

FILED
November 4, 2022
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**SUBDOCKET FOR REVIEW OF)
INDIANAPOLIS POWER & LIGHT)
COMPANY D/B/A AES INDIANA'S 2021) CAUSE NO. 38703
EXTENDED FORCED OUTAGE AT EAGLE) FAC-133 S1
VALLEY AND ITS RELATED IMPACT ON)
FUEL PROCUREMENT AND FUEL COSTS.)**


INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 2-S

**SETTLEMENT TESTIMONY OF OUCC WITNESS
MICHAEL D. ECKERT**

November 4, 2022

Respectfully submitted,



Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

SETTLEMENT TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 38703 FAC-133-S1
INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA

I. INTRODUCTION

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

2 A: My name is Michael D. Eckert, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor (“OUCC”) as the Director of the Electric
5 Division. My qualifications are set forth in Appendix A of this document.

6 **Q: Are you the same Michael D. Eckert who previously submitted direct**
7 **testimony in this Cause?**

8 A: Yes.

9 **Q: What is the purpose of your testimony?**

10 A: I describe the OUCC’s support for the Stipulation and Settlement Agreement
11 (“Settlement Agreement”), included in Indianapolis Power & Light Company d/b/a
12 AES Indiana (“IPL” or “AES Indiana”) Witness Chad Rogers’ testimony on Friday,
13 November 4, 2022, as Settling Parties’ Joint Exhibit 1, and entered into between
14 AES Indiana, the OUCC, AES Indiana Industrial Group, and the Citizens Action
15 Coalition of Indiana, Inc., (collectively the “Settling Parties” and individually
16 “Settling Party”). If approved, the Settlement Agreement will provide certainty
17 regarding critical issues, including Fuel Cost Adjustment proceedings (“FAC”) and
18 revenue requirements.

1 **Q: Were settlement discussions complex?**

2 A: Yes. Discussions were complicated due to the different parties' positions and the
3 complex issues surrounding Root Cause Analyses, equipment problems, the
4 number of contractors, logic problems, and wiring schematics.

5 **Q: Does the Settlement Agreement balance the interests of AES Indiana and its**
6 **ratepayers?**

7 A: Yes. The Settlement Agreement was a result of negotiations among the parties, with
8 each party compromising their respective positions to settle the issues. The
9 Settlement Agreement represents a balance of all interests. Given the number of
10 benefits provided to ratepayers as outlined in the Settlement Agreement and
11 described below, the OUCC, as the statutory representative of all ratepayers,
12 believes the Settlement Agreement is a fair resolution, supported by evidence, and
13 should be approved.

II. RATEPAYER BENEFITS OF SETTLEMENT AGREEMENT

14 **Q: As result of the Settlement Agreement, will AES Indiana's fuel costs be lower**
15 **than they otherwise could have been?**

16 A: Yes. The Settling Parties agreed that AES Indiana would not seek to make
17 customers pay \$21 million of the \$41,518,476 disputed fuel costs and purchased
18 power, but can recover the remaining \$20,518,476, without carrying costs, over
19 eight FAC periods (2 years). This period is twice as long as initially proposed. In
20 addition, AES Indiana is providing consumers a \$6.8 million credit (offset) in the
21 first FAC proceeding following the issuance of a final Order approving this
22 Settlement Agreement.

23 **Q: What ratepayer benefits are included in the Settlement Agreement?**

24 A: AES Indiana will forego recovery of \$34.5 million of costs related to the Outage

1 and provide a \$6.8 million credit to customers. The elements of the benefits, which
2 total \$41.3 million, are identified below. Specifically, AES Indiana has agreed that
3 it will not recover:

- 4 1. \$21.0 million of previously deferred fuel and purchased power costs;
- 5 2. \$5.8 million of carrying charges;
- 6 3. \$3.7 million of Incident 1A O&M related to outage repairs, wiring verification,
7 RCA (net of \$0.3 million of estimated insurance recovery);
- 8 4. \$4.0 million of Incident 1B O&M related to outage repairs, controls review,
9 RCA (net of \$2.1 million of estimated insurance recovery); and
- 10 5. Any O&M related to Incident 1A and 1B including, but not limited to, outage
11 repairs, controls review, wiring verification, and RCA cost not identified in
12 AES Indiana's case in chief filing, which totals \$7.7 million (net of estimated
13 insurance recovery); and

14 AES Indiana will also credit an additional \$6.8 million to customers in future rates.

15 **Q: What issues are resolved in Sections A.5, A.6, and A.7 regarding insurance and**
16 **warranty claims?**

17 A: AES Indiana potentially has claims against Toshiba, Emerson, CB&I, GE, or other
18 contractors regarding the Eagle Valley CCGT Outage. The Settlement Agreement
19 resolves issues with any rights, claims, and action that AES Indiana has as a result
20 of the Outage. These settlement terms allow AES Indiana the potential to recover
21 disallowed costs, and establish how any Net Recovery greater than \$47.85 million
22 will be credited/shared with retail customers through the FAC and base rates, the
23 Indiana Utility Rate Payer Trust, and the Indiana Community Action Association
24 to facilitate low-income weatherization in AES Indiana's service territory.

