**RESPONSE OF THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR (“OUCC”) TO SURVEY FROM CHRISTENSEN ASSOCIATES – Nov. 22, 2024**

**IURC PBR STUDY – INDIANA CODE § 8-1-2.5-6.5**

**Introductory Comments**

The Indiana Office of Utility Consumer Counselor (“OUCC”) appreciates the opportunity to submit these written comments to the Indiana Utility Regulatory Commission (“IURC”) study process on alternative forms of regulation (hereafter, generally referred to as “alternative regulation” or “AFORs”).

This current study was initiated as a result of Ind. Code § 8-1-2.5-6.5 when the Indiana Legislature directed the Commission to study performance-based ratemaking for electricity suppliers, identified a set of topics to be included in this study, defined a stakeholder-based process for the study, and provided for a 2025 final recommendation and report.

Below, the OUCC provides specific responses to the questions posed by the Commission’s consultants on this matter. The OUCC is supplementing our responses with an attachment that includes a report prepared by our expert consultant in this matter, Dr. David Dismukes, regarding AFORs and their applicability to Indiana.

Professor Dismukes’ analysis finds of the three major AFORs: formula rate plans (“FRPs”); performance-based ratemaking (“PBR”) plans; and multi-year rate plans (“MYRPs”); none have led to any meaningful nor measurable ratepayer benefits. Collectively, these AFORs have:

- Not resulted in any sustainable nor distinctly measurable improvements in reliability or quality of service when developed in other states.
- Almost always led to large rate increases with very few decreases nor earning sharing opportunities with customers.
- Not led to measurable operating cost efficiencies that have been shared with customers.
- Have often led to a deterioration in capital investment discipline and huge gains in rate base.
- Have not provided uncontroverted evidence indicating any form of unequivocal “success” for ratepayers.

Thus, the OUCC does not support a movement from Indiana’s current form of regulation to forms of regulation that are typically adopted by high-cost states with expansive investment goals and policy agendas that are not entirely consistent with Indiana.

As previously noted in the OUCC's reply to the Commission's initial survey in this study, the state's current paradigm is sufficient. Hoosier ratepayers would not be well-served by policies that would move Indiana into the pantheon of high-cost states such as California, Massachusetts, and Connecticut.

**<u>OUCC Response to Stakeholder Workshop Questions</u>**

**1. Did the workshop on October 17th provide helpful information regarding the IURC's plans to evaluate the applicability of PBR in Indiana?**

**<u>OUCC Response:</u>**

The OUCC appreciates the opportunity to participate in the October 17, 2024 IURC workshop and found it to be a useful exchange of ideas regarding various different forms of alternative regulation. The presentation was educational and will likely serve as a good background for all participants in this process, as well as the penultimate report on this subject that will be provided to the Indiana Legislature.

**2. Did your organization feel it had the opportunity to provide comments and ask questions during the workshop?**

**<u>OUCC Response:</u>**

Yes. The Commission and its consultants provided ample opportunities for input.

3. What aspects of the workshop did you find valuable and what areas to you feel could be improved.

**<u>OUCC Response:</u>**

The workshop, in general, was well-run. The OUCC has no recommendations for improvement.

**<u>Current Regulatory Framework</u>**

1. What goals and outcomes related to electric utility services should be pursued through regulation in Indiana?

**<u>OUCC Response:</u>**

All goals should be pursued within the guidelines of the Five Pillars of Electric Utility Service as defined in Indiana Code § 8-1-2-0.6. The Indiana General Assembly established the Five Pillars following four years of robust discussions by the 21st Century Energy Policy Development Task Force.

Regulation of Indiana electric utility services aims to achieve several key objectives to ensure utilities operate in the public interest including ensuring safe and reliable service, establishing just and reasonable rates, promoting energy efficiency and conservation, protecting consumer interests, and encouraging infrastructure investment.

2. How well does the current rate-regulation framework in Indiana facilitate success in the following areas:
   a. Reliability
   b. Resiliency
   c. Stability
   d. Affordability
   e. Environmental sustainability
   f. Utility cost control
   g. Regulatory efficiency
   h. Customer service/connection time
   i. Financial health of the utility
   j. Adaptability to the energy transition (e.g., retirement of coal generation facilities; adoption of distributed energy resources, electrification)

**OUCC Response:**

The OUCC has not prepared an itemized evaluation of each utility's performance in each of the above-listed categories. However, experiences in other states show that a move to alternative forms of regulation would not benefit Indiana ratepayers, as described in our report.

3. Will the current rate-regulation framework in Indiana remain appropriate for optimizing utility services in the following areas, given the transition from coal power generation and given the energy transition? (Yes/No) If no, please explain what improvements could be made to the state's regulatory framework that would offer improvements to the status quo.
   a. Reliability
   b. Resiliency
   c. Stability
   d. Affordability
   e. Environmental sustainability
   f. Utility cost control
   g. Regulatory efficiency
   h. Customer service/connection time
   i. Financial health of the utility
   j. Adaptability to the energy transition (e.g., retirement of coal generation facilities; adoption of distributed energy resources, electrification)

**OUCC Response:**

The General Assembly adopted Indiana's Five Pillars after lengthy and robust discussions by legislators and additional Task Force members. Indiana's current regulatory framework does not need to be changed.

4. Have rates increased at a faster pace than the historic average of the last decade? If so, why?

**OUCC Response:**

Yes. The attached report shows a marked increase in retail rates for all of Indiana's investor-owned electric utilities over the past several years. The last three years, in particular, have seen a rapid upward movement in retail electricity rates.

5. What could be done to improve affordability for customers?

**OUCC Response:**

The OUCC is very concerned about utility affordability and has expressed such concerns in proceedings before the IURC. Our report demonstrates that alternative forms of regulation, as used in other states, are simply incongruous with the goals of assuring energy affordability.

To the extent that any alternative form of regulation is recommended in the Commission's report to the Legislature, strong ratepayer protections need to be included. These may include investment level caps, rate caps, affordability caps, and other measures limiting the potential harmful aspects of AFORs.

**Multi-Year Rate Plans and Performance Incentive Mechanisms**

1. Would you support a regulatory regime that allows the option to use a MYRP on the states' investor-owned utilities, meaning three or more years between rate applications? (This could mean forecasting revenues over a three-year period, operating under a price or revenue cap, or setting rates annual based on a cost-of-service formula.) Explain why or why not.

**OUCC Response:**

No. Such mechanisms, when adopted in other states, have resulted in a deterioration of capital investment discipline and operating cost efficiencies. Further, as our report shows, few to no states adopting MYRPs have seen any proportional increases in reliability or resiliency. Further, and most importantly, most states that have adopted MYRPs have seen energy affordability deteriorate as a result of MYRP adoption. This has been particularly true in the District of Columbia as shown in the attached report.

2. Do you support utilities operating under a price cap (or revenue cap) over a five-year period, where prices (or revenue requirements) are adjusted each year according to a formula based on inflation and industry productivity? Why or why not?

**<u>OUCC Response:</u>**

No.

First, rates under such an approach only move in one direction: up. The OUCC cannot support measures allowing utility rates to unequivocally increase without corresponding base rate case proceedings.

Second, such approaches are rarely used in the United States. While such approaches are common in Canada, Indiana is not Canada. Likewise, while New England states such as Massachusetts use AFORs, Indiana should not aspire to the regulatory practices of states like Massachusetts which have residential retail rates that are almost 100 percent higher than Indiana. Indiana is not Massachusetts.

Third, these approaches utilize a variety of obtuse and wildly unreliable productivity measures that are consistently biased against ratepayers and can lead to exceptionally large annual rate increases.

Fourth, as our report notes, these approaches do nothing but facilitate capital cost inefficiencies and overcapitalization. Indiana cannot afford additional excess capital investment inefficiencies given current rate trends that have been highlighted in our attached report.

3. If utilities established a revenue requirement forecast for three or more years, would it be more burdensome to validate the reasonableness of such forecasts compared to evaluating a single future test year? What additional information would utilities need to provide to assist in the evaluation of such forecasts?

**<u>OUCC Response:</u>**

Yes. Multiple forecast test years are simply unreliable and place ratepayers at financial risk for any errors included in those forecasts. The question also "presumes" that the problem with multiple forecast test years is simply limited to one of data transparency: this is not accurate. "More information" will not make a forecast test year more palatable since, as noted earlier, that transparency will not change, in any way, the fundamentally unreliable nature of such information.

4. Would you expect a utility to obtain financial benefits from operating under some form of price (or revenue) cap? Why or why not?

**<u>OUCC Response:</u>**

Yes. It is expected that price and revenue caps would afford utilities several financial benefits, the most important of which is the ability to overcapitalize and increase shareholder value at ratepayers' expense.

5. Would you expect customers to obtain benefits from operating under some form of price (or revenue) cap? Why or why not?

**<u>OUCC Response:</u>**

There is no proven empirical ratepayer benefit arising from revenue/price cap regulation in the electric utility industry to date.

6. Would you support financial rewards (i.e., PIMs) for utilities that provide superior service quality or penalties for utilities that provide sub-par service quality as established by specific metrics? Does your opinion change if the PIMs are optional (opt-in) or if the PIMs are set specifically for each utility rate rather than the same PIM target for all utilities?

**<u>OUCC Response:</u>**

If any financial rewards are provided, they must be structured in a fashion that rewards exceptional - not average – performance. Such rewards, if offered, should be limited to performance that is above and beyond a utility's public interest obligations.

7. How would you define success or failure of a performance-based regulation mechanism such as a MYRP or PIM?

**<u>OUCC Response:</u>**

The success of any form of alternative regulation mechanisms should be the ability to reduce costs and rates over time relative to historic trends/trajectories and regional peers. If alternative regulation were successful, then Indiana utilities would need to see significant improvement in their cost and pricing performances relative to regional peers. To date, no utility that has adopted an AFOR can make a comparable showing as shown in the attached report.

8. Does your organization agree that updates to Indiana's existing regulatory structure would be a better approach to address the goals of both Indiana utilities and consumers, compared to requiring the utilities to operate under some form of MYRP? If so, what incremental updates could be considered, and what goals would these updates help address?

**OUCC Response:**

Indiana's current regulatory framework is not broken. The risk of changing the current regulatory framework far outpaces any potential "hypothetical" benefit.

**Additional Information**

9. Do you have any additional information or comments to share regarding the exploration of performance-based regulation for Indiana utilities?

**OUCC Response:**

Not at this time. The OUCC does, however, reserve the right to provide additional and supplemental information on this matter as warranted.

10. Would you find value in a second workshop? If so, what topic areas would you want to discuss?

**OUCC Response:**

If the IURC and Christensen Associates choose to convene additional workshops, the OUCC will actively participate.






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# Ratepayer benefits and impacts from alternative regulation: A survey and implications for Indiana.

*Prepared on behalf of the Indiana Office of Utility Consumer Counselor*

David E. Dismukes, Ph.D.
Acadian Consulting Group

*November 22, 2024*

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## Executive Summary – Overall Findings

There are **three major forms of alternative regulation**: Formula Rate Plans ("FRPs"); Performance-Based Ratemaking ("PBR") plans; and Multi-Year Rate Plans ("MYRPs"). To date, **none have led to any meaningful nor measurable ratepayer benefits.** Alternative regulation **has not resulted in any sustainable nor distinctly measurable improvement in reliability or quality of service.**

**Alternative regulation mechanisms have resulted in large rate increases with very few rate decreases nor earning sharing opportunities**.

In addition, **no measurable operating costs efficiencies have arisen in any state due to alternative regulation**. In fact, most states **have seen a deterioration in capital investment discipline and huge gains in rate base due to alternative regulation**.

**There is <u>not one single state adopting FRPs, PBR plans, or MYRPs that has shown outcomes that can be held out as an unequivocal "success" for ratepayers.</u>**

## Study purpose

The Acadian Consulting Group, LLC ("ACG") has been asked by the Indiana Office of Utility Consumer Counselor to **examine alternative regulation**.

The purpose of this analysis is to assess and evaluate the performance of alternative forms of regulation ("AFORs") throughout the U.S. with a special emphasis on what the transitions to these AFORs have meant for utility ratepayers.

This analysis includes an assessment of Indiana's electric utilities, their rates, costs, and capital investment performance and some limited examples of affordability challenges facing the state for certain Indiana electric utility ratepayers.

**The analysis shows that few to no ratepayer benefits would arise from the adoption of FRPs, PBR plans, or MYRPs and would likely lead to excessive capital investment and higher electricity rates. Such mechanisms have not led to any meaningful nor measurable operating cost efficiencies nor has it resulted in any improvements in reliability or quality of service.**

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# Section 2: The fallacies of alternative regulation

## Why alternative regulation?

Moral hazard notes that often, the **informational asymmetry** between regulators and regulated companies, **prevents traditional regulation from forcing the most optimal outcome**.

The **basis for alternative regulation is that while optimal costs are difficult to observe, profits are not**. Thus, alternative regulation seeks to **eliminate the traditional base rate case regulatory process** to one where rates are automatically increased by a formula or some fixed allowed levels. **This pricing "flexibility," supposedly, gives utilities greater incentives, through higher profits, to seek capital and operating cost efficiencies.**

The entire basis for alternative regulation is that **unobservable efficiency opportunities** actually **exist** and the **benefits** of changing the current form of regulation are **greater than the costs**.

**<u>However, actual experience has not proven either premise is true, nor has alternative regulation been successful at: (a) lowering rates; (b) generating cost/operating efficiencies; (c) improving service quality or reliability; and (d) creating ratepayer benefits</u>.**

## How does traditional regulation differ from alternative regulation?

Alternative regulation starts with a large policy leap of faith: regulators have to be willing to allow **prices (or revenues)** to become **"decoupled"** with **traditional (utility-specific) measures of costs**.

Such approaches **challenge the traditional policy and legal foundations of utility regulation** that set rates on **"known and measurable"** information to assure those rates are **fair, just, and reasonable**.

Alternative regulation **presumes that if utilities are given pricing and investment flexibility, they will lead to considerable efficiencies** that can be **shared with ratepayers** in the form of (a) l**ower retail rates and (b) earnings or profit sharing.**

However, **alternative regulation shifts all utility performance risk onto ratepayers**: Utilities are allowed, up front, to increase rates to increase or preserve profitability. Benefits only arise if utilities create operating and capital efficiencies – **If these efficiencies do not arise, ratepayers receive no benefits from alternative regulation and thus bear the risk of the poor utility performance**.

## Does alternative regulation lead to ratepayer benefits?

To date, there is **no systematic evidence that clearly shows that alternative regulation, for electric utilities, has resulted in any (a) reduced/improved retail rates; (b) improved cost efficiencies; or (c) improved quality of service or reliability.**

In fact, the **evidence to date shows that various forms of alternative regulation have resulted in the opposite**: (a) increased rates; (b) increased inefficiencies, particularly capital investment inefficiencies; (c) little to no improvement in reliability or quality of service.

Very little, **to zero, ratepayer financial benefits have arisen from "sharing" or "earnings sharing mechanisms"** as applied to most major forms of alternative regulation (i.e., FRPs, PBRs, MYRPs).

In fact, **many states** that have utilized alternative regulation mechanisms in the past, **have abandoned their use**. For instance, **Maine and Vermont do not use PBR mechanisms** anymore, and **North Dakota, Colorado, and Oklahoma no longer use MYRPs.**

## Reduced administrative/regulatory costs?

To date, there is **no systematic evidence that clearly shows that alternative regulation results in lower regulatory or administrative costs.**

Most utilities that are under some form of alternative regulation continue to make repeated and regular regulatory filings. **It is a myth that alternative regulation significantly reduces administrative and regulatory costs.**

Further, rate proceedings such as FRPs and MYRPs **have compliance and or reconciliation proceedings** that continue to require regulatory and administrative costs. It has not been shown that **the sum of these smaller and repeated annual filings offset base rate expenses** incurred prior to the alternative regulatory regime.

**Lastly, future rate case filings can also be more contentious and require additional resources** since the prudence of many cumulative capital investments are evaluated at that time.

## The theoretic basis for alternative regulation is flawed.

The **theoretic literature supporting alternative regulation** was written and developed with the **experience of the 1980s-1990s in mind**. This period followed a **large era of major capital/capacity expansion**, particularly in the development of nuclear and coal fired electric generation.

**Capital and capacity utilization during the 1980s-1990s was abysmal**. Consider that throughout the 1980s, **nuclear generators operated at an average utilization of between 40 to 60 percent**. **Coal plant utilization**, particularly for super-critical units, was equally low.

In addition, **energy utilities (electric and natural gas) were also saddled with out-of-market longer-term generation contracts**, executed during a period in which price/cost inflation was expected to increase at double digit percentages and when fossil fuels, particularly natural gas, were expected to be in short supply.

This **high degree of industry inefficiency upon which alternative regulation is based simply does not exist today nor do the technical potentials for achieving better overall cost and pricing efficiencies**.

## Why is alternative regulation no longer appropriate/relevant?

Today's utility investments **are intended to address a wide range of market failures and social policy goals**, not generate cost efficiencies including:

- Renewables (GHG externalities)
- Safety/reliability (GHG externalities, public goods)
- Environmental (GHG externalities)
- Energy efficiency (GHG, externalities, imperfect info, risk/uncertainty)

The regulatory challenge is that these policies' benefits, by definition, **do not have an easily-measured market value**. Just about **any benefit estimate can be used to justify any level of the investment**. This runs counter to the goals of alternative regulation to create efficiencies.

Further, <u>**few of these social/environmental investments will lead to improved system efficiency**</u> since many are non-revenue generating or have no/little capacity value, resulting in lower system utilization, <u>**thus, making alternative regulation irrelevant and useless.**</u>

## Regulation and the capital investment bias

Since the 1960s, the **theory and practice of utility regulation has recognized that utilities have a capital investment bias**. This bias is technically referred to as the **"Averch-Johnson effect"** after the two economists publishing the theory in the *American Economic Review* – but is more **commonly referred to as "gold plating"** in utility practice.

This **capital investment bias notes that the larger a utility's investment base, the larger the potential earnings**. The larger and faster this investment base (or "rate base") grows, the faster the potential earnings growth.

Historically, **utilities have justified very large capital/capacity investments on energy usage growth** that, while slowing, has still been considerable over the past three decades.

Over the past decade, however, utilities have faced slowing to potentially contracting energy usage. **No usage growth means no need for capacity, no capacity needs mean no capital investment, and no capital investment means lower earnings opportunities**.

## How do utilities grow earnings in a low to non-growth environment?

Utilities are finding new alternatives to **grow their rate bases** through **social investments** that include those **dedicated to reliability/resiliency, safety/security, renewables, energy storage, and other emerging new technologies and resources.**

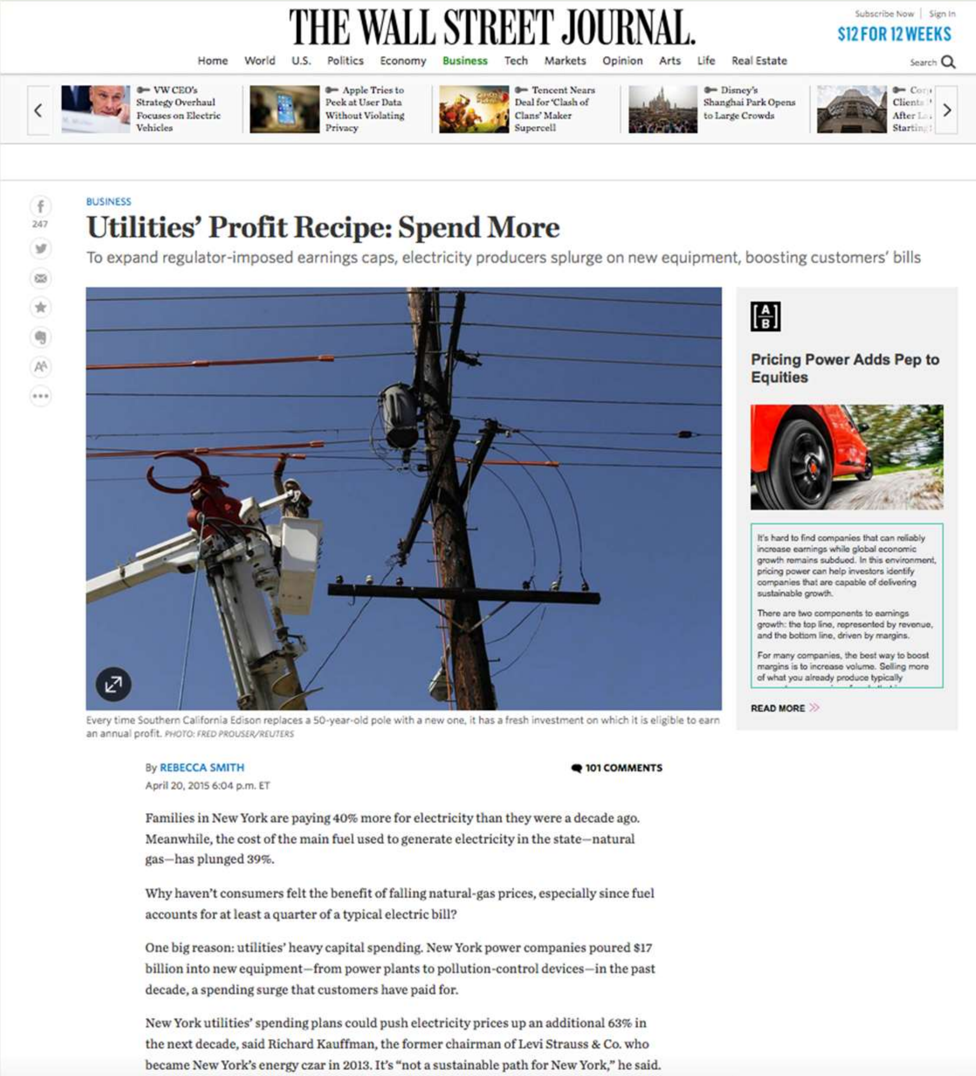
The **basis for these investments contradicts the purposes of alternative regulation**. First, social investments are often uneconomic. This means that **alternative regulation can not incent utilities into making cost-effective decisions since the resources themselves are not cost effective**.

Second, **social investments do not lead to improved system efficiencies** and can lead to lower, not higher, system utilization **running counter to the purpose of using alternative regulation**.

Third, **alternative regulation delegates social investment prioritization to for-profit utilities and their shareholders**. This outcome contradicts traditional regulation that allows utilities, under the direct supervision of regulators, to make these investments if the gains are shared with ratepayers.

## Media recognition of the new utility capital bias.

Even the **media recognizes this capital bias** in the face of flat electricity demand growth – **<u>a trend that is proven to be exacerbated with alternative regulation</u>**.



