

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER )  
COMPANY, AN INDIANA CORPORATION, FOR )  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR ELECTRIC UTILITY SERVICE )  
THROUGH A PHASE IN RATE ADJUSTMENT; AND )  
FOR APPROVAL OF RELATED RELIEF INCLUDING: )  
(1) REVISED DEPRECIATION RATES; (2) )  
ACCOUNTING RELIEF; (3) INCLUSION OF CAPITAL )  
INVESTMENT; (4) RATE ADJUSTMENT )  
MECHANISM PROPOSALS; (5) CUSTOMER )  
PROGRAMS; (6) WAIVER OR DECLINATION OF )  
JURISDICTION WITH RESPECT TO CERTAIN )  
RULES; AND (7) NEW SCHEDULES OF RATES, )  
RULES AND REGULATIONS. )

CAUSE NO. 45576

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 7

PUBLIC (REDACTED) TESTIMONY OF

OUCC WITNESS CYNTHIA M. ARMSTRONG

NOVEMBER 4, 2021

Respectfully submitted,



Tiffany Murray, Attorney No. 28916-49  
Deputy Consumer Counselor  
Randall C. Helmen, Attorney No. 8275-49  
Chief Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS CYNTHIA M. ARMSTRONG**  
**CAUSE NO. 45576**  
**INDIANA MICHIGAN POWER COMPANY**

**I. INTRODUCTION**

1 **Q: Please state your name, business address and employment capacity.**

2 A: My name is Cynthia M. Armstrong, and my business address is 115 W. Washington  
3 St., Suite 1500 South, Indianapolis, IN, 46204. I am employed as a Senior Utility  
4 Analyst in the Electric Division for the Indiana Office of Utility Consumer  
5 Counselor ("OUCC"). A summary of my qualifications can be found in Appendix  
6 A.

7 **Q: What is the purpose of your testimony in this proceeding?**

8 A: I discuss Indiana Michigan Power Company's ("I&M" or "Petitioner") request to  
9 accelerate the recovery of its noncurrent SO<sub>2</sub> emission allowance inventory.  
10 Specifically, I recommend the Commission approve I&M's request for accelerated  
11 recovery of noncurrent SO<sub>2</sub> emission allowances subject to the OUCC's  
12 recommended modifications. I also discuss I&M's plan to comply with the Coal  
13 Combustion Residuals ("CCR") Rule and the Steam Electric Power Generating  
14 Effluent Limitation Guidelines ("ELGs") at the Rockport Generating Station  
15 ("Rockport Plant").

16 **Q: What did you do to prepare for your testimony?**

17 A: I reviewed I&M's Verified Petition, Direct Testimony, Exhibits, and Data  
18 Responses submitted in this Cause relevant to I&M's emission allowance inventory

1 and major capital projects for non-nuclear generation. I also reviewed past  
2 agreements I&M made with other American Electric Power ("AEP") Eastern  
3 affiliates impacting I&M's emission allowance inventory, including the Interim  
4 Allowance Agreement ("IAA"). Furthermore, I reviewed the Commission's Cause  
5 No. 45253 Final Order, regarding Duke Energy Indiana's ("DEI") requested  
6 accelerated recovery of its noncurrent emission allowance inventory. Finally, I  
7 reviewed recent revisions to the federal CCR Rule and the 2020 ELG  
8 Reconsideration Rule.

9 **Q: To the extent you do not address a specific item or adjustment, should that be**  
10 **construed to mean you agree with Petitioner's proposal?**

11 A: No. Excluding any specific adjustments or amounts I&M proposes does not indicate  
12 my approval of those adjustments or amounts. Rather, the scope of my testimony  
13 is limited to the specific items addressed herein.

## II. NONCURRENT SO<sub>2</sub> ALLOWANCES

14 **Q: Please describe I&M's request regarding its noncurrent SO<sub>2</sub> allowance**  
15 **inventory.**

16 A: I&M requests authority to accelerate recovery of its noncurrent SO<sub>2</sub> allowance  
17 inventory currently recorded in FERC Account 158. I&M proposes recovering the  
18 Indiana jurisdictional share of approximately \$26 million in noncurrent SO<sub>2</sub>  
19 allowances over a six-year amortization period beginning in January 2023  
20 continuing through December 2028. I&M further proposes recovering the

1 accelerated amortization of noncurrent SO<sub>2</sub> inventory via its Environmental Cost  
2 Recovery (“ECR”) Rider.<sup>1</sup>

3 **Q: Does the OUCC take issue with I&M’s proposal for accelerating recovery of**  
4 **noncurrent SO<sub>2</sub> allowances?**

