

I&M Exhibit: _____

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

STEVEN F. BAKER

Cause No. 45933

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**DIRECT TESTIMONY OF STEVE F. BAKER
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY**

I. Introduction of Witness

1 **Q1. Please state your name and business address.**

2 My name is Steven F. Baker and my business address is Indiana Michigan
3 Power Center, P.O. Box 60, Fort Wayne, IN 46801.

4 **Q2. By whom are you employed and in what capacity?**

5 I am employed by Indiana Michigan Power Company (I&M or Company) as its
6 President and Chief Operating Officer.

7 **Q3. Briefly describe your educational background and professional
8 experience.**

9 I earned a bachelor's degree in Electric Engineering from Texas Tech University
10 in 1990. I am a registered professional engineer in the state of Texas and have
11 more than 31 years of electric utility operations experience in the areas of
12 distribution system planning, construction design and engineering, electrical
13 safety, major storm restoration, construction management, project management,
14 customer service initiatives, labor negotiations, financial planning, and the
15 development of operational policies and procedures.

16 I began my career in 1990 with West Texas Utilities Company (WTU), which is
17 now AEP Texas Inc., as a Distribution Engineer. During my time at WTU, I
18 developed hands-on experience designing, planning, constructing, and
19 maintaining the distribution system. While at WTU, I also held a variety of
20 leadership positions and worked directly with customers to meet expectations to
21 resolve system performance issues. In 2003, I joined Public Service Company

1 of Oklahoma (PSO) as the Tulsa District Distribution System Manager. In that
2 role, I had oversight responsibilities for the design, construction and overall
3 operation of the distribution system serving Tulsa and northeast Oklahoma. I
4 held that position until 2010 when I was named Vice President of Distribution
5 Operations.

6 As Vice President of Distribution Operations, I was responsible for the various
7 organizations that construct, operate, and maintain PSO's distribution system.
8 My team was responsible for the extension of service to new customers, the
9 safe and reliable delivery of service to our customers, and restoring service
10 when outages occur. I was also responsible for PSO's distribution asset
11 management functions, technology deployments, reliability program
12 development and execution, and all other functions related to the distribution
13 system. Additionally, I participated and led several initiatives within PSO and at
14 our parent company, AEP, involving distribution strategy, grid technology
15 deployment, continuous improvement, employee development programs, and
16 other corporate strategic initiatives. I held that position until I was named to my
17 current position with I&M in 2021.

18 **Q4. What are your responsibilities as Chief Operating Officer?**

19 I am responsible for the safe, reliable, and efficient day-to-day operation of I&M,
20 which is an operating company subsidiary of AEP. I am accountable and
21 responsible for I&M's financial performance and the quality of services we
22 provide to our customers.

23 My responsibilities include I&M's community involvement and economic
24 development activities, and ensuring compliance with federal regulatory and
25 statutory rules, as well as the laws of Indiana and Michigan, the states
26 comprising the Company's electric service territory. Essentially, I am
27 accountable for the Company's distribution, customer service, transmission, and
28 generation functions to provide safe and reliable service to I&M's customers,

1 while balancing the need to maintain the system and meet customer
2 expectations with the impacts on affordability.

3 **Q5. Have you previously testified before any regulatory commissions?**

4 Yes. I provided testimony in I&M's Integrated Resource Plan (IRP) proceeding
5 before the Michigan Public Service Commission (MPSC) in Case No. U-21189.
6 Additionally, I have provided testimony before the Oklahoma Corporation
7 Commission in multiple cases. I also adopted the testimony of Toby Thomas in
8 I&M's last base rate case before the Indiana Utility Regulatory Commission
9 (IURC or Commission) in Cause No. 45576.

II. Purpose of Testimony

10 **Q6. What is the purpose of your testimony?**

11 My testimony provides an overview of I&M's overall request using a 2024
12 (January 2024 – December 2024) forward looking test year (Test Year) and
13 2023 – 2024 Capital Forecast Period. I discuss ongoing operating challenges
14 and the need to replace aging infrastructure and strengthen the grid. I describe
15 the Company's plans to continue to modernize our distribution and information
16 technology systems, enhance the reliability and resiliency of the electric grid,
17 and maintain safe and reliable generation resources. My testimony also
18 discusses I&M's efforts to efficiently manage our business and improve our
19 customers' experience. Together with Company witness Seger-Lawson, I
20 discuss how this rate review filing is consistent with the considerations
21 enumerated in House Enrolled Act ("HEA") 1007 (2023) codified as Ind. Code
22 § 8-1-2-0.6. Finally, to provide context, I provide an overview of I&M's service
23 area, organizational structure, and relationship with AEP.

1 **Q7. Are you sponsoring any attachments?**

2 Yes. I am sponsoring the following Attachment:

- 3 • Attachment SFB-1, which is a copy of the Petition in this Cause and
4 attached filing index and summary. As the Petition has been filed
5 separately it is not reproduced with my testimony but will be offered into
6 evidence with my testimony at the hearing in this Cause.

7 **Q8. Was the attachment that you sponsor prepared or assembled by you or**
8 **under your direction?**

9 Yes.

10 **Q9. Please summarize your testimony.**

11 As a regulated company, the price we charge for retail electric service is
12 necessarily underpinned by the cost the Company incurs to provide service.
13 The Test Year results demonstrate that the Company's rates will not be
14 sufficient to cover the Company's Test Year cost of providing service. I&M
15 requests that the Commission approve a total annual increase in revenues of
16 approximately \$116.4 million, or 6.80%. Commission approval of the proposed
17 package of base rates and rate adjustment mechanisms is reasonable and
18 necessary to allow the Company to continue to meet our customers' needs for
19 service.

