FILED
August 24, 2020
INDIANA UTILITY
REGULATORY COMMISSION

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

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| **PETITION OF THE CITY OF RICHMOND, INDIANA, BY AND THROUGH ITS MUNICIPAL ELECTRIC UTILITY, RICHMOND POWER AND LIGHT, FOR APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR ELECTRIC SERVICE AND FOR APPROVAL TO MODIFY ITS ENERGY COST ADJUSTMENT PROCEDURES** | ) | **CAUSE NO. 45361** |

**PRE-FILED VERIFIED SETTLEMENT TESTIMONY OF**

**RANDALL W. BAKER**

**ON BEHALF OF PETITIONER**

**RICHMOND POWER & LIGHT**

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**PETITIONER'S EXHIBIT 6**

**August 24, 2020**

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## I. INTRODUCTION

**Q1. ARE YOU THE SAME RANDALL W. BAKER THAT SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF RICHMOND POWER & LIGHT ("RP&L")?**

A. Yes.

**Q2. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

A. The purpose of my settlement testimony is to provide RP&L's perspective of the Settlement Agreement (the "Settlement") between RP&L and the Indiana Office of Utility Consumer Counselor ("OUCC"). My testimony: (1) identifies the objectives of the Settlement; (2) explains the financial and operational impact of the Settlement on RP&L; (3) provides clarification regarding two aspects of RP&L's rate base; (4) explains RP&L's commitment to annual reporting of Electric Vehicle ("EV") data; (5) notes the Settlement's resolution of RP&L's Energy Cost Adjustment ("ECA") procedures; and (6) explains why the Settlement is in the public interest.

**Q3. PLEASE PROVIDE AN OVERVIEW OF ANY ADDITIONAL TESTIMONY OFFERED BY RP&L IN SUPPORT OF THE SETTLEMENT.**

A. In addition to my testimony, RP&L provides the Settlement testimony of Mr. Mancinelli, which will identify and explain the settled Revenue Requirement, the Settlement's changes to the cost of service study and rate design; the Settlement's phased-in rate increases; the Settlement's adjustment to RP&L's proposed customer/facilities charges; provide a revenue proof; and identify changes to RP&L's tariff resulting from the Settlement.

## II. OBJECTIVES OF SETTLEMENT

**Q4. WHAT ARE THE MAIN OBJECTIVES OF THE SETTLEMENT AGREEMENT FROM RP&L'S PERSPECTIVE?**

A. The Settlement addresses RP&L's main concerns by increasing RP&L's revenues by 7.23%, allowing RP&L sufficient cash flow and income to prudently operate the utility while funding necessary reserve accounts in a gradual manner that allows RP&L to continue providing adequate service while balancing rate increases to customers. RP&L's base rates have not increased since its last rate case order 15 years ago in Cause No. 42713. In that case, RP&L entered into a settlement agreement with the OUCC that resulted in a revenue increase of 6.5% in a Final Order issued February 9, 2005. As I noted in my direct testimony, RP&L's 2018 Annual Report indicates that RP&L's net income has been negative for the last three years, while total electric sales are trending downward. The Settlement achieves RP&L's primary objective of adjusting rates to support RP&L's operations.

## III. FINANCIAL AND OPERATIONAL IMPACT OF SETTLEMENT

**Q5. PLEASE DISCUSS THE KEY FINANCIAL ASPECTS OF THE SETTLEMENT.**

A. Mr. Mancinelli's settlement testimony addresses and explains many of the financial details of the Settlement. From RP&L's perspective, the Settlement's key financial provisions are interrelated to produce the necessary operational revenue, cash flow and reserves for future decommissioning and remediation expenses. Those key aspects are: 1) an agreed net revenue requirement of $86,550,972 and a total revenue requirement of $87,582,546; 2) an agreed Rate of Return of 4.59%; 3) an agreed phase-in of rate increases for certain rate classes; and 4) gradual funding of reserve accounts for Coal Combustion Residual remediation and WWVS

decommissioning. The OUCC and RP&L spent significant time to negotiate each of these key financial provisions that form the basis of the Settlement.

