

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE CITY OF RICHMOND,)
INDIANA, BY AND THROUGH ITS MUNICIPAL)
ELECTRIC UTILITY, RICHMOND POWER AND) CAUSE NO. 45361
LIGHT, FOR APPROVAL OF A NEW SCHEDULE)
OF RATES AND CHARGES FOR ELECTRIC) APPROVED: JAN 20 2021
SERVICE AND FOR APPROVAL TO MODIFY ITS)
ENERGY COST ADJUSTMENT PROCEDURES.)**

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Ziegner, Commissioner
Stefanie N. Krevda, Commissioner
Jennifer L. Schuster, Administrative Law Judge**

On March 24, 2020, the City of Richmond, Indiana, and Richmond Power and Light (collectively, “RP&L”) filed a petition with the Indiana Utility Regulatory Commission (“Commission”) initiating this Cause. On March 25, 2020, RP&L filed its case-in-chief. The Commission conducted a public field hearing in this Cause at 6 p.m. on June 29, 2020, at the Richmond Municipal Building, 50 N. 5th St, Richmond, Indiana. On July 2, 2020, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed consumer comments and its case-in-chief.

On August 6, 2020, RP&L and the OUCC filed a Notice of Settlement Agreement and Motion for Settlement Agreement, Settlement Testimony, and Settlement Hearing Dates, indicating that the parties had reached a settlement on all issues in this Cause. On August 24, 2020, RP&L filed a Stipulation and Settlement Agreement (“Settlement Agreement”), and both parties filed settlement testimony.

On September 11, 2020, the Presiding Officers issued a docket entry requesting additional information from RP&L regarding its proposed electric vehicle rate. RP&L submitted its response to the docket entry on September 14, 2020.

Due to the ongoing COVID-19 pandemic, the Commission conducted a settlement hearing via WebEx on September 17, 2020 at 3 p.m. RP&L and the OUCC appeared at and participated in the hearing, and the parties’ evidence was offered and admitted into the record without objection.

On October 2, 2020, RP&L and the OUCC filed a Verified Joint Motion to Reopen Record, seeking to reopen the record to submit supplemental settlement testimony in order to correct an error in the previously submitted light-emitting diode (“LED”) lighting rates. The Commission granted the motion and held a settlement hearing on October 21, 2020 at 2:30 p.m. via WebEx. At the hearing, the Verified Supplemental Settlement Testimony of Andrew J. Reger and corrected Attachments JAM-10 and JAM-11 (corrected redlined and clean tariffs) were admitted into evidence without objection.

The Commission, having considered the evidence of record and applicable law, now finds:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearings in this Cause was given and published by the Commission as required by law. RP&L is a municipally owned utility as that term is defined in Ind. Code §§ 8-1-2-1(h) and 8-1.5-1-10. Under Ind. Code § 8-1.5-3-8(f)(2), the Commission has jurisdiction over RP&L's rates and charges. Therefore, the Commission has jurisdiction over RP&L and the subject matter of this Cause.

2. **RP&L's Characteristics.** RP&L is a municipally owned utility with its principal office located at 2000 U.S. Highway 27 South, Richmond, Indiana. RP&L, through the Common Council of the City of Richmond, which serves as RP&L's Board of Directors (the "Board"), owns, operates, manages, and controls plant, property, equipment, and generation facilities used and useful to provide electric utility service to approximately 21,029 customers in and around Richmond and Wayne County.

3. **Relief Requested.** In its Petition, RP&L requests approval of a new schedule of rates and charges for electric utility service, a change to its energy cost adjustment ("ECA") tracking mechanism, and approval to submit any adjustments to its new electric vehicle ("EV") Rate via the Commission's 30-day filing process, if needed. Subsequently, RP&L and the OUCC filed, and now request approval of, the Settlement Agreement.

4. **RP&L's Case-In-Chief.**

A. **Randall W. Baker.** Mr. Baker, RP&L's CEO and General Manager, testified regarding RP&L's current utility operations, rate proposal, capital improvement plan ("CIP"), and changes to rate design. Mr. Baker also testified regarding changes in operations at RP&L's Whitewater Valley generation station ("WWVS").

Mr. Baker testified that RP&L's electric utility system includes sub-transmission, distribution, substation, and power production facilities, including coal-fired electric generating units at the WWVS. RP&L purchases all of its power and energy requirements from the Indiana Municipal Power Agency ("IMPA") pursuant to the terms of a power sales contract.

Mr. Baker testified that RP&L's base rates have not increased since its last rate case order on February 9, 2005 in Cause No. 42713. RP&L's 2018 Annual Report indicates that the utility's net income has been negative for the last three years due to, in part, a downward trend in total electric sales. Mr. Baker stated that, since the utility's last rate case, it has lowered its employee count from 151 to 95. Since 2016, RP&L has been deploying new advanced metering infrastructure ("AMI") meters and has spread the cost of AMI deployment over several years.

Mr. Baker testified that RP&L engaged the services of NewGen Strategies and Solutions, LLC ("NewGen") to perform a financial study and cost-of-service study ("COSS"). Based on the results of the study and input from RP&L's management, the Board resolved to seek the Commission's authority to increase base rates and charges and to restructure the utility's rates and charges to more accurately reflect the cost of service.

Mr. Baker testified that RP&L has developed a seven-year CIP for 2018 through 2025. The CIP includes objectives for environmental compliance, AMI, rebuilds and replacements for the

distribution system, and street lighting upgrades. NewGen used RP&L's 2019 and 2020 budgets, which included funds for the CIP, in developing the utility's revenue requirement. Mr. Baker stated that RP&L considered requesting a transmission and distribution system improvement charge ("TDSIC"), but ultimately concluded that a TDSIC tracker is not ideal for a smaller municipal electric utility like RP&L.

Mr. Baker testified that RP&L is requesting Commission approval to modify its current ECA to reflect its proposed rate design, which expands customer class categories, creates new customer classes that initially will have no customers, and establishes new demand charges for the General Power and General Electric Heating rates. RP&L is also proposing a new Electric Vehicle ("EV") rate.

According to Mr. Baker, WWVS is owned by RP&L and operated by IMPA pursuant to a capacity purchase agreement. WWVS consists of two sub-critical, pulverized-coal-fired units with nominal generating capacity of 35 MW and 65 MW. The base case in IMPA's 2017 Integrated Resource Plan called for WWVS to be retired in 2026, but, at this time, no definitive retirement studies or decisions have been made. As the owner of WWVS, RP&L has the ultimate say in when WWVS is retired and will make that decision in close consultation with IMPA. RP&L is proposing to establish a dedicated environmental remediation reserve fund and a dedicated plant decommissioning reserve fund to ensure that the utility has sufficient funds on hand to close WWVS and remediate the coal ash pond.

B. Laurie A. Tomczyk. Ms. Tomczyk, an Executive Consultant at NewGen, testified regarding RP&L's electric revenue requirements for the 12 months ended September 30, 2019, and proposed changes to RP&L's ECA tracker. Her testimony includes Table LAT-1, which summarizes RP&L's actual and adjusted test-year revenue requirements.

Ms. Tomczyk testified that RP&L's revenue requirement was developed using the utility basis, which is the same basis used in the utility's last rate case. Under the utility basis approach, the return on rate base and depreciation expenses are used to recover capital-related costs on an accrual accounting basis. She testified that, pursuant to Ind. Code § 8-1.5-3-8 and approval by RP&L's Board, the utility recovers a return on investment through rates, which the Commission has broad discretion to approve.