20 The Company's filing includes an average annual capital expenditure, excluding
21 Allowance for Funds Used During Construction (AFUDC) of \$548.5 million
22 during the Capital Forecast Period (January 2023 – December 2024). The
23 capital investments reflected in the Company's filing focus on infrastructure
24 improvements across the generation, transmission, distribution, and information
25 technology functions, and complying with environmental and regulatory
26 requirements. The Company is continuing to execute its integrated grid

1 modernization package, which incorporates technologies such as advanced
2 metering infrastructure (AMI), Conservation Voltage Reduction (CVR),
3 distribution automation circuit reconfiguration (DACR), supervisory control and
4 data acquisition (SCADA), distribution line sensors, smart reclosers, and smart
5 circuit ties. Embracing new technology and automated controls improves and
6 modernizes our energy delivery infrastructure and service and improves the
7 customer experience. Customers will benefit from this investment through
8 enhanced system reliability and tools to manage energy usage and costs.

9 The Company also continues to invest in technologies that improve internal
10 business processes and customer interactions, which are essential to I&M's
11 strategy to control costs and enhance the customer experience. One of the
12 prominent technology projects the Company discusses in this proceeding is the
13 modernization of its Customer Information System (CIS). The proposed CIS
14 replacement will result in significant long-term benefits to I&M's customers,
15 including improving the Company's ability to bring new innovative service
16 options to customers as their personal interests and business needs change.

17 Additionally, the Company is engaged in a generation transition strategy that
18 supports a diversified and flexible portfolio of supply-side and demand-side
19 resources that will provide a reliable and resilient set of generation resources
20 that stabilize energy costs over time, stimulate economic development growth,
21 reduce emissions, and take advantage of new technologies. The anchor to this
22 strategy is the continued operation of the Company's Cook Nuclear Facility. To
23 prepare for the Cook Units approaching the end of their current licenses in 2034
24 and 2037 respectively, the Company plans to initiate the process to evaluate,
25 and potentially pursue, a Subsequent License Renewal (SLR) for both Cook
26 Units starting in 2024.

27 The rate adjustment mechanisms included in the Company's filing are an
28 important tool in our effort to timely reflect variable costs and savings in I&M's
29 rates for electric service while providing reliable and affordable service to our

1 customers. The Company's proposal to continue with existing mechanisms such
2 as the PJM Rider and Resource Adequacy Rider will allow the Company to track
3 costs that may fluctuate over time, providing long term stability in rate structures.
4 New proposals such as the updated Tax Rider and proposed Grant Projects
5 Rider provide the Company with opportunities to share potential federal tax
6 credits and grant opportunities with customers in a timely manner.

7 In sum, the requested rate relief is necessary and appropriate to support our
8 ongoing effort to address aging infrastructure, secure long-term reliability and
9 resiliency, enhance the service we provide through new technology and
10 automation, and otherwise meet the ongoing energy and capacity needs of our
11 customers.

III. Overview of I&M's Request

12 **Q10. What is the annual revenue increase sought by I&M in this proceeding?**

13 I&M is requesting that the Commission approve a total annual increase in
14 revenues of approximately \$116.4 million, or 6.80%, based on a forward-looking
15 calendar Test Year ending December 31, 2024. The Company proposes to
16 phase-in the increase over two steps. The initial step will reflect an increase of
17 \$83.7 million, or 4.89%; the second step will reflect an increase of \$32.7 million,
18 or approximately 1.91% as adjusted for actual Test Year investments.

19 **Q11. Why is the requested rate increase necessary?**

20 The Company's ongoing investment in infrastructure remains important to our
21 efforts to maintain and improve our service and our customers' experience. As
22 shown by the Company's case-in-chief, the Test Year results demonstrate that
23 the Company's rates will not be sufficient to cover the Company's Test Year
24 cost of providing service. As a regulated company, the price we charge for retail

1 electric service is necessarily underpinned by the cost the Company incurs to
2 provide service. Commission approval of the Company's proposed package of
3 base rates and rate adjustment mechanisms is necessary for the Company to
4 continue to meet our customers' needs for service.

5 **Q12. Please provide an overview of the infrastructure investment underlying the**
6 **need for a rate adjustment.**

7 The Company's filing includes average annual capital expenditures, excluding
8 AFUDC, of \$548.5 million during the Capital Forecast Period (January 2023 –
9 December 2024).¹ The investments reflected in the Company's filing focus on
10 infrastructure improvements, investments in cybersecurity and information
11 technology, and complying with environmental and regulatory requirements.
12 Embracing new technology and automated controls improves and modernizes
13 our energy delivery infrastructure and service and improves the customer
14 experience. Customers will benefit from this investment through improved
15 system reliability, a more robust and modern platform for customer billing to
16 facilitate future optionality, and improved tools to manage energy usage and
17 cost.

18 **Q13. How does the Company make investment decisions regarding its**
19 **electricity generation and energy delivery system?**

20 To make investment decisions in our electricity system, our management team
21 considers numerous factors, including environmental and regulatory
22 compliance, integrated resource planning, the service reliability metrics reported
23 to the Commission, age and condition of the Company's facilities, the
24 consequence of failure, customer and employee safety, avoidance of outages,
25 preservation and improvement of operational integrity, equipment protection,

¹ Company witness Sloan Direct Testimony, Attachment SAS-4.

1 evolving customer demands, impacts on affordability, and taking advantage of
2 new technology options.

3 Once we determine and prioritize the investments or maintenance needs
4 required to serve our customers, we then employ industry proven design,
5 engineering, and project execution methods to ensure the desired results are
6 achieved in a timely and efficient manner. Our approach is a thoughtful,
7 reasoned, flexible process that ensures we are doing the right projects or
8 activities at the right time, at a reasonable cost to ensure we have reliable and
9 efficient generation resources and a safe and resilient electricity system capable
10 of meeting customers' needs 24/7.