5 A: No, as long as the OUCC’s recommended recovery changes, as I describe below,  
6 are adopted. The OUCC is aware I&M has significantly decreased its use of SO<sub>2</sub>  
7 allowances. Tanners Creek Generating Station’s retirement, coupled with installing  
8 the Dry Sorbent Injection (“DSI”) systems on Rockport Units 1 and 2, have resulted  
9 in I&M emitting less SO<sub>2</sub> over the last decade. Additionally, the zero-cost SO<sub>2</sub>  
10 allowances I&M is awarded each year exacerbate this issue because addition of  
11 zero-cost allowances lowers the weighted average SO<sub>2</sub> inventory cost, which  
12 decreases annual consumption expense and the rate at which I&M recovers the  
13 remaining inventory costs. I&M will not emit enough SO<sub>2</sub> to fully consume the  
14 allowances remaining in its inventory by the end of 2028, when Rockport Units 1  
15 and 2 are currently planned to retire.<sup>2</sup>

16 If I&M accounts for the reduction to noncurrent allowance inventory  
17 included in rate base as I discuss below, the proposal will benefit both I&M and its  
18 ratepayers. I&M will fully recover the costs of more expensive allowances procured  
19 prior to the major changes in environmental regulations, unit retirements, and  
20 pollution controls impacting its allowance consumption over the past decade. If the

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<sup>1</sup> Direct testimony of I&M witness Dona Seger-Lawson, p. 35, lines 4-17.

<sup>2</sup> While the Cause No. 45546 Settlement Agreement regarding Rockport has not yet been approved, Section  
<sup>3</sup> of the Agreement states that if I&M and AEG acquire Rockport Unit 2, they will permanently retire the Unit  
no later than December 31, 2028.

1 OUCC's recommended changes are adopted, ratepayers will benefit from the  
2 reduction in the remaining inventory balance, which lowers the return on inventory  
3 customers must pay in base rates over what they could expect to pay if the inventory  
4 balance was slowly reduced.

5 **Q: What changes to I&M's noncurrent SO<sub>2</sub> allowance recovery proposal does the**  
6 **OUCC recommend?**

7 A: To mitigate the annual rate impact of recovering noncurrent SO<sub>2</sub> allowances, the  
8 OUCC recommends recovery be amortized over 12 years instead of the 6 years  
9 I&M proposes. Additionally, the overall amount to be recovered from ratepayers  
10 should be reduced to reflect that, consistent with the Cause No. 45546 Settlement  
11 Agreement ("Rockport 2 Settlement") pending Commission approval, Rockport  
12 Unit 2 will no longer provide Indiana retail service after December 7, 2022.<sup>3</sup>  
13 Finally, I&M should offset its accelerated recovery of allowance costs with a credit  
14 to account for the reduction in noncurrent SO<sub>2</sub> allowance inventory included in rate  
15 base.

16 **Q: Why is a 12-year amortization period more appropriate for recovering the**  
17 **noncurrent SO<sub>2</sub> allowance inventory?**

18 A: While SO<sub>2</sub> allowance consumption is traditionally tied to coal-fired generation, in  
19 I&M's case, most of its noncurrent SO<sub>2</sub> allowances were acquired years ago at a  
20 high cost under the IAA between AEP Eastern Interconnection Agreement ("AEP  
21 Power Pool") members.<sup>4</sup> Under the IAA, I&M was required to purchase its  
22 Member Load Ratio ("MLR") of the AEP Eastern System Allowance Bank

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<sup>3</sup> Cause No. 45546, Settlement Agreement, Section 4.

<sup>4</sup> OUCC CONFIDENTIAL Attachment CMA-1, I&M's Response to OUCC Data Requests 13-7 and 13-10, pp. 1-2.

1 (“System Allowance Bank”) annually.<sup>5</sup> The MLR was based on I&M’s system  
2 demand and firm power sales to non-AEP Power Pool members,<sup>6</sup> therefore, any  
3 off-system sales to non-member parties from I&M’s nuclear and hydroelectric  
4 facilities could have increased I&M’s obligation to purchase SO<sub>2</sub> allowances from  
5 the System Allowance Bank. Thus, the OUCC finds it is reasonable to consider the  
6 remaining lives of I&M’s full generation fleet in determining an appropriate  
7 amortization period.

8 Amortization over the next 30 years (when I&M’s last hydroelectric facility is  
9 assumed to retire) would be unreasonable. However, a 12-year period coincides  
10 with the Donald C. Cook Nuclear Plant Unit 1’s anticipated retirement date in  
11 2034.<sup>7</sup> Additionally, the Commission approved a 12-year amortization for DEI’s  
12 noncurrent SO<sub>2</sub> allowance inventory,<sup>8</sup> therefore, the OUCC’s recommendation is  
13 reasonable when compared to the Commission’s previous approval for another  
14 utility requesting similar treatment.