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BUSINESS

# Utilities' Profit Recipe: Spend More

To expand regulator-imposed earnings caps, electricity producers splurge on new equipment, boosting customers' bills

Every time Southern California Edison replaces a 50-year-old pole with a new one, it has a fresh investment on which it is eligible to earn an annual profit. PHOTO: FRED PROUSER/REUTERS

By REBECCA SMITH

April 20, 2015 6:04 p.m. ET

101 COMMENTS

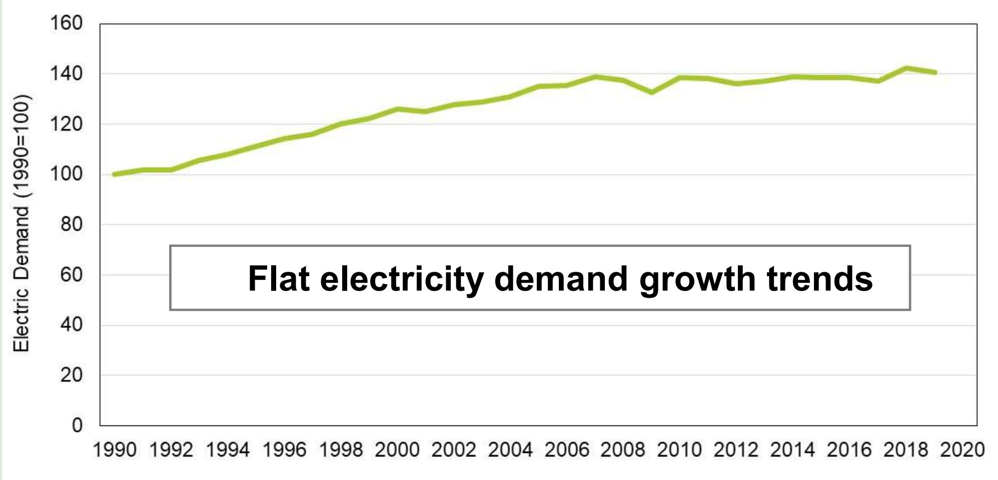
Families in New York are paying 40% more for electricity than they were a decade ago. Meanwhile, the cost of the main fuel used to generate electricity in the state—natural gas—has plunged 39%.

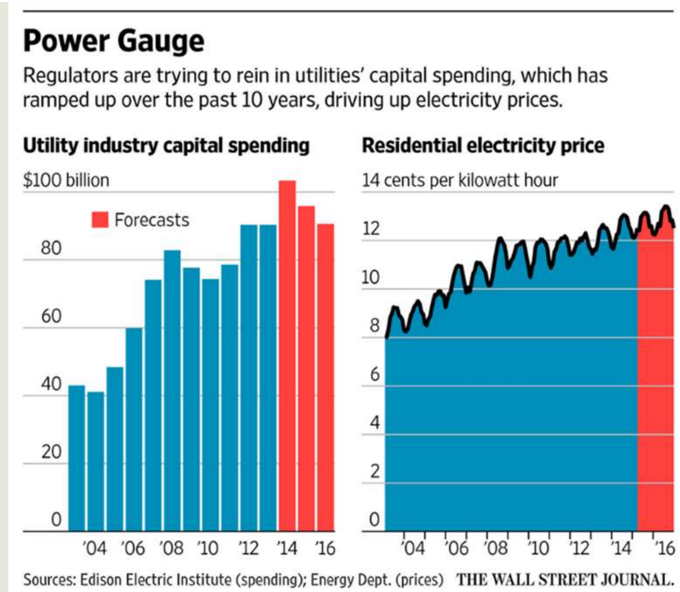
Why haven't consumers felt the benefit of falling natural-gas prices, especially since fuel accounts for at least a quarter of a typical electric bill?

One big reason: utilities' heavy capital spending. New York power companies poured $17 billion into new equipment—from power plants to pollution-control devices—in the past decade, a spending surge that customers have paid for.

New York utilities' spending plans could push electricity prices up an additional 63% in the next decade, said Richard Kauffman, the former chairman of Levi Strauss & Co. who became New York's energy czar in 2013. It's "not a sustainable path for New York," he said.





## Major forms of alternative regulation: Multi-year rate plans ("MYRPs").

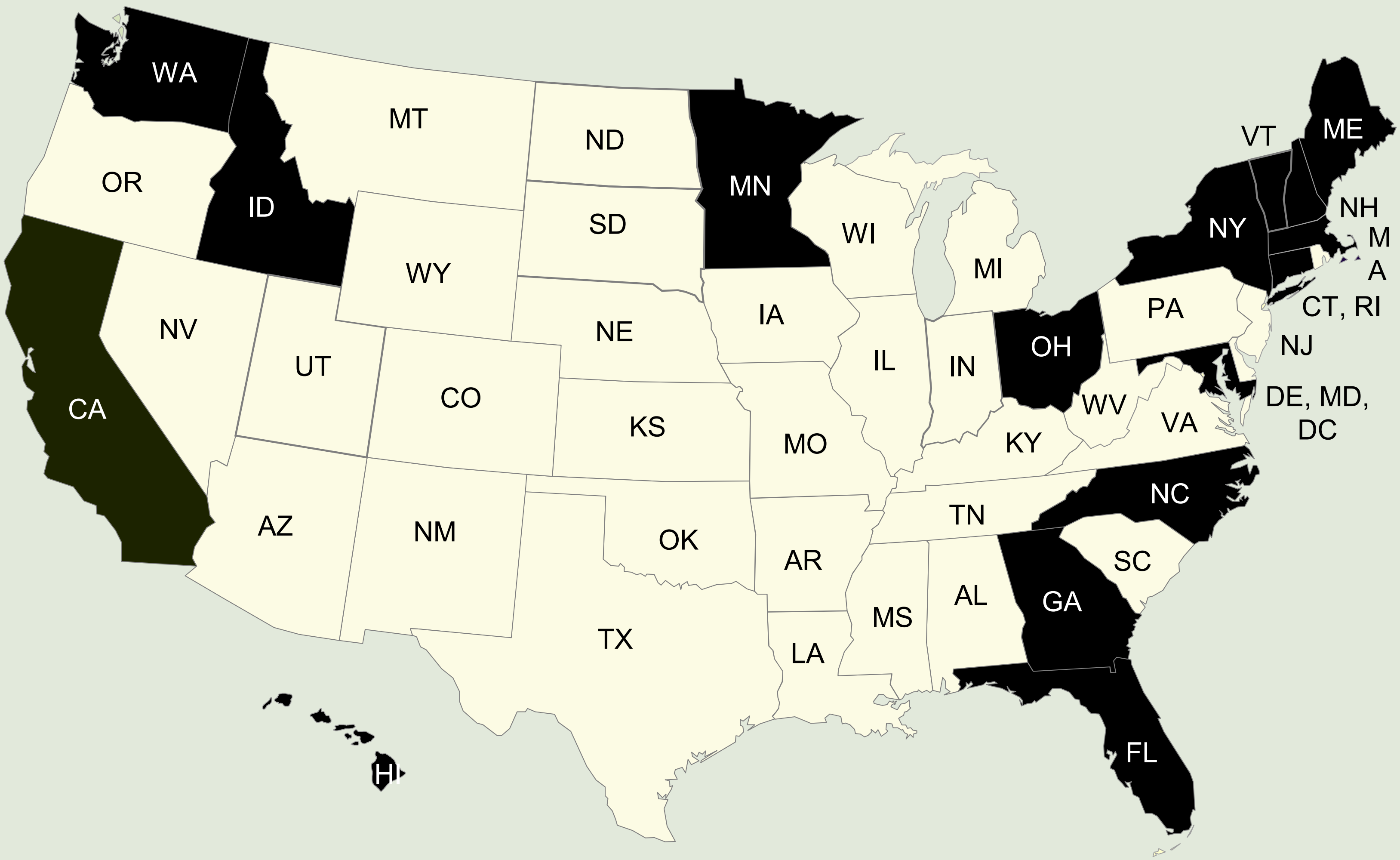
Multi-Year Rate Plans ("MYRPs") are rate plans **designed to span multiple years similar to PBR.**

However, unlike PBR, **MYRPs do not rely on a formula to determine future rate increases and instead are approved with defined rate increases each year of the proposed plan**. Due to this, MYRPs tend to be shorter in duration, typically only two or three years in total.

The **biggest concern with MYRPs is the approval of large upfront rate increases that are based on projected, not actual information.** Additionally, depending on the extent of these allowed future rate increases, **MYRPs may include little to no incentive for the utility to control costs during the term of the plan. Once rates have been allowed to increase, it is difficult to "claw back" those increases in the form of expense/investment disallowances.**

## Prevalence of MYRPs.

MYRPs are used in several states including most of **New England.**




Sources: Electricity Regulation for a Customer-Centric Future – Survey of Alternative Regulatory Mechanisms, Guidehouse (for EEI), 2Q 2020; Idaho PUC Case No. AVU-E-23-01, AVU-G-23-01; DC PSC FC 1156; MD PSC Case No. 9655; VT PUC Case No. 18-1633-PET; NC PUC Docket No. E-2, SUB 1300, S&P Global RRA Regulatory Focus.

## Major forms of alternative regulation: Formula rate plans (“FRPs”).

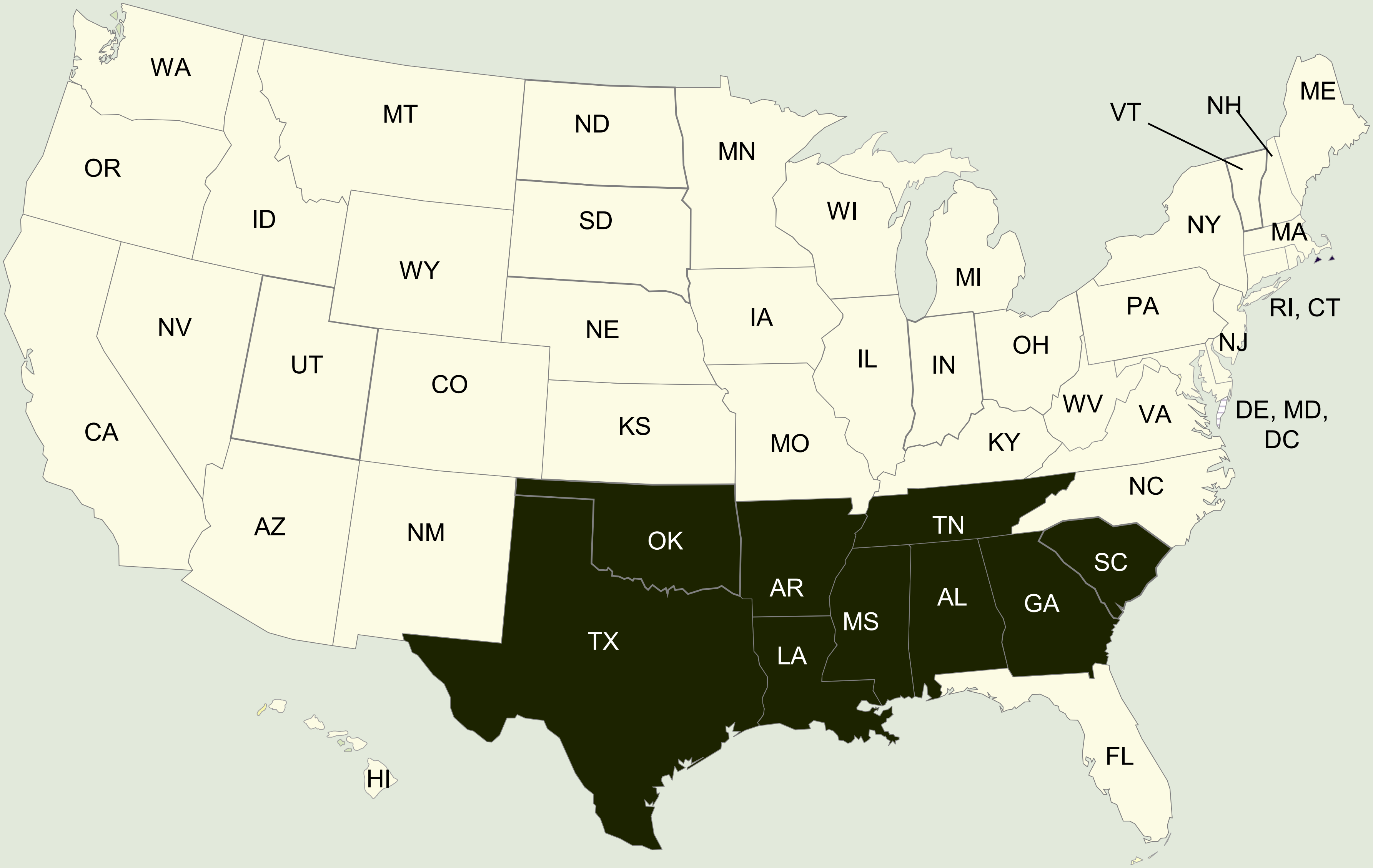
Formula rate plans (“FRPs”) are a form of alternative regulation **that allows for annual rate adjustments between rate cases based on the difference between a utility’s achieved return on equity to an established target return on equity set during the prior rate case**. Essentially, FRPs **allow for annual “mini rate cases”** that involve a review of utility expenditures, capital investments, and revenue variances (**challenging the claim of “lower regulatory and administrative costs”**).

FRPs in practice, however, **have been plagued by constant rate increases to fund growing utility investments, inefficient utility capital investments, and in some cases utility windfall profits due to outdated capital market assumptions.**

FRPs also **have been criticized for reducing the ability of independent oversight of utility expenses and capital investments** since annual FRP reviews are typically conducted on a significantly expedited basis compared to traditional rate cases.

## Use of FRPs.

FRPs are almost **exclusively used in the southeast**.




Source: "Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List" American Gas Association, 2016.

## Major forms of alternative regulation: Performance-based regulation ("PBR").

Performance-Based Regulation ("PBR") allows either utility revenues or prices (i.e. rates) to increase each year using a set formula that **importantly includes an inflation term ("I") and a productivity offset ("X").** This "I-X" component is the core of such regulation paradigms and **represents a guaranteed rate increase**.

### Revenue Cap

$$\bar{R}_t = (\bar{R}_{t-1} + CGA * \Delta Cust) * (1 + I - X) \pm Z$$

### Price Cap

$$\bar{P}_{m,t} = \bar{P}_{m,t-1} * (1 + I - X) \pm Z$$

**Where:**

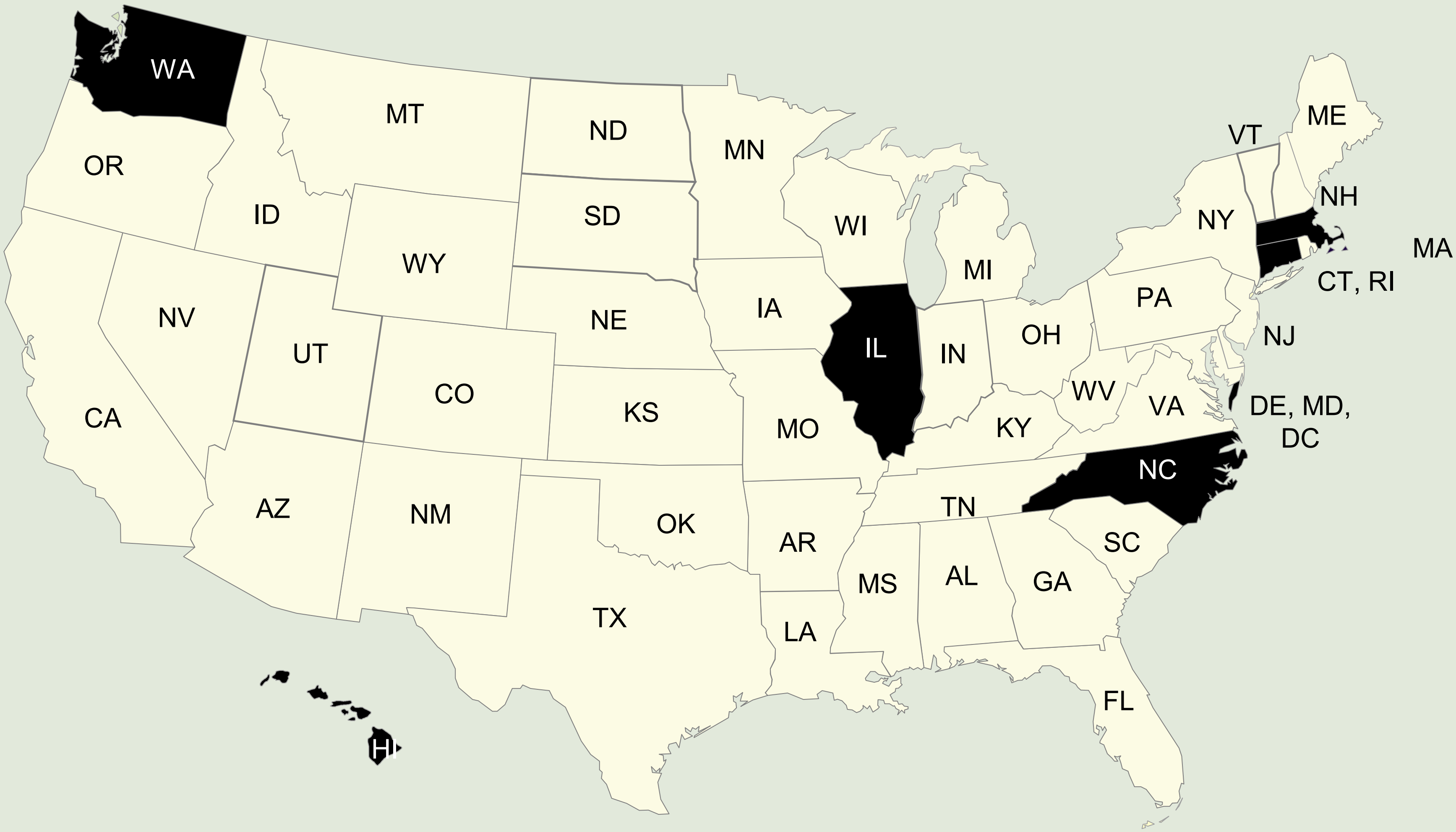
$I$ = Annual percent change in prices (Inflation index)

$X$ = An index of expected efficiency gains (Productivity offset)

$Z$ = Adjustments for unforeseen events beyond management's control

## Prevalence of electric utility PBR plans.

**PBRs are rarely and sporadically used** in a handful of states.




Note: CT and WA are in in the process of finalizing PBR rules, but most utilities use FRPs at the current time in WA.

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# Section 3: Alternative regulation increases rates

## Alternative regulation increases rates.

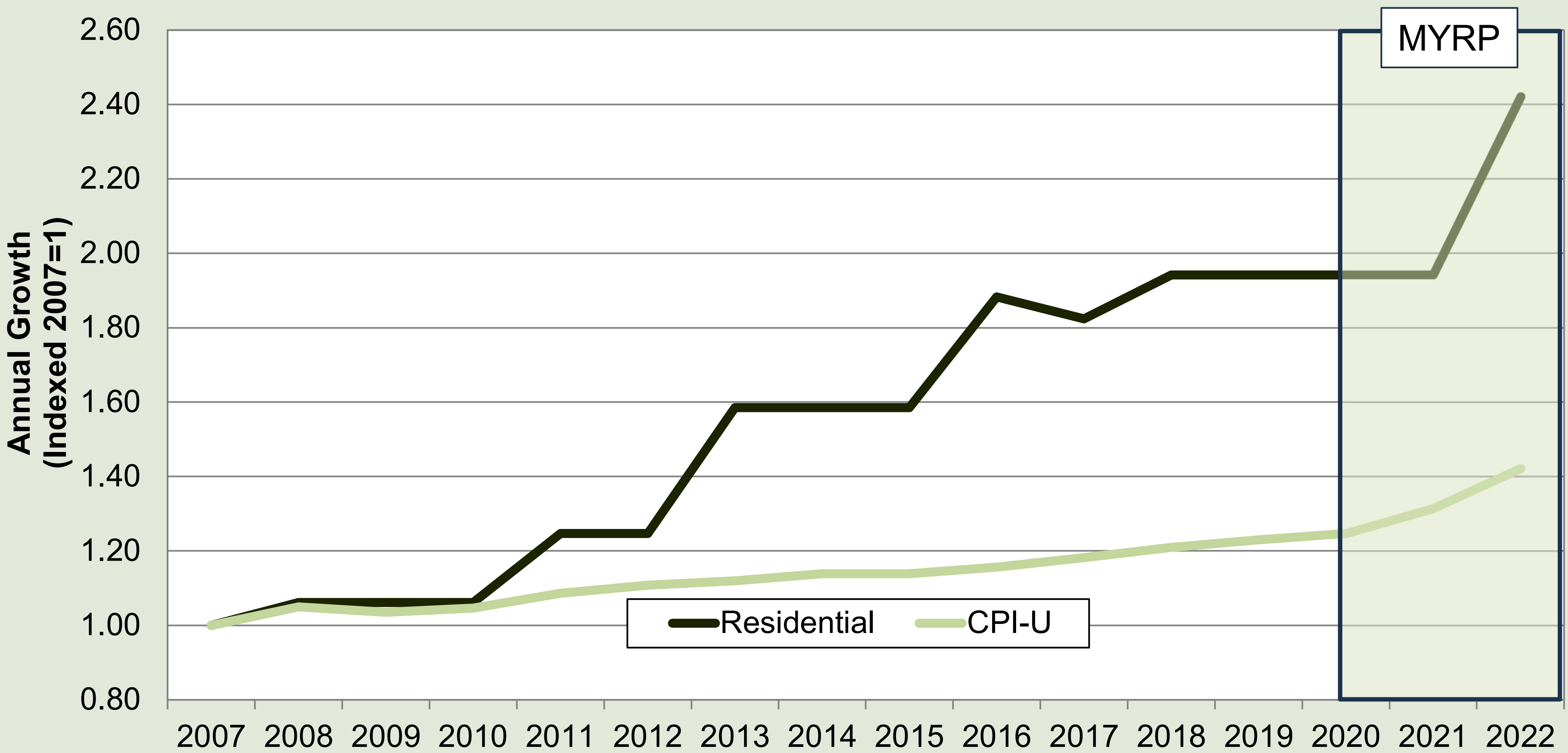
**Alternative regulation does not lead to any meaningful nor measurable ratepayer benefits**. Utilities that have been allowed to adopt various forms of alternative regulation (MYRPs, PBRs, FRPs) have **requested very large and generous rate increases, in most instances, orders of magnitude larger than historical requests under traditional regulation**.

There are simply **no "real-world" examples nor evidence showing that ratepayers have received any meaningful benefits, particularly in the form of rate decreases, from alternative regulation.**

The following analysis provides several **real-world examples of post-alternative regulation rate increase requests**.