11 **Q14. Are the costs reflected in I&M's filing and the proposed rates reasonable**
12 **and necessary to allow I&M to provide service to its customers?**

13 Yes. Recognizing the cost of providing service in the ratemaking process in a
14 timely manner better positions the Company to provide service and the
15 customer to utilize service in an informed manner. I&M has worked hard to
16 responsibly grow our business by attracting and retaining customers and we
17 remain committed to supporting economic development of the communities in
18 which we serve. The costs reflected in the proposed rates are reasonably
19 representative of the Test Year cost of service and are reasonable and
20 necessary for the Company to provide safe, adequate, and reliable service
21 during the time the rates are expected to be in effect.

22 **Q15. Do other Company witnesses support the Company's request?**

23 Yes. Company witness Seger-Lawson summarizes I&M's requested rate relief,
24 and together with the Company's other witnesses supports the accounting and
25 ratemaking reflected in the Company's filing. Company witness Fischer supports
26 our proposed rate design, including the proposed changes in the residential rate
27 design. The Company's request is further supported by the witnesses identified

1 in the Index of the Company's filing included with the Petition, including those
2 responsible for providing generation and energy delivery services, financial
3 experts to discuss the financial needs of the Company, and technical witnesses
4 to describe the level of costs that will be incurred going forward.

IV. I&M Overview

5 **Q16. Please describe I&M and its organizational structure.**

6 I&M supplies electric service to approximately 482,000 retail customers in
7 northern and east-central Indiana and 133,000 retail customers in southwestern
8 Michigan. I&M operates plants and equipment in Indiana and Michigan that are
9 used and useful in the provision of electric generation, transmission, and
10 distribution service to the public. I&M's Indiana service territory consists of more
11 than 3,200 square miles and includes the cities of Fort Wayne, South Bend,
12 Elkhart, Muncie, Marion, Kendallville, and Decatur.

13 The Company's principal office is located in Fort Wayne, Indiana. I&M's four
14 distribution and customer service districts (Benton Harbor (MI), Fort Wayne,
15 South Bend/Elkhart, and Muncie/Marion) are each responsible for a specific
16 geographic portion of I&M's service territory.

17 I&M is subject to the regulatory authority of the Commission, the MPSC, and the
18 Federal Energy Regulatory Commission (FERC). I&M is a member of PJM
19 Interconnection, LLC (PJM), the regional transmission organization (RTO)
20 serving the eastern portion of the country.

21 **Q17. Please describe the relationship between AEP and I&M.**

22 AEP owns electric operating companies located in Midwestern and Central parts
23 of the country, including I&M. In key respects, the operating companies function
24 as an integrated utility system that provides electric service to approximately 5.6

1 million customers located in eleven states. To effectively manage the costs of
2 joint activities, American Electric Power Service Corporation (AEPSC) provides
3 corporate support services to the operating companies, including generation-
4 related services, human resources, information technology, accounting, finance,
5 and legal.

6 I&M is in the AEP System – East Zone (AEP East). AEP’s operating companies,
7 including I&M, are responsible for day-to-day operations and management of
8 local business affairs, including responsibility and accountability for the
9 operation of each operating company’s generating plants.

V. Ongoing Challenges and Service to Customers

10 **Q18. Please describe the ongoing challenges the Company faces with respect** 11 **to providing adequate and reliable retail electric service and facilities.**

12 Key challenges facing I&M include how to continue to provide reliable electric
13 service at a comparatively low price when costs are rising, environmental and
14 regulatory policies are changing, and customer needs and technology are
15 evolving. Because many electronic devices and equipment our customers use
16 today are less tolerant of even minor service interruptions, continued diligence
17 with respect to service reliability remains important. I&M also continues to
18 recognize developing environmental concerns, including those addressing the
19 issues surrounding climate change and customer interest in environmentally
20 sustainable sources of generation.

21 It is important to improve the alignment between our rate structures and the
22 fixed and variable cost of the service we provide so that customers receive
23 appropriate price signals. As the Commission has previously recognized:

24 *Cost recovery design alignment with cost causation principles*
25 *sends efficient price signals to customers, allowing customers to*
26 *make informed decisions regarding their consumption of the*

1 *service being provided.*²

2 **Q19. Has the Company considered these challenges in developing its proposals**
3 **in this case?**

4 Yes. The package of rate relief including the adjustment to base rates and
5 ongoing use of rate adjustment mechanisms is reasonably designed to address
6 these challenges while remaining mindful of rate impacts, as well as the
7 Company's need for a reasonable opportunity to earn a fair return.

8 **Q20. Is it important to continue the use of general rate cases in combination**
9 **with ongoing rate adjustment mechanisms?**

10 Yes. I&M seeks to continue the timely recovery of costs because rate
11 adjustment mechanisms are an important tool in our effort to meet ongoing
12 challenges while providing reliable service to our customers. We appreciate the
13 ability to match the time costs are incurred with their inclusion in rates through a
14 forward-looking Test Year and the Commission's approval of timely cost
15 recovery mechanisms.

16 As shown by Company witness Koehler, the PJM Rider remains important due
17 to the grid investment needs and associated cost of transmission service within
18 PJM. The transfer of functional control of the Company's transmission facilities
19 to PJM was authorized by the Commission's September 10, 2003 Order in
20 consolidated Cause Nos. 42350 and 42352. The Company's membership in
21 PJM has allowed I&M's customers to benefit from the independent regionally
22 operated, and jointly planned and coordinated, PJM transmission grid necessary
23 to enhance competitive wholesale markets, resource diversity and system

² *Indianapolis Power & Light Company*, Cause No. 44576 (IURC Mar. 16, 2016), p. 72.

