

## **Indiana Energy Association Electric and Gas Utilities' Comments on Proposed MSFR Rule**

### **Introduction**

The Indiana Energy Association Electric and Gas Utilities (IEA Utilities) appreciate the opportunity to comment on the proposed Minimum Standard Filing Requirements (MSFR) rule. Our specific comments and proposed changes are discussed in the attached chart. At a high level, however, the IEA Utilities are concerned that several aspects of the proposed rule appear to be designed to fit the water utility industry, but not necessarily the electric and gas utility industries. Accordingly, we have made several recommendations for changes to better accommodate electric and gas utility accounting and practices. In addition, it should be noted that our comments and recommendations below are listed in an order which corresponds to the order in which the sections of the proposed rule appear, and not in order of importance. We believe the most significant issues and our most important recommendations concern: (1) the definition of “base period”; (2) the definition of and requirements for “major projects”; and (3) accounting guidelines for cutoff dates.

Respectfully submitted,

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| Proposed Rule Cite | Topic                       | Comments of the IEA Utilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Specific Changes Proposed by the IEA Utilities                                                                                      |
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| 170 IAC 1-5-1(d)   | Definition of “base period” | <p>The proposed rule defines “base period” as having an ending date not more than 270 days from the date of the filing of the petition. While the 270-day period has relevance in the context of a historical test period (see Ind. Code § 8-1-2-42.7(d)(2)), the 270-day period does not have relevance to a forward looking or hybrid test period.</p> <p>The IEA Utilities propose modifying the definition of “base period” to a recent 12-month period having actual data available. This modification would de-link the 270-day period from a forward looking or hybrid test period. In addition, this modification would allow the base period to mirror the test period if the utility chooses to do so – e.g., a calendar year 2026</p> | <p>Modify 170 IAC 1-5-1(d) as follows:</p> <p>“‘Base Period’ means a recent twelve (12) month period of actual data available.”</p> |

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|                    |                                | forward looking test period could have a calendar year 2024 base period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 170 IAC 1-5-1(l)   | Definition of “estimated cost” | <p>The proposed rule would define “estimated cost” as an itemized estimate or approximation of the expected amounts for labor, materials, etc. The IEA Utilities caution the Commission that not every cost estimate will have an itemized level of detail, though there will be approximations of total cost. In addition, some previous proceedings approving projects will themselves have included detailed project cost estimates; for projects already approved by the Commission, the utility should not be required to replicate a project cost estimate in its rate case (unless the approved cost estimate has changed).</p> <p>Accordingly, the IEA Utilities propose to add “if available” to the definition of “estimated cost”, and also propose to eliminate the requirement of a cost estimate for a project if the utility has received preapproval for such project, unless the project cost estimate has changed.</p> | <p>Modify 170 IAC 1-5-1(l) as follows:</p> <p>“‘Estimated cost’ means an itemized estimate or approximation of the expected amount, if available, for:</p> <ol style="list-style-type: none"> <li>(1) Labor;</li> <li>(2) Materials;</li> <li>(3) Equipment; and</li> <li>(4) Other related work;</li> </ol> <p>necessary to construct the project. This requirement shall not apply to projects for which a utility has received preapproval from the Commission, unless the project cost estimate has changed since the preapproval proceeding. In cases where the utility has received preapproval from the Commission, the utility must identify the Cause Number(s) of such proceeding(s).”</p> |
| 170 IAC 1-5-1(u)   | Definition of “major project”  | The proposed rule would define “major project” as a project costing the greater of 1% of the utility’s plant in service (net of depreciation), or \$250,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Modify 170 IAC 1-5-1(u) as follows:</p> <p>“‘Major project’” means a project under construction that will not be placed in service until after the end of the test period and that is estimated to cost:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Proposed Rule Cite | Topic | Comments of the IEA Utilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Specific Changes Proposed by the IEA Utilities                                                                                                                                                                                                              |
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|                    |       | <p>The IEA Utilities propose that the “major project” requirements only apply to projects for which construction will extend beyond the end of the test period, as is the case today with historic test periods. If this modification is not made, a plethora of projects in a forward looking test period would fall under these requirements.</p> <p>In addition, in order to avoid having a number of projects which are not truly “major” included in this definition, the IEA Utilities propose that the 1% threshold for defining “major project” should be modified – e.g., to the greater of 2.5% of utility plant in service, net of depreciation; or \$250,000, whichever is greater. The 1% threshold for a major project is unreasonably low and a utility should not be required to file monthly investment reports with respect to all such projects. Alternatively, “major project” could be defined in relation to rate base (including regulatory assets and inventories) as is the case in the current MSFR rule. Using rate base rather than utility plant in service makes more sense, as regulatory assets and inventories are integrally related to the use of major projects.</p> | <p>(1) More than 2.5% of an electing utility’s plant in service (net of accumulated depreciation);<br/> (2) More than 1% of an electing utility’s rate base; or<br/> (3) Two hundred fifty thousand dollars (\$250,000); or<br/> whichever is greater.”</p> |