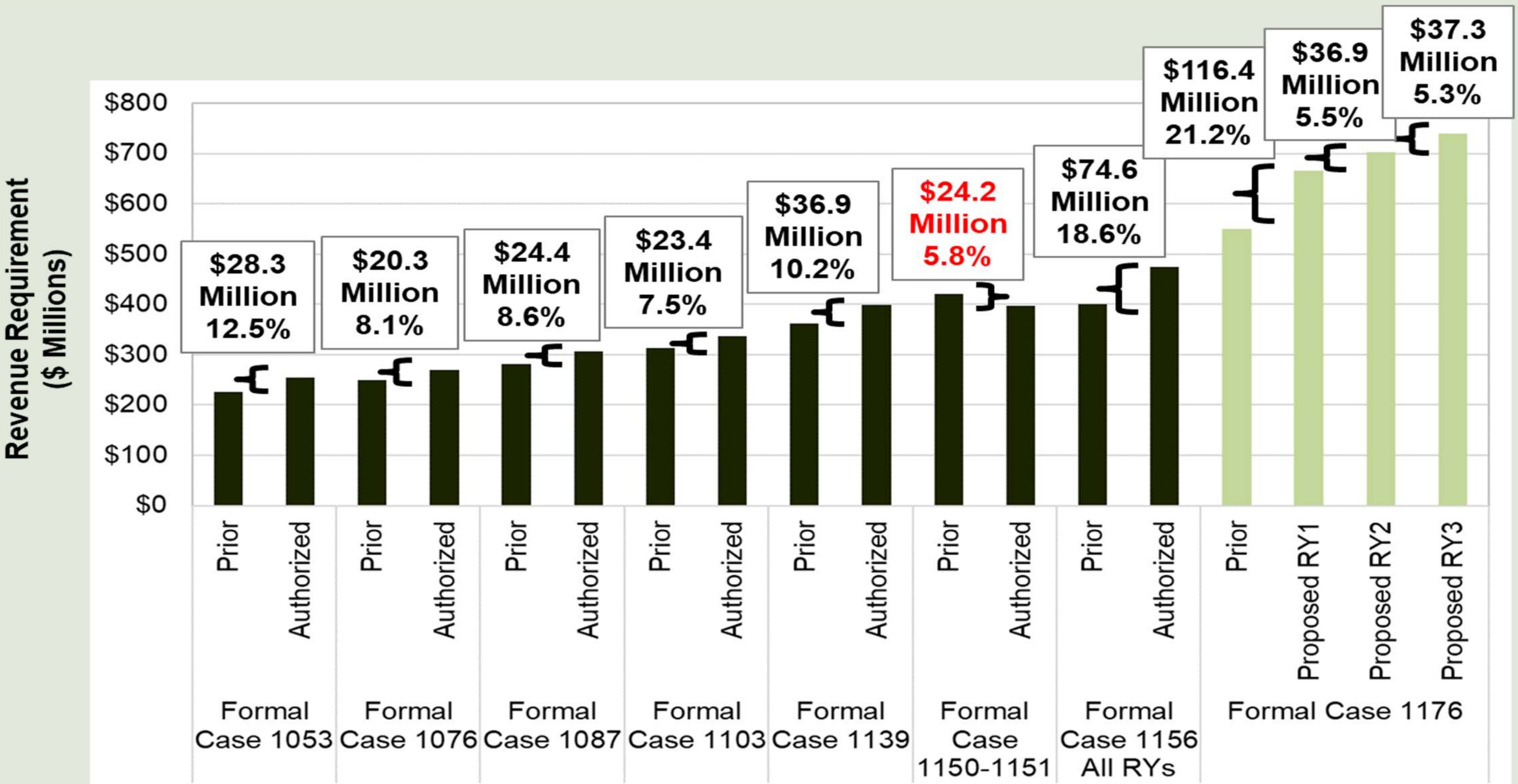
## MYRP deficiency example: Pepco DC.

Even under traditional regulation, Pepco's rates were increasing faster than inflation. **Rate increases for all customers accelerated in a dramatic fashion after MYRP implementation**. Current pending MYRP is even greater than prior two years.



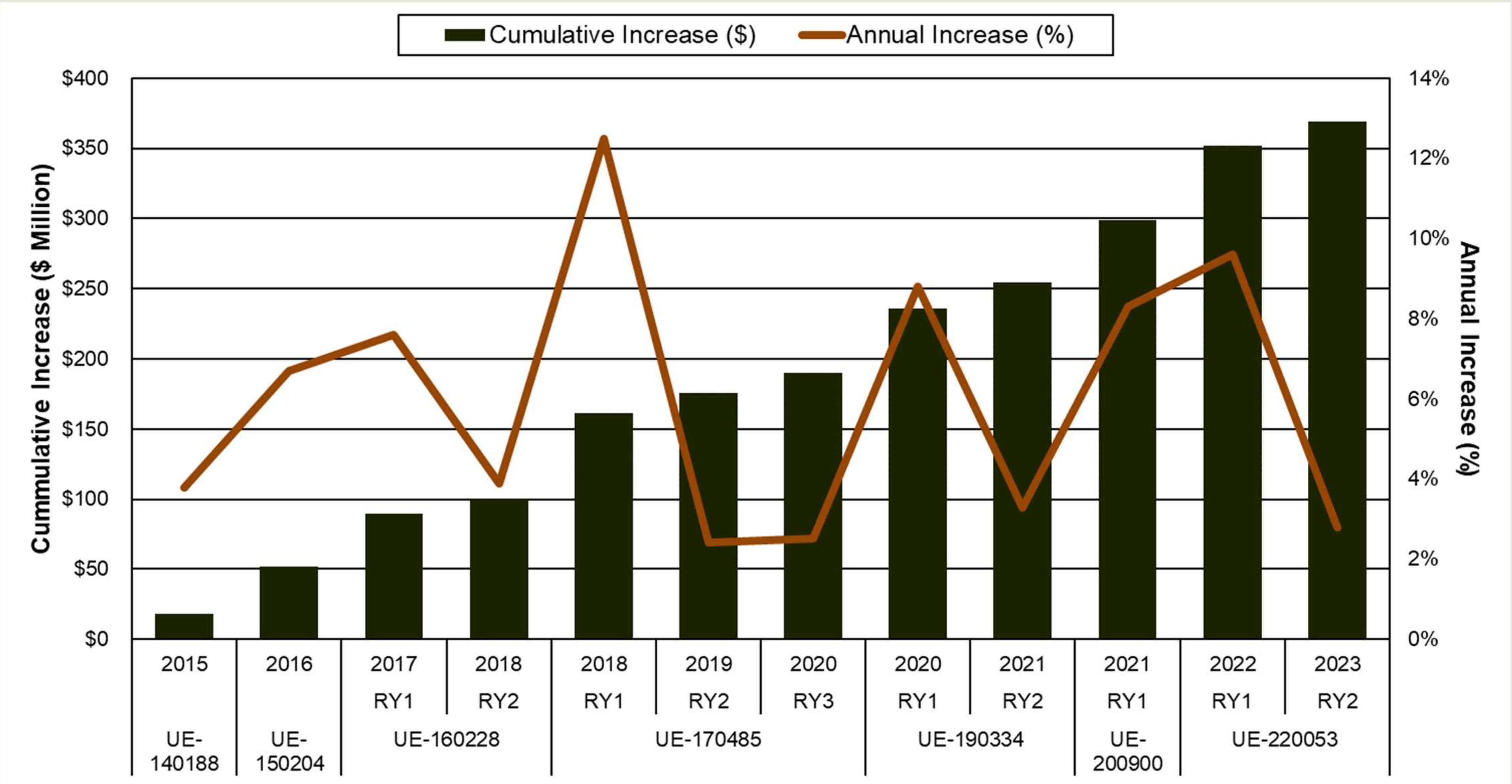
## MYRP deficiency example: Pepco DC.

Pepco's most recent MYRP filing requests an increase of $190.6 million over three years. This is equal to a **32 percent increase** in distribution rates, or nearly **10 percent per year of the proposal**.



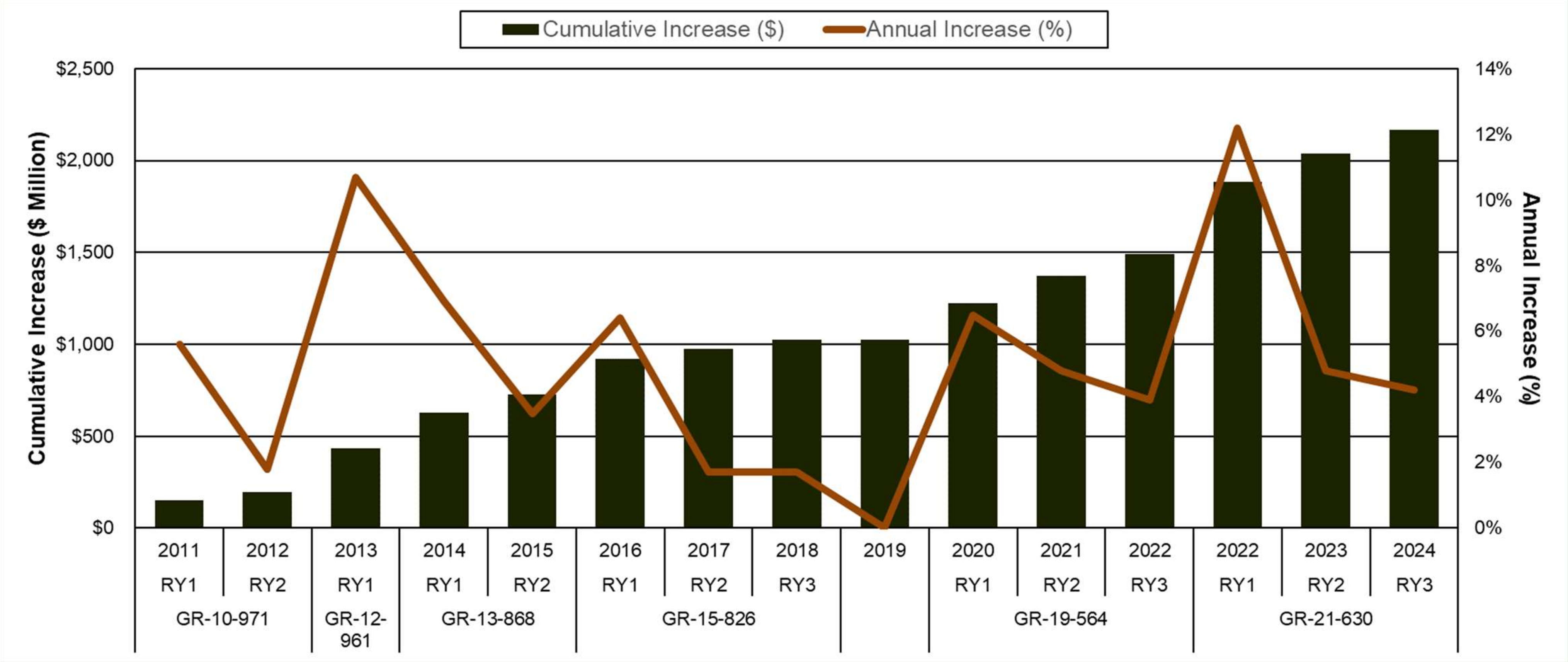
## MYRP deficiency example: Avista (Washington)

Under alternative regulation, Avista has imposed **annual rate increases that have exceeded 6 percent (almost <u>$350 million since 2015</u>)**.



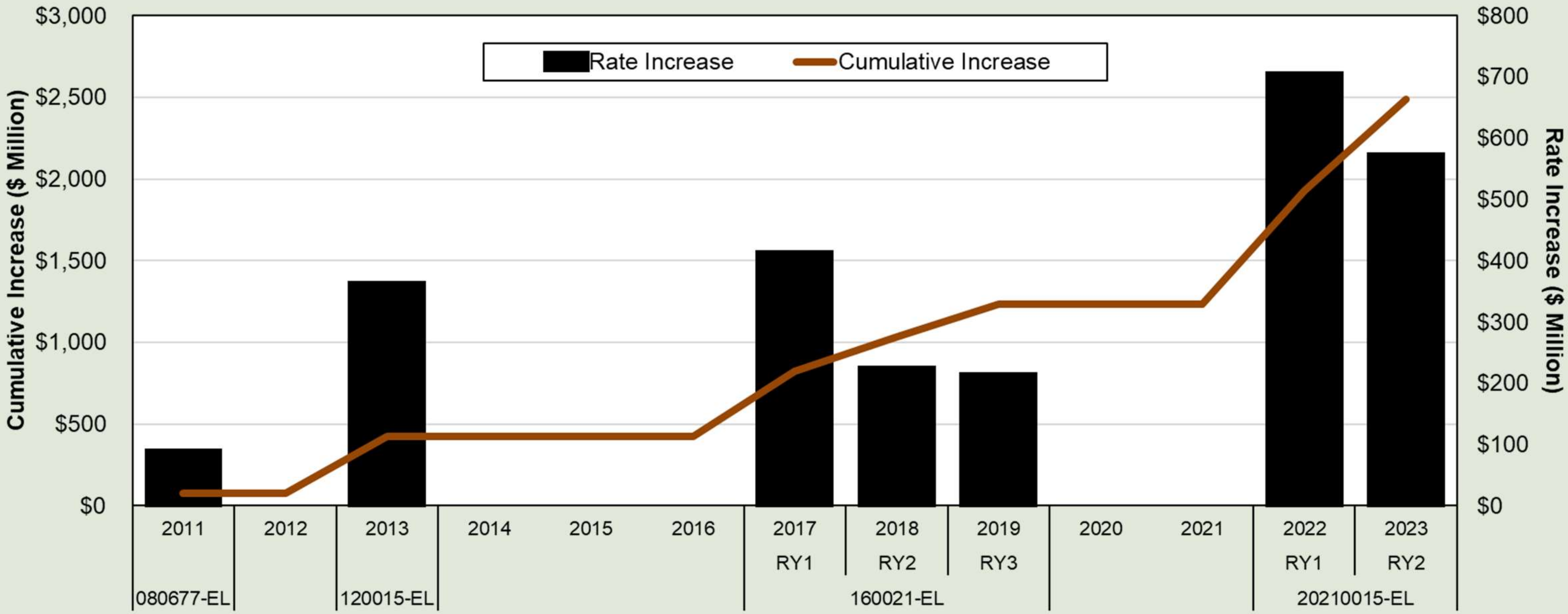
## MYRP deficiency example: Xcel (Minnesota)

Xcel, under alternative regulation, has seen **cumulative rate increases of more than $2.2 billion since 2011 (5 percent per year)**.



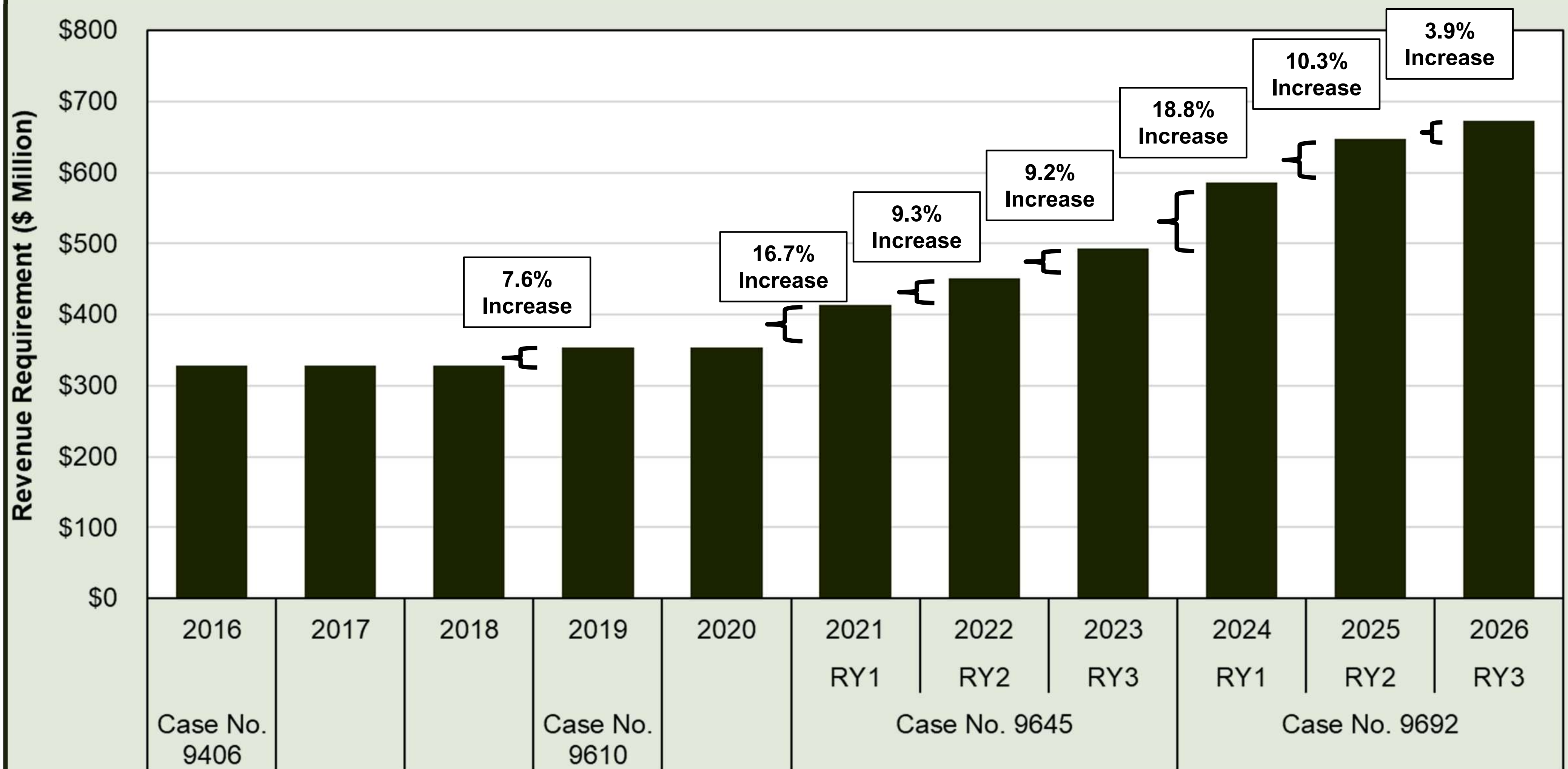
## MYRP deficiency example: Florida Power & Light (Florida)

Florida Power & Light, under alternative regulation, has seen **cumulative rate increases of just under $2.5 billion since 2011. The largest increase was in 2022 with $692 million.**



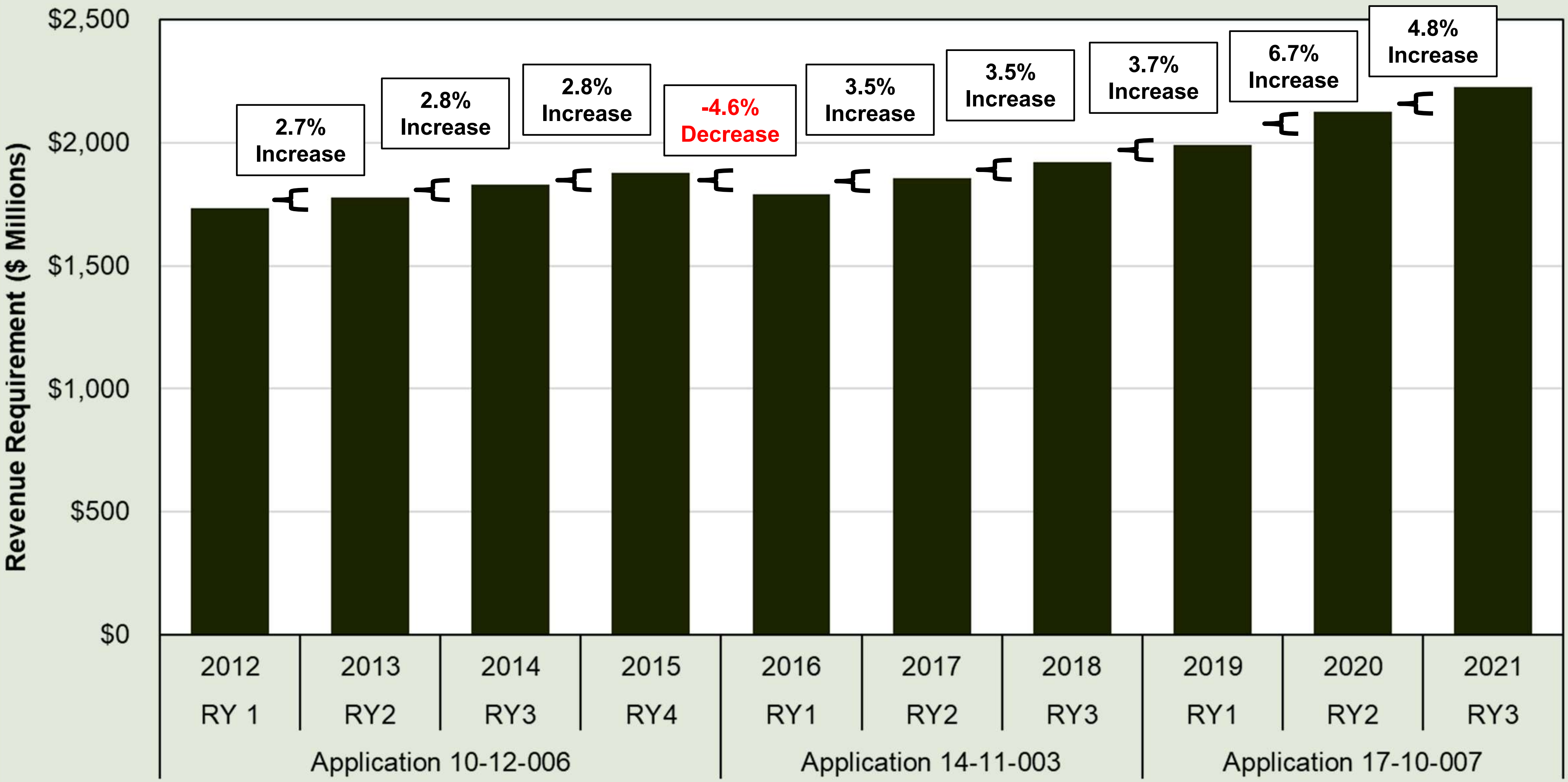
## MYRP deficiency example: Baltimore Gas & Electric (Maryland)

From 2016 to 2020, BG&E saw one rate increase of 7.6%. **Since adopting alternative regulation, it has seen an average annual increase of 15%.**



## MYRP deficiency example: San Diego Gas & Electric (California)

Under alternative regulation, SDG&E saw only one rate decrease in the past 10 years. **Rates grew at an average of 3.2% each year.**



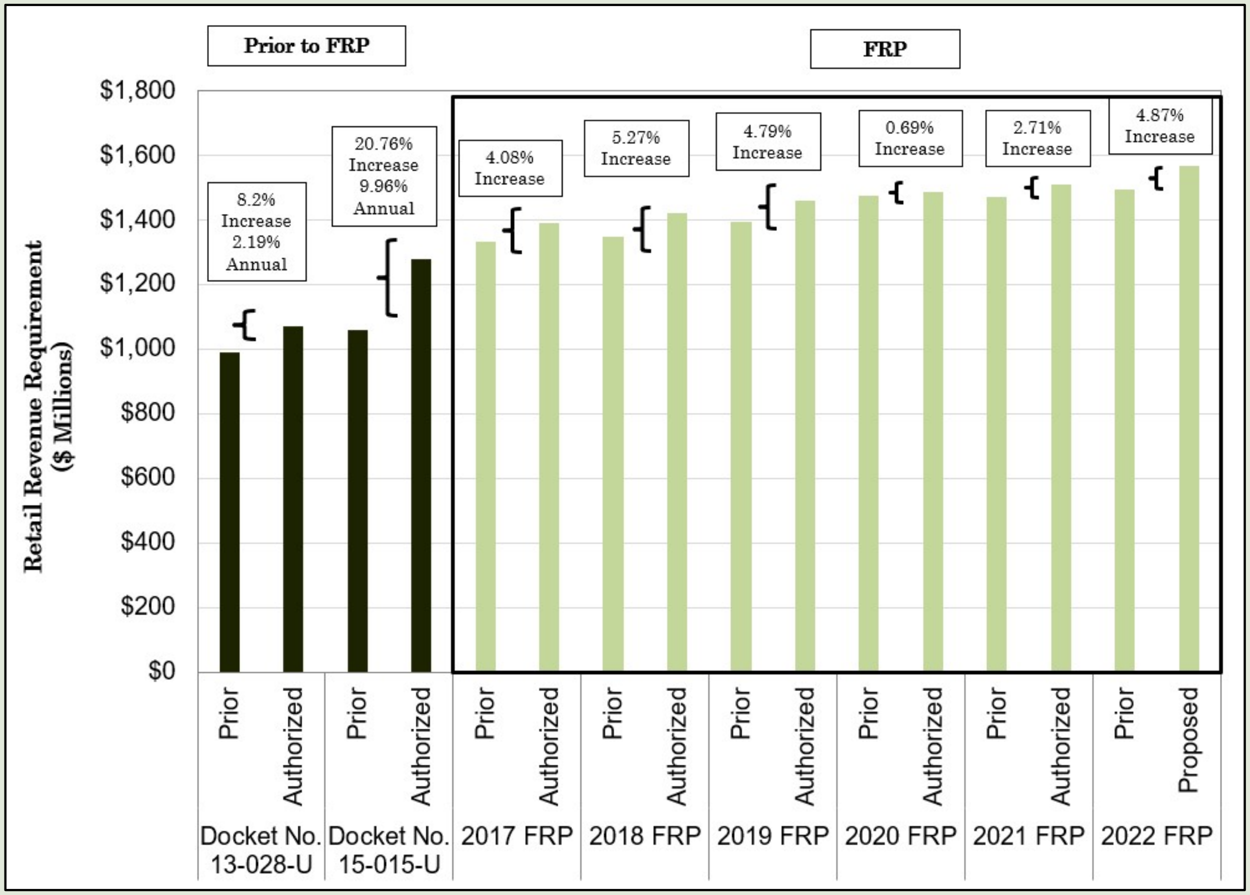
## MYRP proposals are stimulating community opposition.