Ms. Tomczyk provided detailed descriptions of her proposed adjustments to RP&L's revenue requirement. She also calculated RP&L's rate base, which includes net plant in service, working capital, materials and supplies, prepayments, and contributions in aid of construction ("CIAC"). Ms. Tomczyk summarized RP&L's actual and adjusted test-year rate base in Table LAT-4 on page 37 of her direct testimony, and she provided detailed descriptions of her rate base adjustments.

Finally, Ms. Tomczyk explained the establishment and current calculation of the ECA rate and RP&L's proposed changes to the application of the ECA rate to certain customer classes. Ms. Tomczyk developed a recommended ECA model that incorporates the proposed changes, which she attached to her testimony as Attachment LAT-4.

C. Joseph A. Mancinelli. Mr. Mancinelli, President and CEO of NewGen, testified regarding the COSS and RP&L's rate design and tariff changes. The COSS functionalizes, sub-functionalizes, classifies, and allocates costs using a generally accepted methodology recognized

by the National Association of Regulatory Utility Commissioners (“NARUC”) and the American Public Power Association (“APPA”). Based on this data, the COSS allocates RP&L’s test-year revenue requirement to each rate class.

Mr. Mancinelli testified that a COSS typically classifies costs into three categories: demand-related costs, energy-related costs, and customer-related costs. The demand-related costs are typically associated with system capacity requirements, are fixed in nature, and do not vary with day-to-day changes in system energy use. Energy-related costs are variable in nature and vary with day-to-day changes in system energy use. Customer-related costs, such as billing, collections, and customer service functions, are driven by the number of customers on the system.

Mr. Mancinelli explained how he prepared the COSS based on financial data, monthly system operating data and statistics, system sub-transmission and distribution infrastructure statistics, monthly billing data, and class peak demand data, provided by RP&L. He also provided detailed testimony describing the methods used to complete, and the results of, the COSS. He summarized the results of the COSS in Tables JAM-5 and JAM-6 on pages 22 and 23 of his direct testimony.

Mr. Mancinelli testified that rate design principles utilized in this case represent the policies, goals, and objectives important to RP&L and the community that it serves. These principles include ensuring revenue adequacy, implementing gradualism by spreading rate increases over three years in three phases, better aligning rates with class cost-of-service results, improving efficiency signals to commercial and industrial classes, improving fixed-cost recovery, improving conservation signals to residential customers, creating new commercial and industrial rate classes, and recalibrating the ECA. Mr. Mancinelli summarized the proposed rates on current revenues by class in Table JAM-7 on page 28 of his direct testimony.

Mr. Mancinelli testified that RP&L’s current residential service rate is a three-tier declining block structure that provides an incentive to customers to use more electricity because the average rate declines with higher usage. Based on the COSS, the residential service class is approximately 25.9% below its cost of service. RP&L’s proposed Residential Electric Service rate gradually moves the residential classes toward its cost of service and eliminates the current declining rate structure. Although the proposed rate structure will impact large users of electricity more than small users due to the elimination of the declining block rate structure, the new rates provide a stronger conservation signal to customers, which can help mitigate future infrastructure investment.

D. Andrew J. Reger. Mr. Reger, an Executive Consultant at NewGen, testified regarding RP&L’s proposed rate designs for lighting service, the new EV rate, the Electric Heating School rate, and the General Electric Heating rate. He also discussed RP&L’s proposed miscellaneous non-recurring fees and charges.

Mr. Reger testified that he updated RP&L’s existing Outdoor Area Lighting and Street Lighting service rates and developed new rates for lighting service, including LED lamps and fixtures. Mr. Reger also testified that RP&L wishes to support the deployment of EVs for private, business, and government uses throughout Richmond and surrounding areas. For several years, RP&L’s load has been declining. EV adoption could potentially restore some load growth and reduce upward pressure for all electric customers. A separately developed EV rate allows RP&L to monitor the performance, usage patterns, and adoption of EVs over time. RP&L’s EV Charging Pilot Program – Public Location (“EV-PP”) rate is designed for service to separately metered EV charging stations

operating in a public location. The EV-PP rate is designed as an energy-only rate charged to end users of the public EV charging facility.

Mr. Reger testified that RP&L's Electric Heating Schools ("EHS") rate is provided to customers operating educational facilities who primarily use electric space heating. RP&L is currently under-recovering its cost of service from the three customers in this rate class. With respect to the General Electric Heating rate class, Mr. Reger testified that he simplified the rates by collapsing the current four-tiered energy rate down to two tiers and collapsing the current two-tiered demand rate down to one demand charge.

Finally, Mr. Reger updated RP&L's non-recurring charges, such as dishonored checks, connection and disconnection of service, meter testing, service calls, meter tampering charges, and minimum trip charges for service visits. The updates are based on updated cost information for each service and a comparison to neighboring utilities with similar fees and charges.

5. OUCC's Case-In-Chief.

A. Lauren M. Aguilar. Ms. Aguilar, Utility Analyst in the OUCC's Electric Division, testified regarding RP&L's proposed EV rate and coal combustion residual ("CCR") remediation costs.

Ms. Aguilar testified that, based on RP&L's testimony, the OUCC could not verify whether RP&L was proposing a permanent EV rate or an EV pilot program. She noted that RP&L's testimony included the word "pilot" in some places and that the utility's 2020 budget includes \$70,000 for an "Electric Vehicle Charging Stations Pilot." After conferring with RP&L, Ms. Aguilar determined that the proposed EV rate is not intended to be a pilot program and that the \$70,000 line item in the 2020 budget should be removed. Ms. Aguilar recommended that RP&L file an annual report with the Commission regarding public charging station usage and performance, the adoption of EVs in RP&L's service territory, and other specific information set forth in her testimony. With the removal of the word "pilot" and the \$70,000 budget item and the addition of the reporting requirement, Ms. Aguilar recommended approval of the EV rate.

Ms. Aguilar summarized the legal requirements for CCR pond closure. She testified that the WWVS contains a pond once used for storing CCR materials generated by the plant, but that RP&L stopped using the pond decades ago. She noted that RP&L has no plan to close the pond and has not filed a request for a closure permit with the Indiana Department of Environmental Management ("IDEM"). Ms. Aguilar testified that the remediation project could have cost significantly less if it had been started when RP&L stopped using the pond in the 1970s. Despite this, and because RP&L is a municipal utility, the OUCC recommended approval of the project amount with changes recommended by Mr. Loveman and discussed further below.

B. Anthony A. Alvarez. Mr. Alvarez, Utility Analyst in the OUCC's Electric Division, testified regarding RP&L's CIP, including the micro-turbine pilot project, vehicle replacements, line extensions, AMI, and other system modifications.

Mr. Alvarez testified that RP&L allocated \$100,000 in its 2020 capital budget for a micro-turbine pilot project, but the utility did not provide testimony about the project. In response to the OUCC's discovery requests, RP&L stated that it intended to file corrected testimony to remove the

\$100,000 budget for the project, but, as of the time Mr. Alvarez's direct testimony was filed, RP&L had not yet done so.

Mr. Alvarez stated that, in calculating its budget for vehicle replacements, RP&L did not account for the trade-in value of the vehicles it was replacing. Based on data provided by RP&L in discovery, Mr. Alvarez calculated the relevant trade-in values and proposed an adjustment of \$102,473 to RP&L's normalized budget amount.

According to Mr. Alvarez, RP&L included an annual budget of \$400,000 for line extensions and new loads in its CIP. He noted that RP&L's total system expansion project costs were only \$115,386 in 2019 and \$192,355 to date in 2020. As a result, Mr. Alvarez recommended a \$200,000 adjustment to RP&L's proposed budget for these expansion projects.

