

**Rule 4-10. Cost Securitization for Retired Electric Utility Assets**

SECTION 1. 170 IAC 4-10 IS ADDED AS FOLLOWS:

**170 IAC 4-10-1 Policy and scope**

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 1. This rule is intended to establish procedures and guidelines for cost securitization for retired electric utility generation assets under IC 8-1-40.5. (*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

**170 IAC 4-10-2 Applicability under IC 8-1-40.5**

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 2. This rule applies to any electric utility, as defined under IC 8-1-40.5-3, that meets the threshold for qualified costs pursuant to IC 8-1-40.5-10(a). (*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

**170 IAC 4-10-3 No change to other commission processes**

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 3. This rule does not replace other commission requirements, including, but not limited to:

(1) a proceeding requesting a certificate of public convenience and necessity; and

(2) the commission's rule 170 IAC 4-7 regarding integrated resource planning.

(*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

**170 IAC 4-10-4 Definitions**

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 4. (a) The definitions in IC 8-1-40.5 and this section apply throughout this rule:

(b) "Case-in-chief" means the evidence and documentation provided by the utility in support of its petition, including, but not limited to, those listed in subsection 5(c) below ~~at a~~ **minimum.**

(c) "Commission" means the Indiana utility regulatory commission.

~~(e)~~(d) "Net present value" means the discount of future costs and benefits by a rate that reflects the alternative cost of money, which shall be calculated using the utility's weighted average cost of capital ("WACC") from its most recent general rate case as the discount

rate.

~~(d)~~(e) "OUCC" means the Indiana office of utility consumer counselor established under IC 8-1-1.1.

~~(e)~~(f) "Removal costs" mean those costs:

- (1) incurred or expected to be incurred to physically remove retired utility generation facilities; and
- (2) that have not already been recovered from customers.

~~(g)~~ "Restoration costs" mean those costs found to be just and reasonable by the commission, which:

- (1) have not been recovered from customers; and
- (2) are incurred or expected to be incurred to restore the site of retired utility generation facilities to a reasonable state as determined by applicable law~~found to be just and reasonable by the commission.~~

(Indiana Utility Regulatory Commission; 170 IAC 4-10-2)

170 IAC 4-10-5 Petition and case-in-chief

Authority: IC 8-1-1-3; IC 8-1.5-3-8.3

Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

Sec. 5. (a) An electric utility seeking to securitize costs for retired electric utility generation assets shall file its petition and its case-in-chief on the same day. The 240 day timeline in IC 8-1-40.5-10(b) does not start until the case-in-chief is filed and the commission finds that the petition complies with all provisions of paragraphs (b) and (c) of this section.

(b) The electric utility's petition shall contain, at a minimum, the following:

(1) The best estimate of the amount and terms of the proposed securitization with the date on which all the bonds must be completely paid in full at a date twelve (12) to twenty-four (24) months after the date on which the principal of the bonds is expected to be paid (not to exceed twenty (20) years), upon which all principal and interest must be repaid or an event of default will be declared.

(2) The best estimate of the Proposed term in years of the securitization bonds and a sensitivity analysis showing various bond lengths versus savings for ratepayers. The proposed term shall be no less than the remaining regular depreciation schedule.

(3) The best estimate of the Ftotal jurisdictional rate base at time synchronized with the best estimate of qualified costs at time of bond issuance.

(4) An executive summary of the request, in addition to specifying all the terms and conditions.

(c) The electric utility's case-in-chief shall contain, at a minimum, the following:

(1) The amount and terms of the proposed securitization with the date on which all the bonds must be completely paid in full at a date twelve (12) to twenty-four (24) months after the date on which the principal of the bonds is expected to be paid (not to exceed twenty (20) years), upon which all principal and interest must be repaid or an event of default will be declared

**Commented [J1]:** We strongly recommend the Commission proactively adopting specific definitions and specifically addressing these important terms and concepts in the rulemaking to avoid and limit disputes in proceedings before the Commission.