| Proposed Rule Cite  | Topic         | Comments of the IEA Utilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Specific Changes Proposed by the IEA Utilities                                                                                                    |
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| 170 IAC 1-5-4(a)(5) | Petition      | <p>The proposed rule would require the petition contain information about how the utility's proposed rate adjustment will affect its various customer classes.</p> <p>Because commercial and industrial classes of customers are so diverse, including in the petition an average rate impact on such classes in aggregate would be misleading to individual customers in those classes. Accordingly, the IEA Utilities recommend limiting this requirement to the residential customer class.</p> <p>Moreover, it should be noted that a more detailed customer bill impact by tariff will be included in the utility's cost of service workpapers; thus a requirement to include such information in the petition is unnecessary.</p> | <p>Modify 170 IAC 1-5-4(a)(5) as follows:</p> <p>"How the utility's proposed rate adjustment will affect the residential class of customers."</p> |
| 170 IAC 1-5-5(a)(3) | Case-in-chief | <p>The proposed rule would require "Accounting rate schedules, in an Excel workbook, in the level of detail presented in the commission's example schedules on the commission's website for the applicable utility type." This reference to the website is vague; the IEA Utilities recommend a more definitive reference or inclusion of the desired example schedules in the MSFR rule.</p>                                                                                                                                                                                                                                                                                                                                           | <p><i>[to be developed in proposed workshop]</i></p>                                                                                              |

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|                                |                                                    | <p>In addition, the IEA Utilities note that this proposed requirement is duplicative of the financial statement requirements contained in the draft MSFR. The IEA Utilities also note that not every schedule will fit every utility; in fact, the schedules currently shown on the IURC's website appear to be water utility-specific. If this or a similar requirement is to be kept in the MSFR rule, the IEA Utilities suggest the Commission hold a workshop with stakeholders to develop appropriate schedule requirements.</p>                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 170 IAC 1-5-5(a)(6)(B) and (C) | Test year requirements pertaining to "work papers" | <p>The term "work papers", as used in the proposed rule, appears to be based on the water utility rate case model, which does not effectively translate to electric and gas utilities. Unlike the water utilities, electric and gas utilities do not prepare their budgets and forecasts by escalating from an historical period. Instead, they build new budgets and forecasts which are not necessarily tied to past historical budgets.</p> <p>In addition, the references to "source documents" (which the IEA Utilities' modifications remove) is unclear.</p> | <p>Modify 170 IAC 1-5-5(a)(6)(B) as follows:</p> <p>"For a forward looking test period, work papers must include projected accounting data for the forward looking test period, as well as supporting information or documents relied on and sorted by each adjustment made to the forward looking test period. The utility must also include a high level comparison of various categories of costs and revenues from the base period, the linking period, and the forward looking test period."</p> <p>Modify 170 IAC 1-5-5(a)(6)(C) as follows:</p> <p>"For a hybrid test period, work papers must include (1) actual data and from the historical portion of the test period, and (2) projected accounting data for the forward looking portion of the test period, as well as supporting information or documentation relied on and sorted by each adjustment made to the test period. The utility must also include a high level comparison of various categories</p> |

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|                             |                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | of costs and revenues from the historical portion of the test period, a linking period (if applicable), and the forward looking portion of test period.” |
| 170 IAC 1-5-5(a)(7) and (8) | Comparison of actual revenues to revenues approved in previous rate case;<br>comparison of actual O&M costs to O&M costs approved in previous rate case. | <p>The IEA Utilities believe these requirements are unnecessary and overly burdensome. If a utility has not had a rate case in several years, such a comparison will be largely irrelevant. And if a utility has had a recent rate case, a high level revenue and O&amp;M comparison from recent periods will be available per the IEA Utilities’ proposed modifications to 170 IAC 1-5-5(a)(6) described above. Of course, parties may seek more information through discovery, but the IEA Utilities believe these should not be filing requirements.</p> <p>In addition, it should be noted that, consistent with the fuel adjustment charge statute, electric and gas utilities make such comparisons in every FAC and GCA proceeding, which occur quarterly or semi-annually.</p> <p>Finally, the IEA Utilities point out that in a settled case, a settlement may include data at a subaccount level, which would make it impossible to comply with the proposed requirement as currently written.</p> | <p>Delete 170 IAC 1-5-5(a)(7)</p> <p>Delete 170 IAC 1-5-5(a)(8)</p>                                                                                      |

