015, and to serve copies of the report on the other parties. We further direct IPL to file a report in this docket within one year of the public opening addressing IPL's efforts with respect to a V2G pilot.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. The Settlement and IPL's proposed ARP, as modified by the Settlement, are denied with respect to Installation Costs.

2. The Settlement and IPL's proposed ARP, as modified by the Settlement, are approved with respect to Extension Costs and other elements, subject to the condition that the BlueIndy Project moves forward.

3. IPL is authorized to defer the Extension Costs, including carrying costs based on IPL's weighted average cost of capital using a return on equity of 10.2%, until such costs are recognized in IPL's subsequent rate cases through amortization of the regulatory asset as a recoverable expense for ratemaking purposes over a period of 10 years and inclusion of the unamortized portion of the regulatory asset in IPL's rate base on which IPL is permitted to earn a return.

4. IPL shall use its profit share and any early termination payment that it receives under the City-BlueIndy Agreement to offset the regulatory asset as provided in the Settlement.

5. The City of Indianapolis and IPL are directed to file annual reports in this docket as set forth in Paragraph 12. IPL shall further provide a report on its V2G pilot efforts within one year of the public opening.

6. This Order shall be effective on and after the date of its approval.

**STEPHAN, HUSTON, AND MAYS-MEDLEY CONCUR; WEBER AND ZIEGNER
CONCUR IN PART AND DISSENT IN PART WITH SEPARATE OPINIONS:**

APPROVED: FEB 11 2015

I hereby certify that the above is a true
and correct copy of the Order as approved.



Brenda A. Howe
Secretary to the Commission

ZIEGNER, CONCURRING IN PART AND DISSENTING IN PART

I concur with the majority with respect to approval of the ARP for Extension Costs. But I write separately because I would also approve the ARP for Installation Costs as modified below and I would allow ratepayers living at or below 200% of the federal poverty level to opt out of the ARP tariff.

The Commission has previously recognized the benefits of EVSE to ratepayers:

The evidence reflects a number of benefits from facilitating the availability of [EVs], including reductions in dependence on foreign oil, green house gas emissions, and transportation fuel costs for customers. The availability of infrastructure, such as EVSE, is a consideration when manufacturers evaluate where geographically to offer [EVs]. Unfortunately, the availability of EVSE is also driven by demand for the infrastructure from customers who operate [EVs]. This symbiosis creates a barrier to EV deployment in IPL's service territory.

Indianapolis Power & Light Co., Cause No. 43960, 2011 Ind. PUC LEXIS 344, at *124 (IURC Nov. 22, 2011) ("43960 Order"). As Mr. Mitchell testified, Indiana has historically been a leader in the development of EV technology. The build-out of EVSE for the BlueIndy Project would also be available for public use, and therefore it can help to remove the barrier to EV deployment that the Commission recognized in the 43960 Order. In addition, the project creates an opportunity for IPL to explore the potential for EVs to be used for DSM as a source of stored energy. I am persuaded that the benefits of the introduction and accelerated deployment of EV technology—specifically increased economic development, market transformation of the Indianapolis area, providing a better understanding of the impact of EV-related demand on IPL's grid, and facilitating IPL's planning and management of that demand—justify approval of the ARP with respect to the Installation Costs as well as the Extension Costs.

However, I share some of the CAC's concerns about whether customers should properly bear the entirety of the Installation Costs. Mr. Olson proposed that IPL's shareholders should have borne at least a portion of the BlueIndy Project costs. Although I will not recommend a specific amount of costs that IPL's shareholders should have borne, I am disappointed that IPL did not propose such a sharing of costs. Given the benefits of the project to IPL in terms of increase sales of electricity, the opportunity to further study the impact of EVs on its grid, and the potential for EV-related DSM, I feel it would have been more appropriate had IPL proposed to share the costs between customers and shareholders.

I also share Mr. Olson's concerns, and those of many members of the public who submitted oral and written comments, that the costs of this project should not create an added burden to those ratepayers of moderate means and low or fixed incomes, many of whom testified that they are unlikely to utilize the BlueIndy car sharing program. As a result, I would adopt Mr. Olson's proposal that households living at or below 200% of the federal poverty level should be allowed to opt out of the tariff established under the ARP.

For these reasons, I respectfully dissent from my colleagues with respect to the denial of the ARP for Installation Costs. I would grant the ARP for Installation with the modifications discussed above, and I would allow ratepayers living at or below 200% of the federal poverty level to opt out of the ARP tariff.

WEBER, CONCURRING IN PART AND DISSENTING IN PART

I concur with the majority with respect to the denial of the ARP for Installation Costs. But I write separately because I would also deny the ARP for Extension Costs. There is no evidence in the record indicating that the BlueIndy Project will ever be profitable or that IPL's ratepayers will benefit from it. The BlueIndy Project as presented by the parties benefits a private entity at the expense of ratepayers without enhancing or maintaining the value of IPL's retail energy services or property.