**Q6. PLEASE DISCUSS THE KEY OPERATIONAL ASPECTS OF THE SETTLEMENT.**

A. From an operational perspective, the Settlement allows RP&L to begin its EV program with the annual reporting requirements discussed below. RP&L has also agreed to file capital plan reports with the Commission and the OUCC beginning December 31, 2021, and annually thereafter. Additionally, the Settlement calls for RP&L to eliminate its Customer Specific Contract tariff, which means that all customer pricing will be governed by the tariffed rates.

**Q7. WHY DOES THE SETTLEMENT TARIFF KEEP RIDER IS - PJM-DRS-EMERGENCY, INSTEAD OF DELETING IT AS PROPOSED IN RP&L'S CASE IN CHIEF?**

A. After the case-in-chief was filed, we received feedback from our wholesale power provider, the Indiana Municipal Power Agency ("IMPA"), recommending that we keep Rider IS – PJM-DRS-Emergency. While there are currently no IMPA member retail customers on this Rider, IMPA explained that these programs are still available through PJM, and thus its members should continue to offer it to their customers. Hence, we are proposing it be kept in the clean version of the as-settled tariff (Attachment JAM-11).

**Q8. IS RP&L MAKING OTHER NOTABLE LONG-TERM COMMITMENTS AS PART OF THE SETTLEMENT?**

A. Yes. In an effort to ensure that RP&L's rates are reviewed and adjusted in a timely manner given anticipated changing conditions, the Settlement requires RP&L to file a petition for a review of its base rates on or before January 1, 2026.

## IV. CLARIFICATION OF WWVS OWNERSHIP & IMPA RELATED GENERATION & TRANSMISSION PROJECTS

**Q9. PLEASE CLARIFY THE OWNERSHIP OF WWVS.**

A. WWVS is owned by RP&L and RP&L believes that it remains a used and useful asset that is properly included in calculating RP&L's return. RP&L is one of the founding members of the Indiana Municipal Power Agency ("IMPA"). When IMPA was formed, all members that owned their own generating assets bore their own costs of decommissioning them (or retained the benefits if they were sold), since those assets pre-dated the existence of IMPA. IMPA's members, including RP&L, pooled their generation resources for the benefit of all members, which created a significant benefit for all members. When IMPA took operational control over WWVS, RP&L retained ownership of the facility but allowed IMPA to use the facility for the benefit of IMPA's members. This allowed RP&L and other members to avoid the cost of procuring other resources and allowed RP&L to enjoy savings, which is one of the factors that allowed RP&L to avoid a rate increase for 15 years. I have no doubt that RP&L's customers benefitted greatly when Richmond decided to become a founding member of IMPA, and those benefits continue to flow. This is borne out by the fact that IMPA's wholesale rates have decreased in a time when other power providers' rates are skyrocketing, and that RP&L's retail rates will remain competitive even after this rate increase.

**Q10. ARE THERE ANY IMPA-RELATED GENERATION AND TRANSMISSION PROJECTS IN RP&L'S REVENUE REQUIREMENT?**

A. No, there are no IMPA-related generation and transmission projects in RP&L's budget. Over the last ten years, IMPA has invested in solar generation in each of its member communities. IMPA delivers wholesale power from its solar parks "to Richmond's door", but since those parks are already located in Richmond, there is little to no bulk transmission service needed.

The geographic footprint of IMPA's solar parks in proximity to their ultimate delivery points in member communities looks much more like distributed generation. However, the wholesale generation from IMPA's solar parks are owned and paid for by IMPA, not Richmond. Nonetheless, RP&L must build out its local sub-transmission and distribution systems to deliver that power from IMPA's solar parks to its retail customers. Therefore, the costs that we incur to build out RP&L's local distribution network to deliver that wholesale power from IMPA's solar parks to our retail customers are costs that are properly included in RP&L's revenue requirement.

