

DAS 32.02 Regarding the Companies' Attachment to their Supplemental Response to Staff DR DAS-31.01, please provide the following information:

- a. Please provide an updated Attachment with the amounts calculated through the full amount of the depreciation of 10 years.
- b. State which entity would own the asset at the end of the 10 year period.
- c. Please explain why the value of the land is included in this attachment.
- d. Please explain why IBS would not enter into a contract regarding the project referenced in the Response to DAS-31.01.
- e. Please state whether IBS would enter into an agreement with any non-affiliate to provide the service referred to in DAS-31.01 without a contract.
- f. If the windmill referred to in DAS-31.01 were to malfunction beyond repair 7 years after it was put into service, what amount would IBS charge PDI to recover the un-depreciated amount of the windmill?
- g. If the market for wind power were to become uneconomical 7 years after it was put into service, what amount would IBS charge PDI to recover the un-depreciated amount of the windmill?

**Response:**

- a. Please see DAS 32.02 Attach 01.
- b. As stated in the response to Staff data request DAS 31.01, the hypothetical is flawed because IBS would not own a windmill (or wind turbine or other generating unit) that is solely used by a single entity. The information provided in the hypothetical is insufficient to respond to this subpart (b). Assuming for purposes of the hypothetical that IBS owned the asset at the beginning of the period, nothing in IBS's accounting rules would call for a change in ownership at the end of ten years.
- c. The scenario that was provided in DAS 31.01 specifically stated that the windmill was installed on IBS property. In an effort to respond to this scenario the property was assumed to be land and included in the IBS use of asset calculation.
- d. Under the hypothetical, IBS would bill PDI under the IBS affiliated interest agreement applicable to non-state regulated utilities, *i.e.*, a new contract is not needed because one exists. An additional, separate agreement for the hypothetical transaction would not be required.
- e. If IBS provided the services described in DAS 31.01 to a non-affiliated company and if no contract existed to cover the transaction (as is the case for the affiliated

company [please see the response to subpart (d)], then IBS would enter into a contract with the non-affiliated company.

- f. If the windmill was not longer useful, IBS would be required to impair the asset to its fair value. Under this scenario, it is most likely the value would be zero. Under the IBS allocation rules, that impairment charge would be billed 100% to PDI. The land would then most likely be sold. Any gain or loss on that sale would be allocated 100% to PDI. Until that land was sold, IBS would continue to charge PDI a return on the book value of the land.
- g. Please see the response to subpart (f).

**Supplemental Response:**

**Request:** Staff is looking for a specific number of the amount left undepreciated at the end of the 7 years that would remain to be collected

**Response:** Please see cell O35 of the attachment provided with the original response.

**DAS 31.01**  
**Hypothetical Wind Turbine Situation**

	Depreciation 930220	ROA 930220											
IBS Costs Assumed to be Capital													
Planning Costs	100,000	100,000											
Contractor Costs	200,000	200,000											
Construction Costs	600,000	600,000											
Permitting Costs	100,000	100,000											
Wind Turbine	1,000,000	1,000,000											
Land	-	250,000											
Total Assumed Capital Costs	2,000,000												
Assumed life in months (10 years)	120	months											
Direct Charged Depr from IBS to PDI/month	16,666.67	Straight-lined over 120 months											
Asset Balance 2014		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
12 month average		2,250,000	2,233,333	2,216,667	2,200,000	2,183,333	2,166,667	2,150,000	2,133,333	2,116,667	2,100,000	2,083,333	2,066,667
Weighted Cost of Capital		2,158,333											
Annual ROI Amount		0.1091											
Monthly ROI Amount Direct Charged to PDI		235,474											
		19,623											
<b>Total Monthly Charges from IBS to PDI 930220</b>		<b>36,290</b>											

**DAS 32.02**  
**10 Yr - Hypothetical Wind Turbine Situation**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12 Mo Avg Asset	Annual ROI 10.91%	Annual Depr
Asset Balance 2014	2,250,000	2,233,333	2,216,667	2,200,000	2,183,333	2,166,667	2,150,000	2,133,333	2,116,667	2,100,000	2,083,333	2,066,667	2,158,333	235,474	200,000
Asset Balance 2015	2,050,000	2,033,333	2,016,667	2,000,000	1,983,333	1,966,667	1,950,000	1,933,333	1,916,667	1,900,000	1,883,333	1,866,667	1,958,333	213,654	200,000
Asset Balance 2016	1,850,000	1,833,333	1,816,667	1,800,000	1,783,333	1,766,667	1,750,000	1,733,333	1,716,667	1,700,000	1,683,333	1,666,667	1,758,333	191,834	200,000
Asset Balance 2017	1,650,000	1,633,333	1,616,667	1,600,000	1,583,333	1,566,667	1,550,000	1,533,333	1,516,667	1,500,000	1,483,333	1,466,667	1,558,333	170,014	200,000
Asset Balance 2018	1,450,000	1,433,333	1,416,667	1,400,000	1,383,333	1,366,667	1,350,000	1,333,333	1,316,667	1,300,000	1,283,333	1,266,667	1,358,333	148,194	200,000
Asset Balance 2019	1,250,000	1,233,333	1,216,667	1,200,000	1,183,333	1,166,667	1,150,000	1,133,333	1,116,667	1,100,000	1,083,333	1,066,667	1,158,333	126,374	200,000
Asset Balance 2020	1,050,000	1,033,333	1,016,667	1,000,000	983,333	966,667	950,000	933,333	916,667	900,000	883,333	866,667	958,333	104,554	200,000
Asset Balance 2021	850,000	833,333	816,667	800,000	783,333	766,667	750,000	733,333	716,667	700,000	683,333	666,667	758,333	82,734	200,000
Asset Balance 2022	650,000	633,333	616,667	600,000	583,333	566,667	550,000	533,333	516,667	500,000	483,333	466,667	558,333	60,914	200,000
Asset Balance 2023	450,000	433,333	416,667	400,000	383,333	366,667	350,000	333,333	316,667	300,000	283,333	266,667	358,333	39,094	200,000
Asset Balance 2024	250,000												250,000	27,275	