Mr. Alvarez testified that RP&L included an annual budget of \$200,000 for miscellaneous substation modifications in its CIP, but the utility did not provide a detailed scope of work for the project. He recommended that the Commission require RP&L to keep the funding for these projects in a restricted account to ensure the funds are used for much-needed upgrades, modifications, and replacements of the utility's substation relays and major equipment. Mr. Alvarez also recommended a \$100,000 adjustment to RP&L's proposed system modifications and rebuilds based on the utility's historical spending for such projects.

Finally, Mr. Alvarez stated that he has no concerns regarding RP&L's AMI deployment.

C. Wes R. Blakley. Mr. Blakley, Senior Utility Analyst in the OUCC's Electric Division, testified regarding RP&L's proposed revenue requirements and return on rate base calculation.

Mr. Blakley testified that the OUCC treats interest income and other operating revenue differently than RP&L in the revenue requirement schedules. The difference results in an OUCC-calculated revenue deficiency that is approximately \$9,000 less than RP&L's calculation. This results in a 9.45% revenue increase as opposed to the 9.6% increase that RP&L requested.

Mr. Blakley testified that, under Ind. Code § 8-1.5-3-8(e), RP&L is entitled to a reasonable return on its utility plant, but RP&L calculated its return based on total rate base. He stated that RP&L's net plant less CIAC is \$53,686,611, as compared to RP&L's rate base calculation of \$65,714,525. This difference changes the calculation of RP&L's return from 6.59% to 8.07%. Mr. Blakley also testified that the WWVS should be excluded from RP&L's return calculation based on the terms of the capacity purchase agreement with IMPA. Mr. Blakley stated that this adjustment further increases RP&L's return to 9.02%.

D. Peter M. Boerger, Ph.D. Dr. Boerger, Senior Utility Analyst in the OUCC's Electric Division, testified regarding RP&L's COSS and rate design. He stated that, in general, he agreed with RP&L's COSS methodology, but he questioned the use of data from other utilities and other rate classes to estimate coincident peak load contributions. Dr. Boerger concluded that, although it is not perfect, RP&L's COSS is reasonable given the data limitations for a small utility like RP&L, and he recommended that the Commission accept the COSS.

Dr. Boerger offered an alternative rate design to reduce the customer class subsidies identified in the COSS, which was summarized in Table PMB-1 in his direct testimony. He also recommended, due to the current economic conditions, that the Commission consider weighting the three phased rate increases so that a smaller increase is imposed in the first phase with progressively larger increases in phases two and three.

Dr. Boerger testified that RP&L's proposed \$15.75 facilities charge (also referred to as a "customer charge") is higher than RP&L's average cost to connect a residential customer to its system, which he calculated as \$7.08 per month. Based on this conclusion, Dr. Boerger recommended that the Commission keep RP&L's residential customer charge at its current rate of \$10.00 per month. He also proposed lower facilities charges for business classes for the same reason.

Finally, Dr. Boerger recommended that the Commission delete RP&L's Customer-Specific Contract rate from its tariff because this rate gives the utility an inappropriate amount of discretion in setting rates, has not been used in the past, and RP&L discourages potential applicants from using the rate.

E. Kaleb G. Lantrip. Mr. Lantrip, Utility Analyst in the OUCC's Electric Division, testified regarding RP&L's requested rate of return. Mr. Lantrip also proposed certain adjustments to RP&L's uncollectible expense, payment in lieu of taxes ("PILT"), and utility receipts tax ("URT"). Mr. Lantrip discussed the adjustments made by the OUCC's witnesses and attached schedules showing these adjustments.

Mr. Lantrip testified that RP&L is proposing a return based on a 4.59% proxy cost of debt derived from the March 2019 report of the average return on long-term, municipal, tax-exempt, investment-grade bonds. Mr. Lantrip disagreed with RP&L's proposed hypothetical capital structure, which included both debt and equity, based on the 2018 APPA-based debt/equity weighting of capital structure to simulate an investor-owned utility.

With respect to RP&L's rate base components, Mr. Lantrip testified that the utility's return should be calculated only on net plant in service, less adjustments for CIAC and the WWVS. He proposed a rate of return of 4.59% based on the Russell Tax-Exempt Bond's average coupon rate on a 10-plus-year issuance. Mr. Lantrip expressed his concern that RP&L transfers \$1,361,917 of its excess cash to the City of Richmond's general fund, in addition to the utility's PILT obligation and other budget transfers. He testified that these cash transfers indicate RP&L's revenue requirement is providing more money than the utility needs to operate.

Mr. Lantrip made a \$16,349 adjustment to RP&L's proposed PILT amount based on the percentage of RP&L's customers and assets located within the City of Richmond's tax jurisdictional boundaries. Mr. Lantrip made a \$29,774 adjustment to uncollectible accounts expense based on the OUCC's revenue requirement calculation. He also made a \$48,976 adjustment to RP&L's URT.

F. Caleb R. Loveman. Mr. Loveman, Utility Analyst in the OUCC's Electric Division, testified regarding proposed adjustments to RP&L's labor expense, employee benefits expense, Federal Insurance Contributions Act ("FICA") tax expense, and remediation and demolition expenses at WWVS.

Mr. Loveman testified that RP&L's employee count has dropped over the past several years and any new hires are expected to replace vacant, or soon to be vacant, positions. Due to this, he stated that no increase in labor expense is warranted. Mr. Loveman recommended removing \$94,245 of labor expense related to RP&L's affiliated company Parallax, which is reimbursed by Parallax. Mr. Loveman recommended an adjustment of \$2,582 to remove expenses related to donations, retirement gifts, awards, and similar charges. Mr. Loveman recommended a 3% increase to test-year labor expense, as opposed to the 4.63% increase that RP&L proposed, based on the terms of RP&L's union-labor contract. Based on his adjustments to test-year labor expense, Mr. Loveman made corresponding adjustments to FICA tax expense.

With respect to CCR pond remediation, Mr. Loveman agreed with RP&L's proposed calculation, but disagreed with the proposed amortization period. Mr. Loveman proposed that the remediation costs be amortized over an eight-year period. He also recommended that the annual amortization amounts be placed in a restricted cash reserve fund to ensure that the funds will only be used for CCR pond remediation.

Finally, Mr. Loveman recommended an annual amortization amount of \$835,087 for the decommissioning expense related to WWVS. Mr. Loveman used publicly available data provided by the U.S. Bureau of Labor Statistics for historical inflation rates, assumed a 2% inflation rate for future years, and amortized the final amount over a 10-year period. He also proposed that the annual decommissioning expense be placed in a restricted cash reserve fund to ensure the funds will only be used for WWVS decommissioning.

6. Settlement. In their Settlement Agreement, RP&L and the OUCC agreed that RP&L should be authorized to increase its rates and charges to reflect the total net revenue requirement of \$86,551,153 (a total increase of 7.23%), which is a decrease of approximately \$1.9 million from the amount originally requested by RP&L. The parties also agreed that RP&L will implement its overall 7.23% rate increase over three phases, with the first phase ("Phase 1") in the amount of 3.72% to be effective upon the issuance of the Commission's final order in this Cause. The second phase ("Phase 2"), in the amount of 2.26%, will be effective 12 months after the effective date of Phase 1. The third phase ("Phase 3"), in the amount of 1.10% will be effective 12 months after the effective date of Phase 2.