1 reliability and security. The PJM rate adjustment mechanism remains
2 reasonable and necessary.³

3 Company witnesses Seger-Lawson and Gruca describe other rate adjustment
4 mechanisms, including the new Grant Projects Rider and changes to the
5 existing Tax Rider. These mechanisms will allow the Company to track costs or
6 customer benefits, such as grant funding or tax credits that may fluctuate over
7 time and provide more timely recognition of the costs and benefits in I&M's rate
8 structures.

9 **Q21. How does the Company's proposal to update its residential rate design**
10 **further address these challenges?**

11 Company witness Fischer presents the Company's proposed rate design for
12 residential service, including the proposal to increase the residential monthly
13 service charge from \$14.79 to \$17.50. Importantly, it should be recognized that
14 the percentage increase in the service charge relates only to one component of
15 the customer's entire bill and should not be confused as equating to an overall
16 increase in the entire bill. As previously recognized by the Commission,
17 "gradualism is best considered in the context of the entire customer bill and not
18 discrete charges within the bill."⁴

19 It is important that we continue to make progress on properly designing our
20 rates to align cost recovery with cost causation principles. Doing so sends
21 efficient price signals to customers to allow them to make informed decisions
22 regarding their consumption of the service being provided.

³ The history, rationale and benefits of the FERC's efforts to transition to a competitive market are summarized in the FERC's Order No. 2000 (*In Re Regional Transmission Organizations*, dated December 20, 1999, 89 FERC ¶ 61,285).

⁴ Cause No. 45235 Order dated March 11, 2020, p. 96 (quoting March 16, 2016, Order in *Indianapolis Power & Light Company*, Cause No. 44576, p. 72).

1 If I&M's rates are not properly designed, some customers will be incentivized to
2 avoid fixed costs buried in the variable charge, leaving those fixed costs to be
3 spread among the other customers. Under I&M's proposed rate design, the
4 total bill for all customers will better reflect the underlying cost of service.

5 **Q22. Has the Company considered the impacts of the increases in the monthly**
6 **service charge on low-income customers?**

7 Yes. While the Company does not agree with the premise that all low-income
8 customers are necessarily disproportionately impacted by an increase in the
9 residential monthly service charge, the Company does understand a need to
10 take steps to maintain affordability of service for this segment of customers. As
11 discussed further by Company witness Fischer the Company's proposal to
12 increase the residential service charge provides for a measured move to reflect
13 the fixed cost of providing service to customers.

14 **Q23. Is the Company aware of the work of the Indiana 21st Century Task Force**
15 **and HEA 1007 (2023) codified as Ind. Code § 8-1-2-0.6? And if so, were the**
16 **Task Force's findings and HEA 1007 attributes considered in the**
17 **Company's request in this case?**

18 Yes. The Company has been closely engaged in the work of the 21st Century
19 Task Force and has considered both frameworks that shape Indiana's energy
20 policy. The first framework is "The Five Pillars of Electric Utility Service" and
21 includes: 1) Reliability; 2) Resiliency; 3) Stability; 4) Affordability; and 5)
22 Environmental Sustainability. The second framework is "A Managed Transition
23 to Renewable Energy Resources" and reinforces that "the transition to an
24 increased reliance on renewable energy resources must be managed in a way
25 that doesn't compromise reliability, resiliency, and stability of electric service,
26 and that maintains affordability for all customer classes."⁵

⁵ 21st Century Energy Policy Development Task Force Report, October 19, 2022, pages 8-9.

1 With respect to ratemaking, the 21st Century Task Force Report recognizes that:

2 Federal mandates and spending, the adoption of innovative technologies,
3 and changing market dynamics have quickened the pace of the energy
4 transition. With the world rapidly changing, Indiana must ensure its
5 regulatory system can keep pace. The Indiana Utility Regulatory
6 Commission (IURC) should continually evaluate regulatory and
7 ratemaking processes to ensure that regulation is aligned with state
8 policy and with shifting market and consumer dynamics, and that
9 innovative technologies can be adopted for the benefit of the
10 overall system, without compromising the five pillars.⁶

11 In HEA 1007, the Indiana General Assembly “declares that it is the continuing
12 policy of the state that decisions concerning Indiana's electric generation
13 resource mix, energy infrastructure, and electric service ratemaking constructs
14 must consider each of the following attributes of electric utility service” which the
15 statute defines as: Reliability, Affordability, Resiliency, Stability, and
16 Environmental Sustainability. This statute was effective July 1, 2023. The “Five
17 Attributes” enumerated in the new statute are consistent with the “Five Pillars” of
18 utility service recommended in the October 19, 2022 Report of the Indiana 21st
19 Century Energy Policy Development Task Force.⁷

20 I&M’s proposals in this case take into consideration each of the Five Pillars and
21 are aligned with the state’s energy policy. Company witness Seger-Lawson’s
22 testimony includes a compilation of how the Company’s filing considers each of
23 the Five Pillars. As shown in her testimony, I&M’s investments in grid
24 infrastructure improvements and modernization, combined with its ongoing
25 investments in its generation resources, are focused on ensuring the reliability,
26 resiliency, and stability of the electric system for I&M’s customers. As discussed
27 further by Company witness Isaacson, I&M’s past investments in these areas
28 have resulted in significant improvements in the reliability of the system. The
29 investment proposed in this case will allow the Company to continue this

⁶ *Id.* at page 9.

⁷ In our filing, the terms “Five Pillars” and “Five Attributes” are used somewhat interchangeably.

1 positive trend of improved reliability for I&M's retail customers. Company witness
2 Koehler discusses the Company's investment in its transmission system that
3 helps ensure I&M can continue to get electric generation to its end-use
4 customers in a safe and reliable manner. Finally, Company witnesses Ferneau
5 and Jessee discuss the Company's generating assets and investments made to
6 ensure the Company's generating resources are available to serve its
7 customers energy and capacity needs.