**Commented [J2]:** Thank you for specifying the 20-year length below. We added it here too to make sure key information like this is front and center in the utility's petition.

**Commented [J3]:** This is a very critical analysis that the Commission should require at the outset of a proceeding.

**Commented [J4]:** Thank you for specifying the 20-year length below. We added it here too to make sure key information like this is front and center in the utility's petition.

(2) Proposed term in years of the securitization bonds and a sensitivity analysis showing various bond lengths versus savings for ratepayers. The proposed term shall be no less than the remaining regular depreciation schedule.

(3) Total jurisdictional rate base at time synchronized with qualified costs at time of bond issuance.

(4) An estimate of the electric utility's total proposed qualified costs, together with descriptions and schedules of the proposed qualified costs to be subject to the securitization, including linking or mapping the proposed qualified costs to the costs currently included in utility rates, as applicable. Any Excel worksheets shall also be submitted with the formulas intact.

(25) Schedule(s) and supporting assumptions and documentation comparing the net present value of the total of the proposed securitization charges with the net present value of the recovery of the qualified costs through traditional ratemaking, over a period not to exceed twenty (20) years. Such schedules shall identify the assumption(s) utilized in the net present value analysis and include evidence supporting the assumption(s). Any Excel worksheets shall also be submitted with the formulas intact.

(6) Schedule(s) and supporting assumptions and documentation comparing the net present value of savings from securitized bonds of various lengths, highlighting the bond length (tenor) that provides maximum net present value savings, calculated using the utility's weighted average cost of capital ("WACC") from its most recent general rate case as the discount rate.

(37) Identification and list of the specific electric utility generation assets to be retired for which securitization is being requested, together with a calculation of the net original cost of the assets adjusted for depreciation to be incurred until the facility is retired.

(48) Proposed process to accomplish the requirements of IC 8-1-40.5-12(c), including an ongoing rate adjustment mechanism and a demonstration that the proposed securitization charges will be expected to be sufficient to timely provide all payments on debt service and other required amounts and charges in connection with the securitization bonds, including but not limited to an itemization of servicing fees and administration fees.

(25) Identification and description regarding evidence describing the use of the securitization bonds proceeds and accounting entries at receipt of bond proceeds.

(106) Identification and description of the proposed mechanism to reduce the electric utility's base rates and charges upon assessment of the securitization charges on customer bills, so as to remove any costs associated with the qualified costs that are reflected in from the electric utility's base retail rates at the time the petition is filed and provide timely savings to customers.

(117) Tariffs and supporting documentation for:  
(A) securitization charges; and  
(B) any credits or rate reductions required to remove proposal for removing qualified costs from existing rates, as applicable.

Work papers utilized in determining such tariffs shall be submitted to the commission

**Commented [J5]:** We request the Commission be specific in the rulemaking now to avoid/limit disputes in proceedings before the Commission.

**Commented [J6]:** If the Commission uses this term, we would request it be defined, addressing the components we have specified throughout these comments to avoid/limit disputes in proceedings before the Commission.

**Commented [J7]:** Net present value is used throughout this rule. We request the Commission define net present value to avoid/limit disputes in proceedings before the Commission. Please see our proposed definition in the definitions section above.

**Commented [J8]:** We request the Commission be specific in the rulemaking now to avoid/limit disputes in proceedings before the Commission.

**Commented [J9]:** We request the Commission specify this process now so it is clear to all parties and so we can avoid/limit disputes in proceedings before the Commission in the future.

**Commented [J10]:** We request the Commission be specific now so as to avoid/limit disputes and delay in data production in proceedings before the Commission.

**Commented [J11]:** Consider specifically defining this term so as to avoid/limit disputes, especially if our other recommendations for definitions are not adopted.

and provided to participating parties.

