

**To: Beth K. Roads, Esq.  
Indiana Utility Regulatory Commission**

**From: Carol A. Stephan  
Office of Indiana Utility Consumer Counselor**

**Re: Office of Utility Consumer Counselor comments regarding the Indiana Utility Regulatory Commission's ("Commission's") proposed revisions to the Minimum Standard Filing Requirements ("MSFR"), contained in the first "Strawman" draft presented at a pre-rulemaking workshop held by the Commission on August 20, 2007.**

**Date: October 29, 2007**

The Office of Utility Consumer Counselor (OUCC) submits these comments to the Indiana Utility Regulatory Commission for its consideration regarding its proposed rules governing Minimum Standard Filing Requirements.

### **General Principles**

The OUCC recognizes the various benefits that an expedited timeframe affords utilities. Under the MSFR rules the OUCC requires more information at an earlier stage of the process in order to fulfill our obligation to the utility, the Commission, and the ratepayer. Greater clarity in the MSFR rules will enable utilities to know with certainty what kind of information is required by the OUCC for its review of filings, workpapers and supporting documentation. The OUCC submits the following comments and suggestions, not with the intent to create an undue burden for utilities, but with the goal of working toward a mutual agreement on terms so that the parties can eliminate guesswork and thereby minimize discovery and unnecessary delay. Clarification of the MSFR rules will greatly improve this process.

### **Specific Comments**

#### **1-5-1 Definitions and terms**

1. A clear definition of "support" would be beneficial. Support for adjustments should include third party documentation (where available) to support the pro forma expense or revenue proposed. This includes invoices, bids, tax bills, insurance premiums, etc. Support also includes the detail calculations performed to arrive at the pro forma amounts proposed.
2. It has been the OUCC's experience that the term "jurisdictional" creates confusion for some utilities. A definition of "jurisdictional" as used in Section 6 (c) and (d) of this rule will clarify whether the term applies to a utility, and under which circumstances the utility's net operating income should be required.

3. The terms “test year” and “test period” are used interchangeably throughout the rule. We recommend defining each term if they differ, or if not, using one consistently.

#### 1-5-4 Filing and Responses

1. Section (a) now states that the OUCC and interveners must file a notice of noncompliance within twenty (20) calendar days of the date the electing utility’s case-in-chief is filed with the Commission. Section 4(g) states that working papers shall be filed fourteen (14) calendar days after the filing of the case-in-chief. Six days does not provide sufficient time for the OUCC to review the work papers. The rule should be changed to provide no less than twenty (20) days from the date the utility files its work papers for the OUCC to file a notice of noncompliance.

2. Correspondingly, the Commission may consider changing the timeframe in Section 4 (b) which currently gives the presiding officer forty-five (45) days from the filing of the case-in-chief to make a determination that the case-in-chief and work papers are not in compliance. The trigger for this determination should be the filing of the work papers, and the timeframe should be sufficient for the Commission to receive and review any notice of noncompliance filed by the OUCC or other intervening party.

#### 1-5-5 Accounting methodology and guidelines for cutoffs

1. Under Section 5(e)(1) The MSFRs allow extended rate base treatment for projects “specifically identified” in the Petition. The term “specifically identified” needs to be defined. The MSFRs should at a minimum require a complete description of the project and include scope, location, and cost. In addition, the proposed rule appears to allow the presiding officer to set the general rate base cutoff date, but no criteria are provided. The OUCC recommends readopting the current rules for rate base cut off for general rate base and major projects.

#### 1-5-7 Working papers and data; general information

1. The rule should require that all workpapers are legible, are paginated, and are organized by the rule section to which they pertain. When possible, test year general ledger detail should be provided in an electronic format that is searchable and sortable. A large utility should have the ability to download this information to Excel or a database such as Microsoft Access.

2. Under Section 7(a), the utility should be required to provide specific information on any coding used to record an accounting entry, including but not limited to company numbers, voucher types, district, division and or responsibility center coding. This information is needed for reviewing journal entries and understanding how they are being recorded to a company's books.

3. The utility should continue to be required to file all reports of the utility and parent corporation filed with the Securities and Exchange Commission for the test year, the year preceding the test year, and the year following the test year, as available.

1-5-8 Working papers and data; revenues, expenses and taxes

1. Section 8(2) - As suggested above in the "definitions" section, the definition of "supporting workpapers" should be as explicit as possible. For example, supporting workpapers should include invoices, insurance premiums, estimates and other concrete support for the proposed pro forma expenses and revenues. Supporting workpapers should also include any reports, schedules or other documents the utility used to calculate these adjustments.

2. Section 8(3) - Consumption and delivery volumes should be added to the list under this section. This information is necessary to calculate a revenue normalization.

3. Under Section 8(11), subsections (A) and (B) could be combined.

4. Section 8(a)(17) – For charges from an affiliate and/or charges classified as "management fees" the following information should be provided:

- A summary schedule that shows the amounts charged during the test year by each department and/or affiliated company;
- A schedule that shows by month the amount charged by each department and/or affiliated company (during the test year); and
- A detailed listing of charges from the test year from each department/affiliate, preferably in electronic format that can be searched and sorted.

Section 8 should also include a section requiring the following information: For each utility employee shared with any affiliate, an itemization of the pay, the number of hours worked, and the employees' responsibilities for each affiliate entity.

1-5-9 and 10 Working papers and data; rate base and general information; rate base, utility plant in service

1. The electing utility should be required to provide a schedule showing the increase to rate base and/or utility plant in service since the last rate case. In some instances, it has been several years since a utility has filed a rate case and updated its rate base. This schedule should also show the annual changes to rate base broken down by additions, retirements, and other changes.
2. Section (10)(a) should require that the valuation study be provided electronically, with formulas intact.

1-5-11 Working papers and Data; rate base, depreciation

1. Section (1) should include a qualifier stating this requirement only applies if the utility is not using the Commission's composite depreciation rates.

1-5-13 Working papers and data; rate of return and capital structure

1. This section should be expanded to include all workpapers that support the cost of equity and fair rate of return estimation. For example,
  - If the DCF model is used to estimate cost of equity, the utility should supply all reports used by the utility to estimate the growth rate;
  - If the CAPM is used, the utility should provide all reports used to estimate beta; and
  - If an inflation rate is used as a component to estimate cost of equity or fair rate of return, the utility should provide any source documentations relied on to derive its inflation rate(s).

**Conclusion**

The Office of Utility Consumer Counselor appreciates the opportunity to contribute to this rulemaking process. We look forward to continuing this discussion with the other interested parties, and to submitting additional comments at future meetings.