Criticism of MYRP use is not unique to utility regulatory experts, as community organizations have also expressed concerns. For instance, the executive director of Economic Action Maryland strongly criticized Baltimore Gas and Electric's ("BGE's") performance during its MYRP pilot program and its requested extension, observing:

> [B]efore the evaluation of the first [MYRP] pilot program is completed, BGE is back asking for a second multiyear rate increase. Essentially, BGE is asking for our trust and for us to pay rate increases based on what they expect to spend. BGE seeks to shift the costs of their infrastructure investments to customers while reaping the profits from these investments. A multiyear proposal incentivizes BGE's desired spending spree when what is needed is prudent oversight and review by the PSC.
>
> Rate increases in 2022 and 2023 are creating undue hardship for households across Central Maryland, particularly in Baltimore. Again, I can speak from experience. Since 2021, my BGE bills have increased by $200 per month, or $2,400 per year, while my consumption remains unchanged. … While this cost increase is a hardship for some middle-class families like mine, it is catastrophic for many families my nonprofit organization supports. … An increase in utility costs will hurt working families living paycheck-to-paycheck, forcing them to make impossible choices between keeping the lights on or keeping food on the table.

Source: "Commentary: BGE rate increase unaffordable for many in Maryland," The Baltimore Banner, Dec. 3, 2023.

# FRP deficiency example: Entergy Arkansas (“EAI”) rate increases.



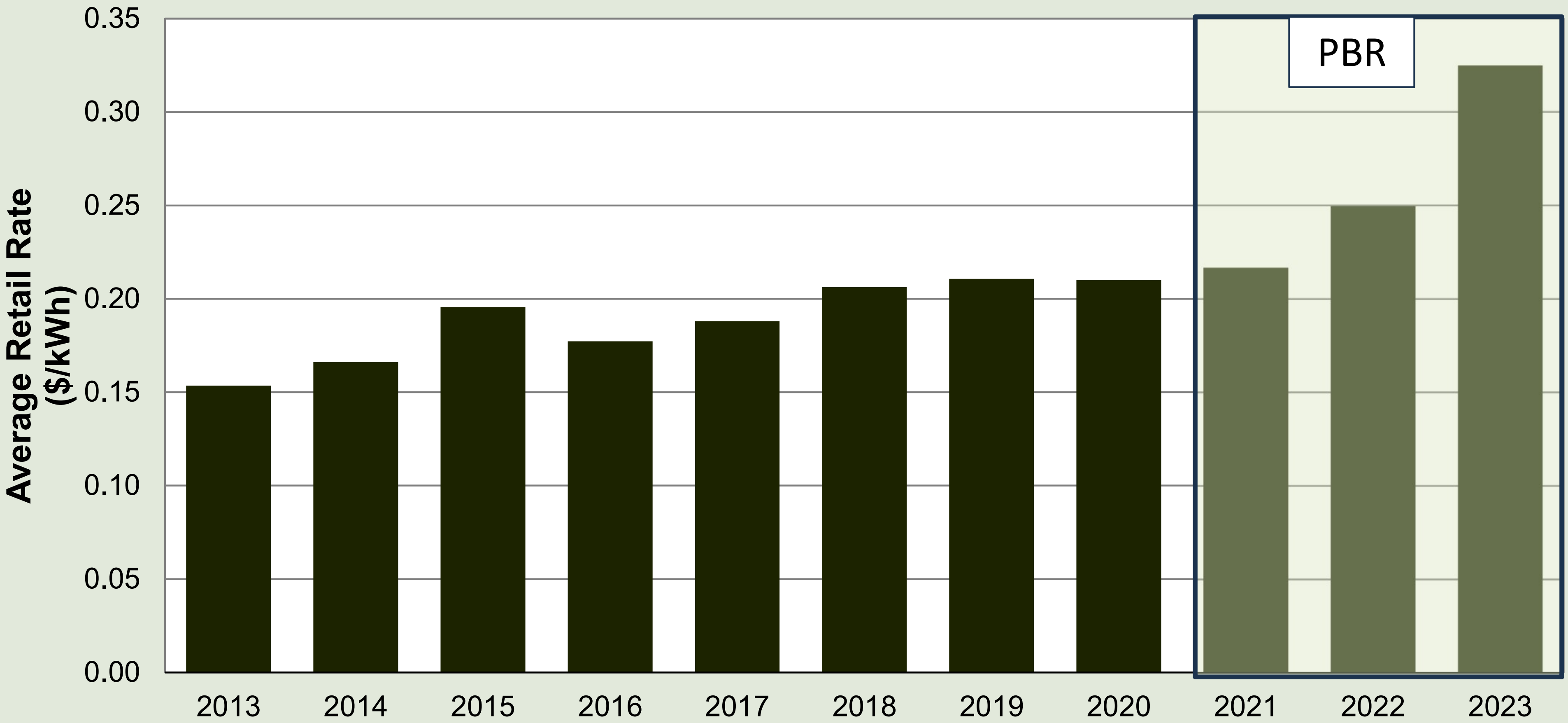

**Unsurprisingly, most of EAI’s FRP filings have been at a statutory cap of no more than a four percent increase in total utility bills.** This is after the Company received a rather large pre-FRP “cast off” rate case.

**Prior to alternative regulation, EAI’s average rate increases were low, averaging 2.73 percent per year. Post alternative regulation, this increased to 3.74 percent annually or 6.83 percent including the FRP “cast off” rate case.**

Source: Rate Case Compliance Filings, FRP Compliance Filings Attachment A and 2021 Evaluation Report, Attachment A.2-Extension

## PBR deficiency examples: National Grid rate increases.

National Grid (Massachusetts Electric Company) saw rates **increase from $0.2103 per kWh in 2020 to $0.3248 per kWh in 2023, an increase of 54.5 percent over the course of its approved PBR plan.** When evaluating historic rates, **it is clear that PBR did not slow the pace of rate increases.**




Source: EIA Form 826.

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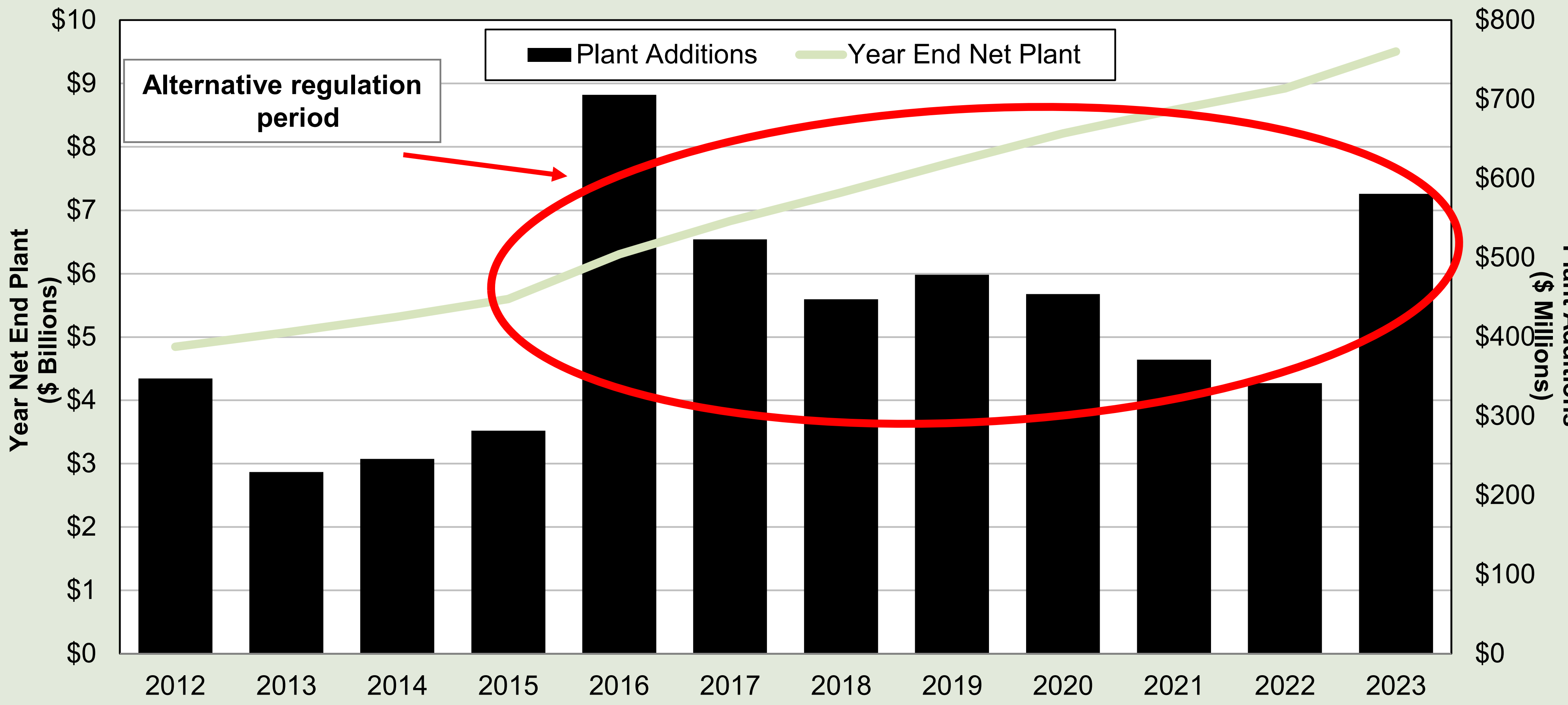
# Section 4: Alternative regulation leads to operating inefficiencies

## FRP deficiency example: EAI net plant growth

**Net plant for EAI has almost doubled** since 2011. In 2018, net plant additions amounted over to $700 million.




Source: FERC Form 1 as provided by S&P Global.

## FRP deficiency example: concerns with Entergy Arkansas cost containment.

The **Arkansas Public Service Commission has repeatedly expressed concern about whether the FRRA is achieving the intended public policy objectives** (such as greater cost containment) envisioned by the Arkansas General Assembly, noting:

> The Commission expects all utilities to control their costs in a prudent and reasonable manner **and not utilize the FRP as an automatic yearly four percent rate increase.**[1]
>
> Many of the FRP processes, including a reduction in the time afforded for review, the use of projections, and the annual rate adjustments **do little to incentivize a utility to control its costs as compared to traditional ratemaking** …[2]

Source 1: Docket No. 255, Order No. 14, issued 12/13/2017, at 31. (Emphasis added.)
Source 2: Docket No. 420, Order No. 21, issued 7/5/2019, at 40. (Emphasis added.)

## MYRP deficiency example: concerns with BGE cost containment.

After the Maryland Public Service Commission approved a MYRP pilot proposal for Baltimore Gas & Electric in 2020, the Commission opened a "lessons learned" proceeding in 2024 to take comments from the public on the MYRP pilot[1]. The Maryland Energy Administration noted that **"BGE provided minimal evidence to support the significant alterations to the budgeted amounts approved in the MYP filing"** and that **"many of the variances were a result of new projects the Company elected to pursue without prior Commission approval."[2]** Additionally, Commission Staff noted "**The spending proposed by the utility in terms of projects represents the foundation of what will be translated into rates. However, the ultimate final projects on the project list that form the basis of spending for the current year can be very different than what was proposed in the initial utility budgets.**"[3]

Source 1: Docket No. 9618, Notice, issued 8/15/2024.
Source 2: Docket No. 9618, Comments of the Maryland Energy Administration, issued 9/16/2024, at 3. (Emphasis added.)
Source 3: Docket No. 9618 & 9645, Staff Comments on the Pilot Multi-Year Rate Plan, issued 9/16/2024, at 5-6. (Emphasis added.)

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## PBR deficiency examples: Eversource (NSTAR) operating cost efficiencies.

There is **no significant post-PBR cost efficiency (Massachusetts) – Eversource is still above regional peer average in operating costs per MWh.**

| Company | State | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ($/MWh) | | | | | | | | | |
| **NSTAR Electric** | **MA** | **$ 35.47** | **$ 37.10** | **$ 37.91** | **$ 37.76** | **$ 38.27** | **$ 40.32** | **$ 39.83** | **$ 35.02** | **$ 38.14** | **$ 38.67** |
| Central Hudson | NY | 35.43 | 36.45 | 37.29 | 37.97 | 35.98 | 36.46 | 39.95 | 40.68 | 44.91 | 46.18 |
| Connecticut Light and Power | CT | 30.03 | 31.35 | 30.72 | 31.63 | 31.85 | 33.57 | 36.03 | 36.88 | 40.76 | 40.32 |
| Consolidated Edison | NY | 48.24 | 51.68 | 50.15 | 52.65 | 52.42 | 53.05 | 52.59 | 54.29 | 57.19 | 57.58 |
| Duquesne Light Co | PA | 19.65 | 20.31 | 21.83 | 23.14 | 24.77 | 26.20 | 26.91 | 27.83 | 30.55 | 30.75 |
| Green Mountain Power Corp | VT | 39.46 | 36.10 | 27.71 | 27.52 | 27.80 | 28.38 | 29.57 | 31.02 | 32.79 | 32.62 |
| Jersey Central Power | NJ | 25.09 | 30.15 | 23.18 | 28.07 | 26.92 | 27.48 | 28.20 | 34.35 | 35.26 | 40.11 |
| Massachusetts Electric | MA | 27.09 | 29.29 | 31.91 | 33.05 | 33.99 | 37.03 | 37.33 | 37.99 | 40.24 | 40.77 |
| Monongahela Power Co | NY | 17.08 | 20.15 | 15.22 | 20.09 | 19.45 | 19.26 | 20.75 | 20.45 | 20.38 | 20.36 |
| Narragansett Electric | RI | 27.37 | 28.76 | 31.18 | 31.70 | 31.28 | 34.80 | 37.48 | 37.25 | 41.44 | 40.09 |
| New York State Elec & Gas Corp | NY | 29.33 | 29.37 | 28.80 | 29.91 | 28.48 | 31.34 | 34.28 | 35.39 | 37.10 | 39.61 |
| Niagara Mohawk Power Corp | NY | 36.38 | 36.09 | 33.06 | 30.66 | 29.20 | 30.51 | 32.22 | 31.97 | 33.57 | 35.43 |
| Orange & Rockland Utils Inc | NY | 41.42 | 44.39 | 46.07 | 48.53 | 48.63 | 45.18 | 47.84 | 48.31 | 49.94 | 50.78 |
| PECO Energy Company | PA | 21.23 | 23.39 | 22.20 | 25.40 | 23.51 | 24.44 | 25.07 | 27.10 | 27.81 | 31.25 |
| Pennsylvania Electric Company | PA | 19.85 | 20.81 | 20.55 | 21.01 | 22.39 | 22.86 | 23.83 | 25.47 | 27.14 | 26.11 |
| Public Service Co of NH | NH | 28.11 | 28.97 | 30.11 | 30.60 | 32.05 | 32.84 | 34.35 | 34.65 | 38.98 | 38.09 |
| Public Service Electric & Gas | NJ | 19.28 | 21.49 | 22.74 | 23.77 | 23.54 | 23.04 | 24.19 | 25.08 | 25.16 | 24.64 |
| **Peer Group Average** | | **$ 29.44** | **$ 30.93** | **$ 30.04** | **$ 31.38** | **$ 31.21** | **$ 32.16** | **$ 33.55** | **$ 34.34** | **$ 36.55** | **$ 37.26** |

Source: EIA 876, D.P.U. 22-22 Exhibit ES-PBR-TFP-4

# Section 5: Alternative regulation does not improve reliability

## Concerns regarding MYRP reliance on projections.

MYRPs **establish rates based upon projected revenues, costs, and expenses**. A utility can **over-estimate projected costs and expenses to insulate it** from having to bear unforeseen costs or expenses and perhaps.

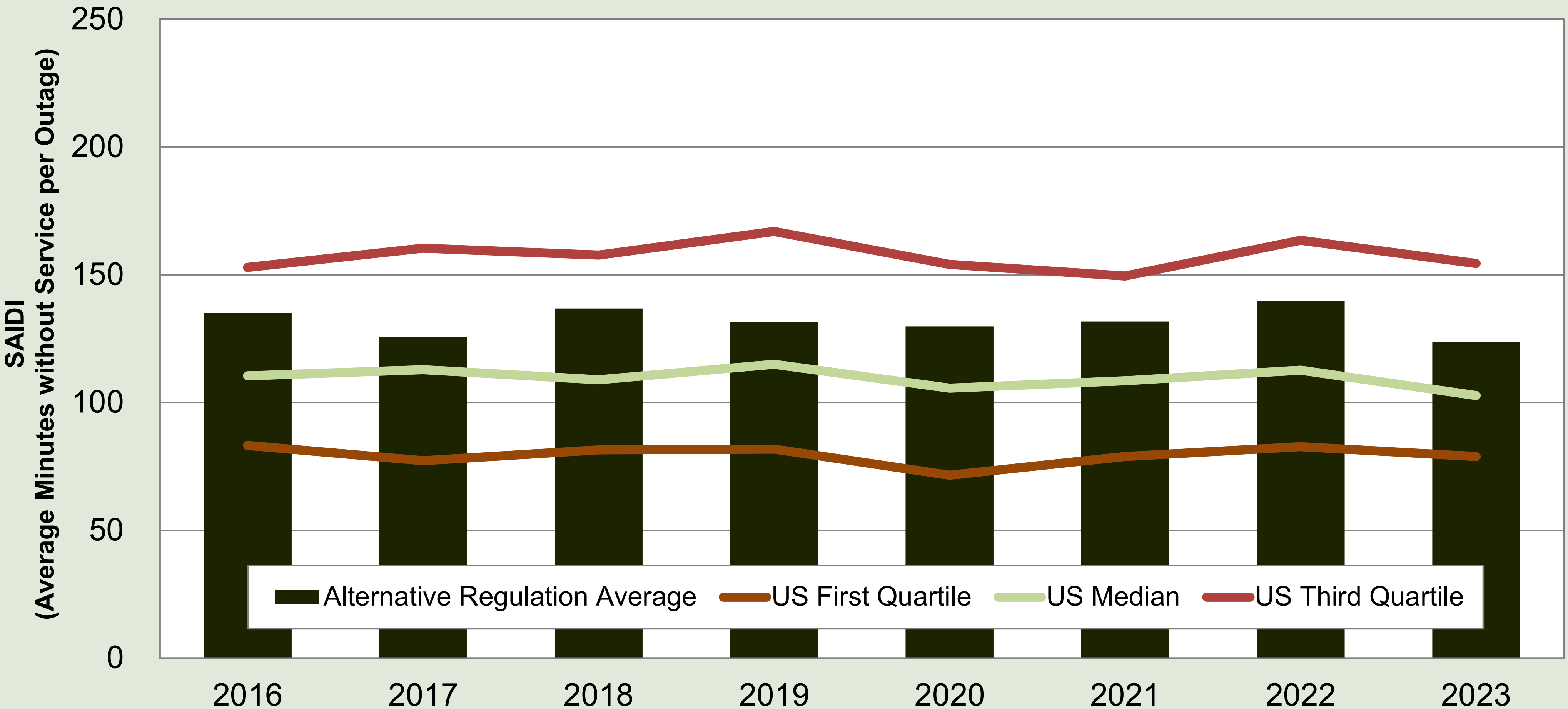
The **Connecticut Public Utility Regulatory Authority ("Authority")**[1] criticized United Illuminating Company ("UI") and its MYRP for its **incorrectly estimated seven-year period capital spend** including anticipated **investments in reliability,** such as storm resilience, substation flood mitigation, step down bank removal projects, substation getaway projects, and perimeter feeder ties projects.