~~(128) Identification and description of current and anticipated market conditions and expected bond structure, including how the proposal maximizes net present value savings for customers and contemplates a sensitivity analysis for changes in interest rates.~~

**Commented [J12]:** We encourage the Commission to be specific now and ensure the proper protections for consumers are required from the outset.

~~(139) Evidence of the anticipated costs incurred to issue and maintain the securitization bonds.~~

**Commented [J13]:** We support this addition.

~~(140) Proposed plan for capital investment in Indiana, with justification of any plan investment that is not identified as a clean energy resource.~~

~~(151) Basis Schedules and supporting documentation for any and all estimated numbers relied upon to support the case-in-chief, including all assumptions used in any net present value calculation.~~

~~(162) A description of~~

~~(A) any debt or equity securities to be refinanced or retired, and estimated redemption premiums, in any, including previously issued securitization bonds; and~~

~~(B) the use of bond proceeds and the cost of such refinancing or retirement.~~

~~(173) A copy of any contract, agreement, or arrangement that is proposed or has been made, or examples of, for the sale of the securitization bonds proposed to be issued, which includes but is not limited to bond indenture, servicing agreement, administration agreement, establishment of the limited liability company, the underwriting agreement for the sale, and other pertinent documents to the securitization transaction.~~

**Commented [J14]:** We request the Commission specify this information now so as to not have inefficiencies and data delay in the proceedings before the Commission.

~~(184) Demonstration of the proposed process to be used to correct any over collections or under collections of securitization charges.~~

~~(195) Proposed financing order.~~

~~(206) Proposed issuance advice letter for securitization bonds, if the utility plans to use such a letter.~~

**Commented [J15]:** We support this addition.

*(Indiana Utility Regulatory Commission; 170 IAC 4-10-3)*

170 IAC 4-10-6 Notice to the commission, OUCC, and likely-anticipated intervenors

Authority: IC 8-1-1-3; IC 8-1.5-3-8.3

Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

**Commented [HBE16]:** This is now consistent with IURC GAO 2013-5 re rate cases and the required notice of intent to file, which is only required to be provided to the Commission and is "recommended" for the OUCC and "other anticipated intervenors."

Sec. 6. (a) The electric utility shall provide notice at least ~~60~~ 30 days prior to filing its petition to the commission by sending a letter to the secretary of the commission.

(b) ~~The electric utility is encouraged to~~ shall, prior to the filing of its petition, provide notice and meet with (upon request):

(1) the OUCC; and

(2) ~~any person or entity the electric utility thinks may be likely to intervene in the securitization proceeding~~ other anticipated intervenors.

*(Indiana Utility Regulatory Commission; 170 IAC 4-10-4)*

170 IAC 4-10-7 Notice to customers

Authority: IC 8-1-1-3; IC 8-1.5-3-8.3

Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

Sec. 7. (a) ~~Within two weeks of~~ No later than thirty (30) days after the filing of its petition, the electric utility shall provide notice to its customers by:

- (1) posting notice on the electric utility's website; and
- (2) publishing notice through an advertisement in a newspaper of general circulation in each county served by the electric utility.

(b) The notice shall state:

(1) That the electric utility has filed with the commission a petition for securitization financing order and authority for a finance subsidiary to issue securitization bonds;

(2) The estimated total amount of the securitization bonds requested, including an itemization of counsel fees by function and other fees and expenses, as well as the basis for those estimated fees and expenses;

(3) The proposed securitization charges, including any ongoing costs included the charges, and the number of years it will be collected in accordance with its the date on which the principal of the bonds is expected to be paid;

(4) The estimated net impact on customer rates and bills in the first year after the securitization is completed compared to existing rates and bills;

(4~~5~~) That interested persons may send comments to the OUCC; and

(~~5~~6) The mailing and website addresses and toll-free telephone numbers for the OUCC and the commission.

*(Indiana Utility Regulatory Commission; 170 IAC 4-10-5)*