8 The Company also understands the importance of balancing the investment
9 required to provide safe and reliable service while working to maintain
10 affordability for I&M's customers. A primary strategy the Company is using to
11 offset some of the costs of select, eligible future investments is to pursue federal
12 grant funding. As discussed in further detail by Company witnesses Osterholt
13 and Jessee, I&M has filed concept papers and applications to obtain funding
14 through the Infrastructure Investment and Jobs Act (IIJA) for capital projects in
15 Indiana. The Company is also pursuing the potential to provide Production Tax
16 Credits (PTC) for the Cook Nuclear Facility through the Inflation Reduction Act
17 (IRA) which would benefit I&M's customers. Company witness Criss discusses
18 the IRA matters in this case and Company witness Seger-Lawson discusses
19 how these credits will benefit customers over time.

20 As it relates to environmental sustainability and a managed transition to
21 renewable energy resources, I&M's generation transition plan furthers the state
22 policy to consider the impact of environmental regulations on the cost of
23 providing electric utility service and the demand from consumers for
24 environmentally sustainable sources of electric generation. Although not part of
25 this case, earlier this year the Company filed for approval of nearly 750 MW of
26 renewable resources.⁸ These resources are intended to replace the Rockport
27 facility which will retire by 2028. The Company is currently in the process of

⁸ IURC Cause No. 45868.

1 administering a 2023 All-Source RFP to identify additional new resources. In
2 this proceeding, the Company is proposing to begin the process of pursuing the
3 SLR for the Cook Nuclear units to maintain a diversified fleet of generation
4 resources that maintains safe, reliable service in an environmentally sustainable
5 manner. The SLR is discussed further in my testimony below.

VI. Distribution Strategy

6 **Q24. Please summarize the Company's integrated distribution strategy.**

7 The goal of I&M's distribution investment strategy is to provide customers with a
8 reliable, high-quality experience that allows them to optimize the use of our
9 energy delivery platform. We began executing our strategy several years ago
10 as we renewed our focus on energy delivery service. I am pleased to report that
11 the strategy is showing results that demonstrate we are headed in the right
12 direction.

13 At its core, I&M's distribution strategy continues to be based on three guiding
14 principles:

- 15 • Improve the reliability of the system today and in the future.
- 16 • Utilize technology to increase operational efficiency and create a more
17 optimized system.
- 18 • Position I&M to meet changing regulatory requirements and customer
19 expectations.

20 These principles guide our identification of needs and opportunities for
21 enhancing our distribution service and our thoughtful and deliberate plans to
22 implement projects and process improvements.

23 To improve the reliability of the system, I&M is continuing its strategic approach
24 to asset renewal, which is necessary to maintain a safe and reliable system.

1 We are also continuing the vegetation management program that protects our
2 facilities and promotes reliable service, while being considerate of the interests
3 of property owners. As discussed further by Company witness Isaacson, the
4 efforts I&M has made over the past five years have produced improvements in
5 our reliability metrics that show customers are benefiting from our strategic
6 initiatives.

7 Utilization of technology allows us to increase operational efficiency, which
8 streamlines and benefits customer experiences with our service. For example,
9 grid modernization technologies allow the Company to have a more predictive
10 and data-driven approach to managing the system. Through technology, we
11 can safeguard against potential outages, take advantage of self-healing
12 opportunities, and reduce outage restoration times. Combining AMI with the use
13 of CVR can reduce system losses and provide more insight into customer end
14 use points.

15 Last, but not least, our distribution strategy helps provide a system where
16 customers can optimize our electric service in a changing world. The energy
17 industry is moving away from a linear paradigm where electrons flowed in one
18 direction from large central power stations to end users and moving towards a
19 more complex matrix of customer options, including distributed energy
20 resources (DER) that provide a two-way power flow. Customer and regulatory
21 expectations are evolving in parallel with the changing industry. The Company's
22 proposals in this case, such as the Advanced Distribution Management Systems
23 (ADMS) and Distributed Energy Resource Management System (DERMS)
24 discussed later in my testimony, and by Company witness Brenner, are critical
25 to serving customers today and preparing for changes to the grid in the future.
26 Regulators expect us to integrate our generation and energy delivery planning
27 and to accommodate the increasing penetration of DERs. For example, we
28 must be ready to proactively and collaboratively address the implications of
29 FERC Order 2222 and our ability to continue to manage the safety and reliability

1 of our distribution system as new entrants participate in the wholesale market.
2 Our strategy and technology like ADMS and DERMS are intended to allow us to
3 meet the changes in customer expectations and regulatory requirements.
4 Company witness Isaacson provides details of the specific elements of our
5 overall distribution plan.

6 **Q25. Please provide an update on the AMI Project the Company deployed as**
7 **part of the Company's last rate case.**

8 In I&M's last base rate case, I&M presented a four-year AMI deployment plan for
9 its Indiana service territory that started in 2021 and was expected to be
10 complete by the end of 2024. As explained by Company witness Isaacson, I&M
11 encountered several delays in the program due to supply chain issues impacting
12 the industry. Despite these delays, the Company has been able to modify its
13 plans and currently still intends to complete the Indiana AMI deployment by the
14 end of 2024. The primary change from the plan proposed in I&M's last base
15 rate case is that more AMI meters will be installed in 2023 and 2024 because of
16 the delays in receiving the AMI meters. The Company will continue to actively
17 manage the AMI deployment until all customers who do not opt-out of the
18 program receive an AMI meter and are able to actively manage their electric
19 usage given the proper tools.

VII. Customer Information System and New Technologies

20 **Q26. Please describe what the Company refers to as a "Customer Information**
21 **System."**

22 A Customer Information System, or CIS, is a technology that is a central
23 repository for all customer information. It manages the billing, accounts
24 receivable, and rates for the Company. Additionally, it links the consumption
25 and metering to customers that supply their own generation, provides payment

1 options for customers, supports new programs and services, is used in
2 collection activities, facilitates the planning and scheduling of service starts and
3 stops, and is integral to other downstream customer service processes.