Both RP&L and the OUCC submitted testimony supporting the Settlement Agreement, which is summarized below.

A. RP&L's Settlement Testimony.

i. Mr. Baker. Mr. Baker testified that the Settlement Agreement addresses RP&L's main concerns by increasing RP&L's rates by 7.23% to allow RP&L sufficient cash flow and income to prudently operate the utility, while still funding necessary reserve accounts. The key aspects of the Settlement Agreement are an agreed net revenue requirement and total revenue requirement, an agreed rate of return of 4.59%, an agreed phase-in of rate increases for certain rate classes, and gradual funding of reserve accounts for CCR pond remediation and WWVS decommissioning.

In the Settlement Agreement, the parties agreed to RP&L's proposed modification to its ECA procedures as described in the Petition and Ms. Tomczyk's direct testimony. In addition, the

Settlement Agreement permits RP&L to begin its EV program with annual reporting requirements and requires RP&L to file annual CIP progress reports with the Commission and the OUCC. The Settlement Agreement also eliminates the Customer-Specific Contract tariff. Finally, the Settlement Agreement requires RP&L to file a petition to review its base rates no later than January 1, 2026.

With respect to RP&L's proposed EV program, Mr. Baker testified that RP&L will annually report the following data to the Commission and the OUCC:

- The number of customers in RP&L's service territory who drive an EV prior to the beginning of the program and annually thereafter;
- The number of customers using the RP&L-provided public charging station each day;
- The duration of each charge;
- The kWh of each charge;
- The time of day that charges occurred (or at least off peak vs. on peak);
- The approximate location of the customer (*i.e.*, local or out of state); and
- The approximate battery level of the EV before and after charging.

Mr. Baker opined that approval of the Settlement Agreement is in the public interest because it represents a comprehensive resolution of all issues in the proceeding raised by RP&L and the OUCC. He stated that the Settlement Agreement provides RP&L the opportunity to recover sufficient revenues, maintain adequate cash flows, and fund necessary reserve accounts while balancing the interest of RP&L's customers in receiving reasonable service at a fair cost.

ii. **Mr. Mancinelli.** Mr. Mancinelli testified that the parties exchanged several settlement proposals and responses, participated in conference calls, and shared analyses. The parties recognized the uncertainty associated with litigation and understood that a well-reasoned compromise would result in an acceptable outcome that avoided the uncertainty and expense of a fully litigated case. Ultimately, the parties agreed on a lower total revenue requirement than that originally proposed by RP&L, an associated revenue requirement per rate class, a rate design, and a phase-in of rate increases tailored to specific rate classes.

Mr. Mancinelli testified that RP&L original requested a \$7,735,848 (9.58%) increase in operating revenues, and the parties ultimately agreed to a \$5,833,797 (7.23%) increase. He summarized the agreed adjustments to RP&L's revenue requirement in his settlement testimony, including an updated Table JAM-1. He opined that the agreed revenue requirement addresses many of the concerns of the OUCC and still provides RP&L sufficient revenues to reliably operate the utility and generate sufficient cash to recapitalize the system and provide for necessary reserves.

Mr. Mancinelli stated that a key component of the Settlement Agreement is the acceleration of rate increases to the commercial and industrial rate classes, which will mitigate the impacts of the reduced revenue requirement on RP&L and produce sufficient cash flow. He summarized the rate increases by rate class in Table JAM-3 on pages 13-14 of his settlement testimony. Rates for all classes except residential were redesigned based on the Settlement Agreement, while the rate structures for the commercial and industrial rate classes were largely unchanged from RP&L's original proposal. Mr. Mancinelli submitted an updated rate design and COSS as Attachment JAM-8

and Confidential Attachment JAM-9, respectively. RP&L also agreed to limit the annual increase in the Residential Facilities Charge to \$0.75 (as opposed to the original proposal of \$1).

According to Mr. Mancinelli, the Settlement Agreement reflects a compromise that achieves a desirable and beneficial outcome for RP&L and its customers. Virtually all rate classes will receive a lower increase than originally requested by RP&L, and residential customers will see a lower cumulative increase of 11.89%, as opposed to the original proposal of 15.76%. RP&L will make deposits of reserve funds into restricted accounts, and the phase-in strategy mitigates customer bill impacts by spreading necessary increases over one to three years depending on the required increase for each class while also aligning RP&L's retail rates with the COSS results. Mr. Mancinelli attached an updated tariff and revenue proof as JAM-10 (redlined tariff), JAM-11 (clean tariff), and JAM-8 (revenue proof).

iii. Mr. Reger. Mr. Reger testified that, after the September 17, 2020 settlement hearing in this Cause, Petitioner discovered that the LED lighting rates it submitted were incorrect, a fact that was unknown to the parties at the time the record was closed. Mr. Reger explained that the corrected LED lighting rates will be lower than the tariff rates submitted with Mr. Mancinelli's settlement testimony. Currently, there are no customers on these LED rates because they are new, and these corrections resulted in no impact to revenues or any other rate class. Mr. Reger corrected these errors and submitted new clean and redlined tariffs (Attachments JAM-10 and JAM-11) to reflect the correct LED lighting rates.

B. OUCC's Settlement Testimony.

i. Dr. Boerger. Dr. Boerger testified that the parties agreed to a residential facilities charge that increases by \$0.75 in each of the three annual rate increases, resulting in a charge of \$12.25 in the third phase. The OUCC accepted RP&L's originally proposed facilities charges for all non-residential classes. With respect to the three-phase rate increases, the OUCC accepted RP&L's three-phase increase proposal. However, under the Settlement Agreement, rate classes with smaller overall rate increases will experience their increase in either one or two phases. This will provide adequate cash flow to RP&L while also ensuring that no rate class experiences an unreasonably burdensome rate increase in any one phase.

Dr. Boerger opined that the Settlement Agreement is in the public interest because the rate design and facilities charges fall within the range of expert testimony presented in this case and represent a reasonable compromise. He stated that the structure of phased-in rate increases provides relief to customers by avoiding rate shock while also providing sufficient cash flow to RP&L so it may continue to provide reliable service to its customers.

ii. Mr. Lantrip. Mr. Lantrip stated that the Settlement Agreement is the product of thorough negotiations, with each party offering to compromise on issues. Based on the number of benefits provided to ratepayers, the OUCC, as the statutory representative of all ratepayers, believes the Settlement Agreement is a fair resolution to the issues in this case, is supported by the evidence, and should be approved.

Mr. Lantrip testified that the parties agreed to a revenue requirement increase of approximately \$5.834 million, approximately \$1.902 million less than RP&L's original request. The Settlement Agreement results in a 7.23% system-wide revenue increase. He described the benefits of

the Settlement Agreement to customers, which include a reduced rate of return of 4.59% (compared to 6.59%), resulting in a \$1.846 million revenue requirement reduction; a reduced increase to RP&L's labor expense of 3% (compared to 4.63%), resulting in a \$186,520 revenue requirement reduction; and an annual amortization expense of \$2,321,930 (compared to \$2,680,000), resulting in a \$358,070 revenue requirement reduction.

Mr. Lantrip explained that the reduced rate of return is the product of compromise taking into consideration RP&L's cash flow needs and the impact on ratepayers' bills. The parties also agreed to base the rate of return on a net plant amount of \$54,131,072, rather than RP&L's calculated rate base of \$65,714,525, so that the return calculation is consistent with Ind. Code § 8-1.5-3-8(e). The parties also settled on an agreed escalation rate of 3% for labor expenses and amortization of remediation costs over six years rather than five years. The Settlement Agreement includes an agreed depreciation expense of \$4,584,845 and a revenue requirement reduction of \$50,311 to account for interest income that RP&L earns from its loan to Parallax.

