

FILED
January 17, 2017
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA)
MUNICIPAL POWER AGENCY (“IMPA”))
FOR COMMISSION APPROVAL TO)
ASSUME THE OBLIGATION OF CERTAIN) CAUSE NO. 44898
JURISDICTIONAL IMPA MEMBERS TO)
PURCHASE ENERGY AND CAPACITY)
OFFERED BY A QUALIFYING FACILITY)
PURSUANT TO 170 IAC 4-4.1-5(A))

VERIFIED PREFILED DIRECT TESTIMONY

OF

J. CHRISTIAN RETTIG

- 1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 2 A1. My name is J. Christian Rettig. My business address is 11610 North College Avenue,
- 3 Carmel, Indiana, 46032.
- 4 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**
- 5 A2. I am employed by the Indiana Municipal Power Agency (“IMPA” or “the Agency”) as its
- 6 Senior Vice President and Chief Financial Officer.
- 7 **Q3. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS SENIOR VICE**
- 8 **PRESIDENT AND CHIEF FINANCIAL OFFICER?**

1 A3. I have responsibility for all of IMPA's accounting and finance activities. I am heavily
2 involved in IMPA's annual audit process as well as development of the Agency's annual
3 rate study. I am also responsible for IMPA's Members Services Department's marketing
4 and economic development support to the 61 municipal electric utilities IMPA serves.

5 **Q4. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **BACKGROUND.**

7 A4. I hold a Master of Business Administration degree from Butler University and a Bachelor
8 of Science degree in Accounting and Economics from Ball State University. I am also a
9 Certified Public Accountant in the State of Indiana. I have been IMPA's Chief Financial
10 Officer since 2000. Prior to working at IMPA, I worked for Roche Diagnostics
11 Corporation for five years and the accounting firms of Baird, Kurtz & Dobson (formerly
12 Geo. S. Olive & Co.) and Baden, Gage and Schroeder for eleven years.

13 **Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

14 A5. Yes, on three occasions. In 2004, I testified in Cause No. 42455; in 2001, I testified in
15 Cause No. 42063; and in 2009, I testified in Cause No. 43833. All of these proceedings
16 were related to IMPA seeking approval of a certificate of need for certain electric
17 generation projects and the financing thereof.

18 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A6. The purpose of my testimony is to explain IMPA's financial and rate structure, and how
20 that impacts Qualifying Facilities ("QFs").

1 **Q7. PLEASE BRIEFLY DESCRIBE AND EXPLAIN IMPA’S FINANCIAL**
2 **STRUCTURE.**

3 A7. IMPA is a “body corporate and politic and a political subdivision of the State of Indiana”
4 under Indiana Code Section 8-1-2.2 *et seq.* The Agency is a non-profit, funded with tax
5 exempt bonds issued under its state statutory authority. The bonds are secured by a
6 senior pledge of the net revenues of the agency, derived from member’s all-requirements
7 power sales agreements. The revenue requirement is set on a cash basis to cover
8 operating expenses, payments in lieu of taxes, debt service requirements and funds
9 necessary to invest in new plant and infrastructure.

10 **Q8. HOW ARE IMPA’S RATES SET?**

11 A8. The requirements for IMPA’s rate structure are set forth in Indiana Code Section 8-1-2.2-
12 13. The Power Sales Contracts that IMPA enters into with its member municipalities
13 follow these requirements. IMPA’s rates are regulated by the Agency’s Board of
14 Commissioners (“Board”), established pursuant to Indiana Code 8-1-2.2-8(d). Each
15 municipal member of IMPA has a Commissioner on the Board, holding one vote and
16 representing the interests of its own municipality, as well as a vote to establish
17 appropriate policies for all of IMPA. The Board approves IMPA’s rates on an annual
18 basis pursuant to Indiana Code 8-1-2.2-9(a). Once the Board approves rates for IMPA’s
19 members, those become the only rates that IMPA may lawfully charge.