4 A modern CIS is essential to provide a holistic view of customer usage profiles,
5 service characteristics and enable new service technology as the industry and
6 grid continue to evolve. As customers increase the number of devices at their
7 premises, such as solar panels, electric vehicle chargers, and smart whole
8 house technologies, CIS systems that use modern technology are better able to
9 implement new customer service offerings, provide customer access to data,
10 and provide more timely updates to demand response programs, rate designs,
11 and tariff programs.

12 **Q27. Why is it necessary for the Company to undertake this CIS transition now?**

13 As Company witness Brenner discusses, the technology used today across the
14 AEP operating companies is over 30 years old and while the Company has
15 made prudent investments in auxiliary systems and integrations to improve
16 functionality or capabilities, the Company recognizes the need to move forward
17 with a more modern technology platform to be able to adapt and change as
18 customers expect going forward. As the industry changes with increased
19 adoption of distributed generation, evolving customer expectations, and more
20 complex market settlement requirements it is important that the Company start
21 now to establish the technology platform to meet these needs.

22 **Q28. Will this transition to a new CIS benefit the Company's customers?**

23 Yes. As discussed further by Company witness Davis, a modern CIS benefits
24 the Company's customers by being able to adapt to the changing grid and
25 evolving tariff designs, increasing the efficiency and time necessary to
26 implement new customer programs and tariff offerings, and using the latest
27 technologies and tools to protect customer data.

1 **Q29. When is the new CIS system planned to be in place for I&M?**

2 As discussed by Company witness Brenner, the CIS system is planned to be
3 rolled out over multiple years at the program level. For I&M, there will be two
4 primary phases that will provide benefits to customers. The initial functionality
5 will bring billing automation to I&M's commercial and industrial customers by
6 means of the new technology platform. This new billing mechanism will simplify
7 a historically labor-intensive process and will result in immediate and positive
8 impacts to I&M and its customers. Currently, the in-service date for this
9 functionality is set for September 2023. The next element of the program is the
10 Common Enablement process which is currently scheduled to begin in 2024.
11 Common Enablement includes common infrastructure that is the foundation of
12 the system that will benefit I&M and all the AEP operating companies. The
13 Common Enablement development process is expected to conclude in 2025.
14 Based on the current implementation schedule, I&M is currently scheduled to
15 have all functionality, including the specific functionality necessary to implement
16 all I&M tariffs and regulatory mechanisms, in place by the end of 2026.
17 Company witness Brenner further discusses the details of the CIS system
18 deployment.

19 **Q30. Why is it necessary for I&M to address the CIS system in this proceeding?**

20 The CIS system represents a large, unique investment that I&M will be making
21 starting in 2023 through 2026. I&M's customers will begin seeing the benefits of
22 this new system through the billing automation described above in 2023 and are
23 expected to see the full benefits by 2026. I&M is requesting the Commission to
24 approve that the overall CIS system investment is reasonable and necessary for
25 I&M to serve customers and meet future expectations. Company witness
26 Seger-Lawson discusses the Company's proposal for cost recovery of this
27 investment.

1 **Q31. Are there other new technologies that I&M is proposing in this case?**

2 Yes. As discussed further by Company witness Brenner, I&M and AEPSC have
3 developed a strategy for several new technologies the Company is pursuing to
4 replace platforms that are no longer supported. New technologies provide
5 improvements in efficiency and/or customer experience, improve the Company's
6 cyber-security capabilities, and position the Company to meet future regulatory
7 obligations.

8 I would highlight two major technology projects that are significant components
9 of I&M's Distribution strategy. As I have previously mentioned, the ADMS and
10 DERMS technology support a full suite of distribution management and
11 optimization functionality. The implementation of this system will provide I&M
12 the platform to integrate grid modernization technologies, provide a more robust
13 platform for integration of DERs and facilitate the opportunity for more options in
14 customer programs.

15 The second major technology project that I would highlight is the Company's
16 Field Mobility Program. This program leverages new technologies to change
17 the way we do field work across our distribution internal work force as well as
18 the business partners that provide critical support to our system. The Field
19 Mobility Program will improve the efficiency of storm restoration, damage
20 assessment, work scheduling, and construction activities. Company witnesses
21 Isaacson and Brenner further discuss the ADMS and Field Mobility program.

VIII. Cook Nuclear Facility

22 **Q32. Please describe the status of the Company's Cook Nuclear Facility.**

23 The Company's Cook Nuclear facility is located in Berrien County, Michigan and
24 comprised of two units: Unit 1 which is 1,084 MW and Unit 2 which is 1,204
25 MW. Unit 1 was commissioned in 1975 and Unit 2 was commissioned in 1978.

1 The original license period for both units was forty years from the operational
2 date. The United States Nuclear Regulatory Commission (NRC) renewed the
3 operating licenses of both units in August 2005. With the renewal, the operating
4 license of Unit 1 expires in 2034 and Unit 2 expires in 2037.

5 **Q33. Has the Company decided on the future of the Cook Nuclear Facility**
6 **beyond the current license period?**

7 No. In the Company's latest IRP, filed with the IURC on January 31, 2022, the
8 Company stated that because decisions have not been made regarding future
9 license extensions and cost estimates to extend the licenses were not
10 completed, the Preferred Portfolio assumed the Cook Unit 1 and Unit 2
11 operations continued through 2034 and 2037, respectively. However, the
12 Company was clear that near-term plans were intentional and thoughtful to
13 maintain optionality regarding the future decisions at the Cook Nuclear Facility.⁹

14 **Q34. What are the next steps in making the determination on the future of the**
15 **Cook Nuclear Facility?**

16 As described in detail by Company witness Ferneau, the Company is planning
17 to take steps to evaluate the potential for an SLR application. The NRC has
18 defined SLR to be the period of extended operation of a nuclear facility from 60
19 to 80 years.¹⁰ The evaluation that the Company proposes to begin in 2024 will
20 inform the Company's next IRP so the costs and benefits of a SLR can be taken
21 into consideration for future planning. Starting the process in 2024 is also
22 necessary to develop the information necessary for a potential future application
23 to the appropriate regulatory bodies for approval.