25 **Q: Has the Company agreed to forego a return "on" the \$12,357,339 of capital**
26 **investment to repair the plant?**

27 A: Yes. Section A.6. of the settlement agreement states:

1 For purposes of determining the retail revenue requirement in the
2 rate case, a reduction will be made to AES Indiana's retail
3 jurisdictional UPIS for the Eagle Valley CCGT in the amount of
4 \$12,357,339 as identified in AES Indiana's direct testimony in this
5 Cause, net of: (i) accumulated depreciation on the Outage Capital
6 Investment; and (ii) any reduction made pursuant to Section A,
7 Paragraph 5b of the Settlement Agreement. The reduction in retail
8 jurisdictional UPIS computed in accordance with Section A,
9 Paragraph 6b will be recorded in a regulatory asset. The regulatory
10 asset will be amortized through retail rates without carrying charges
11 over twenty-five years.

12 **Q: What is the impact of this treatment?**

13 A: The Settlement Agreement does not permit AES Indiana to earn a return "on" the
14 Outage Capital Investment, but does allow AES Indiana to earn a return "of" the
15 investment in future AES Indiana base rate cases, net of any recovery from third
16 parties. AES Indiana has also agreed that if the final capital cost is greater than
17 \$12,357,339, it will not seek recovery of any excess capital investment through
18 rates.

19 **Q: Do other sections of the settlement resolve additional issues?**

20 A: Yes. Section A.10. of the Settlement Agreement resolves all issues related to the
21 Outage and its associated costs and ratemaking, including in the FAC, OSS margins
22 and Capacity trackers, and base rate proceedings. AES has also committed to notify
23 the Commission and Settling Parties of its completion of the two outstanding RCA
24 recommendations.

25 **Q: Is it the OUCC's position that the Settlement Agreement is supported by the
26 evidence?**

27 A: Yes. Through its regularly filed FAC proceedings, AES Indiana sought recovery of
28 \$41,518,476 of deferred fuel and purchased power costs related to the Eagle Valley
29 CCGT forced outage. The OUCC and CAC proposed that the entire amount be

1 disallowed while the Industrial Group recommended AES Indiana provide a refund
2 to customers in the amount of \$70.9 million. The Settlement Agreement saves
3 AES's customers over \$20 million in fuel costs, not including carrying costs, and
4 protects customers by shielding them from additional outage costs that AES Indiana
5 could have sought in future rate proceedings. For all these reasons, the Settlement
6 Agreement is in the public interest, and the OUCC recommends that the
7 Commission approve it.

III. RECOMMENDATION

8 **Q: What does the OUCC recommend to the Commission?**

9 A: The OUCC recommends the Commission find the Settlement Agreement to be in
10 the public interest and approve it in its entirety as it reasonably addresses the
11 concerns raised in this proceeding and provides a reasonable outcome of the Eagle
12 Valley Outage issues.

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

14 A: Yes, it does.

APPENDIX A

QUALIFICATIONS OF MICHAEL D. ECKERT

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

2 A: I graduated from Purdue University in West Lafayette, Indiana in December 1986,
3 with a Bachelor of Science degree, majoring in Accounting. I am licensed in the
4 State of Indiana as a Certified Public Accountant. Upon graduation, I worked as a
5 Field Auditor with the Audit Bureau of Circulation in Schaumburg, Illinois until
6 October 1987. In December 1987, I accepted a position as a Staff Accountant with
7 the OUCC. In May 1995, I was promoted to Principal Accountant and in December
8 1997, I was promoted to Assistant Chief Accountant. As part of the OUCC's
9 reorganization, I accepted the position of Assistant Director of its
10 Telecommunications Division in July 1999. From January 2000 through May 2000,
11 I was the Acting Director of the Telecommunications Division. During an OUCC
12 reorganization, I accepted a position as a Senior Utility Analyst and in September
13 2017, I was promoted to Assistant Director of the Electric Division. In February
14 2022, I was promoted to the Director of the Electric Division. As part of my
15 continuing education, I have attended the National Association of Regulatory
16 Utility Commissioners' ("NARUC") two-week seminar in East Lansing, Michigan.
17 I attended NARUC's Spring 1993 and 1996 seminar on system of accounts. In
18 addition, I attended several CPA sponsored courses and the Institute of Public
19 Utilities Annual Conference in December 1994 and December 2000.

CERTIFICATE OF SERVICE

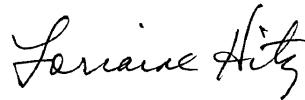
This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 2-S, Settlement Testimony of OUCC Witness Michael D. Eckert* has been served upon the following parties of record in the captioned proceeding by electronic service on November 4, 2022.

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