## V. ELECTRIC VEHICLE DATA REPORTING

**Q11. PLEASE EXPLAIN THE ELECTRIC VEHICLE REPORTING PROVISIONS OF THE SETTLEMENT.**

A. Under the Settlement, RP&L will annually report to the Commission and the OUCC data regarding the EV program. Specifically, RP&L will annually provide the following data:

(1) The number of customers in RP&L service territory who drive an EV at the prior to the beginning of the Program, and yearly thereafter;

(2) Number of customers using the RP&L-provided public station each day;

(3) Duration of each charge;

(4) kWh of each charge;

(5) Time of day charges occurred (at the very least, off-peak vs. on-peak);

(6) General location of customer (local or out of state) reasonably discernable by RP&L; and

(7) The battery level of the EV prior to charging and the charge level at the conclusion (i.e. was the car empty when it started and full when it left) as is reasonably discernable by RP&L.

**Q12. WHEN WILL RP&L BEGIN TO FILE ITS EV REPORTS?**

A. First EV report to be filed by December 31, 2021 to include data from the preceding twelve months, and be filed annually thereafter.

## VI. ENERGY COST ADJUSTMENT PROCEDURES

**Q13. PLEASE COMMENT ON THE SETTLEMENT'S RESOLUTION OF RP&L'S ENERGY COST ADJUSTMENT PROVISIONS.**

A. Paragraph 4 of the Settlement provides: "All other issues set forth in RP&L's case-in-chief that are not specifically addressed in this Joint Stipulation and Settlement Agreement shall be approved as proposed by RP&L as set forth in its supporting Settlement Testimony." Particularly relevant to this provision is RP&L's request for authorization to adjust its ECA procedures, which track and flow through to RP&L's customers RP&L's purchased power costs from IMPA on a quarterly basis. By virtue of Paragraph 4 of the Settlement, the settling parties agree to the modification of RP&L's ECA procedures as described in RP&L's petition and the direct testimony of Laurie Tomczyk as set out in Attachment LAT-4.

## VII. PUBLIC INTEREST DISCUSSION

**Q14. ARE YOU FAMILIAR WITH THE COMMISSION'S POLICY AND STANDARD OF REVIEW FOR SETTLEMENT AGREEMENTS?**

A. Yes. The Commission's rules, at 170 IAC 1-1.1-17, provide that it is the policy of the Commission to review and accept appropriate settlements. A settlement must be supported by probative evidence so that the Commission may make appropriate findings of fact in its decision and determine whether the evidence supports the Commission's conclusion regarding the settlement. The Commission may reject, in whole or in part, any proposed settlement if the Commission determines the settlement is not in the public interest. I understand that settlements are favored as a matter of policy because they help resolve proceedings with greater certainty, speed and administrative efficiency than litigation. I recognize that the Commission will closely examine the Settlement and evidentiary record and determine whether it is reasonable and in the public interest.

**Q15. WHY IS APPROVAL OF THE SETTLEMENT CONSISTENT WITH THE PUBLIC INTEREST?**

A. Approval of the Settlement as it is written is consistent with the public interest because the Settlement represents a comprehensive resolution of all of the issues in this proceeding by RP&L and the OUCC. As the evidence reflects, the Settlement resolves complex, divisive, and controversial issues surrounding several interrelated issues including but not limited to revenue requirement, rate of return, restricted funds, and an appropriate phased in rate design. Ultimately, the Settlement provides RP&L with an opportunity to earn sufficient revenues, maintain adequate cash flows and fund necessary reserve accounts while balancing the interests of RP&L's customers in receiving reasonable service at a fair cost.

## VIII. CONCLUSION

**Q16. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

A. Yes.

**VERIFICATION**

I affirm under the penalties of perjury that the foregoing Prefiled Verified Settlement Testimony is true to the best of my knowledge, information and belief as of the date here filed.

Randall W. Baker

Randall W. Baker