⁹ I&M Integrated Resource Planning Report, page 6.

¹⁰ [Status Of Subsequent License Renewal Applications | NRC.gov](https://www.nrc.gov/status-of-nuclear-plant-licensing/extended-operation)

1 **Q35. What is the Company requesting in this proceeding related to the SLR**
2 **process at the Cook Nuclear Facility?**

3 The Company is requesting approval from the Commission to undertake the
4 efforts and investments necessary to evaluate the SLR and, if determined
5 appropriate, develop the application to obtain approvals for the SLR. This is a
6 unique and substantial investment, and it is important to the Company that the
7 Commission provide approvals that this course of action and the associated
8 costs are reasonable and necessary. Company witnesses Ross and Seger-
9 Lawson describe the Company's proposed accounting and regulatory
10 mechanisms to recover the costs associated with the Cook SLR.

IX. Run-of-River Hydro Investments

11 **Q36. Please describe the Company's Run-of-River Hydro facilities.**

12 As discussed by Company witness Jessee, I&M's generation fleet includes six
13 Run-of-River Hydro facilities, which combine for a total of 22.4 megawatts (MW)
14 of installed capacity.¹¹ These facilities were originally installed in the early
15 1900s and have been environmentally sustainable resources for over 100 years.
16 The facilities are regulated through the FERC who manages the operating
17 licensing process for the facilities and conducts inspections to ensure their
18 safety as a resource for the utility and the public.

19 **Q37. What investments are included in this proceeding related to the Run-of-**
20 **River Hydro facilities?**

21 In this proceeding, Company witness Jessee discusses projects that are
22 necessary to maintain the safe and reliable operation of the units and to
23 maintain compliance with FERC. The projects are primarily focused on dam

¹¹ See Jessee direct testimony, pages 6 – 7.

1 safety at the Elkhart and Twin Branch facilities. These projects result in O&M¹²
2 and capital¹³ levels during the Test Year and Capital Forecast Period that are
3 higher than historical levels, but the investments are critical to maintain the safe
4 operation of these units.

5 **Q38. What factors has the Company considered when evaluating these**
6 **investments?**

7 When considering investments in the Run-of-River Hydro units it is important for
8 the Company to consider the unique aspects of the facilities. As mentioned
9 above, these facilities have been in existence for over 100 years and have
10 become an integral part of the communities where they are located. Property
11 owners and businesses have located near the dams, and they are regularly
12 used for recreational activities.

13 In addition to the generation investments the Company must make for these
14 units to continue as a reliable source of environmentally sustainable generation,
15 the Company must also ensure the dam structures meet all FERC safety
16 requirements. This obligation to maintain regulatory compliance and ensure
17 public safety around these facilities is an important responsibility of the
18 Company and the investments included in this proceeding are necessary to
19 ensure the safe and reliable operation of these facilities.

X. Impact on Customers

20 **Q39. Please discuss the ongoing efforts taken by I&M to manage costs.**

21 The Company is keenly focused on maximizing the value of the service we
22 provide to our customers. One way we seek to achieve this is by mitigating cost

¹² See Jessee direct testimony, page 21.

¹³ See Jessee direct testimony, pages 20 – 23.

1 increases where possible without negatively impacting service quality or
2 accepting unreasonable risk to infrastructure or safety.

3 We manage our operations based on continuous improvement principles. As I
4 have previously discussed, our Company currently has programs underway to
5 utilize new technologies, to identify opportunities to automate manual and
6 repetitive tasks, and use data analytics to drive efficiencies. The Company is
7 also seeking opportunities to take advantage of grants and tax credits to offset
8 costs where possible.

9 The Company also understands that to provide safe, reliable, resilient, stable,
10 affordable, and environmentally sustainable service to customers that it must
11 attract and retain the employees that operate the power plants, build and
12 maintain the grid, and provide the support functions necessary to serve our
13 customers. The Company continues to evaluate the market for front line
14 employees and adjust as necessary to ensure the Company secures the
15 resource levels necessary to provide quality service to our customers.

16 The ability to obtain qualified resources also extends to outage restoration
17 events. In an often resource constrained market, the Company is required to
18 make decisions on the level of resources required to ensure service is restored
19 in a timely manner. The Company closely manages each situation based on the
20 best information available at the time to appropriately balance customer service
21 with the costs of securing resources. Company witness Isaacson further
22 discusses the Company's storm-related restoration costs.

23 Once the annual budget is approved by management, the individual managers
24 in charge of each department, operating district, power plant, or other functional
25 area, are responsible and accountable for operating within the approved
26 amounts. Company witnesses Isaacson, Jessee, Ferneau, and Brenner discuss
27 the operating budgets for their respective business units.

