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State utility consumer advocate calls for dramatic reduction to IPL rate request

OUCC recommends allowing less than one-tenth of the utility's requested increase,
Urges faster action to address downtown network concerns

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending a dramatic reduction to Indianapolis Power & Light Company's (IPL's) requested rate increase. While IPL has asked the Indiana Utility Regulatory Commission to approve a $67.7 million rate increase, the OUCC recommends limiting the increase to $5.9 million.

IPL's rate request and the IURC's investigation of IPL's network infrastructure have been combined into one case, in which the OUCC filed testimony on Monday.

"The evidence presented by our 14 witnesses shows that IPL has the revenues necessary to provide safe, reliable service to all of its customers, and to make the underground infrastructure upgrades that are strongly needed," said Indiana Utility Consumer Counselor David Stippler. "However, the evidence also tells a story of misguided leadership and misplaced priorities, with critical downtown infrastructure needs taking a back seat to shareholder dividends."

Key points in the OUCC's testimony include the following:

- IPL should be required to increase and accelerate efforts to improve the safety of its downtown electric distribution network. It should also be required to perform a management audit, initiate a performance benchmarking program, and retain an independent third party to audit the utility's asset management system.
    - There have been 14 fires and/or explosions in IPL's downtown underground network since 2010. However, data show hundreds of cable failures and other network failures over the last 12 years.
    - IPL is moving too slowly to install Swiveloc manhole covers, which are designed to stay in place in the event of an underground explosion. As of March 2015, IPL had only replaced 374 downtown manhole covers out of 1,214 – a rate of only 31 percent.
    - There is no evidence that IPL, in recent years, has spent more money on its downtown network than its typical expenditures for routine maintenance.
    - However, IPL has paid $2.6 billion in dividends to its parent company – IPALCO Enterprises – between 1994 and 2014. Between 2010 and 2014, the dividends totaled $507 million.

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- The OUCC's analysis shows that a partial rate adjustment, increasing total revenues by 0.49 percent, is justified.
    - The OUCC recommends a 9.2 percent return on equity for IPL, rather than the 10.9 percent return the utility is seeking.
    - Any residential rate increase should be recovered only through the volumetric portion of customer bills.
    - IPL's flat monthly customer charges of $11.00 for customers using more than 325 kilowatt hours (kWh) and $6.70 for customers using less than 325 kWh should remain where they are. The utility has requested permission to raise those charges, respectively, to $17.00 and $11.25.
    - The OUCC's testimony also recommends downward adjustments to numerous line items including costs for off-system sales, storm recovery, regional transmission, and pension matters.

IPL's current base rates received IURC approval in 1995. Since then, however, the monthly bill for an IPL residential customer using 1,000 kilowatt hours has risen by more than 43 percent through various rate adjustment mechanisms, or trackers. IPL uses trackers to recover costs for generating fuel, energy efficiency programs, and construction projects aimed at compliance with federal environmental mandates.

IPL has until September 4, 2015 to file rebuttal testimony. An IURC evidentiary hearing is scheduled to start on September 16, 2015.

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(IURC Cause Nos. 44576, 44602)