The Authority calculated that UI had underspent its allowed capital budget for the years 2013 through 2019 **by more than $80 million** noting **"For multi-year rate plans, this level of underspending introduces risk that customers pay for plant additions that are not actually in service."**

Source: Proposed Final Decision, CT Public Utility Regulatory Authority Docket No. 22-08-08, July 21, 2023, pp. 44-48.

## Deficiency example: Average reliability performance ("SAIDI").

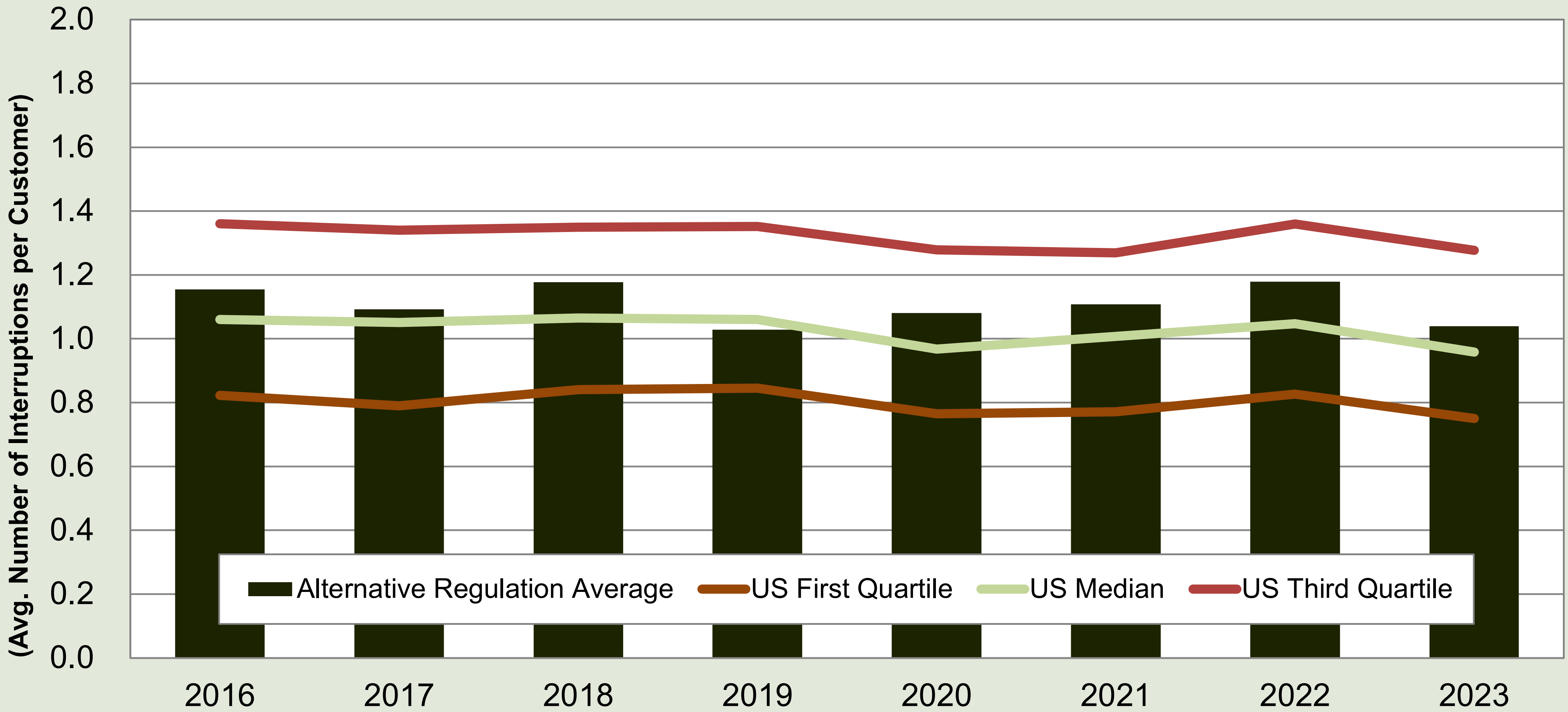
The average SAIDI score for utilities operating under alternative regulation falls within the third quartile when compared to US averages. **Importantly, utilities operating under alternative regulation have not seen improving SAIDI compared to utilities operating under traditional regulation.**




Source: EIA Form 861.

## Deficiency example: average reliability performance ("SAIFI").

Utilities operating under alternative regulation have an average SAIFI score mostly in the third quartile when compared to US averages. **Importantly, utilities operating under alternative regulation have not seen improving SAIFI compared to utilities operating under traditional regulation.**




Source: EIA Form 861.

## FRP deficiency example: Entergy Mississippi reliability performance.

EAI's sister utility in Mississippi, **also under an FRP, acknowledged its reliability performance has not met customers' expectations** despite being afforded a special alternative regulation framework.

For Immediate Release

# Entergy Mississippi acknowledges challenges in June storm response

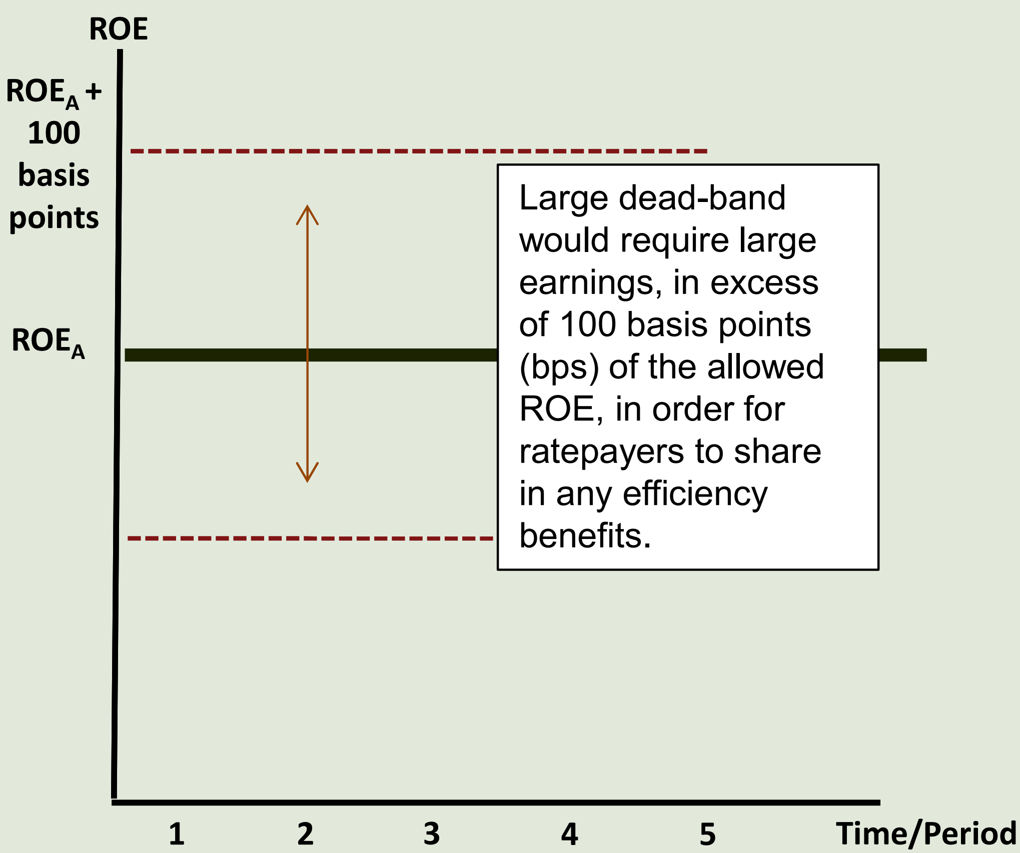
**09/12/2023**

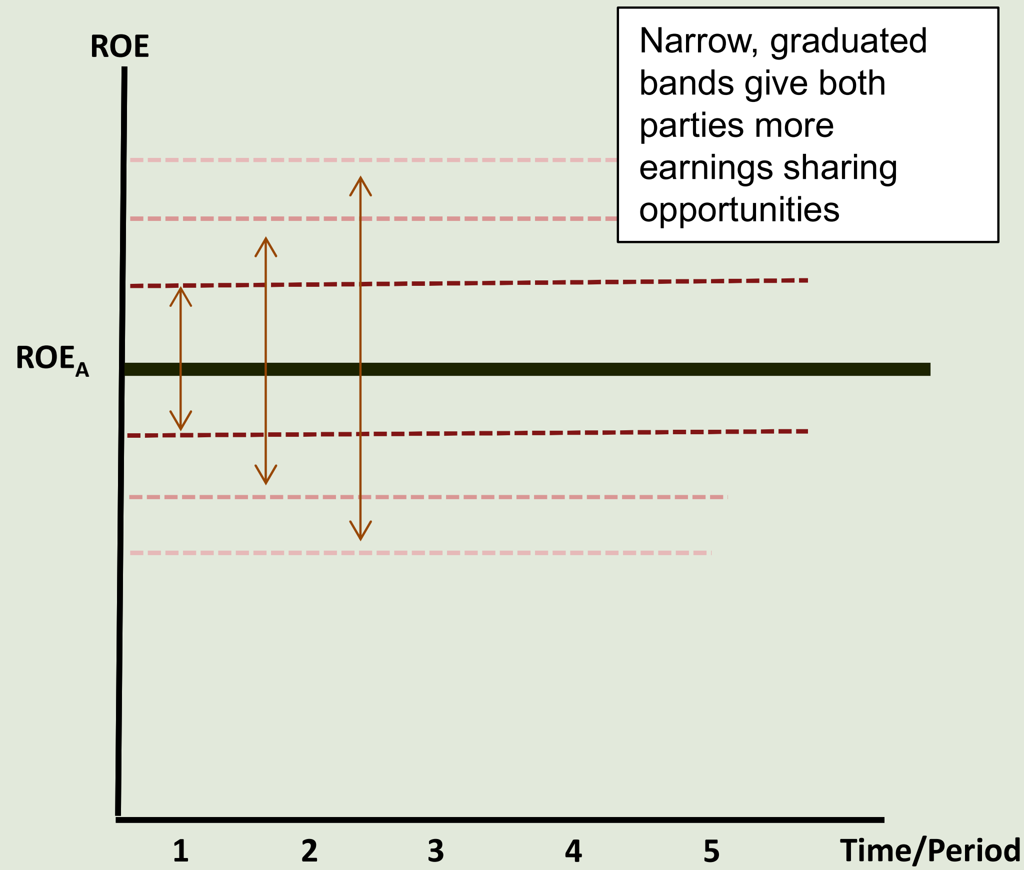
Company files Commission report and welcomes comments

# Section 6: Alternative regulation may lead to utility gamesmanship

## Earnings sharing in alternative regulation.

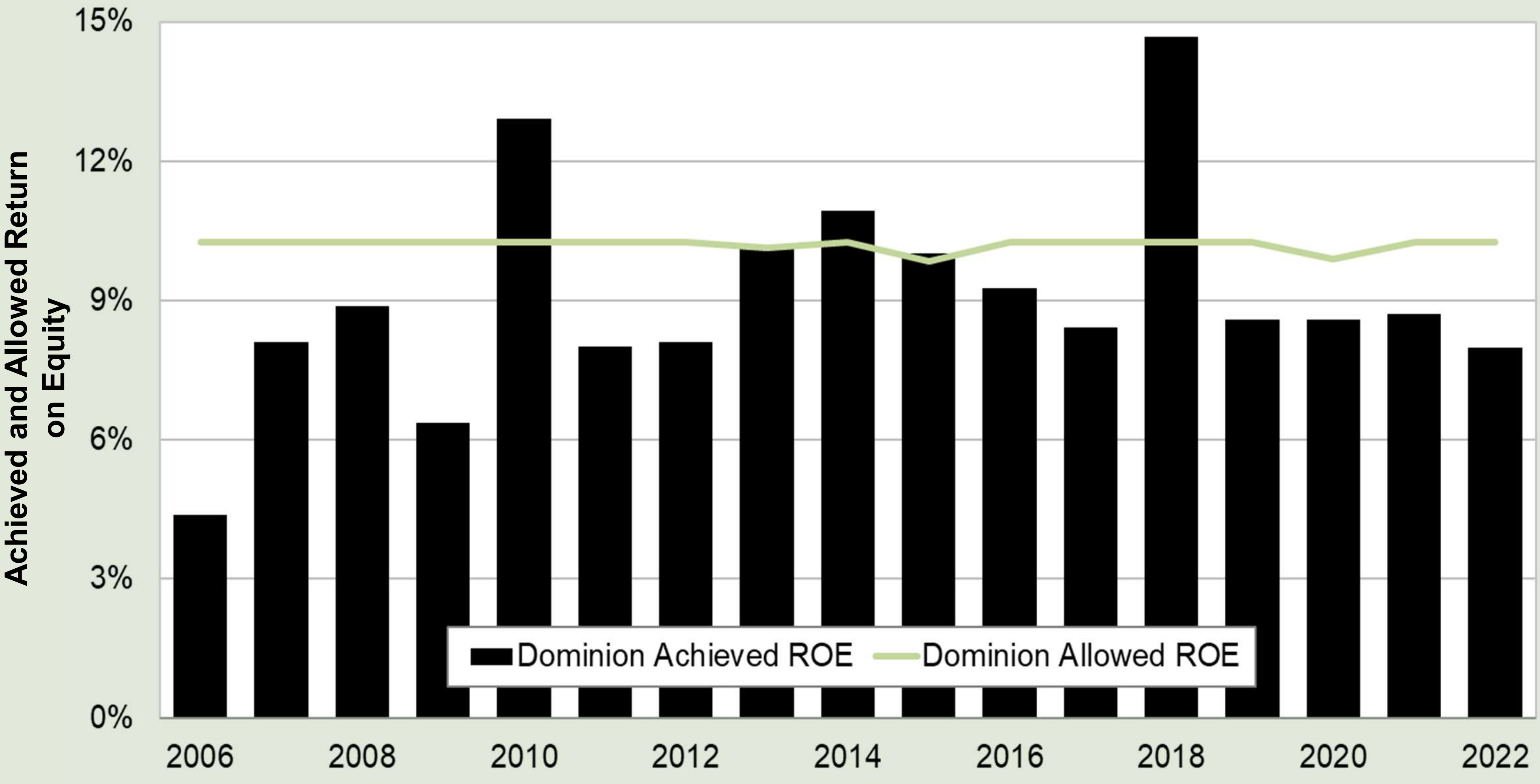
Most **alternative regulation is paired with earnings sharing mechanisms** that share purported efficiency gains, **as measured through excess earnings**, with ratepayers.



## FRP deficiency example: Dominion SC earnings sharing mechanism.

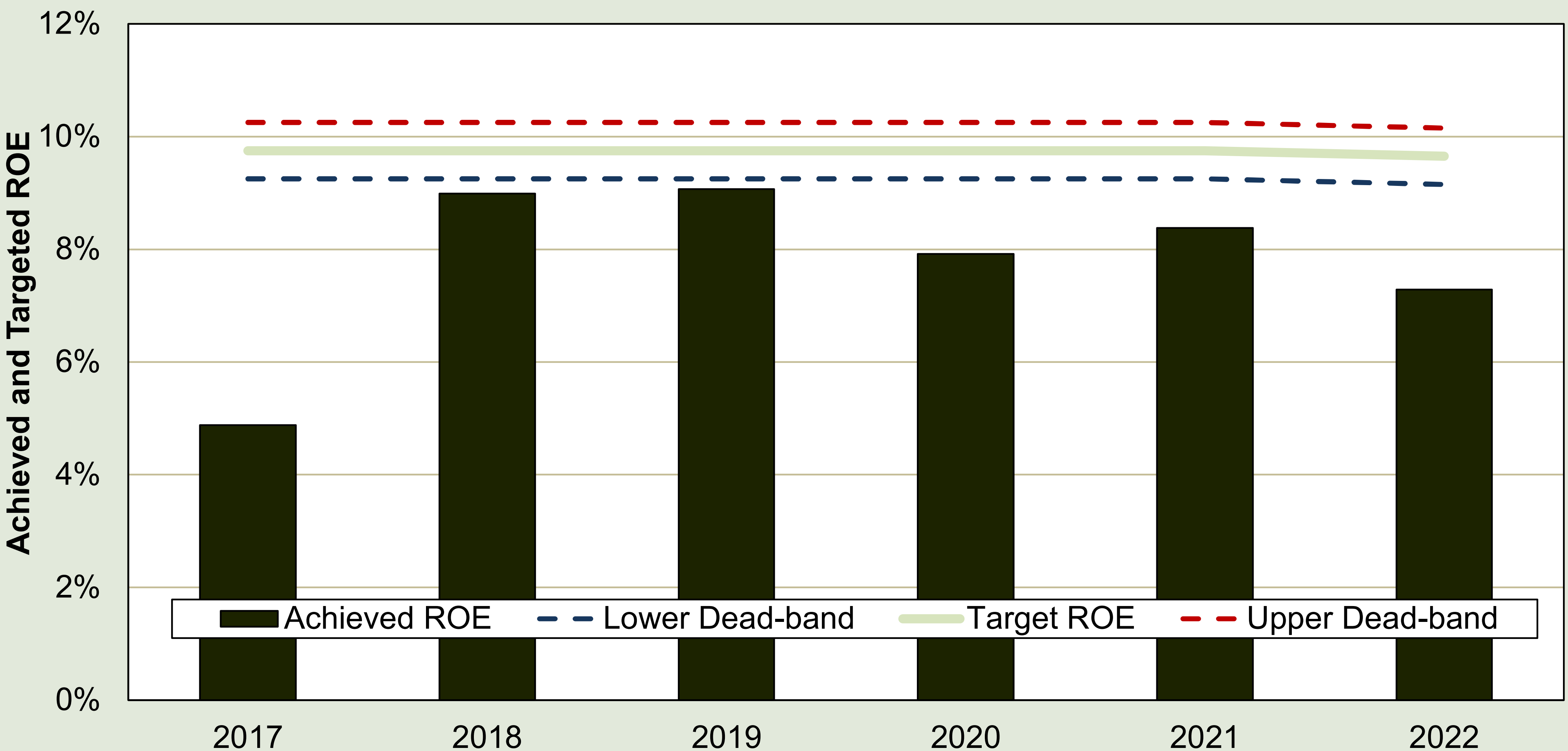
DESC's **achieved ROE has fallen below its allowed ROE deadband in 13 of 17** different FRP reporting periods since FRP was implemented in 2006.




Source: RSA filings and Annual Reports

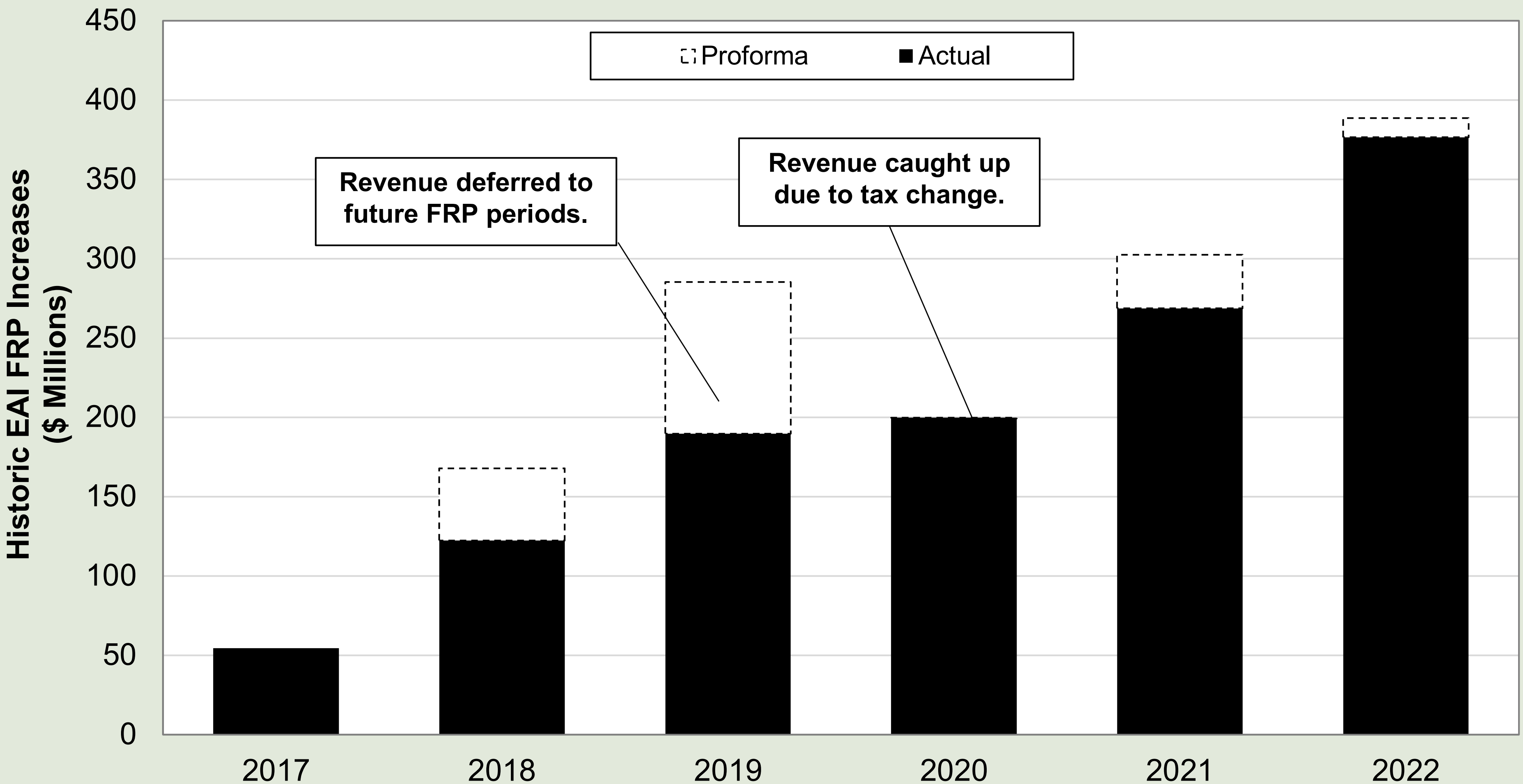
## FRP deficiency example: Entergy Arkansas strategic earnings.

**EAI has never shared benefits with ratepayers** through its earnings sharing mechanism. Instead, it has **been guaranteed a *de facto* statutorily-allowed four percent rate increase every year**.



## FRP deficiency example: EAI revenue alternative regulation increases

EAI has **booked expenses/investments in excess of rate cap** to **assure those investments are "used and useful" for future ratemaking purposes.**




Source: Commission Filings.

# Section 7: Indiana Performance

# Section 7.1: Retail rates and revenues

## Regional residential rates ($ per kWh).

**Indiana IOUs have residential rates consistently at or above the regional average** on a dollar per kWh basis. Only two utilities are below peer averages.