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| 170 IAC 1-5-1(bb) and 170 IAC 1-5-7(2) | Definition of “work papers” | <p>Many work papers do not exist in searchable/formulas intact formats. The IEA Utilities recognize that the definition requires work papers to be “searchable, with formulas intact, to the extent possible.” But the IEA Utilities want to emphasize to the Commission that there will be a number of workpapers that will not be searchable and with formulas intact, and it would be unduly burdensome to expect a utility to convert workpapers to such a format.</p> <p>Similarly, providing all general ledger transactions in searchable and sortable Excel format may not be possible. Accordingly, the IEA Utilities propose adding the phrase “to the extent available,” to proposed 170 IAC 1-4-7(2).</p> <p>As an example, general ledger downloads in the electric and gas utility sectors can be extremely large depending on the particular financial system. Attempting to download such data to Excel may overwhelm the computer system and prove to be impossible. Even if such data could be successfully downloaded to Excel, it may crash a user’s system. Further, this requirement would likely bury the user (the Commission and parties) in</p> | <p>No change to 170 IAC 1-5-1(bb) proposed.</p> <p>Modify 170 IAC 1-5-7(2) as follows:</p> <p>“For Class A utilities, or utilities that utilize FERC forms for annual reporting to the commission:</p> <ul style="list-style-type: none"> <li>(A) A list of general ledger transactions in Excel, that is search and sortable, to the extent available, for the historical test period or base period selected by the electing utility; and</li> <li>(B) A trial balance in Excel as of the beginning and the end of the historical test period or base period.”</li> </ul> |

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|                    |                                                                    | data that may not even be included in the utility's case.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 170 IAC 1-5-5(b)   | Fixed, known, and measurable adjustments to historical test period | Just as a drafting matter, 170 IAC 1-5-5(b) could be deleted, because the same parameters are included in 170 IAC 1-5-1(p)'s definition of historical test period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Consider deleting 170 IAC 1-5-5(b)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 170 IAC 1-5-8      | Work papers and data requirements                                  | <p>Consistent with the IEA Utilities' comments above regarding 170 IAC 1-5-6, -7, and -8, the reference to the Commission's GAO should be deleted or modified. GAO 2013-5 purports to require a utility using a forward looking test period to provide supporting documentation and calculations for each change from the historical base period to the forward looking test period, with individual adjustments for each such change. Such a requirement is unduly burdensome – essentially requiring the preparation of two rate cases – but is also inconsistent with the concept of a forward looking test period. The IEA Utilities believe their proposed modifications to 170 IAC 1-5-6, by requiring high level comparisons between the base period, linking period, and forward looking test period will provide the necessary information without being unduly burdensome.</p> | <p>Modify 170 IAC 1-5-8(a) and 8(a)(1) as follows:</p> <p>(a) "An electing utility shall submit the following information:</p> <p>(1) Financial statements (balance sheets, income statements and statements of cash flow) for the test period and the previous two years; . . . ."</p> <p>Modify 170 IAC 1-5-8(8) as follows:</p> <p>"Descriptions of the major non-confidential terms and conditions of contracts regarding the following, unless such contracts have been previously submitted to the Commission. In such case, the utility may list the Cause No. in which such contract(s) was filed in lieu of providing a description."</p> |

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|                      |                                   | <p>In addition, given that contracts can be quite voluminous, may contain confidential information, and may have previously been submitted in other dockets, the IEA Utilities recommend that the MSFR rule require summaries of contracts, rather than the contracts themselves, and if a contract has been previously filed in a previous IURC docket, the utility may simply reference that docket rather than filing a contract summary.</p>                                                                                                                                                                                                                       |                                                                                                                                                                                                   |
| 170 IAC 1-5-10(b)(6) | Requirements for “major projects” | <p>The proposed rule would require detailed descriptions, including scope, location, an explanation of necessity, and a life cycle cost analysis for every major project that is not a like replacement. As discussed below, the IEA Utilities believe that “major project” should be defined with a higher threshold, for several reasons. But an additional reason is that preparing detailed descriptions, including life cycle analyses, for all “major projects” that meet the proposed 1% threshold would be unduly burdensome and would not add value to justify the burden, particularly where such projects have already been approved by the Commission.</p> | <p>Modify 170 IAC 1-5-10(b)(6) as follows:</p> <p>“(6) For projects that have not received Commission preapproval, a complete description of each major project which shall include: . . . .”</p> |

