

September 27, 2024

## **RESPONSES OF CITIZENS ACTION COALITION TO IURC PBR STUDY SURVEY QUESTIONS**

Citizens Action Coalition (CAC) appreciates this opportunity to provide comments on the Commission's performance based ratemaking study.

As a preface to our responses to the questions that have been posed, CAC recommends taking a step back and asking: *What is the problem we are trying to solve by making changes to Indiana electric utility regulation?* CAC believes that one of the main crises facing Hoosiers is utility unaffordability. While our investor-owned utilities are financially healthy, our ratepayers, increasingly, are not. It is not clear at this time if performance based ratemaking is the best tool for improving ratepayer affordability while continuing to have financially healthy utilities.

CAC also cautions that the expression "the devil is in the details" is particularly apt with respect to performance-based ratemaking. Although performance-based ratemaking has many positive-sounding attributes when discussed in the abstract, there are significant implementation challenges with such a major change to long-standing policies that could undermine these benefits in practice.

### **1. 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?**

More information is needed to form an opinion. CAC welcomes the opportunity to learn more about multi-year rate plans (MYRPs) and how such a concept would be implemented in the Indiana context, as this topic is broad and has many possible variations. It is unclear what additional benefits – and potential downsides – are associated with how MYRP is being contemplated for Indiana.

Our understanding is that MYRP sometimes apply a formula or index that allow for rates to continue to be adjusted year-over-year beyond the utility's test year. This does not necessarily seem aligned with providing for just and reasonable rates that are affordable, as a utility could theoretically be able to increase their rates based on such an index or formula, even if their actual costs are not increasing or are increasing by a smaller amount. Without knowing the index, formula, or other rate adjustment mechanism(s), and safeguards to protect consumers, it is not possible to comment on the soundness of the MYRP concept.

In addition, a regular base rate case cadence is currently an important opportunity for consumer advocates to get access to utility information that is not otherwise regularly reported, as well as have a somewhat transparent accounting of the utility's costs. For example, Indiana Michigan Power has routinely filed new rate cases on a two-year cycle, whereas MYRPs would result in much less frequent rate cases. Therefore, one concern we have with MYRP is that such a change

could remove one of the main opportunities organizations like CAC have to issue discovery on a broad range of important topics and to comprehensively review a utility's operational efficiency. More information is needed on whether and how additional transparency and information provision would be provided under a MYRP construct to address these issues. A current challenge for stakeholders is a lack of transparency and absence of standardized utility reporting requirements. For example, utilities do not have durable, standardize reporting requirements for basic, critical information on:

- Utility disconnection notices, disconnections, arrearages, bad debt expense, arrearage management program participation, and utility shareholder / foundation contributions to crisis funding programs.
- LIHEAP-qualifying customer data.
- Customer adoption of distributed generation and battery storage technology.
- Standardized reliability metrics, as each utility applies their own internal definition to metrics like "major event days," which are measured differently across investor-owned utilities, preventing an apples-to-apples comparison of utility reliability indices liked SAIDI and SAIFI.

Indiana utilities already take advantage of the opportunity to use future test years and implement multi-step phased-in rate increases. In between rate cases, utilities typically receive prompt cost recovery, typically through quarterly tracker filings, for many types of costs that were not anticipated in the base rate case, including fuel adjustments, tax changes, additional transmission and distribution spending, environmental compliance costs, and demand-side management programs (including lost revenue cost recovery). It is unclear what MYRPs offer in comparison to these existing mechanisms and how they could impact ratepayers, either to their benefit or detriment.

**2. 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?** More information is needed to form an opinion. What would the specific PIM metrics be? How would they be determined? How would they be measured? How would the utility be rewarded or penalized for achieving specific PIM metric benchmarks?

It is also unclear how PIMs would fit into the broader performance based ratemaking being contemplated, e.g., would these be used to fundamentally change Indiana's cost-of-service ratemaking, or would PIMs be used in a more limited fashion to more modestly reward or penalize utilities based on their performance?

PIMs must also include careful consideration of affordability and environmental sustainability, three of Indiana's Five Pillars of electricity policy. While aligning utility incentives for good performance is a worthy goal, CAC has reservations about PIMs to the extent that they could result in rate increases or fail to incent meaningful environmental sustainability improvement.

**3. 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?**

CAC welcomes the opportunity to learn more about performance based ratemaking and the topics identified above through collaboratives, workshops, webinars, or technical conferences. This issue is fairly new to Indiana, and we believe more stakeholder education and outreach is necessary to foster a robust and meaningful discussion on this important topic.

Respectfully submitted,



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