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ($/kwh) | | | | | | | | | |
| **Indianapolis Power & Light** | **$ 0.092** | **$0.095** | **$0.103** | **$0.110** | **$0.110** | **$0.112** | **$0.113** | **$0.115** | **$0.130** | **$0.138** |
| **Centerpoint Indiana** | **$ 0.146** | **$0.148** | **$0.151** | **$0.152** | **$0.147** | **$0.153** | **$0.157** | **$0.163** | **$0.173** | **$0.172** |
| **Indiana Michigan Power Co** | **$ 0.101** | **$0.109** | **$0.112** | **$0.116** | **$0.126** | **$0.137** | **$0.145** | **$0.150** | **$0.158** | **$0.160** |
| **Northern Indiana Pub Serv Co** | **$ 0.129** | **$0.129** | **$0.130** | **$0.144** | **$0.140** | **$0.143** | **$0.151** | **$0.160** | **$0.170** | **$0.179** |
| **Duke Energy Indiana, LLC** | **$ 0.117** | **$0.110** | **$0.110** | **$0.116** | **$0.115** | **$0.117** | **$0.117** | **$0.130** | **$0.151** | **$0.143** |
| Consumers Energy Co | 0.149 | 0.146 | 0.154 | 0.159 | 0.159 | 0.159 | 0.156 | 0.181 | 0.181 | 0.188 |
| DTE Electric Company | 0.146 | 0.145 | 0.156 | 0.155 | 0.156 | 0.161 | 0.173 | 0.179 | 0.184 | 0.197 |
| Northern States Power Co | 0.128 | 0.131 | 0.133 | 0.137 | 0.137 | 0.133 | 0.133 | 0.138 | 0.151 | 0.160 |
| Interstate Power and Light Co | 0.134 | 0.141 | 0.148 | 0.153 | 0.158 | 0.167 | 0.166 | 0.168 | 0.178 | 0.179 |
| MidAmerican Energy Co | 0.092 | 0.098 | 0.103 | 0.106 | 0.103 | 0.102 | 0.102 | 0.107 | 0.109 | 0.109 |
| Evergy Metro | 0.117 | 0.124 | 0.136 | 0.140 | 0.136 | 0.127 | 0.132 | 0.130 | 0.130 | 0.132 |
| Evergy Kansas South, Inc | 0.120 | 0.120 | 0.130 | 0.133 | 0.133 | 0.119 | 0.125 | 0.125 | 0.141 | 0.130 |
| Evergy Kansas Central, Inc | 0.121 | 0.121 | 0.131 | 0.134 | 0.134 | 0.133 | 0.126 | 0.125 | 0.142 | 0.131 |
| ALLETE, Inc. | 0.092 | 0.089 | 0.102 | 0.106 | 0.109 | 0.111 | 0.112 | 0.127 | 0.138 | 0.140 |
| Empire District Electric Co | 0.121 | 0.126 | 0.130 | 0.137 | 0.137 | 0.132 | 0.132 | 0.133 | 0.150 | 0.157 |
| Evergy Missouri West | 0.115 | 0.113 | 0.113 | 0.112 | 0.112 | 0.109 | 0.113 | 0.112 | 0.117 | 0.126 |
| Union Electric Co - (MO) | 0.104 | 0.113 | 0.107 | 0.112 | 0.109 | 0.104 | 0.104 | 0.108 | 0.113 | 0.123 |
| Northern States Power Co - MN | 0.125 | 0.124 | 0.129 | 0.134 | 0.137 | 0.132 | 0.134 | 0.137 | 0.152 | 0.158 |
| Madison Gas & Electric Co | 0.164 | 0.172 | 0.165 | 0.172 | 0.167 | 0.166 | 0.167 | 0.167 | 0.182 | 0.197 |
| Wisconsin Electric Power Co | 0.151 | 0.155 | 0.153 | 0.154 | 0.152 | 0.154 | 0.156 | 0.159 | 0.169 | 0.190 |
| Wisconsin Power & Light Co | 0.124 | 0.129 | 0.132 | 0.139 | 0.131 | 0.137 | 0.134 | 0.135 | 0.152 | 0.161 |
| Wisconsin Public Service Corp | 0.126 | 0.134 | 0.132 | 0.134 | 0.130 | 0.129 | 0.138 | 0.139 | 0.151 | 0.166 |
| **Peer Group Average** | **$ 0.125** | **$0.128** | **$0.132** | **$0.136** | **$0.135** | **$0.134** | **$0.135** | **$0.139** | **$0.149** | **$0.156** |

Source: EIA Form 861.

# Rank Order: Residential rates.

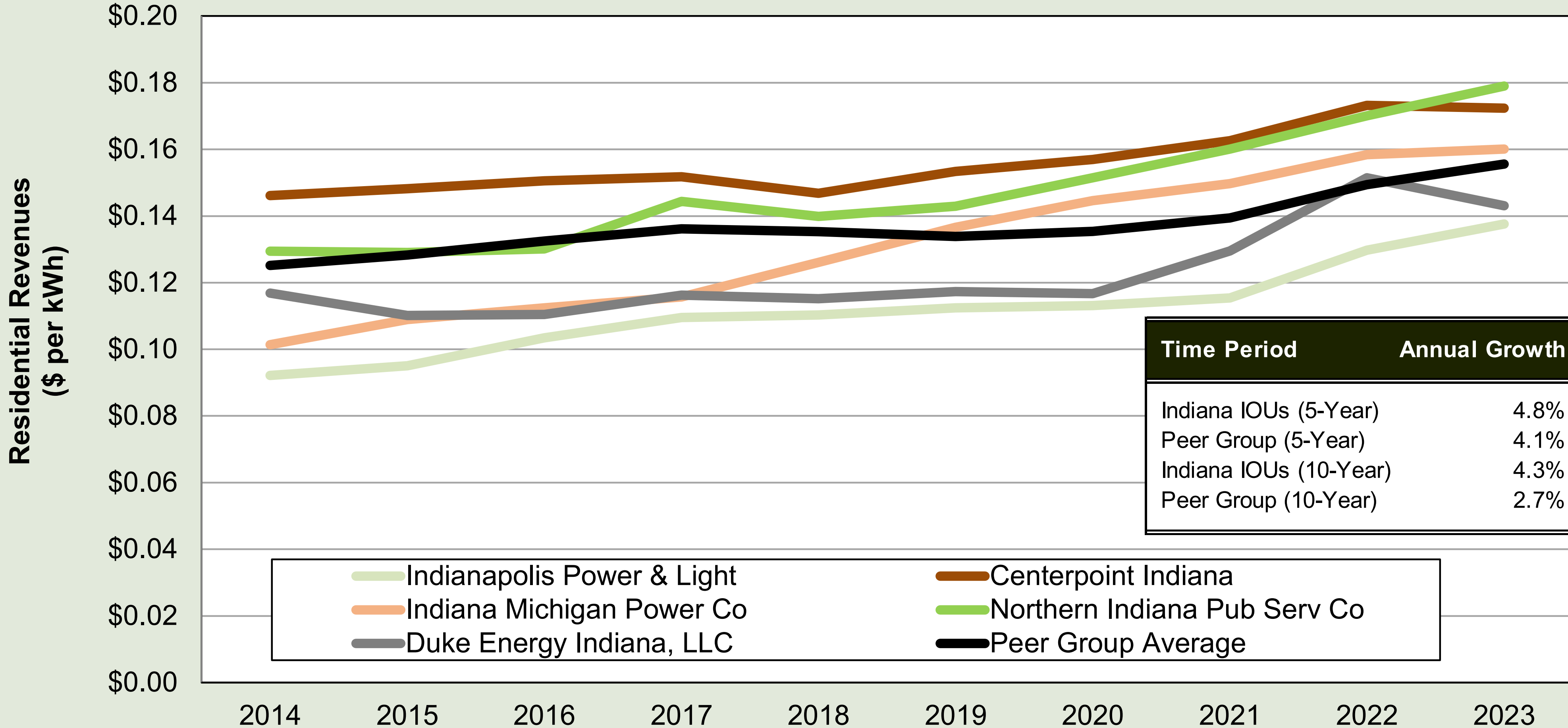
Most Indiana IOUs have residential rates that rank poorly compared to regional peer utilities. **Indiana IOU residential rates are among the highest in the region.**

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- | ---------- | (Ranking) | ---------- | ---------- | ---------- | | |
| **Indianapolis Power & Light** | **3** | **2** | **3** | **3** | **4** | **5** | **5** | **4** | **4** | **7** |
| **Centerpoint Indiana** | **19** | **20** | **18** | **17** | **17** | **17** | **19** | **18** | **18** | **16** |
| **Indiana Michigan Power Co** | **4** | **4** | **6** | **6** | **7** | **15** | **15** | **15** | **15** | **13** |
| **Northern Indiana Pub Serv Co** | **16** | **13** | **11** | **16** | **16** | **16** | **16** | **17** | **17** | **18** |
| **Duke Energy Indiana, LLC** | **8** | **5** | **5** | **7** | **6** | **6** | **6** | **8** | **12** | **9** |
| Consumers Energy Co | 20 | 19 | 20 | 21 | 21 | 19 | 17 | 22 | 20 | 19 |
| DTE Electric Company | 18 | 18 | 21 | 20 | 19 | 20 | 22 | 21 | 22 | 21 |
| Northern States Power Co | 15 | 15 | 15 | 13 | 13 | 13 | 11 | 13 | 11 | 12 |
| Interstate Power and Light Co | 17 | 17 | 17 | 18 | 20 | 22 | 20 | 20 | 19 | 17 |
| MidAmerican Energy Co | 1 | 3 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Evergy Metro | 7 | 11 | 16 | 15 | 12 | 8 | 9 | 9 | 5 | 6 |
| Evergy Kansas South, Inc | 9 | 8 | 10 | 8 | 10 | 7 | 7 | 5 | 7 | 4 |
| Evergy Kansas Central, Inc | 10 | 9 | 12 | 9 | 11 | 12 | 8 | 6 | 8 | 5 |
| ALLETE, Inc. | 2 | 1 | 1 | 1 | 2 | 4 | 3 | 7 | 6 | 8 |
| Empire District Electric Co | 11 | 12 | 9 | 12 | 15 | 11 | 10 | 10 | 9 | 10 |
| Evergy Missouri West | 6 | 6 | 7 | 5 | 5 | 3 | 4 | 3 | 3 | 3 |
| Union Electric Co - (MO) | 5 | 7 | 4 | 4 | 3 | 2 | 2 | 2 | 2 | 2 |
| Northern States Power Co - MN | 13 | 10 | 8 | 11 | 14 | 10 | 12 | 12 | 14 | 11 |
| Madison Gas & Electric Co | 22 | 22 | 22 | 22 | 22 | 21 | 21 | 19 | 21 | 22 |
| Wisconsin Electric Power Co | 21 | 21 | 19 | 19 | 18 | 18 | 18 | 16 | 16 | 20 |
| Wisconsin Power & Light Co | 12 | 14 | 14 | 14 | 9 | 14 | 13 | 11 | 13 | 14 |
| Wisconsin Public Service Corp | 14 | 16 | 13 | 10 | 8 | 9 | 14 | 14 | 10 | 15 |

Source: EIA Form 861.

## Trends in residential rates.

Regional residential rates have been increasing steadily since 2014. In the past five years, **Indiana IOU rates, on average, have increased at an annual growth rate of 4.8 percent compared to 2.7 percent for regional peers.**




| Time Period | Annual Growth |
|---|---|
| Indiana IOUs (5-Year) | 4.8% |
| Peer Group (5-Year) | 4.1% |
| Indiana IOUs (10-Year) | 4.3% |
| Peer Group (10-Year) | 2.7% |

Source: EIA Form 861.

## Regional commercial rates ($ per kWh).

**Indiana IOU rates have consistently been at or higher than the regional peer average since 2014.** Three Indiana utilities have some of the highest commercial rates among regional peers.

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | --------------------------------($/kwh)-------------------------------- | | | | | | | | | |
| **Indianapolis Power & Light** | **$0.105** | **$0.107** | **$0.115** | **$0.115** | **$0.117** | **$0.129** | **$0.132** | **$0.124** | **$0.135** | **$0.140** |
| **Centerpoint Indiana** | **$0.120** | **$0.120** | **$0.123** | **$0.125** | **$0.123** | **$0.128** | **$0.133** | **$0.139** | **$0.142** | **$0.147** |
| **Indiana Michigan Power Co** | **$0.080** | **$0.086** | **$0.089** | **$0.091** | **$0.099** | **$0.108** | **$0.111** | **$0.113** | **$0.121** | **$0.114** |
| **Northern Indiana Pub Serv Co** | **$0.116** | **$0.115** | **$0.118** | **$0.133** | **$0.129** | **$0.130** | **$0.136** | **$0.145** | **$0.155** | **$0.160** |
| **Duke Energy Indiana, LLC** | **$0.098** | **$0.088** | **$0.089** | **$0.094** | **$0.095** | **$0.099** | **$0.096** | **$0.103** | **$0.126** | **$0.112** |
| Consumers Energy Co | 0.126 | 0.123 | 0.123 | 0.127 | 0.129 | 0.132 | 0.131 | 0.139 | 0.137 | 0.142 |
| DTE Electric Company | 0.105 | 0.099 | 0.100 | 0.103 | 0.105 | 0.108 | 0.113 | 0.119 | 0.122 | 0.135 |
| Northern States Power Co | 0.098 | 0.100 | 0.102 | 0.105 | 0.102 | 0.101 | 0.101 | 0.104 | 0.115 | 0.121 |
| Interstate Power and Light Co | 0.101 | 0.104 | 0.108 | 0.112 | 0.120 | 0.127 | 0.126 | 0.128 | 0.135 | 0.132 |
| MidAmerican Energy Co | 0.075 | 0.077 | 0.077 | 0.080 | 0.079 | 0.081 | 0.080 | 0.084 | 0.087 | 0.085 |
| Evergy Metro | 0.095 | 0.100 | 0.111 | 0.113 | 0.107 | 0.101 | 0.102 | 0.102 | 0.101 | 0.104 |
| Evergy Kansas South, Inc | 0.098 | 0.096 | 0.099 | 0.100 | 0.101 | 0.095 | 0.100 | 0.100 | 0.116 | 0.106 |
| Evergy Kansas Central, Inc | 0.097 | 0.096 | 0.099 | 0.100 | 0.101 | 0.104 | 0.099 | 0.098 | 0.113 | 0.104 |
| ALLETE, Inc. | 0.083 | 0.079 | 0.091 | 0.096 | 0.100 | 0.102 | 0.103 | 0.119 | 0.136 | 0.137 |
| Empire District Electric Co | 0.110 | 0.110 | 0.109 | 0.113 | 0.117 | 0.112 | 0.112 | 0.112 | 0.128 | 0.135 |
| Evergy Missouri West | 0.091 | 0.086 | 0.089 | 0.091 | 0.089 | 0.087 | 0.088 | 0.087 | 0.093 | 0.096 |
| Union Electric Co - (MO) | 0.083 | 0.087 | 0.084 | 0.085 | 0.087 | 0.082 | 0.079 | 0.084 | 0.089 | 0.096 |
| Northern States Power Co - MN | 0.096 | 0.094 | 0.099 | 0.106 | 0.104 | 0.103 | 0.103 | 0.114 | 0.130 | 0.130 |
| Madison Gas & Electric Co | 0.110 | 0.115 | 0.110 | 0.113 | 0.113 | 0.110 | 0.114 | 0.112 | 0.125 | 0.138 |
| Wisconsin Electric Power Co | 0.120 | 0.118 | 0.116 | 0.116 | 0.115 | 0.117 | 0.117 | 0.119 | 0.127 | 0.138 |
| Wisconsin Power & Light Co | 0.105 | 0.109 | 0.112 | 0.112 | 0.108 | 0.111 | 0.108 | 0.109 | 0.120 | 0.130 |
| Wisconsin Public Service Corp | 0.093 | 0.096 | 0.093 | 0.094 | 0.093 | 0.091 | 0.093 | 0.095 | 0.103 | 0.116 |
| **Peer Group Average** | **$0.099** | **$0.099** | **$0.101** | **$0.104** | **$0.104** | **$0.104** | **$0.104** | **$0.107** | **$0.116** | **$0.120** |

Source: EIA Form 861.

## Rank Order: commercial rates.

Most Indiana IOUs have commercial rates that **rank near the bottom of a regional peer group comparison** while two are slightly above average.

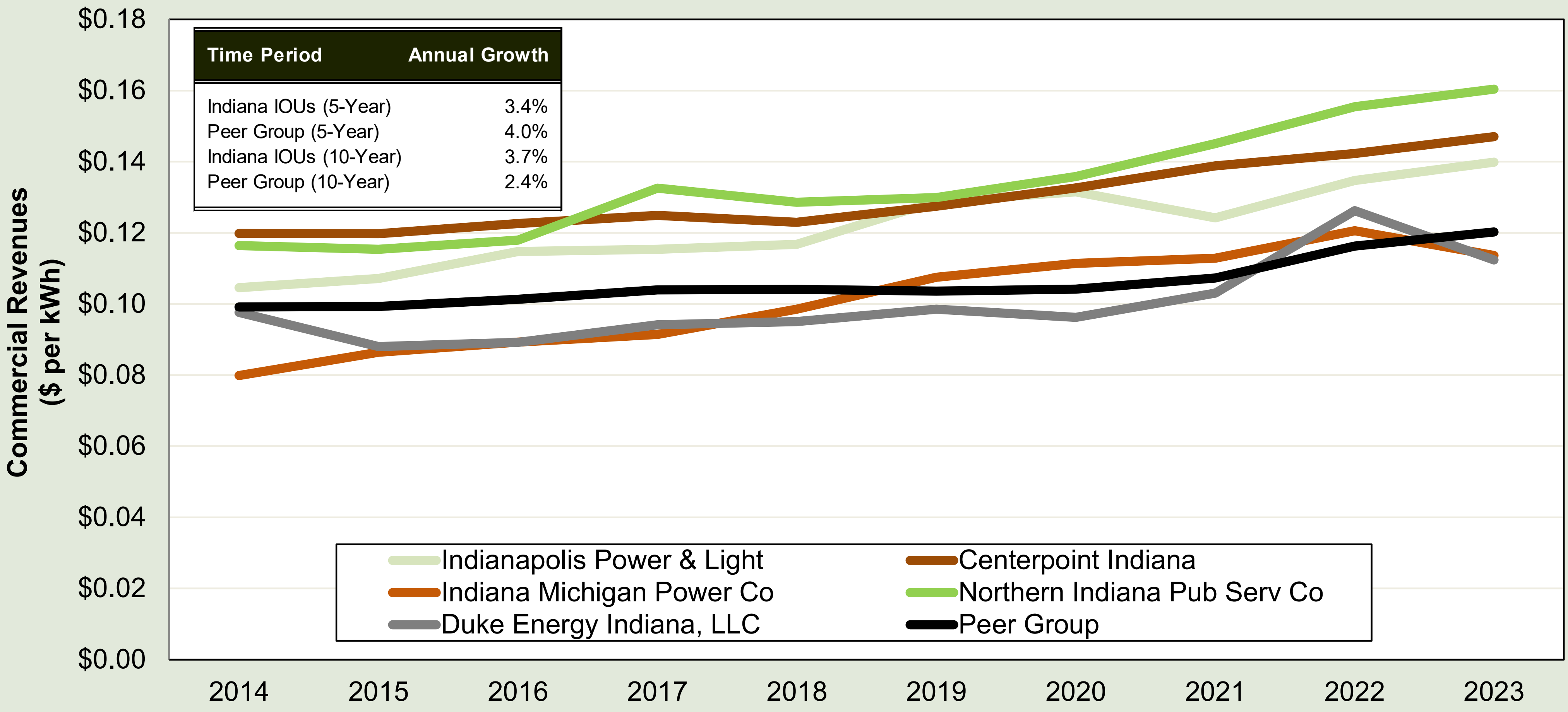
| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ------- | ------- | ------- | ------- | (Ranking) | ------- | ------- | ------- | | |
| **Indianapolis Power & Light** | **14** | **15** | **18** | **18** | **17** | **20** | **20** | **18** | **18** | **19** |
| **Centerpoint Indiana** | **20** | **21** | **21** | **20** | **20** | **19** | **21** | **20** | **21** | **21** |
| **Indiana Michigan Power Co** | **2** | **4** | **5** | **4** | **6** | **12** | **13** | **13** | **10** | **8** |
| **Northern Indiana Pub Serv Co** | **19** | **19** | **20** | **22** | **21** | **21** | **22** | **22** | **22** | **22** |
| **Duke Energy Indiana, LLC** | **10** | **6** | **4** | **6** | **5** | **6** | **5** | **8** | **13** | **7** |
| Consumers Energy Co | 22 | 22 | 22 | 21 | 22 | 22 | 19 | 21 | 20 | 20 |
| DTE Electric Company | 15 | 11 | 11 | 10 | 12 | 13 | 15 | 15 | 11 | 15 |
| Northern States Power Co | 12 | 12 | 12 | 11 | 10 | 7 | 8 | 9 | 7 | 10 |
| Interstate Power and Light Co | 13 | 14 | 13 | 13 | 19 | 18 | 18 | 19 | 17 | 13 |
| MidAmerican Energy Co | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| Evergy Metro | 7 | 13 | 16 | 17 | 13 | 8 | 9 | 7 | 4 | 4 |
| Evergy Kansas South, Inc | 11 | 9 | 10 | 9 | 9 | 5 | 7 | 6 | 8 | 6 |
| Evergy Kansas Central, Inc | 9 | 8 | 9 | 8 | 8 | 11 | 6 | 5 | 6 | 5 |
| ALLETE, Inc. | 4 | 2 | 6 | 7 | 7 | 9 | 10 | 17 | 19 | 16 |
| Empire District Electric Co | 17 | 17 | 14 | 15 | 18 | 16 | 14 | 11 | 15 | 14 |
| Evergy Missouri West | 5 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Union Electric Co - (MO) | 3 | 5 | 2 | 2 | 2 | 2 | 1 | 2 | 2 | 3 |
| Northern States Power Co - MN | 8 | 7 | 8 | 12 | 11 | 10 | 11 | 14 | 16 | 12 |
| Madison Gas & Electric Co | 18 | 18 | 15 | 16 | 15 | 14 | 16 | 12 | 12 | 17 |
| Wisconsin Electric Power Co | 21 | 20 | 19 | 19 | 16 | 17 | 17 | 16 | 14 | 18 |
| Wisconsin Power & Light Co | 16 | 16 | 17 | 14 | 14 | 15 | 12 | 10 | 9 | 11 |
| Wisconsin Public Service Corp | 6 | 10 | 7 | 5 | 4 | 4 | 4 | 4 | 5 | 9 |

Source: EIA Form 861.