Finally, Mr. Lantrip stated that RP&L has agreed to file its next rate case by January 1, 2026 and to provide a new evaluation of the sufficiency of its funding of restricted accounts and adjust its depreciation and amortization account balances.

7. **Commission Discussion and Findings.** The parties seek approval of their Settlement Agreement, which resolves all issues in this case. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). Any settlement agreement that is approved by the Commission “loses its status as a strictly private contract and takes on a public interest gloss.” (quoting *Citizens Action Coalition of Indiana, Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather, [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406. Any Commission decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence, as well as a determination that the decision, ruling, or order is not contrary to law. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Indiana, Inc. v. Public Service Co. of Indiana, Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). Therefore, before we can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of applicable law, is not contrary to law, and serves the public interest.

Indiana law strongly favors settlement as a means of resolving contested proceedings. *See, e.g., Georgos v. Jackson*, 790 N.E.2d 448, 453 (Ind. 2003) (“Indiana strongly favors settlement agreements.”); *Mendenhall v. Skinner & Broadbent Co.*, 728 N.E.2d 140, 145 (Ind. 2000) (“The policy of the law generally is to discourage litigation and encourage negotiation and settlement of disputes.”) (citation omitted). A settlement agreement “may be adopted as a resolution *on the merits*, if [the Commission] makes an independent finding supported by substantial evidence on the record as a whole that the proposal will establish just and reasonable rates.” *Mobil Oil Corp. v. Fed. Power Comm’n*, 417 U.S. 283, 314 (1974) (emphasis in original) (internal quotation marks omitted); *see also, e.g., Indianapolis Power & Light Co.*, Cause No. 39938, 1995 WL 735722 (IURC Aug. 24, 1995) (quoting *Mobil Oil Corp.*, 417 U.S. at 314).

As explained further below, we find that the Settlement Agreement is reasonable, just, and consistent with the purpose of applicable law, is not contrary to law, and serves the public interest. Therefore, we approve the Settlement Agreement in its entirety.

A. Test Period. The test period selected for determining RP&L’s revenues and expenses reasonably incurred in providing utility service to its customers is the 12 months ended September 30, 2019, adjusted for changes that are fixed, known, and measurable for ratemaking purposes and that occur within 12 months following the end of the test year. We find that the test period is sufficiently representative of RP&L’s normal operations to provide reliable data for ratemaking purposes.

B. Revenue Requirement. Ind. Code § 8-1.5-3-8(c) establishes how the Commission determines just and reasonable rates and charges for a municipally owned utility:

(c) “Reasonable and just rates and charges for services” means rates and charges that produce sufficient revenue to:

(1) pay all legal and other necessary expenses incident to the operation of the utility, including:

(A) maintenance costs;

(B) operating charges;

(C) upkeep;

(D) repairs;

(E) depreciation; and

(F) interest charges on bonds or other obligations, including leases;

(2) provide a sinking fund for the liquidation of bonds or other obligations, including leases;

(3) provide a debt service reserve for bonds or other obligations; including leases, in an amount established by the municipality, not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;

(4) provide adequate money for working capital;

(5) provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and

(6) provide money for the payment of any taxes that may be assessed against the utility.

Rates and charges under Ind. Code § 8-1.5-3-8 are designed to produce an income sufficient to maintain a municipally owned utility’s property in a sound physical and financial condition to render adequate and efficient service. Rates and charges that are too low to meet the foregoing requirements are unlawful. RP&L’s municipal legislative body also elected to include a reasonable return on the utility plant of the electric utility in accordance with Ind. Code § 8-1.5-3-8(e).

RP&L and the OUCC have agreed to the level of RP&L’s annual revenue requirements, which are reflected in the Settlement Agreement and summarized below. The parties submitted substantial evidence in their respective direct and settlement testimony and exhibits describing the components of and adjustments to RP&L’s revenue requirement. Based on the evidence of record, we find that RP&L’s current rates and charges are insufficient to provide for RP&L’s annual cash revenue requirement and are therefore unlawful. We approve the agreed revenue requirement contained in the Settlement Agreement, which is summarized as follows:

Purchased Power Expense	\$63,409,146
O&M Expense	\$12,486,349
Depreciation Expense	\$4,584,845
Amortization Expense	\$2,321,930
Taxes Other Than Income Taxes	\$2,348,084
Other Revenue and Interest Income	(\$156,268)
Return on Plant	\$2,484,616
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Revenue Requirement	\$87,478,702
Plus: URT Amt on Adjustments	\$81,673
Plus: Uncollectible Amt on Adjustments	\$22,052
<hr/>	<hr/>
Total Revenue Requirement	\$87,582,427
Less Other Income	(\$1,031,274)
<hr/>	<hr/>
Net Revenue Requirement	\$86,551,153

C. Authorized Rates and Customer/Facility Charges. To meet its revenue requirement of \$86,551,153, RP&L is authorized to increase its current rates and charges for retail service so as to produce additional operating revenues of \$5,833,797, representing a 7.23% increase in RP&L's annual revenues from retail rates and charges.

In addition, RP&L and the OUCC agreed that the monthly customer/facility charge for the residential customer class will be increased by \$0.75 in each of the three phases (for a total increase of \$2.25), resulting in a total residential customer/facility charge in Phase 3 of \$12.25. Mr. Mancinelli submitted an updated rate design as Exhibit JAM-8, which summarizes the rate schedules and monthly customer/facility charges, demand charges, and energy charges for each customer class. Based on the evidence of record, we approve the monthly customer/facility charges agreed to in the Settlement Agreement and as set forth in Exhibit JAM-8.

D. Allocation of Revenue Requirement to Customer Classes. Mr. Mancinelli updated his COSS and rate design based on the terms of the Settlement Agreement and attached updated schedules to his settlement testimony. The parties, using the updated COSS, agreed to a rate allocation between customer classes that mitigates rate shock to any one class while moving the customer classes toward cost-based rates. Based on the evidence of record, we approve the allocation of revenue requirement to the customer classes contained in the Settlement Agreement and as set forth below:

	Settlement Rate Increases
Residential	11.89%
Commercial Lighting Service	2.58%
General Power Service	4.37%
Large Power Secondary	9.05%
Large Power CP – Primary	4.21%
Large Power CP – Secondary	11.44%
Industrial Service – Primary	4.16%
Industrial Service CP Primary	2.58%
Electric Heating Schools	13.79%
General Electric Heating	8.70%
Outdoor Lighting Services	13.79%
Street Lighting Services	8.54%
System Increase	7.23%

E. Three-Phase Rate Increase Methodology. RP&L and the OUCC agreed to a three-phase rate increase methodology that is customized by rate class. The evidence presented by the parties shows that the three-phase methodology will mitigate the rate shock to customer classes facing large increases by ensuring that no class receives an increase greater than 5% in any one phase. At the same time, the methodology ensures that RP&L has sufficient cash flow starting in Phase 1 to maintain efficient and reliable utility service by front-loading the rate increases for those classes facing smaller increases. Based on the evidence of record, we approve the three-phase rate increase methodology contained in the Settlement Agreement and as set forth below:

Class	Phase 1	Phase 2	Phase 3	Total
Residential	3.65%	3.90%	3.90%	11.89%
Commercial Lighting Service	2.58%	0.00%	0.00%	2.58%
General Power Service	3.48%	0.86%	0.00%	4.37%
Large Power Secondary	5.00%	3.86%	0.00%	9.05%
Large Power CP Primary	3.40%	0.78%	0.00%	4.21%
Large Power CP Secondary	5.00%	5.00%	1.08%	11.44%
Industrial Service – Primary	3.38%	0.75%	0.00%	4.16%
Industrial Service CP Primary	2.58%	0.00%	0.00%	2.58%
Electric Heating Schools	4.40%	4.40%	4.40%	13.79%
General Electric Heating	5.00%	3.52%	0.00%	8.70%
Outdoor Lighting Services	4.40%	4.40%	4.40%	13.79%
Street Lighting Services	5.00%	3.37%	0.00%	8.54%

F. Customer-Specific Contract Tariff. The settling parties agree that RP&L will remove and no longer offer a Customer-Specific Contract tariff. Dr. Boerger testified that no customer currently uses the tariff and that RP&L discourages customers from using the tariff. Based on the evidence of record, we authorize RP&L to remove the Customer-Specific Contract tariff.

