



One N. Capitol Avenue, #1275 | Indianapolis, IN 46204  
1-866-448-3618 | Fax: 317-423-2211 | TTY: 1-877-434-7598  
aarp.org/IN | in@aarp.org | twitter: @aarpindiana  
facebook.com/aarpindiana

September 27, 2024

Indiana Utility Regulatory Commission ([PBRstudy@urc.in.gov](mailto:PBRstudy@urc.in.gov))  
PNC Center  
101 W. Washington Street, Suite 1500E  
Indianapolis, IN 46204

**RE: Indiana Utilities Regulatory Commission Performance-Based Ratemaking Study -  
Indiana Code § 8-1-2.5-6.5**

**COMMENTS OF AARP INDIANA**

**Does your organization consider the adoption of multi-year rate plans advisable in Indiana? Please explain the reasons for your position. If your organization requires more information before forming a position, what additional information is needed?**

AARP has serious concerns regarding multi-year rate plans that authorize several years of rate increases in a single proceeding. These plans depend on cost forecasts, which may not provide clear benefits to consumers. Additionally, we have reservations about speculative revenue requirements. We also question the use of formula rates that adjust automatically without comprehensive regulatory review. The implementation of formula rates in Illinois led to significant increases in consumer rates over a decade, resulting in the decision to allow this mechanism to expire.

**Does your organization consider the adoption of performance incentive mechanisms advisable in Indiana? Please explain the reasons for your position. If your organization needs more information before forming a position, what additional information is needed?**

AARP appreciates the idea of implementing a few thoughtfully designed performance incentive mechanisms as a pilot test, but we believe they should not completely replace traditional utility mechanisms. It's also important that these incentives not reward utilities for responsibilities that are already expected, such as providing excellent customer service and maintaining affordable, reliable services. Furthermore, we feel that the incentives should be based on meaningful targets rather than easily achievable ones, like the installation of a specific number of EV chargers, which may not align with the core responsibilities of utilities.

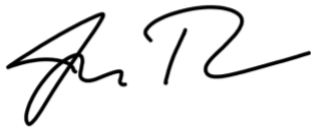
**Are there any specific aspects or details about multi-year rate plans or performance incentive mechanisms, beyond what is stated above, that your organization needs to provide comprehensive feedback on these mechanisms?**

AARP recognizes that the traditional utility structure, which encourages utilities to spend money, has its limitations and may no longer be the best approach. However, we believe that the proposed alternative, while appealing at a glance, could present even greater challenges. As mentioned in the previous questions, AARP is concerned that utilities might establish easily

attainable incentives and have control over the data used to assess performance. This data control could complicate verification of completed benchmarks. Additionally, identifying suitable metrics can be a lengthy and intricate process. This is part of the reason California moved away from this idea after its evaluation in the 1990s, and why Michigan briefly considered it before deciding to stick with traditional regulation.

We appreciate the opportunity to provide these comments and look forward to the continued discussion with the IURC and the Indiana General Assembly about ensuring that Hoosiers have reliable and affordable utility services. Below we have included some links to compiled observations regarding these programs from our state offices throughout the country.

Sincerely,



Jason Tomcsi  
AARP Indiana

Additional AARP Observations:

- [AARP Maine comments on PBR legislation](#)
- [AARP Michigan comments on PBR](#)
- [Eversource NH petition to intervene of AARP NH in their rate case which proposes PBR.](#)
- [AARP Oklahoma opposition to PBR legislation](#)
- [AARP Illinois opposition to formula rates](#)
- [AARP Maryland opposition to alternative regulation](#)
- [How PBR can go wrong](#)

cc: Nick Crowley, Christensen Associates ([nacrowley@caenergy.com](mailto:nacrowley@caenergy.com));  
Andi Romanovs-Malorvrh, Christensen Associates ([aromanovs@caenergy.com](mailto:aromanovs@caenergy.com));  
Corey Goodrich Christensen Associates ([crgoodrich@caenergy.com](mailto:crgoodrich@caenergy.com))