For these reasons, I respectfully dissent from my colleagues with respect to the approval of the ARP for Extension Costs.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER &)
LIGHT COMPANY, AN INDIANA CORPORATION,)
FOR APPROVAL OF ALTERNATIVE REGULATION)
PLAN FOR EXTENSION OF DISTRIBUTION AND) CAUSE NO. 44478
SERVICE LINES, INSTALLATION OF FACILITIES)
AND ACCOUNTING AND RATEMAKING OF COSTS)
THEREOF FOR PURPOSES OF THE CITY OF)
INDIANAPOLIS' AND BLUEINDY'S ELECTRIC)
VEHICLE SHARING PROGRAM PURSUANT TO)
IND. CODE § 8-1-2.5-1 *ET SEQ.*)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

The City of Indianapolis, Indiana ("the City"), Indianapolis Power & Light Company ("IPL"), and the Office of Utility Consumer Counselor ("OUCC") (collectively the "Settling Parties") stipulate and agree for purposes of resolving the issues in this Cause to the terms and conditions set forth below.

1. The Settling Parties agree that the Commission should find the Alternative Regulation Plan, as described in IPL's Petition in the above captioned Cause and in the City-IPL Agreement, and as amended by the provisions of paragraph 2 in this Stipulation and Settlement Agreement (the "ARP"), the project proposed in the ARP (the "Project"), and this Joint Stipulation and Settlement Agreement ("Settlement Agreement") to be in the public interest.

2. The Settling Parties hereby agree to the following:
- a. The costs of the Project shall be amortized by IPL over ten (10) years, with a return on and of the unamortized balance.
 - b. The return on equity on carrying charges for IPL shall be 10.2%.
 - c. As provided in the Section 5.03(f) of the City-BlueIndy Agreement and Section 7(c)(ii) of the City-IPL Agreement (Exhibit KF-3), any Profit Share (as that term is defined by the City-BlueIndy Agreement) (Exhibit DR-2) provided by BlueIndy to IPL shall be utilized solely for rate mitigation to benefit IPL customers.

- d. Notwithstanding the provisions of Section 5.03 to the contrary, the City agrees to forego any Profit Share to which it would be entitled from BlueIndy and to direct such Profit Share to IPL, which IPL shall also utilize solely for rate mitigation to benefit IPL customers. After 125 percent of all Project costs incurred by ratepayers have been recovered, there shall be an equal split of the Profit Share between IPL (for the benefit of further rate mitigation) and the City.
- e. IPL shall report on an annual basis to the IURC and OUCC on (1) any Profit Share received and (2) data gathered at each charging site for purposes of observing, on a generic basis, consumer behavior associated with EV infrastructure deployments and the impact of EVs on IPL's system and the grid in terms of operational effects and costs.
- f. The City shall create an advisory board with membership of the City, IPL, BlueIndy, and OUCC to meet regularly to discuss the Project details, including implementation progress, IPL's Costs (as that term is defined in the City-BlueIndy Agreement), the City's costs incurred as its contribution to the Project, and Locations (as that term is defined in the City-BlueIndy Agreement).
- g. The City shall cause BlueIndy to provide IPL customers who sign up for an annual membership in the BlueIndy service within the first six (6) months after the Public Opening two (2) months of membership for free, which is estimated to be \$26 value per customer.
- h. The City shall make all reasonable best efforts to apply for grant funding for rate mitigation. The City shall also make reasonable efforts to secure other funding, particularly from corporate citizens, for rate mitigation; provided however, that the City shall not cause BlueIndy to provide a Location to any person in exchange for such funding. Any grants or other funding secured by the City pursuant to this paragraph 2(h) will be directed to IPL, which shall account appropriately for those funds and use them solely purpose of rate mitigation. BlueIndy or the City may separately apply for grants related to services provided by BlueIndy. The City will provide periodic updates to the OUCC on its efforts in this regard.

- i. For purposes of enhancing energy efficiency, public safety and providing other public benefits within IPL's Service Territory, IPL will collaborate with its DSM Oversight Board to develop an Energy Efficient Streetlighting Program whereby a total of up to \$1.5 million shall be designated for IPL's Rate MU1 customers.¹ The Energy Efficient Streetlighting Program will be available for the conversion of existing streetlighting to modern LED lights or for upgrading an expansion of a streetlighting system to LED lights. IPL will collaborate with its DSM/EE Oversight Board:
 - 1) to develop program guidelines that offset upfront costs of new or replacement LED lighting through program participant incentives and program participant bill savings resulting from the use of the efficient lighting;
 - 2) to devise and implement a process in order to select which interested customers receive these allocations based on the merits of their proposals; and
 - 3) within six months of a final Commission order approving this Settlement Agreement, to report to the Commission on the program design and implementation plan by filing a separate petition with the Commission for approval of the plan.