## Trends in commercial rates.

**Regional commercial rates have steadily increased since 2014.** Indiana IOUs, on average, have seen an increase in rates on an annual basis of 3.4 percent compared to 4.0 percent for regional peers.

| Time Period | Annual Growth |
|---|---|
| Indiana IOUs (5-Year) | 3.4% |
| Peer Group (5-Year) | 4.0% |
| Indiana IOUs (10-Year) | 3.7% |
| Peer Group (10-Year) | 2.4% |




Source: EIA Form 861.

## Regional industrial rates ($ per kWh).

### Indiana IOU industrial rates have been competitive with regional peers since 2014.

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ($/kwh) | | | | | | | | | |
| **Indianapolis Power & Light** | **$ 0.078** | **$ 0.078** | **$ 0.084** | **$ 0.088** | **$ 0.087** | **$ 0.087** | **$ 0.085** | **$ 0.087** | **$ 0.103** | **$ 0.105** |
| **Centerpoint Indiana** | **$ 0.072** | **$ 0.072** | **$ 0.073** | **$ 0.079** | **$ 0.077** | **$ 0.079** | **$ 0.078** | **$ 0.080** | **$ 0.086** | **$ 0.090** |
| **Indiana Michigan Power Co** | **$ 0.060** | **$ 0.065** | **$ 0.066** | **$ 0.066** | **$ 0.071** | **$ 0.075** | **$ 0.077** | **$ 0.079** | **$ 0.086** | **$ 0.083** |
| **Northern Indiana Pub Serv Co** | **$ 0.072** | **$ 0.070** | **$ 0.068** | **$ 0.074** | **$ 0.070** | **$ 0.072** | **$ 0.056** | **$ 0.060** | **$ 0.071** | **$ 0.061** |
| **Duke Energy Indiana, LLC** | **$ 0.078** | **$ 0.069** | **$ 0.069** | **$ 0.073** | **$ 0.073** | **$ 0.075** | **$ 0.071** | **$ 0.077** | **$ 0.100** | **$ 0.088** |
| Consumers Energy Co | 0.088 | 0.080 | 0.077 | 0.082 | 0.080 | 0.081 | 0.082 | 0.086 | 0.087 | 0.083 |
| DTE Electric Company | 0.075 | 0.067 | 0.065 | 0.067 | 0.067 | 0.067 | 0.070 | 0.074 | 0.077 | 0.086 |
| Northern States Power Co | 0.075 | 0.076 | 0.076 | 0.077 | 0.077 | 0.074 | 0.075 | 0.076 | 0.084 | 0.087 |
| Interstate Power and Light Co | 0.064 | 0.066 | 0.068 | 0.068 | 0.075 | 0.079 | 0.077 | 0.077 | 0.084 | 0.079 |
| MidAmerican Energy Co | 0.048 | 0.051 | 0.052 | 0.054 | 0.056 | 0.057 | 0.055 | 0.059 | 0.063 | 0.062 |
| Evergy Metro | 0.073 | 0.077 | 0.085 | 0.089 | 0.083 | 0.080 | 0.076 | 0.076 | 0.073 | 0.077 |
| Evergy Kansas South, Inc | 0.070 | 0.069 | 0.072 | 0.071 | 0.071 | 0.069 | 0.070 | 0.066 | 0.077 | 0.072 |
| Evergy Kansas Central, Inc | 0.080 | 0.078 | 0.081 | 0.081 | 0.081 | 0.081 | 0.080 | 0.077 | 0.091 | 0.084 |
| ALLETE, Inc. | 0.054 | 0.055 | 0.062 | 0.065 | 0.064 | 0.065 | 0.070 | 0.078 | 0.089 | 0.086 |
| Empire District Electric Co | 0.082 | 0.083 | 0.080 | 0.082 | 0.086 | 0.081 | 0.082 | 0.080 | 0.093 | 0.101 |
| Evergy Missouri West | 0.070 | 0.064 | 0.066 | 0.067 | 0.067 | 0.069 | 0.063 | 0.060 | 0.067 | 0.067 |
| Union Electric Co - (MO) | 0.055 | 0.057 | 0.066 | 0.068 | 0.069 | 0.066 | 0.063 | 0.068 | 0.071 | 0.077 |
| Northern States Power Co - MN | 0.076 | 0.075 | 0.077 | 0.078 | 0.081 | 0.080 | 0.079 | 0.090 | 0.102 | 0.102 |
| Madison Gas & Electric Co | 0.078 | 0.082 | 0.076 | 0.082 | 0.075 | 0.072 | 0.073 | 0.074 | 0.087 | 0.092 |
| Wisconsin Electric Power Co | 0.086 | 0.080 | 0.077 | 0.079 | 0.078 | 0.081 | 0.082 | 0.085 | 0.094 | 0.095 |
| Wisconsin Power & Light Co | 0.073 | 0.077 | 0.080 | 0.078 | 0.076 | 0.077 | 0.074 | 0.076 | 0.084 | 0.092 |
| Wisconsin Public Service Corp | 0.061 | 0.062 | 0.060 | 0.060 | 0.060 | 0.058 | 0.059 | 0.064 | 0.073 | 0.074 |
| **Peer Group Average** | **$ 0.071** | **$ 0.071** | **$ 0.072** | **$ 0.074** | **$ 0.073** | **$ 0.073** | **$ 0.072** | **$ 0.074** | **$ 0.082** | **$ 0.083** |

Source: EIA Form 861.

## Rank Order: industrial rates.

Indiana IOUs **industrial rates rank around the median** when compared to regional peer utilities with the exception of Indianapolis Power & Light.

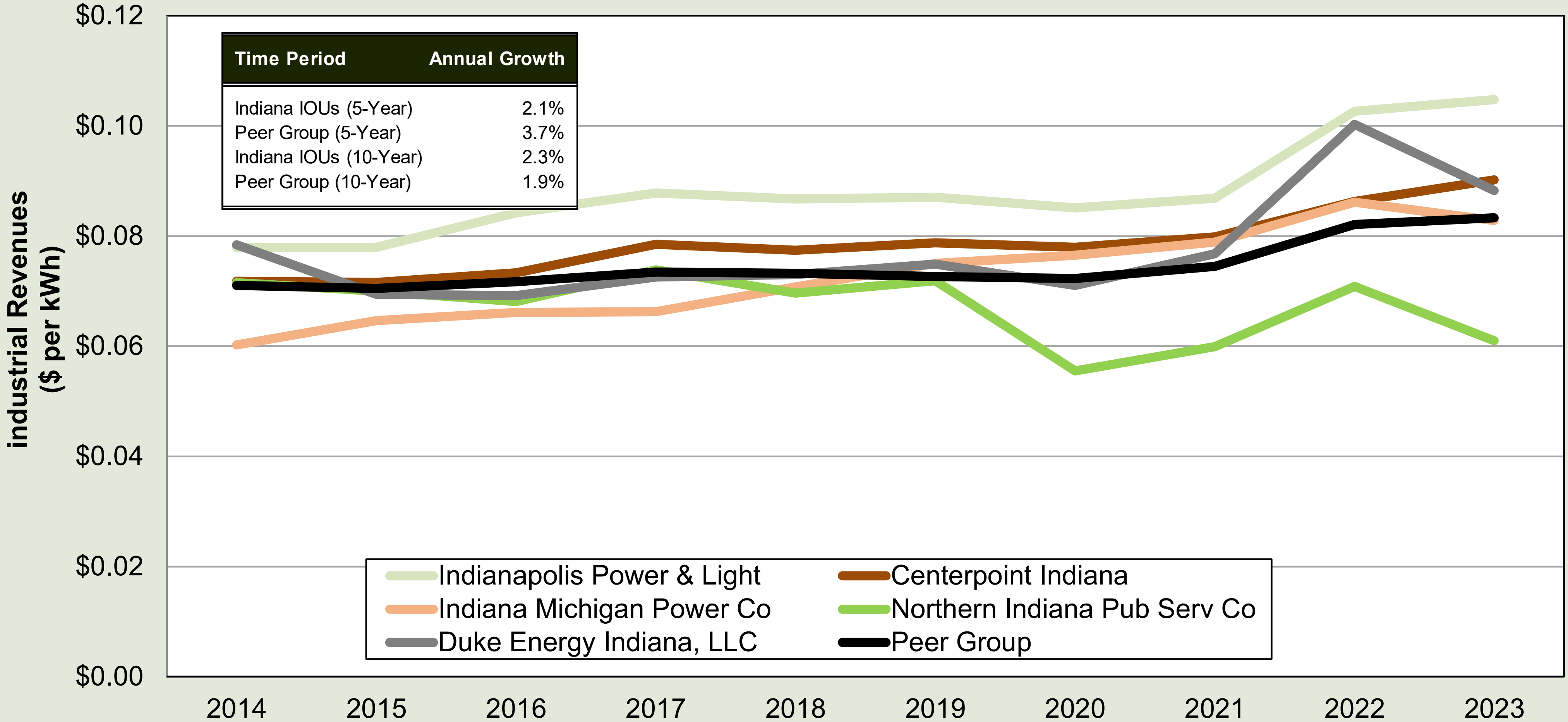
| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | --------------------------------- (Ranking) --------------------------------- | | | | | | | | | |
| **Indianapolis Power & Light** | **17** | **17** | **21** | **21** | **22** | **22** | **22** | **21** | **22** | **22** |
| **Centerpoint Indiana** | **10** | **12** | **12** | **15** | **15** | **14** | **16** | **17** | **13** | **16** |
| **Indiana Michigan Power Co** | **4** | **6** | **6** | **4** | **8** | **12** | **14** | **16** | **12** | **9** |
| **Northern Indiana Pub Serv Co** | **9** | **11** | **8** | **11** | **7** | **8** | **2** | **2** | **4** | **1** |
| **Duke Energy Indiana, LLC** | **18** | **9** | **10** | **10** | **10** | **11** | **9** | **13** | **20** | **15** |
| Consumers Energy Co | 22 | 20 | 15 | 18 | 17 | 20 | 21 | 20 | 15 | 10 |
| DTE Electric Company | 14 | 8 | 4 | 5 | 4 | 5 | 8 | 7 | 8 | 12 |
| Northern States Power Co | 13 | 14 | 14 | 12 | 14 | 10 | 12 | 11 | 10 | 14 |
| Interstate Power and Light Co | 6 | 7 | 9 | 7 | 11 | 15 | 15 | 12 | 9 | 8 |
| MidAmerican Energy Co | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Evergy Metro | 11 | 16 | 22 | 22 | 20 | 17 | 13 | 10 | 5 | 6 |
| Evergy Kansas South, Inc | 8 | 10 | 11 | 9 | 9 | 7 | 7 | 5 | 7 | 4 |
| Evergy Kansas Central, Inc | 19 | 18 | 20 | 17 | 19 | 18 | 18 | 14 | 17 | 11 |
| ALLETE, Inc. | 2 | 2 | 3 | 3 | 3 | 3 | 6 | 15 | 16 | 13 |
| Empire District Electric Co | 20 | 22 | 19 | 19 | 21 | 21 | 19 | 18 | 18 | 20 |
| Evergy Missouri West | 7 | 5 | 7 | 6 | 5 | 6 | 4 | 3 | 2 | 3 |
| Union Electric Co - (MO) | 3 | 3 | 5 | 8 | 6 | 4 | 5 | 6 | 3 | 7 |
| Northern States Power Co - MN | 15 | 13 | 16 | 14 | 18 | 16 | 17 | 22 | 21 | 21 |
| Madison Gas & Electric Co | 16 | 21 | 13 | 20 | 12 | 9 | 10 | 8 | 14 | 18 |
| Wisconsin Electric Power Co | 21 | 19 | 17 | 16 | 16 | 19 | 20 | 19 | 19 | 19 |
| Wisconsin Power & Light Co | 12 | 15 | 18 | 13 | 13 | 13 | 11 | 9 | 11 | 17 |
| Wisconsin Public Service Corp | 5 | 4 | 2 | 2 | 2 | 2 | 3 | 4 | 6 | 5 |

Source: EIA Form 861.

## Trends in industrial rates.

**Regional industrial rates have seen little growth since 2014.** Indiana IOUs have seen increases in rates on an average annual basis of 2.3 percent compared to a growth of 1.9 percent for regional peers.

| Time Period | Annual Growth |
|---|---|
| Indiana IOUs (5-Year) | 2.1% |
| Peer Group (5-Year) | 3.7% |
| Indiana IOUs (10-Year) | 2.3% |
| Peer Group (10-Year) | 1.9% |




Source: EIA Form 861.

# Section 7.2: Operating efficiencies

# Total operational expense ($ per MWh) comparisons.

Since 2014, Indiana IOUs have had total operational expenses greater than those of regional peers. **Total operational expense in 2023 for Indianapolis Power & Light was 32 percent higher than the regional average.**

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ($/MWh) | | | | | | | |
| **Indianapolis Power & Light** | **$ 52.45** | **$ 56.70** | **$ 57.95** | **$ 63.38** | **$ 61.47** | **$ 56.80** | **$ 54.70** | **$ 62.03** | **$ 80.74** | **$ 80.29** |
| **Centerpoint Indiana** | **$ 59.26** | **$ 59.17** | **$ 61.57** | **$ 63.18** | **$ 61.51** | **$ 70.77** | **$ 67.64** | **$ 60.61** | **$ 79.05** | **$ 74.65** |
| **Indiana Michigan Power Co** | **$ 45.16** | **$ 49.37** | **$ 50.58** | **$ 46.70** | **$ 49.47** | **$ 54.36** | **$ 50.91** | **$ 56.04** | **$ 66.38** | **$ 53.10** |
| **Northern Indiana Pub Serv Co** | **$ 60.35** | **$ 59.10** | **$ 62.14** | **$ 65.46** | **$ 60.58** | **$ 61.86** | **$ 55.03** | **$ 57.85** | **$ 70.40** | **$ 64.79** |
| **Duke Energy Indiana, LLC** | **$ 57.13** | **$ 49.25** | **$ 46.72** | **$ 50.87** | **$ 51.18** | **$ 53.19** | **$ 49.23** | **$ 54.54** | **$ 78.91** | **$ 61.85** |
| Consumers Energy Co | 81.86 | 73.12 | 71.95 | 73.82 | 74.49 | 71.93 | 70.09 | 81.42 | 94.11 | 76.45 |
| DTE Electric Company | 65.32 | 62.56 | 64.78 | 63.94 | 64.65 | 62.79 | 68.30 | 67.90 | 74.09 | 61.98 |
| Northern States Power Co | 92.00 | 90.46 | 91.98 | 94.05 | 88.06 | 87.67 | 87.78 | 91.10 | 96.46 | 93.50 |
| Interstate Power and Light Co | 66.37 | 63.24 | 65.67 | 61.50 | 61.32 | 56.45 | 53.39 | 55.96 | 64.38 | 57.49 |
| MidAmerican Energy Co | 33.31 | 30.76 | 29.04 | 31.11 | 29.89 | 28.31 | 24.77 | 26.02 | 28.54 | 26.53 |
| Evergy Metro | 44.56 | 45.29 | 44.07 | 45.72 | 50.97 | 44.22 | 40.50 | 48.67 | 48.12 | 39.16 |
| Evergy Kansas South, Inc | 66.71 | 58.31 | 55.65 | 55.76 | 59.36 | 51.31 | 49.74 | 53.72 | 62.84 | 50.81 |
| Evergy Kansas Central, Inc | 45.29 | 44.77 | 44.11 | 41.15 | 44.08 | 43.97 | 40.89 | 49.12 | 54.11 | 45.86 |
| ALLETE, Inc. | 45.07 | 41.57 | 42.82 | 45.60 | 45.89 | 46.37 | 45.17 | 53.40 | 63.52 | 61.31 |
| Empire District Electric Co | 70.79 | 65.33 | 61.73 | 60.80 | 66.21 | 63.71 | 63.33 | 83.25 | 57.48 | 64.75 |
| Evergy Missouri West | 61.12 | 56.16 | 56.41 | 57.12 | 58.13 | 57.51 | 50.44 | 60.34 | 64.52 | 64.85 |
| Union Electric Co - (MO) | 43.05 | 45.05 | 46.53 | 43.49 | 41.90 | 43.34 | 38.17 | 43.20 | 51.99 | 54.24 |
| Northern States Power Co - MN | 76.29 | 71.42 | 65.75 | 68.04 | 67.95 | 63.86 | 60.79 | 62.21 | 67.78 | 66.85 |
| Madison Gas & Electric Co | 68.89 | 75.14 | 67.96 | 70.19 | 65.64 | 65.42 | 63.42 | 69.13 | 75.04 | 72.93 |
| Wisconsin Electric Power Co | 75.13 | 67.97 | 66.86 | 66.26 | 74.10 | 73.94 | 70.52 | 74.92 | 84.08 | 82.33 |
| Wisconsin Power & Light Co | 52.85 | 52.17 | 54.98 | 54.88 | 52.16 | 52.99 | 48.88 | 49.58 | 55.75 | 52.02 |
| Wisconsin Public Service Corp | 61.13 | 57.82 | 55.25 | 52.99 | 50.87 | 47.79 | 45.19 | 52.68 | 61.42 | 58.93 |
| **Peer Group Average** | **$ 61.75** | **$ 58.89** | **$ 57.97** | **$ 58.02** | **$ 58.57** | **$ 56.56** | **$ 54.20** | **$ 60.15** | **$ 64.96** | **$ 60.59** |

Source: FERC Form 1 as provided by S&P Global.

Note: Calculated as total power production, transmission, distribution expenses, customer account exp, sales exp, and A&G

# Operating Expense Efficiencies

## Rankings: Total operational expense ($ per MWh).

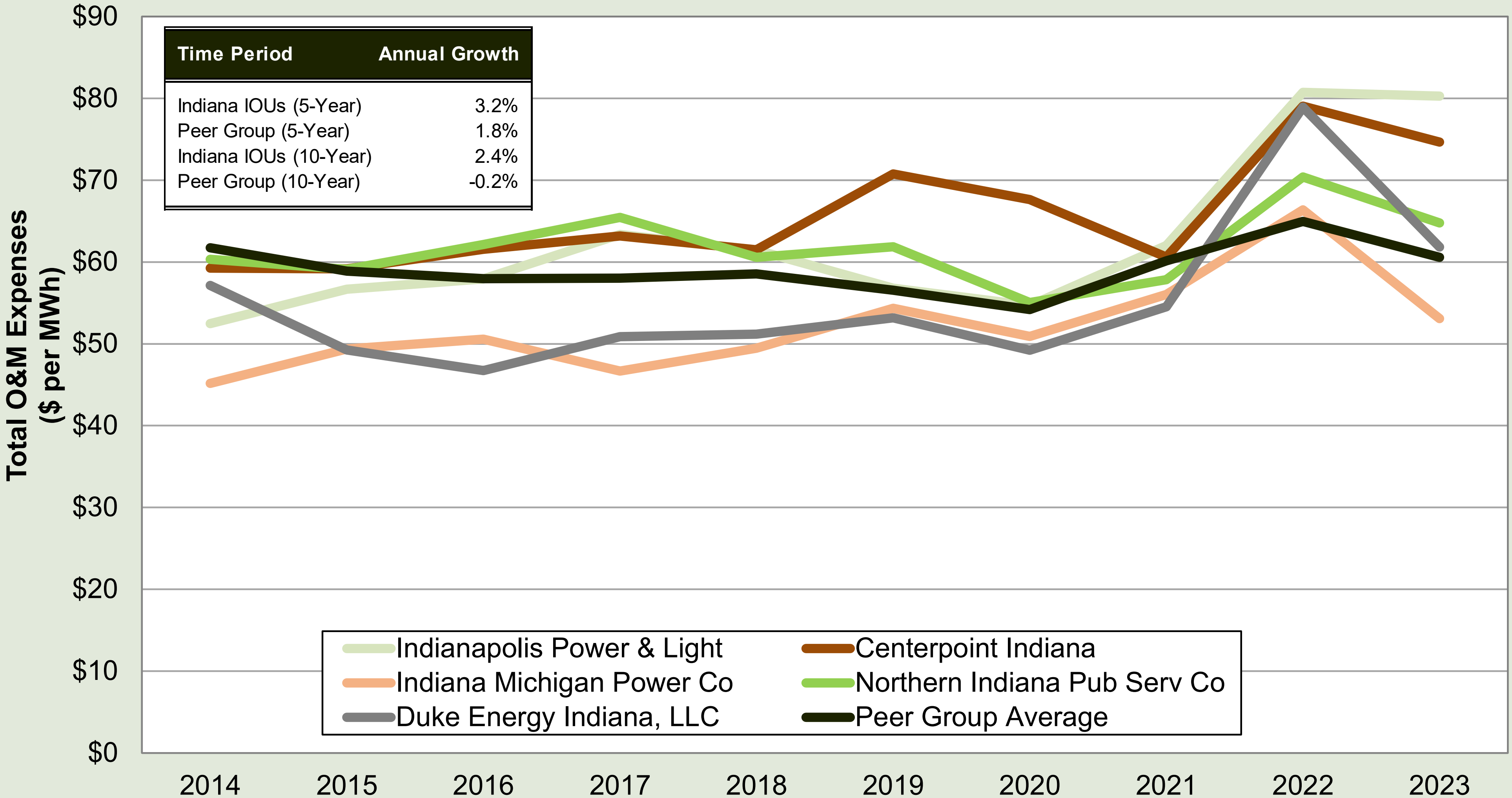
Since 2014, there has been no improvement in total operational expense efficiencies compared to regional peers. **All Indiana IOUs rank worse in 2023 than they did in 2014.**

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Rank) | | | | | |
| **Indianapolis Power & Light** | **7** | **10** | **12** | **15** | **14** | **12** | **13** | **15** | **19** | **20** |
| **Centerpoint Indiana** | **10** | **14** | **13** | **14** | **15** | **19** | **18** | **14** | **18** | **18** |
| **Indiana Michigan Power Co** | **5** | **7** | **7** | **6** | **5** | **10** | **11** | **11** | **12** | **6** |
| **Northern Indiana Pub Serv Co** | **11** | **13** | **15** | **17** | **12** | **14** | **14** | **12** | **14** | **14** |
| **Duke Energy Indiana, LLC** | **9** | **6** | **6** | **7** | **8** | **9** | **8** | **9** | **17** | **11** |
| Consumers Energy Co | 21 | 20 | 21 | 21 | 21 | 20 | 20 | 20 | 21 | 19 |
| DTE Electric Company | 14 | 15 | 16 | 16 | 16 | 15 | 19 | 17 | 15 | 12 |
| Northern States Power Co | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Interstate Power and Light Co | 15 | 16 | 17 | 13 | 13 | 11 | 12 | 10 | 10 | 8 |
| MidAmerican Energy Co | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Evergy Metro | 3 | 5 | 3 | 5 | 7 | 4 | 3 | 3 | 2 | 2 |
| Evergy Kansas South, Inc | 16 | 12 | 10 | 10 | 11 | 7 | 9 | 8 | 8 | 4 |
| Evergy Kansas Central, Inc | 6 | 3 | 4 | 2 | 3 | 3 | 4 | 4 | 4 | 3 |
| ALLETE, Inc. | 4 | 2 | 2 | 4 | 4 | 5 | 5 | 7 | 9 | 10 |
| Empire District Electric Co | 18 | 17 | 14 | 12 | 18 | 16 | 16 | 21 | 6 | 13 |
| Evergy Missouri West | 12 | 9 | 11 | 11 | 10 | 13 | 10 | 13 | 11 | 15 |
| Union Electric Co - (MO) | 2 | 4 | 5 | 3 | 2 | 2 | 2 | 2 | 3 | 7 |
| Northern States Power Co - MN | 20 | 19 | 18 | 19 | 19 | 17 | 15 | 16 | 13 | 16 |
| Madison Gas & Electric Co | 17 | 21 | 20 | 20 | 17 | 18 | 17 | 18 | 16 | 17 |
| Wisconsin Electric Power Co | 19 | 18 | 19 | 18 | 20 | 21 | 21 | 19 | 20 | 21 |
| Wisconsin Power & Light Co | 8 | 8 | 8 | 9 | 9 | 8 | 7 | 5 | 5 | 5 |
| Wisconsin Public Service Corp | 13 | 11 | 9 | 8 | 6 | 6 | 6 | 6 | 7 | 9 |

Source: FERC Form 1 as provided by S&P Global.
Note: Note: Calculated as total power production, transmission, distribution expenses, customer account exp, sales exp, and A&G

## Trends: Total operational expense ($ per MWh).

Since 2014, Indiana IOUs, other than Indiana Michigan, have seen higher total operational expenses than their regional peers.