20 **Q9. HOW WOULD ADDITIONAL RATE REGULATION FOR PURPOSES OF QFS**
21 **BE DUPLICATIVE?**

1 A9. The Federal Energy Regulatory Commission (“FERC”) and the Indiana Utility
2 Regulatory Commission (“IURC”) do not have jurisdiction over IMPA’s rates. *See* 16
3 U.S.C. § 824(c) and IC 8-1-2.2 *et seq.* However, the Agency substantially follows the
4 Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission
5 (FERC). It is not uncommon for state and federal regulatory authorities to have no
6 jurisdiction over the ratemaking of municipalities and joint action agencies like IMPA.
7 IMPA is essentially an arm of Indiana state government. As a body corporate and politic
8 and political subdivision, it is “deemed to be exercising a part of the sovereign powers of
9 the state” in carrying out its duties under Indiana Code Section 8-1-2.2-8(a). IMPA’s
10 rates, which are approved by its Board of Commissioners, are already governed by the
11 votes of 60 different municipalities. Additional regulatory oversight would represent one
12 level of government overseeing another level of government, an inefficient duplication of
13 effort. To add another layer of rate regulatory oversight suggests the same kind of
14 bureaucratic inefficiencies that have been historically rejected by the existing state and
15 federal regulatory framework of public power entities. Accordingly, it makes sense that
16 the vast majority of publicly owned utilities in the United States are not subject to state or
17 federal ratemaking jurisdiction.

18 **Q10. WHAT ARE THE REQUIREMENTS OF IC 8-1-2.2-17 WITH REGARD TO THE**
19 **RIGHTS AND REMEDIES OF IMPA’S BONDHOLDERS?**

20 A10. IMPA’s enabling statute provides that “The state hereby covenants and agrees with the
21 holders of any bonds that so long as any bonds of a municipality or joint agency issued

1 under this chapter are outstanding and unpaid, the state will not limit or alter the rights
2 vested in such municipality or joint agency to . . . establish, maintain, revise, charge, and
3 collect the rents, rates, fees and charges referred to in this chapter and to fulfill the terms
4 of any agreements made with the holders of the bonds or in any way impair the rights and
5 remedies of the bondholders, until the bonds, together with interest thereon, interest on
6 any unpaid installment of interest, and all costs and expenses in connection with any
7 action or proceedings by or on behalf of the bondholders, are fully paid, met and
8 discharged.” IMPA presently has approximately \$1.16 billion in bonds outstanding as of
9 January 5, 2017.

10 **Q11. WHY, GIVEN THE FINANCIAL STRUCTURE OF IMPA, SHOULD THE**
11 **AGENCY NOT BE REQUIRED TO FILE RATE DATA PURSUANT TO 170 IAC**
12 **4-4.1-4?**

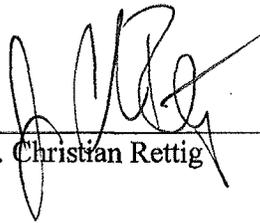
13 A11. Notwithstanding that 170 IAC 4-4.1 *et seq.* does not apply to IMPA because the Agency
14 does not fall within the Cogeneration Rule’s definition of an “electric utility,” given the
15 rate approval process I described above involving each of IMPA’s 60 Member
16 communities, additional regulatory filings would largely duplicate data the Agency
17 already includes in its rate studies and audited financial statements which are publicly
18 available. Not only are additional rate filings with the IURC unnecessary, but this would
19 also lead to significantly greater accounting and regulatory compliance costs to IMPA,
20 and in turn, its Members. This would not lead to any increase in transparency and
21 accuracy beyond what is already available under IMPA’s current rate setting process.

1 **Q12. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 A12. Yes.

VERIFICATION

I affirm under the penalties of perjury that the facts stated in the foregoing testimony are true to the best of my information and belief.



J. Christian Rettig