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| 170 IAC 1-5-12.2(c)(1) | Accounting cutoff guidelines for forward looking test periods | <p>The proposed rule suggests a Phase 1 rate base cutoff date for forward looking test periods of sixty (60) days <i>before</i> the evidentiary hearing. Such a cutoff date is inconsistent with the concept of a forward looking test period, because the evidentiary hearing will take place before the forward looking test period even begins. As a result, the Phase 1 rates would not include any rate base projects placed into service in the actual forward looking test period. Note also that this cutoff date of 60 days before the evidentiary hearing is inconsistent with the cost of capital update of 15 days before the evidentiary hearing (see proposed 170 IAC 1-5-12.2(d)).</p> <p>In addition, the MSFR rule should recognize that there may be more than two phases; for example, note that IC 8-1-2-47.1 contemplates a forward-looking test period of up to 24 months.</p> <p>Instead of the proposed cutoff date, the IEA Utilities recommend that the rate base cutoff date for a forward looking test period should be handled as the Commission has in several recent rate case orders – for example, Phase 1 rates implemented based up</p> | <p>Modify 170 IAC 1-5-12.2(c) as follows:</p> <p>“For a forward looking test period:</p> <ul style="list-style-type: none"> <li>(1) an electing utility’s cutoff for projects for phase 1 may include projects certified placed in service and used and useful up to and including the date of the commission’s order approving new base rates;</li> <li>(2) an electing utility’s cutoff for projects for subsequent phases may include any remaining project or projects certified placed in service and used and useful at the end of the test period (or beyond if approved by the Commission) and may be factored into the utility’s proposed phased rate schedules if the following tests are met: <ul style="list-style-type: none"> <li>(A) Remaining projects not identified as used and useful in the utility’s testimony are certified used and useful through a compliance filing consistent with the utility’s phased rate schedules approved by commission order.</li> <li>(B) A monthly investment update is filed with the commission and served on all parties following the filing of the utility’s case-in-chief.”</li> </ul> </li> </ul> |

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|                    |                        | <p>to the date the order is issued (with appropriate compliance filings and in-service certifications). This will allow a portion of the forward looking test period rate base additions to be captured in Phase 1 rates, with the remaining test period rate base additions captured in Phase 2 (and any subsequent phases) rates.</p> <p>Importantly, whether Phase 1 or Phase 2 (or any subsequent phases), a utility's rate base reflected in rates will be the actual utility plant in service, inventories, etc., not a forecast or projection at the point it is reflected in rates.</p> <p>Notably, the IEA Utilities' recommendation will benefit customers, by ceasing any deferrals of post-in-service financing costs and depreciation costs earlier than would the proposed rule.</p> |                                                                                                                                  |
|                    | Effective date of rule | Because some utilities may be in the process of preparing rate cases – and rate cases take months to prepare – the IEA Utilities recommend that the new MSFR rule go into effect six months after it is finalized.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Add a new provision, as follows:</p> <p>“This rule shall be effective six months following the date of its promulgation.”</p> |
| 170 IAC 1-5-2.1(e) | Waiver process         | The IEA Utilities appreciate the opportunity to seek a waiver of certain aspects of the MSFR rule, but seeking a waiver in the petition – once the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Modify 170 IAC 1-5-2.1(e) as follows:                                                                                            |

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|                    |       | <p>case-in-chief is complete – will cause problems and delays if the waiver request is rejected. The IEA Utilities propose that the Commission create a process whereby the utility may initiate a docket before it files its rate case specifically to address any waiver requests. An analogous example is a confidential treatment docket for confidential information to be included in integrated resource plans. This procedural docket should not require an evidentiary hearing, and should be expedited and completed within 30 days.</p> | <p>“(e) An electing utility may request a waiver of compliance with one (1) or more, but not all, of the requirements of this rule by:</p> <p>(1) filing a petition with the commission notifying the commission of its intent to file a base rate case and identifying the waivers it is requesting;</p> <p>(2) including a showing of good cause for the waiver; and</p> <p>(2) serving a copy of the petition on all parties to the utility’s previous base rate case.</p> <p>The presiding officer shall rule on a waiver request within thirty (30) days of its filing.”</p> |