Source: FERC Form 1 as provided by S&P Global.

Note: Calculated as total power production, transmission, distribution expenses, customer account exp, sales exp, and A&G

# Section 7.3: Capital investment efficiencies

# Regional net distribution plant ($/MWh) investment.

Since 2014, both Centerpoint Indiana and Northern Indiana Public Service Co. have seen net distribution plant ($/MWh) investment surpass that of regional peers.

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ---($/MWh)--- | | | | | | | |
| **Indianapolis Power & Light** | $ 15 | $ 17 | $ 20 | $ 25 | $ 25 | $ 26 | $ 34 | $ 46 | $ 56 | $ 78 |
| **Centerpoint Indiana** | $ 55 | $ 61 | $ 66 | $ 77 | $ 77 | $ 99 | $ 117 | $ 99 | $ 123 | $ 159 |
| **Indiana Michigan Power Co** | $ 33 | $ 41 | $ 46 | $ 49 | $ 54 | $ 66 | $ 75 | $ 82 | $ 87 | $ 106 |
| **Northern Indiana Pub Serv Co** | $ 40 | $ 47 | $ 53 | $ 59 | $ 67 | $ 81 | $ 94 | $ 98 | $ 113 | $ 137 |
| **Duke Energy Indiana, LLC** | $ 43 | $ 45 | $ 47 | $ 55 | $ 59 | $ 74 | $ 86 | $ 92 | $ 101 | $ 118 |
| Consumers Energy Co | $ 110 | $ 115 | $ 122 | $ 135 | $ 136 | $ 150 | $ 165 | $ 175 | $ 192 | $ 211 |
| DTE Electric Company | $ 94 | $ 98 | $ 104 | $ 114 | $ 121 | $ 137 | $ 158 | $ 166 | $ 176 | $ 197 |
| Northern States Power Co | $ 60 | $ 64 | $ 68 | $ 70 | $ 73 | $ 80 | $ 90 | $ 93 | $ 99 | $ 111 |
| Interstate Power and Light Co | $ 98 | $ 100 | $ 108 | $ 115 | $ 121 | $ 120 | $ 143 | $ 160 | $ 166 | $ 176 |
| MidAmerican Energy Co | $ 45 | $ 48 | $ 50 | $ 51 | $ 51 | $ 56 | $ 58 | $ 53 | $ 52 | $ 60 |
| Evergy Metro | $ 59 | $ 69 | $ 70 | $ 73 | $ 81 | $ 83 | $ 91 | $ 100 | $ 110 | $ 129 |
| Evergy Kansas South, Inc | $ 57 | $ 62 | $ 65 | $ 76 | $ 80 | $ 83 | $ 91 | $ 91 | $ 94 | $ 104 |
| Evergy Kansas Central, Inc | $ 40 | $ 49 | $ 57 | $ 54 | $ 57 | $ 72 | $ 77 | $ 75 | $ 75 | $ 90 |
| ALLETE, Inc. | $ 22 | $ 21 | $ 24 | $ 22 | $ 23 | $ 25 | $ 26 | $ 23 | $ 29 | $ 31 |
| Empire District Electric Co | $ 93 | $ 98 | $ 101 | $ 109 | $ 105 | $ 117 | $ 151 | $ 145 | $ 155 | $ 174 |
| Evergy Missouri West | $ 86 | $ 92 | $ 95 | $ 102 | $ 100 | $ 109 | $ 114 | $ 133 | $ 148 | $ 168 |
| Union Electric Co - (MO) | $ 64 | $ 65 | $ 74 | $ 72 | $ 72 | $ 91 | $ 97 | $ 107 | $ 119 | $ 153 |
| Northern States Power Co - MN | $ 54 | $ 55 | $ 56 | $ 59 | $ 59 | $ 59 | $ 61 | $ 61 | $ 66 | $ 75 |
| Madison Gas & Electric Co | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 151 | $ 158 | $ 169 |
| Wisconsin Electric Power Co | $ 79 | $ 77 | $ 81 | $ 86 | $ 98 | $ 110 | $ 119 | $ 125 | $ 135 | $ 136 |
| Wisconsin Power & Light Co | $ 94 | $ 93 | $ 103 | $ 114 | $ 119 | $ 136 | $ 142 | $ 133 | $ 134 | $ 137 |
| Wisconsin Public Service Corp | $ 41 | $ 45 | $ 52 | $ 59 | $ 67 | $ 90 | $ 104 | $ 119 | $ 127 | $ 140 |
| **Peer Group Average** | **$ 64** | **$ 68** | **$ 72** | **$ 77** | **$ 80** | **$ 89** | **$ 99** | **$ 112** | **$ 120** | **$ 133** |

Source: FERC Form 1 as provided by S&P Global.

ACADIAN CONSULTING GROUP



# Rankings: Regional net distribution plant ($/MWh) investment.

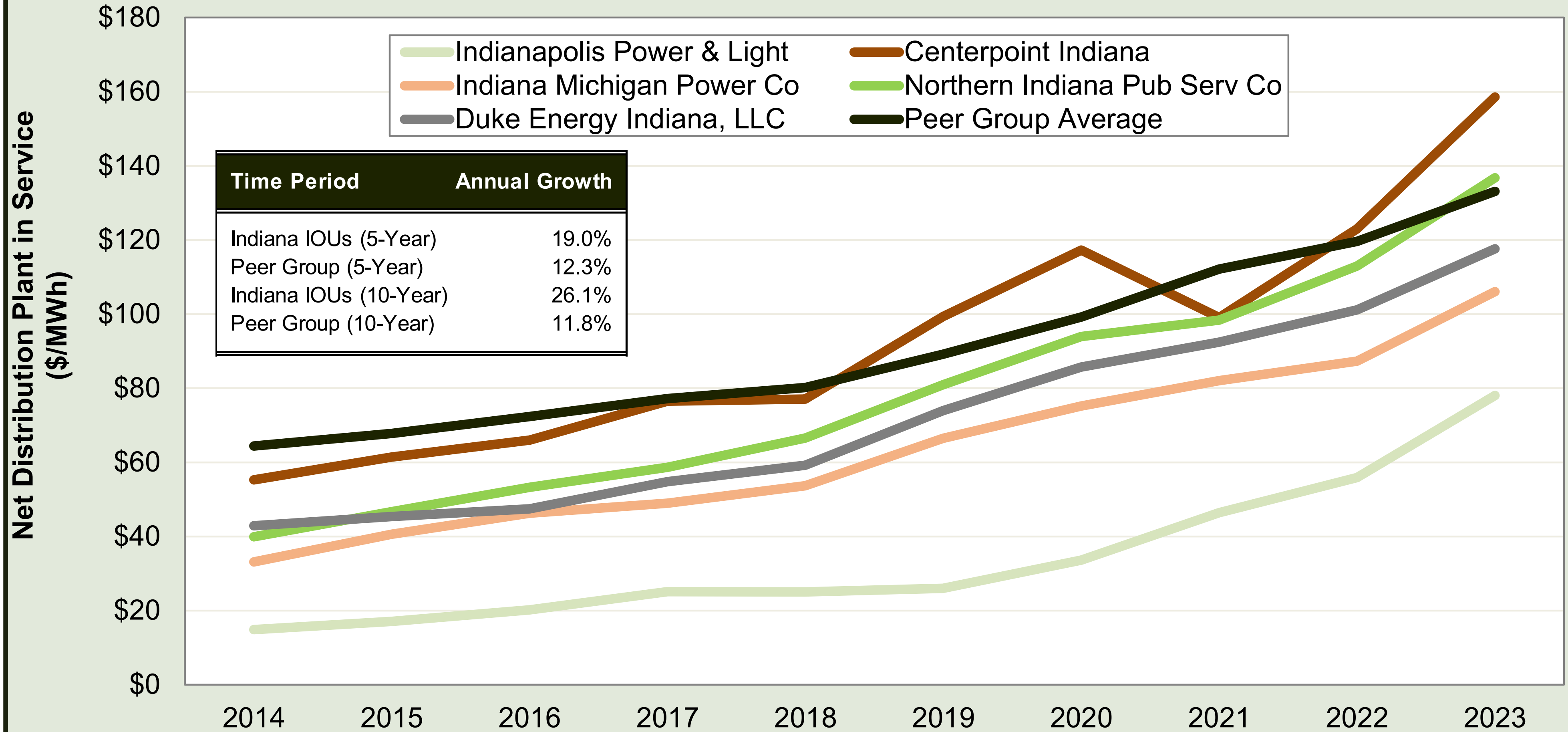
All Indiana IOUs rank near the median in terms of net distribution plant ($/MWh) investment with no improvement relative to peers since 2014.

| Company | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | -------------------------------- | | (Rank) | | ------------------------------- | | | |
| **Indianapolis Power & Light** | **2** | **2** | **2** | **3** | **3** | **3** | **3** | **2** | **3** | **4** |
| **Centerpoint Indiana** | **11** | **11** | **12** | **15** | **13** | **15** | **16** | **11** | **13** | **16** |
| **Indiana Michigan Power Co** | **4** | **4** | **4** | **4** | **5** | **6** | **6** | **6** | **6** | **7** |
| **Northern Indiana Pub Serv Co** | **5** | **7** | **8** | **8** | **9** | **10** | **12** | **10** | **11** | **12** |
| **Duke Energy Indiana, LLC** | **8** | **6** | **5** | **7** | **8** | **8** | **8** | **8** | **9** | **9** |
| Consumers Energy Co | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| DTE Electric Company | 20 | 19 | 20 | 19 | 21 | 21 | 21 | 21 | 21 | 21 |
| Northern States Power Co | 14 | 13 | 13 | 11 | 12 | 9 | 9 | 9 | 8 | 8 |
| Interstate Power and Light Co | 21 | 21 | 21 | 21 | 20 | 19 | 19 | 20 | 20 | 20 |
| MidAmerican Energy Co | 9 | 8 | 6 | 5 | 4 | 4 | 4 | 3 | 2 | 2 |
| Evergy Metro | 13 | 15 | 14 | 13 | 15 | 12 | 11 | 12 | 10 | 10 |
| Evergy Kansas South, Inc | 12 | 12 | 11 | 14 | 14 | 11 | 10 | 7 | 7 | 6 |
| Evergy Kansas Central, Inc | 6 | 9 | 10 | 6 | 6 | 7 | 7 | 5 | 5 | 5 |
| ALLETE, Inc. | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Empire District Electric Co | 18 | 20 | 18 | 18 | 18 | 18 | 20 | 18 | 18 | 19 |
| Evergy Missouri West | 17 | 17 | 17 | 17 | 17 | 16 | 15 | 17 | 17 | 17 |
| Union Electric Co - (MO) | 15 | 14 | 15 | 12 | 11 | 14 | 13 | 13 | 12 | 15 |
| Northern States Power Co - MN | 10 | 10 | 9 | 10 | 7 | 5 | 5 | 4 | 4 | 3 |
| Madison Gas & Electric Co | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 19 | 19 | 18 |
| Wisconsin Electric Power Co | 16 | 16 | 16 | 16 | 16 | 17 | 17 | 15 | 16 | 11 |
| Wisconsin Power & Light Co | 19 | 18 | 19 | 20 | 19 | 20 | 18 | 16 | 15 | 13 |
| Wisconsin Public Service Corp | 7 | 5 | 7 | 9 | 10 | 13 | 14 | 14 | 14 | 14 |

Source: FERC Form 1 as provided by S&P Global.

# Trends: Regional net distribution plant ($/MWh) investment.

Net distribution plant investment has been growing rapidly in the region. Indiana IOUs have seen an average annual growth rate **of 26.1 percent, compared to 11.8 percent for peers, since 2014**.




| Time Period | Annual Growth |
|---|---|
| Indiana IOUs (5-Year) | 19.0% |
| Peer Group (5-Year) | 12.3% |
| Indiana IOUs (10-Year) | 26.1% |
| Peer Group (10-Year) | 11.8% |

Source: FERC Form 1 as provided by S&P Global.c

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# Section 7.4: Affordability

## Energy affordability

Energy affordability is defined as how expensive energy is relative to household income.

Affordability can be utilized as an index to measure the ability of a household to pay for essential utility services **such as water, electricity, and/or natural gas**.

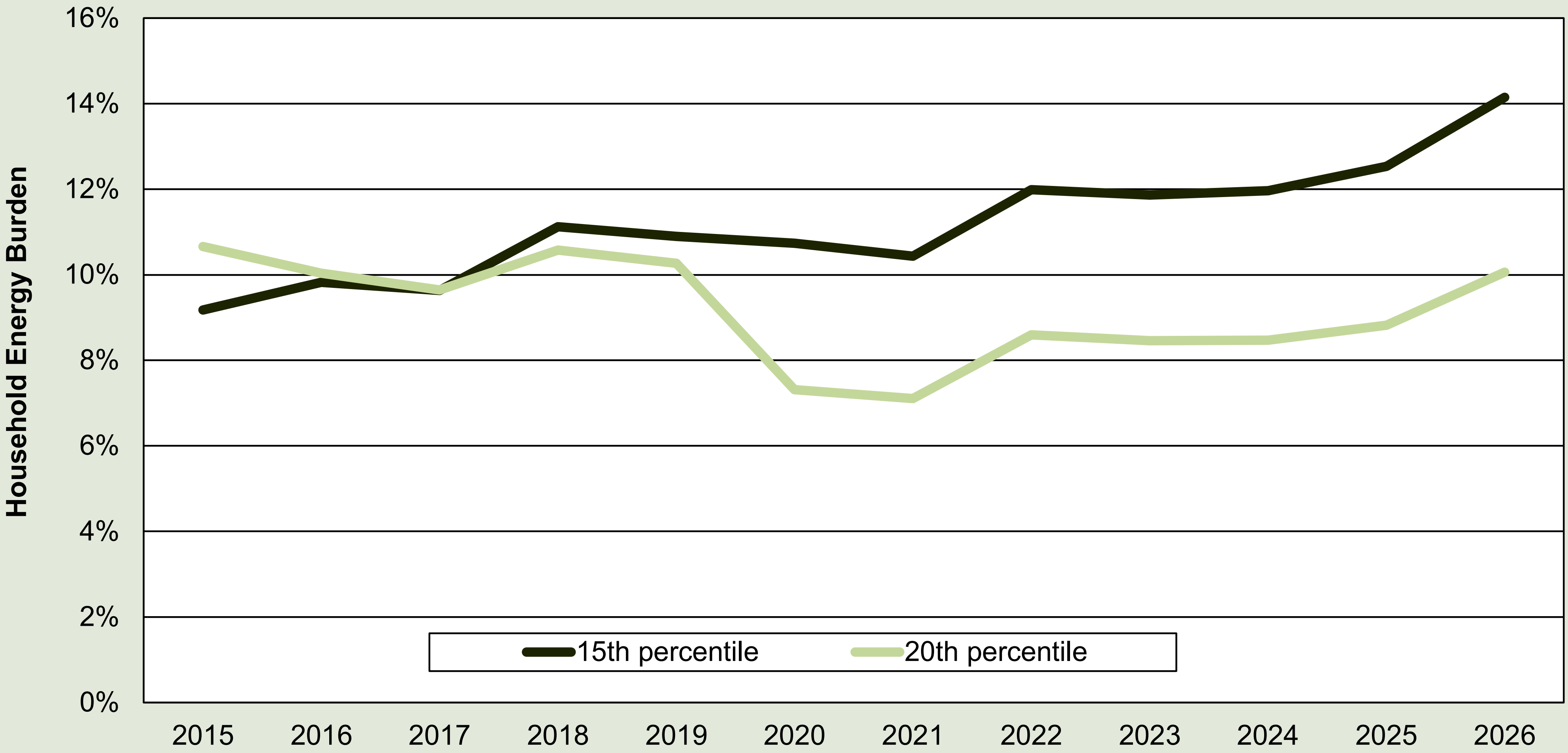
The generally accepted percent of when energy becomes burdensome is when it **exceeds six percent of household income**.

Energy affordability is increasingly becoming an important regulatory policy for numerous states and local government setting affordability targets**. New York state, the City of Portland Oregon, California, and Pennsylvania** have all examined energy affordability, and in some cases issued policy statements.

Source: "Understanding Energy Affordability" ACEEE, 2015.

## Affordability in Centerpoint Indiana service territory

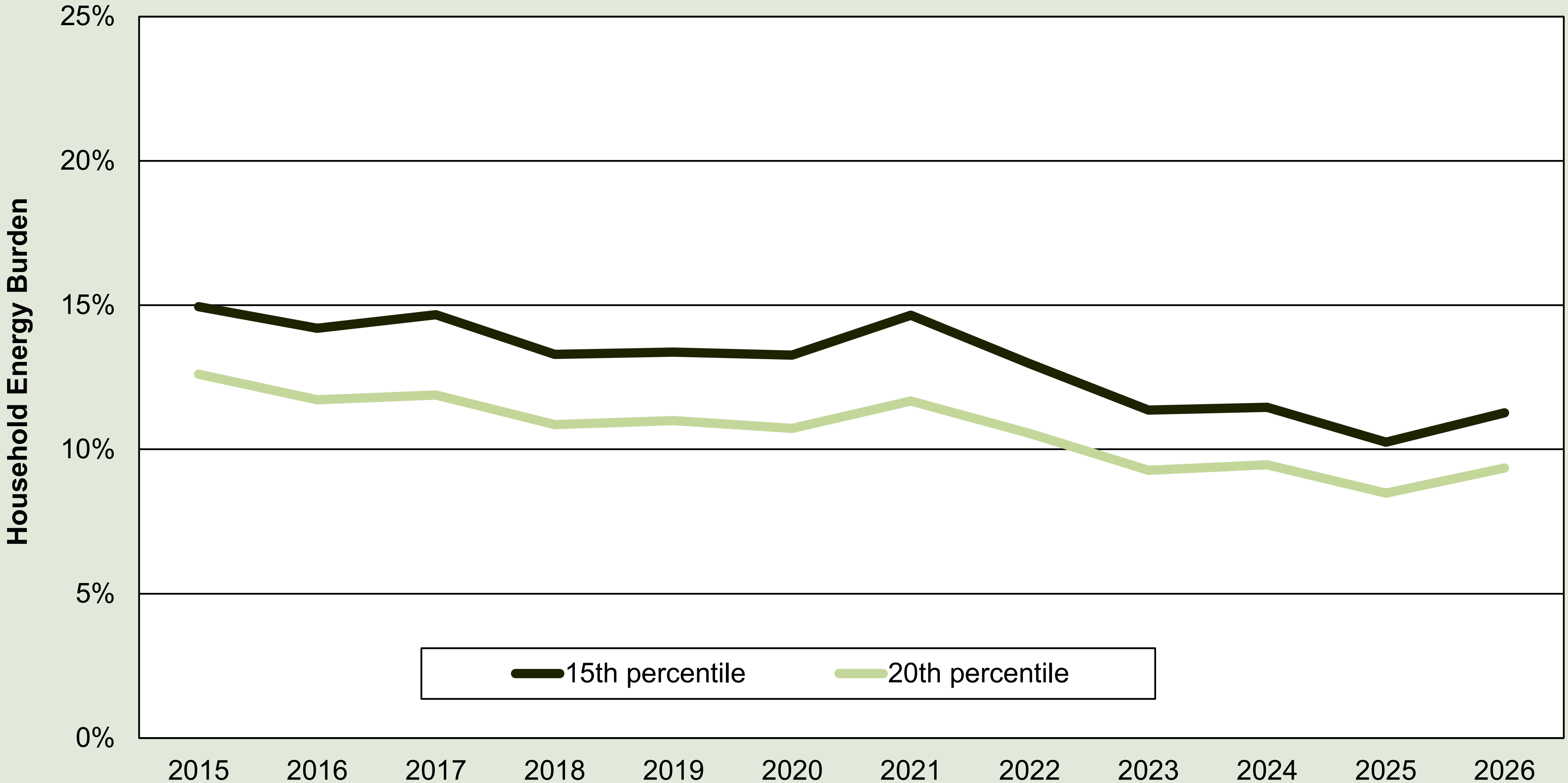
Energy affordability for the 15th and 20th percentile has continued to get more expensive and has been greater than six percent indicating significant energy burden.




Source: Company tariff, EIA.

## Affordability in Northern Indiana Public Service Company service territory

Although NIPSCO has seen a decrease in recent years, its energy burden is currently around 10 to 12 percent.




Source: Company tariff, EIA.

# Section 8: Conclusions and Recommendations

# Conclusions and Recommendations

## Conclusions.

There are **three major, comprehensive forms of alternative regulation**: FRPs; PBR plans; and MYRPs. To date, **no major form of alternative regulation has led to any meaningful nor measurable ratepayer benefits.** Alternative regulation **has not resulted in any sustainable nor distinctly measurable improvement in reliability or quality of service.**

**Alternative regulation mechanisms have resulted in large rate increases with very few rate decreases or earning sharing opportunities**.

In addition, **no measurable nor sustainable improvement in operating costs or efficiencies have arisen in any state due to alternative regulation**. In fact, most states **have seen a deterioration in capital investment discipline and huge gains in rate base due to alternative regulation**.

**There is <u>not one single state adopting alternative regulation that has shown outcomes that can be held out as an unequivocal "success" for ratepayers.</u>**

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