G. Restricted Fund Requirements. RP&L and the OUCC agreed that RP&L will deposit funds reserved for certain expenses into restricted funds to ensure that those funds are used for the expenses they were reserved for, as described further below.

i. **Coal Combustion Residual Pond Remediation.** The parties agreed that RP&L will deposit an average annual amount of \$2,321,930 over six years into a restricted fund for CCR pond remediation expense, resulting in a total fund of \$13,931,580 for CCR pond remediation. Because of the phased-in nature of the rates approved above, the parties agreed that, over the three-year phase-in period (years one through three), RP&L will deposit a total of \$6,965,790 for CCR pond remediation, but it need not necessarily deposit the same amount in each of those three years. In years four through six, RP&L will deposit \$2,321,930 per year into the restricted fund for CCR pond remediation.

ii. **WWVS Decommissioning.** The parties agreed that RP&L will deposit an average annual amount of \$953,721 over nine years into a restricted fund for WWVS decommissioning expense. The parties also agreed that the money for this fund will not be included in RP&L's revenue requirement, but will be paid out of the utility's return or other cash resources. Because of the phased-in nature of the rates approved above, the parties agreed that, over the three-year phase-in period (years one through three), RP&L will deposit a total of \$2,861,163 for WWVS decommissioning, but it need not necessarily deposit the same amount in each of those three years. In years four through nine, RP&L will deposit \$953,721 per year into the restricted fund for WWVS decommissioning.

iii. **Miscellaneous Substation Modifications.** The parties agreed that RP&L will deposit an average annual amount of \$200,000 into a restricted fund for miscellaneous substation modifications. The parties also agreed that the money for this fund will not be included in RP&L's revenue requirement, but will be paid out of the utility's return or other cash resources. Because of the phased-in nature of the rates approved above, the parties agreed that, over the three-year phase-in period (years one through three), RP&L will deposit a total of \$600,000 for miscellaneous substation modifications, but it need not necessarily deposit the same amount in each of those three years. After year three, for the remaining life of the rates approved in this Order, RP&L will deposit \$200,000 per year into the restricted fund for miscellaneous substation modifications.

Based on the evidence of record, we approve the terms of the Settlement Agreement related to the restricted funds for CCR pond remediation, WWVS decommissioning, and miscellaneous substation modifications.

H. **Capital Improvement Plan.** The parties agreed that RP&L's CIP will include \$450,000 in funding for system modifications and rebuilds, \$521,277 in funding for vehicle acquisition and replacement, and \$300,000 in funding for line extensions and new loads. The parties agreed that RP&L will provide an annual report to the Commission and the OUCC which identifies and describes projects it is undertaking for the current year and the following year and which provides information on the status, budget, and expenses of previous, current, and future projects. These reports to the OUCC and the Commission will start on December 31, 2021 and annually thereafter for the duration of the seven-year CIP and will include data for the 12 months preceding the date of the report.

Based on the evidence of record, we approve RP&L's proposed CIP and agreed reporting requirements. Beginning on December 31, 2021 and continuing for the duration of the CIP, RP&L will submit an annual report to the OUCC and the Commission under this Cause containing at least the information set forth above.

I. EV Program and Reporting Requirements. The parties agreed that RP&L's \$100,000 budget for the EV program will not be included in RP&L's revenue requirement, but will be paid out of the utility's return or other cash resources. The parties also agreed that RP&L will report the following information to the OUCC and the Commission starting on December 31, 2021, and annually thereafter, including data for the 12 months preceding the report (except for the first report, which will only contain information from the time in 2021 following this Order):

- The number of customers in RP&L's service territory who drive an EV prior to the beginning of the program and annually thereafter;
- The number of customers using the RP&L-provided public charging station each day;
- The duration of each charge;
- The kWh of each charge;
- The time of day that charges occurred (or at least off peak vs. on peak);
- The approximate location of the customer (*i.e.*, local or out of state); and
- The approximate battery level of the EV before and after charging.

Based on the evidence of record, we approve RP&L's proposed EV program and tariff, and we also approve the agreed reporting requirements. Beginning on December 31, 2021 and continuing until RP&L's next rate case order or until otherwise ordered by the Commission, RP&L will submit an annual report to the OUCC and the Commission under this Cause containing at least the information set forth above.

J. RP&L's Next Rate Case. The parties agreed that RP&L will file a new petition for Commission review of RP&L's base rates, which will include a review of the appropriateness of continuing RP&L's restricted fund requirements set forth above, no later than January 1, 2026. Based on the evidence of record, we approve this provision of the Settlement Agreement.

K. New ECA Procedures. Based on the evidence of record, we approve RP&L's proposed modifications to its ECA procedures, as described in Ms. Tomczyk's direct testimony.

L. Approval of Settlement Agreement. Based on the evidence of record and our discussion above, we find that the Settlement Agreement represents a fair and just resolution of all the issues in this Cause. Having reviewed the Settlement Agreement, we further find that it is in the public interest. The terms of the Settlement Agreement provide sufficient cash flow for RP&L to continue to operate its utility reliably and efficiently and to plan and save for future expenses. At the same time, the Settlement Agreement limits the cost increases to ratepayers and mitigates rate shock by spreading the increase over three years. Therefore, we approve the Settlement Agreement in its entirety.

8. Use of the Settlement Agreement. The parties have agreed that the Settlement Agreement will not constitute nor be cited as precedent by any person or deemed an admission by any settling party in any other proceeding, except as necessary to enforce the terms of the Settlement Agreement. The parties also agreed that the Settlement Agreement is solely the result of compromise in the settlement process and is without prejudice to and will not constitute a waiver of any position

that either settling party may take with respect to any issue in any future regulatory or non-regulatory proceeding. With regard to future citation of the Settlement Agreement, we find that the Settlement Agreement and our approval of it should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

