

ORIGINAL

**GENERAL ADMINISTRATIVE ORDER
OF THE INDIANA UTILITY REGULATORY COMMISSION
2018-01**

WHEREAS, under Indiana Code § 8-1-2-42.5(a), the Indiana Utility Regulatory Commission (“Commission”) shall require a regularly scheduled periodic review (“periodic review”) of the basic rates and charges of all public, municipally owned, and cooperatively owned utilities, except those utilities characterized as “small utilities” by Indiana Code § 8-1-2-61.5; and

WHEREAS, the Commission approved General Administrative Order (“GAO”) 1991-2 on June 12, 1991, adopting procedures for the periodic review and revision of utility rates and charges under Indiana Code § 8-1-2-42.5(a); and

WHEREAS, Senate Enrolled Act 309 (2017), P.L.264-2017 amended Indiana Code § 8-1-2-42.5 effective July 1, 2017, requiring the Commission to make the results of the most recent periodic review of the basic rates and charges of an electricity supplier available for public inspection by posting a summary of the results on the Commission’s Internet website; and

WHEREAS, in compliance with Indiana Code § 8-1-2-42.5(b), the Commission has created a webpage to post the summary of the results of its most recent periodic review on its website; and

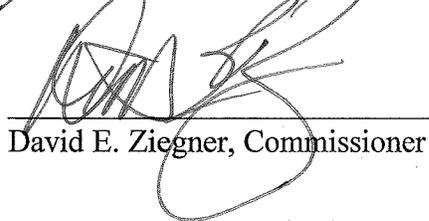
WHEREAS, the Commission has determined a need to revise the Implementation Procedures set forth in GAO 1991-2 in light of Indiana Code § 8-1-2-42.5(b) to reflect the most current processes for its periodic review of utility rates and charges; and

NOW, THEREFORE, IT IS HEREBY ORDERED that GAO 1991-2 is revoked, and the Commission adopts in its place this GAO and the Implementation Procedure for the Periodic Review of Rates and Charges, attached hereto as Appendix A.

IT IS FURTHER ORDERED that this GAO is effective immediately.


Sarah E. Freeman, Commissioner


James F. Huston, Interim Chair


David E. Ziegner, Commissioner

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


Mary Becerra, Secretary of the Commission

Date: JAN 17 2018

Appendix A

Implementation Procedure for the Periodic Review of Rates and Charges under Indiana Code § 8-1-2-42.5

At least once every four years, Indiana Code § 8-1-2-42.5 requires that the Commission conduct a review of the basic rates and charges of all public, municipally owned, and cooperatively owned utilities. Small utilities, as defined by § 8-1-2-61.5, are exempt from the periodic review. In order to make wise use of its resources, the Commission delegates to the Commission Staff the responsibility to conduct these periodic reviews of the applicable utilities' rates and charges to ensure the utilities are providing safe and reliable service at just and reasonable rates.

To aid in the administration of this statute, the Commission issued General Administrative Order (GAO) No. 1991-2, "Implementation Procedures for the Four-Year Periodic Review." Because the related statute was modified in 2017 by the addition of Indiana Code § 8-1-2-42.5(b), the Commission is adopting the modified procedures contained herein.

Because the methodology to determine the revenue requirement is unique to a utility's legal form, the periodic review procedure distinguishes between public, municipally owned, and cooperatively owned utilities. The revenue requirement is primarily determined in a base rate case; however, other statutory provisions may allow changes to a utility's revenue requirement in a proceeding outside of a rate case and must be considered in the periodic review. This GAO also establishes two levels of review and provides an overview of the Commission's criteria in each.

For more information about the ratemaking process, the Commission has developed its Utility Guide, which can be found at: <http://in.gov/iurc/2905.htm>.

Level 1 Review

The Commission Staff will conduct an informal Level 1 review annually, typically based on data contained in a utility's annual report to the Commission. Indiana Code § 8-1-2-16 requires that a utility's accounting books and records be closed on the last day of December with the balance sheet and other information prescribed by the Commission submitted on or before April 30 of the following calendar year. The Commission's administrative rules (170 IAC) prescribe the accounting and reporting requirements adopted by the Commission for each industry.

In a Level 1 review, the Commission Staff will compare actual results as reported by each applicable utility to the authorized revenue requirements for that utility. Additionally, the Commission Staff may compare the utility's financial performance to other Indiana utilities, as well as other recent industry information from rate case decisions across the country. If the financial performance appears higher than utilities in the comparison groups,

then the Commission Staff may at its discretion review the utility's financial performance further to determine the causes or underlying factors.

Investor-Owned Utilities

For an investor-owned utility, the primary metric for the Level 1 review is the rate of return ("ROR"). The ROR is calculated by dividing net operating income by the total authorized rate base. The actual ROR and/or the return on equity ("ROE") are generally compared to the authorized ROR and ROE. The Commission Staff will initiate a Level 2 review if a utility's actual return exceeds its authorized return by 10% or more.

Municipally-Owned, Not-for-Profit, and Cooperatively-Owned Utilities

For municipally-owned, not-for-profit, and cooperatively-owned utilities, the primary metric for the Level 1 review is total operating revenue. The Commission Staff will initiate a Level 2 review if the percentage of actual revenue exceeds authorized revenue by 10% or more.

Level 2 Review

The Commission Staff will conduct a Level 2 review when a utility meets the thresholds established above in this GAO. A Level 2 review includes the collection of data and information beyond that contained in the utility's most recent annual report. The Level 2 review may involve an informal meeting with the utility to determine if there are adjustments or other circumstances not sufficiently reflected in the information already reviewed by the Commission Staff.

Commission Remedies for Over-Earning Utilities

When the Commission Staff determines a utility is over-earning as a result of the periodic review, it may take the following actions to remedy the situation:

- *Informal Meetings* - The Commission Staff may meet with the utility to better understand its earnings situation and overall financial condition to determine the need for a rate case. These meetings may occur as long as progress is being made. If the discussions fail, then an investigation may be initiated by the Commission or upon the request of the OUCC.
- *Audits* - The Commission Staff may request an audit to verify whether the utility is overearning or whether there are other financial concerns that may warrant additional regulatory review.
- *Formal Investigations* - If the adjustments or other information are insufficient to justify a utility's actual revenue or ROR, then the Commission or the OUCC may initiate a formal investigation under Indiana Code §§ 8-1-2-54 and 8-1-2-58.

Summary and Results of Periodic Review

The Commission will post the results of the Level 1 review and Level 2 review on its website, with a link to the utilities' submitted periodic review forms.