1 Our commitment to and success with operating cost control is demonstrated by
2 the year-over-year operating cost comparisons in Company witness Sloan
3 testimony.¹⁴

4 **Q40. Is the Company mindful of the impact of rate increases on customers?**

5 Yes. We consider our ongoing investments through a lens of providing safe and
6 reliable electric service while being mindful of the impacts on affordability. I&M
7 undertakes asset management and replacement consistent with Ind. Code § 8-
8 1-2-0.5. This statute provides that the state policy is intended to “create and
9 maintain conditions under which utilities plan for and invest in infrastructure
10 necessary for operation and maintenance while protecting the affordability of
11 utility services for present and future generations of Indiana citizens.” The
12 reference to conditions “under which utilities plan for and invest in infrastructure”
13 suggests to me that the General Assembly acknowledges and supports the
14 good utility planning and prioritization of resources as a means for promoting
15 affordability. The policy recognizes that addressing infrastructure issues on an
16 emergent basis is more costly than taking a planned approach to investment.
17 This is precisely what I&M is seeking to do through the capital expenditures
18 proposed in this case, including a planned asset renewal program, a cycle-
19 based vegetation management program, structured grid modernization and AMI
20 deployments, the CIS program, and other technology investments.

21 Finally, I&M’s ratemaking and rate design proposals seek to reflect the way a
22 customer uses the system accurately and fairly in rates. This enables
23 customers to reasonably evaluate options and make rational decisions.

24 Company witnesses Duncan, Fischer, and Seger-Lawson further address the
25 customer impact through the Company’s two-step phase-in rate adjustment
26 mechanism (Phase-In Rider Adjustment).

¹⁴ See Sloan direct testimony, Section V, pages 14 – 16.

1 **Q41. Does the Company offer assistance to customers who may need help**
2 **paying their bill?**

3 Yes. We recognize that it is difficult for some customers to pay their electric
4 bills, and we continue to offer payment assistance programs ranging from
5 agreements to extend a bill payment a few days, to longer monthly payment
6 programs.

7 The Company also works with customer assistance programs, such as the Low-
8 Income Home Energy Assistance Program (LIHEAP) and the Weatherization
9 Assistance Program (WAP), which are important resources to help low-income
10 customers afford their energy bills, especially during the winter heating season.
11 In addition, utility-sponsored energy efficiency programs enable customers to
12 take advantage of opportunities to reduce their overall bill. Together, customer
13 assistance programs and energy efficiency programs can assist customers,
14 particularly low-income customers, manage their expenses for electric service.

15 Last, the deployment of AMI gives our customers better insight into their energy
16 usage. This in turn allows customers to make informed decisions to reduce their
17 electric bill by changing their use of electricity. Company witness Davis
18 discusses the proposed I&M Power Pay Program and options the Company
19 provides to allow customers to make informed decisions about the energy usage
20 and the payment option that best suits their needs.¹⁵

21 **Q42. Is the Company taking advantage of federal funding to minimize the cost**
22 **of providing service to customers?**

23 Yes. As discussed in detail by Company witness Osterholt, I&M has partnered
24 with AEPSC to pursue grant opportunities that would provide funding to offset
25 the capital investment or O&M costs associated with projects that receive grant
26 funding. I&M and AEPSC have directly applied for federal grants under the
27 Infrastructure Investment and Jobs Act (IIJA) associated with eligible distribution

¹⁵ Davis direct testimony, Section III, page 5.

1 investments, as well as the ADMS and DERM systems. Additionally, I&M has
2 worked with the Indiana Office of Energy Development (OED) to submit multiple
3 projects as part of the state's application for IJJA grant funding. To the extent
4 the Company is successful in being awarded grant funding, this will provide
5 offsets to the capital costs for projects that will benefit I&M's customers.
6 Company witness Seger-Lawson discusses the Grant Projects Rider and the
7 regulatory mechanism the Company proposes to use to support the Company's
8 efforts to apply for and use grant funding to reduce the cost of providing service
9 for the benefit of our customers.

10 **Q43. Is the Company proposing any other grant opportunities that will provide**
11 **benefits I&M's customers?**

12 Yes. Company witness Osterholt discusses that the Company applied for a
13 Federal IJJA National Telecommunications and Information Administration
14 (NTIA) Middle Mile Grant for the Delaware and Grant Middle Mile Connect (DG
15 MMC) project. The Company has since been notified that it will be awarded this
16 grant.

17 The DG MMC project provides the dual benefits of serving I&M's core business
18 by building fiber to I&M's distribution stations and distribution line equipment and
19 devices, as well as taking advantage of federal funds to offset the cost of
20 providing middle-mile infrastructure needed to extend broadband internet
21 service to approximately 4,396 unserved customers in Delaware and Grant
22 counties.

23 As discussed by Company witness Davis, the DG MMC project offers significant
24 benefit to I&M's customers in this area and is widely supported by federal and
25 state political figures, local governments, educational institutions, and several
26 other organizations.

XI. Conclusion**1 Q44. What is your recommendation?**

2 The electric business continues to change as a result of environmental
3 regulation, economic conditions, evolving technology and the way customers
4 manage their electric usage. Our goal is to invest wisely, operate efficiently, and
5 provide a customer experience that serves customers the way they want to be
6 served.

7 The rate relief proposed in this case is necessary and appropriate to support our
8 ongoing effort to address aging infrastructure, secure long-term reliability and
9 resiliency, enhance the service we provide through new technology and
10 automation, and otherwise meet the ongoing energy and capacity needs of our
11 customers. The proposals we make in this case are aligned with the state's
12 energy policy, allow us to continue to embrace technology advancements and
13 use them for the benefit of customers.

14 We ask the Commission to find that I&M's proposal is a balanced and rational
15 solution to the Company's need for both cost recovery and a reasonable
16 opportunity to earn a reasonable return, while we continue to fulfill I&M's duty to
17 provide reliable electric service and facilities to our customers.

18 Finally, we have a responsibility to our customers to effectively manage our
19 business, so I ask the Commission to timely approve the proposed rate relief to
20 allow I&M to continue to provide customers' adequate and reliable electric
21 service and facilities.

22 Q45. Does this conclude your pre-filed verified direct testimony?

23 Yes, it does.

VERIFICATION

I, Steven F. Baker, President and Chief Operating Officer for Indiana Michigan Power Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: 8/8/23



Steven F. Baker