The cost of the Energy Efficient Streetlighting Program shall be reasonably allocated to all customer classes and recovered through IPL's DSM Rider No. 22. Notwithstanding the foregoing, IPL agrees to forego recovery of lost revenues and shareholder incentives on the Energy Efficient Streetlighting Program until IPL's rates from its next general base rate case are implemented. Nothing herein shall foreclose IPL from receiving lost revenue recovery and a shareholder incentive for any future Energy Efficient Streetlighting Program that may be implemented once new rates in a general base rate case are established.

- j. IPL shall work with its DSM Oversight Board to assess the ISO 50001 energy management system, or other similar strategic energy management programs. The OUCC recommends that the City or K-12 schools in the IPL Service Territory be considered as the initial participating customers in such a pilot program. The parties acknowledge that while a pilot program may have potential, it must be further evaluated to determine whether it is in the best interest of IPL's customers.

¹ IPL's Tariffed Rate MU-1 (Municipal Lighting and Other Devices) is available for Street Lighting "of public streets, parkways, improved alleys, boulevards, drives, bridges, parking areas, or other public places by Cities or Towns or by individuals, groups of individuals, associations and other than incorporated municipalities; and lighting of public parks, drives, bridges, parking areas or other public places by only Cities or Towns where there is a prospect that the capital expenditure is warranted."

- k. IPL and the City shall collaborate with BlueIndy to determine the potential feasibility of using the BlueIndy electric vehicles as providers of energy back to the IPL grid as a demand response resource and whether a Vehicle to Grid (V2G) pilot would be viable. IPL will provide a report to the OUCC and to the Commission on its efforts in this regard within a year of the Public Opening (as that term is defined in the City-BlueIndy Agreement). If a pilot program is proposed by IPL and approved by the Commission, any net benefits material enough to attempt to quantify and realized as a result of a V2G pilot will be used for rate mitigation to benefit IPL customers.

3. The Settling Parties agree that the Commission should approve the ARP, and will support the City's request that the Commission issue its order as expeditiously as possible to help ensure a successful launch of the Project during whatever remains of a favorable climate for construction this year.

4. In support of this Settlement Agreement, the Settling Parties will stipulate to the admission into evidence the testimony and exhibits the Settling Parties agree to offer in support of the Settlement Agreement.

5. The Settling Parties further agree to waive cross-examination of one another's witnesses. The Settling Parties shall not offer any further testimony or evidence in this proceeding other than this Settlement Agreement, other evidence necessary to support the terms of this Settlement Agreement, or as may be requested or directed by the Commission.

6. The Settling Parties stipulate and agree that the evidentiary material filed by IPL and the City in this Cause, in addition to the settlement testimony offered by the Settling Parties, constitutes sufficient evidentiary basis for the issuance of an order by the Commission adopting the terms of this Settlement Agreement and granting the relief as requested by the Settling Parties.

7. Each Settling Party will promptly prepare testimony in support of this Settlement Agreement and the Settling Parties will jointly submit a proposed order consistent with this Settlement Agreement.


8. The concurrence of the Settling Parties with, or withholding of any objection to, the terms of this Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement. If the Commission alters the Settlement Agreement in any material way, unless that alteration is unanimously consented to by the Settling Parties, in writing, the Settlement Agreement shall be deemed withdrawn, and the matter will be set expeditiously for public hearing.

9. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients who will be bound thereby.


10. The Settling Parties stipulate and agree that this Settlement Agreement and the related order shall not be construed nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms or the terms of the final order to be issued herein before the Commission or any court of competent jurisdiction on these particular issues and in this particular matter. This Settlement Agreement is solely the result of compromise in the settlement process and, as provided herein, is without prejudice to and shall not constitute waiver of any position that any of the Settling Parties may take with respect to any or all of the items resolved herein in any future regulatory or other proceeding and, failing approval by the Commission, shall not be admissible in any subsequent proceeding.

ACCEPTED AND AGREED TO THIS 20th DAY OF AUGUST 2014.


THE CITY OF INDIANAPOLIS:


Printed: David Rosenberg
Its: Director, Enterprise Development

**INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR:**


Printed: Tiffany Murray
Its: Attorney of Record

**INDIANAPOLIS POWER & LIGHT
COMPANY:**


Printed: William H. Henley
Its: VP Regulatory & Government Affairs

Acknowledged by:

BLUE INDY, LLC:


Printed: Hervé Muller
Its: President