9. **Confidentiality**. On March 25, 2020, RP&L filed a Motion for Confidential Treatment, which was supported by the Affidavit of Randall W. Baker, showing that certain information to be submitted to the Commission contained trade secret information that is not known or readily available to persons outside of RP&L. The Presiding Officers issued a Docket Entry on April 6, 2020, finding that this information should be held confidential on a preliminary basis, after which the information was submitted under seal. After reviewing the information, we find this information qualifies as confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2. This information will be held as confidential and protected from public access and disclosure by the Commission and is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement between RP&L and the OUCC, a copy of which is attached hereto, is approved in its entirety.
2. RP&L's net revenue requirement of \$86,551,153 and a total revenue requirement of \$87,582,427 is approved.
3. RP&L is authorized to collect a 4.59% rate of return.
4. RP&L is authorized to implement the rate increases set forth herein and in the Settlement Agreement. Prior to implementing the rates authorized in this Order, RP&L shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates will be effective on or after the Order date, subject to Energy Division review and agreement with the amounts reflected.
5. The proposed RP&L tariff, as corrected on October 2, 2020, is approved consistent with the Settlement Agreement and this Order.
6. RP&L is authorized to gradually fund reserve accounts for CCR pond remediation and WWVS decommissioning as set forth in the Settlement Agreement and this Order.
7. RP&L is authorized to modify its ECA procedures as described in the Petition in this Cause and Ms. Tomczyk's direct testimony as set forth in the Settlement Agreement and this Order.
8. RP&L is authorized to begin its EV program with annual reporting requirements beginning on December 31, 2021 and continuing until the Commission's final order in RP&L's next base rate case or as otherwise ordered by the Commission, as set forth herein and in the Settlement Agreement.
9. RP&L's proposed CIP is hereby approved. Beginning on December 31, 2021 and continuing through the duration of the CIP, RP&L shall file annual CIP progress reports with the

Commission and the OUCC, as set forth herein and in the Settlement Agreement.

10. RP&L is authorized to eliminate the Customer-Specific Contract tariff offering.

11. RP&L shall file a petition to review its base rates no later than January 1, 2026.

12. The information submitted under seal in this Cause pursuant to RP&L's Motion for Confidential Treatment is determined to be confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2 and will continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

13. In accordance with Ind. Code § 8-1-2-70, RP&L shall pay the following itemized charges within 20 days from the date of this Order into the Commission public utility fund account described in Ind. Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges	\$ 6,956.09
OUCC Charges	\$ 97,040.81
Legal Advertising Charges	\$ <u>324.21</u>
TOTAL	\$ 104,321.11

14. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: JAN 20 2021

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

Mary M. Schneider
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF RICHMOND,)
INDIANA, BY AND THROUGH ITS)
MUNICIPAL ELECTRIC UTILITY,)
RICHMOND POWER AND LIGHT, FOR) CAUSE NO. 45361
APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES FOR ELECTRIC)
SERVICE AND FOR APPROVAL TO MODIFY)
ITS ENERGY COST ADJUSTMENT)
PROCEDURES)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 24th day of August, 2020, by and between Richmond Power & Light (“RP&L” or “Utility”) and the Indiana Office of the Utility Consumer Counselor (“OUCC”) (collectively, the “Settling Parties”), who stipulate and agree for purposes of settling all matters in this Cause between them that the terms and conditions set forth below represent a fair, reasonable, and negotiated compromise resolution of all issues in this Cause, subject to their incorporation in a final order of the Indiana Utility Regulatory Commission (“Commission”).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On March 24, 2020, RP&L initiated this Cause by filing a Petition to adjust its rates and charges for electric service and for authority to modify its energy cost adjustment (“ECA”) procedures.

2. **Prefiled Evidence of Parties.** In support of its Petition, RP&L filed the prefiled testimony and exhibits of Randall W. Baker, Laurie A. Tomczyk, Joseph A. Mancinelli and Andrew J. Reger. On July 2, 2020, the OUCC filed the prefiled testimony and exhibits of Kaleb G. Lantrip, Wes R. Blakley, Anthony A. Alvarez, Lauren M. Aguilar, Caleb R. Loveman, and Peter M. Boerger. The case was settled before rebuttal testimony was filed.

3. **Settlement.** Through analysis, discussion, and extensive negotiation, as aided by their respective technical staff and experts, RP&L and the OUCC have now agreed on the terms and conditions as described herein that resolve all issues between them in this Cause.

4. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree that RP&L should be authorized to increase its rates and charges for electric service to reflect a total net revenue requirement in the amount of \$86,551,153 resulting in a total increase of 7.23% over RP&L’s current revenues at existing rates. The Settling Parties further agree that RP&L shall implement its overall 7.23% rate increase over three (3) phases with the first phase (“Phase I”) in the amount of 3.72% to be effective upon the issuance of the Commission’s final order in this Cause. The second phase (“Phase II”) in the amount 2.26% will be effective twelve months after Phase I. The third phase (“Phase III”), in the amount of 1.10%, will be effective twelve months after Phase II. This Revenue Requirement is a decrease of approximately \$1.9 Million from the amount originally requested by RP&L. Below is the agreed upon revenue requirement calculation, which is determined in accordance with I.C. § 8-1.5-3-8:

Purchased Power Expense	\$63,409,146
O&M Expense	\$12,486,349
Depreciation Expense	\$4,584,845
Amortization Expense	\$2,321,930
Taxes Other Than Income Taxes	\$2,348,084
Other Revenue and Interest Income	(\$156,268)
Return on Plant	\$2,484,616
<u>Revenue Requirement</u>	<u>\$87,478,702</u>
Plus: URT Amt on Adjustments	\$81,673
Plus: Uncollectible Amt on Adjustments	\$22,052
<u>Total Revenue Requirement</u>	<u>\$87,582,427</u>
<u>Less Other Income</u>	<u>(\$1,031,274)</u>
<u>Net Revenue Requirement</u>	<u>\$86,551,153</u>

All other issues set forth in RP&L’s case-in-chief that are not specifically addressed in this Joint Stipulation and Settlement Agreement shall be approved as proposed by RP&L as set forth in its supporting Settlement Testimony.

5. **Allocation of Agreed Upon Increase in Operating Revenues.** The cost of service study (“COSS”) prepared by NewGen Strategies & Solutions attached to the Settlement Testimony of Joseph M. Mancinelli was used by RP&L to establish a new schedule of rates and charges implementing the authorized increase in operating revenues.

6. **Rate of Return.** RP&L will be authorized to earn a return on net utility plant of 4.59%.

7. **Mitigation of COSS Cost Allocations.** At the as-settled revenue increase, the Parties agree that RP&L’s rate increases by class shall be as follows:

	As-Settled Rate Increases
Residential	11.89%
Commercial Lighting Service	2.58%
General Power Service	4.37%
Large Power Secondary	9.05%
Large Power CP - Primary	4.21%
Large Power CP - Secondary	11.44%
Industrial Service - Primary	4.16%
Industrial Service CP Primary	2.58%
Electric Heating Schools	13.79%
General Electric Heating	8.70%
Outdoor Lighting Services	13.79%
Street Light Services	8.54%
System Increase	7.23%

8. **Three-Phase Rate Increase Methodology.** The Parties agree that RP&L’s rate increase will occur in three phases¹ as set forth below:

¹ The phase percentage increases are compounded to result in the total percentage increases.

Class	Phase 1	Phase 2	Phase 3	Total
Residential Electric Service	3.65%	3.90%	3.90%	11.89%
Commercial Lighting Service	2.58%	0.00%	0.00%	2.58%
General Power Service	3.48%	0.86%	0.00%	4.37%
Large Power Service - Secondary	5.00%	3.86%	0.00%	9.05%
Large Power Services - Coincident Peak - Primary	3.40%	0.78%	0.00%	4.21%
Large Power Services - Coincident Peak - Secondary	5.00%	5.00%	1.08%	11.44%
Industrial Service - Primary	3.38%	0.75%	0.00%	4.16%
Industrial Service Coincident Peak -	2.58%	0.00%	0.00%	2.58%
Electric Heating Schools	4.40%	4.40%	4.40%	13.79%
General Electric Heating	5.00%	3.52%	0.00%	8.70%
Outdoor Lighting Services	4.40%	4.40%	4.40%	13.79%
Street Light Services	5.00%	3.37%	0.00%	8.54%

9. **Customer/Facility Charges and Rate Schedules.** The Settling Parties agree that the monthly customer/facility charge for the Residential Class shall be increased by seventy-five cents (\$0.75) in each of the three phases, for a total increase in the monthly customer/facility charge of two dollars and twenty-five cents (\$2.25), resulting in a total residential customer/facility charge not to exceed \$12.25. Mr. Mancinelli will present the Rate Design Model in his Settlement Testimony which includes the rate schedules for each class setting forth the monthly customer/facility charges, demand charges and energy charges for each customer class as agreed to by the Settling Parties. Mr. Mancinelli's Settlement Testimony also includes a revenue proof demonstrating that the agreed schedule of rates and charges will produce the annual Revenue Requirement agreed upon herein. The Settling Parties further agree to the Non-Recurring Charges set forth in Mr. Mancinelli's Settlement Testimony.

10. **Customer Specific Contract Tariff.** The Settling Parties agree that RP&L shall remove and no longer offer a Customer Specific Contract tariff offering.

11. **Restricted Fund Requirements.** The Settling Parties agree that RP&L shall deposit into restricted fund accounts the following amounts (the “Restricted Fund Requirements”).

a. **Coal Combustion Residual ("CCR") Pond.** The Parties agree to an average annual amount of \$2,321,930, as agreed to as part of the revenue requirement such that at the conclusion of the agreed six-year amortization period, the restricted fund account for the CCR Pond liability will be funded at a total of \$13,931,580. Due to the phased-in rate structure, RP&L will fund \$6,965,790 into the restricted fund account for the CCR Pond liability over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund the restricted account in later years, so the annual funding levels will not be the same for each year of the three-year phase in period. After the three-year phase in period, the average annual funding level will be \$2,321,930.

b. **WWVS Decommissioning.** The Parties agree to an average annual amount of \$953,721. This amount is “below-the- line” and not a component of the revenue requirement. Due to the phased-in rate structure, RP&L will fund \$2,861,163 into the restricted account over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund this account in later years, so the annual funding levels will not be the same for each year of the three-year phase-in period. After the three-year phase-in period, the average annual funding level for the WWVS decommissioning liability will be \$953,721 for the remainder of the agreed nine-year amortization period.

c. **Miscellaneous Substation Modifications.** The Parties agree to an average annual amount of \$200,000. This amount is “below-the- line” and not a component of the revenue requirement. Due to the phased-in rate structure, RP&L will fund \$600,000

into the restricted account over the three-year phase-in period, with the understanding that RP&L will have more cash available to fund this account in later years, so the annual funding levels will not be the same for each year of the three-year phase-in period. After the three-year phase-in period, the average annual funding level for Miscellaneous Substation Modifications will be \$200,000 for the remaining life of RP&L's rates set herein.

12. **System Modifications and Rebuilds.** The Settling Parties agree to a \$450,000 funding level amount for System Modifications and Rebuilds, and RP&L shall file annual progress report for these projects and associated expenditures throughout its Seven-Year Capital Improvement Plan. RP&L shall identify and provide the descriptions of the individual System Modifications and Rebuilds projects it is undertaking for the current year and following year in its annual progress report including the corresponding status, budget and expenses of previous, current and future projects. RP&L shall provide project information in a manner that promotes transparency and traceability of these projects in its annual progress report. RP&L's capital plan reports will be filed with the Commission and the OUCC beginning December 31, 2021 for the preceding 12-months, and will occur annually thereafter.

13. **Future Base Rate Case Filing.** The Settling Parties agree that no later than January 1, 2026, RP&L will file a new petition for Commission review of RP&L's base rates, which shall include a Commission determination of the appropriateness of continuing RP&L's Restricted Fund Requirements set forth above.

14. **Electric Vehicle Program.** The Settling Parties agree that RP&L's proposed \$100,000 budget for the electric vehicle ("EV") program will be removed from its capital budget, which is "below the line" and is not a component of the revenue requirement and that the EV

tariff included in Mr. Mancinelli's Settlement Testimony shall be approved. The Settling Parties further agree that RP&L shall annually report the following to the OUCC and the Commission:

- a. The number of customers in RP&L service territory who drive an EV prior to the beginning of the tariff's effective date, and yearly thereafter;
- b. The number of customers using the RP&L-provided public station each day;
- c. The duration of each charge;
- d. The kWh of each charge;
- e. The time of day charges occurred (at the very least, off-peak vs. on-peak);
- f. The general location of the customer (local or out of state) if reasonably discernable by RP&L; and
- g. The battery level of the EV prior to charging and the charge level at the conclusion (i.e. was the car empty when it started and full when it left) if reasonably discernable by RP&L.

RP&L's EV reports will be filed with the Commission and the OUCC beginning December 31, 2021 including data for the preceding 12-months, and will occur annually thereafter.

15. **Micro Turbine/Distributed Generation Pilot**. The Settling Parties agree that RP&L shall remove the \$100,000 budgeted amount for the Micro Turbine/DG Pilot, which is "below the line" and is not a component of the revenue requirement.

16. **Vehicle Acquisition and Replacement**. The Settling Parties agree to a normalized amount of \$521,277 for Vehicle Acquisition and Replacement, which is "below the line" and not a component of the revenue requirement.

17. **Line Extensions and New Loads**. The Settling Parties agree to a normalized amount of \$300,000 for Line Extensions and New Loads, which is "below the line" and not a component of the revenue requirement.

18. **Admissibility and Sufficiency of Evidence**. The Settling Parties stipulate to the admissibility of the testimony and exhibits presented by the Settling Parties in this proceeding. The Settling Parties agree that the prefiled evidence constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the

Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

19. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, and is without prejudice to and shall not constitute a waiver of any position that either Settling Party may take with respect to any issue in any future regulatory or non-regulatory proceeding. The Settlement Agreement provides the Settling Parties with certain agreed upon benefits without the uncertainty, risk, and expense of further protracted litigation.

20. **Authority to Execute.** The undersigned hereby represent and agree that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients who will hereafter be bound thereby.

21. **Proposed Order.** The Settling Parties hereby agree to submit a proposed final order for issuance by the Commission which the Settling Parties will file after the evidentiary hearing in this matter.

22. **Approval of Settlement Agreement in its Entirety.** As a condition of this Settlement, the Settling Parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties. The Settling Parties further agree, unless otherwise separately agreed to in writing by the Settling Parties, that in the event the Commission does not issue a Final Order in the form

that reflects the Agreement described herein, the matter should promptly proceed to a litigated hearing, and the Commission should thereafter rule based on the litigation evidence of record in this proceeding. The Settling Parties agree that, in such event, the evidence of record and any post-hearing filings should be considered by the Commission as if no settlement had been reached, unless otherwise agreed by all Settling Parties in a writing that is filed with the Commission. All settlement discussion shall be treated as privileged and confidential. The Settling Parties represent that there are no other agreements in existence between them relating to matters covered by this Settlement Agreement.

23. **Confidentiality.** The parties recognize that certain confidential information has been shared through discovery in this matter. Such information includes (but is not limited to) the confidential Revenue Requirement Study and the confidential electronic Cost of Service Study performed by NewGen Strategies and Solutions, which includes customer-specific proprietary usage data. The OUCC has entered into a confidentiality agreement with RP&L and the parties shall treat all such confidential information as confidential information in accordance with such agreement(s).

ACCEPTED AND AGREED:

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