15 **Q: Why is it reasonable to allocate a portion of the noncurrent SO<sub>2</sub> allowance**  
16 **inventory costs to the Rockport Unit 2 owners?**

17 **A:** Rockport Unit 2 benefited from being a part of the AEP Eastern Power Pool. The  
18 Power Pool Agreement provided Rockport Unit 2 access to sell power and capacity  
19 to other AEP Eastern companies, and a portion of the SO<sub>2</sub> allowances I&M acquired

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<sup>5</sup> Modification No. 1 To the AEP System Interim Allowance Agreement (“IAA Modification No. 1”), Section 4.5, p. 15. Filed with the Federal Energy Regulatory Commission (“FERC”) on 6/24/1996, Docket No. ER96-2213-000. Approved 8/30/1996.

<sup>6</sup> IAA Modification No. 1, Sections 1.13, 1.15, 1.16, and 1.17, pp. 5-6.

<sup>7</sup> Direct Testimony of Jason A. Cash, Attachment JAC-1, pp. 9-10.

<sup>8</sup> Cause No. 45253, Final Order (Approved June 20, 2020), pp. 161-162. Although this case has been appealed, DEI’s emission allowance treatment is not among the issues being challenged.



1 adjustment reduces the Total Company noncurrent allowance inventory costs to be  
2 collected to approximately \$23.6 million.<sup>12</sup>

3 **Q: Why is it necessary to account for the reduction in noncurrent allowance**  
4 **inventory?**

5 A: I&M includes approximately \$25.4 million (Total Company) for allowance  
6 inventory in forecasted rate base,<sup>13</sup> which is mostly comprised of noncurrent SO<sub>2</sub>  
7 allowances.<sup>14</sup> If I&M only recovers inventory costs in an accelerated manner but  
8 does not account for the corresponding reduction in inventory, I&M will be  
9 recovering a higher return on allowance inventory through base rates than the actual  
10 amount in inventory. As I mentioned previously, the main benefit to ratepayers for  
11 accelerated allowance recovery is the corresponding reduction of allowance  
12 inventory included in rate base. Absent a credit to reflect I&M's reduced inventory  
13 in the ECR, ratepayers would only see this benefit after I&M's next rate case, where  
14 rate base would be updated to reflect the reduced allowance inventory.

15 While I&M has consistently filed a new rate case every two years, there is  
16 no requirement for it to do so and no guarantee that customers would actually  
17 receive the full value of I&M's allowance recovery proposal. If I&M receives  
18 special ratemaking treatment for its noncurrent SO<sub>2</sub> allowance inventory,  
19 ratepayers should receive the maximum benefit possible from such ratemaking  
20 treatment.

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<sup>12</sup> OUCC Attachment CMA-2.

<sup>13</sup> Petitioner's Exhibit A-6, p. 1, line 6. If I&M's recommended jurisdictional separation factor is approved, the Indiana jurisdictional portion will be approximately \$17.7 million.

<sup>14</sup> OUCC CONFIDENTIAL Attachment CMA-1, pp. 17-18. I&M's other allowances inventories (Annual NO<sub>x</sub> and Seasonal NO<sub>x</sub>)



1 **Q: After adjustments, what is the OUCC's recommended annual recovery for**  
2 **I&M's noncurrent SO<sub>2</sub> allowances?**

3 A: Once adjustments removing a certain portion of Rockport Unit 2 allowances and  
4 extending the amortization time period from 6 years to 12 years are made, the  
5 OUCC recommends I&M be allowed to recover \$1,969,000 annually (Total  
6 Company)<sup>15</sup> in the ECR beginning in January 2023 and continuing through  
7 December 2034. If the ECR expires for any reason in the future, I&M can seek  
8 approval to track the remaining costs through another appropriate recovery  
9 mechanism.

10 Additionally, the annual amount recovered from ratepayers through the  
11 ECR should be offset by a credit to account for the accompanying decrease to  
12 noncurrent allowance inventory included in rate base.<sup>16</sup>

### III. ROCKPORT CCR AND ELG COMPLIANCE PROJECTS

13 **Q: What Rockport Plant environmental compliance projects does I&M identify**  
14 **during the capital forecast period?**

15 A: I&M witness Timothy C. Kerns describes CCR and ELG Environmental  
16 Compliance projects included in the capital forecast period. He explains the CCR  
17 Compliance project involves comprehensive plan development and implementation  
18 for Rockport plant compliance with the CCR Rule, and capital expenditures are  
19 \$2.760 million over the 2021-2022 forecast period.<sup>17</sup> As part of I&M's CCR

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<sup>15</sup> *Id.* Assuming I&M's proposed Indiana Jurisdictional energy factor of 68.56712% is approved, this would equate to \$1,350,000 annually on an Indiana-jurisdictional basis.

<sup>16</sup> Since this credit would rely on other rate components the Commission has yet to decide (i.e., authorized rate of return, Indiana jurisdictional separation factor), I do not provide a calculation for this amount. Such a credit would be better addressed in the ECR proceeding when I&M begins recovery of noncurrent allowances.

<sup>17</sup> Direct Testimony of I&M witness Timothy C. Kerns, p. 18, lines 1-9.

1 Compliance project, it will close the East Bottom Ash Pond by removing the  
2 existing CCR material and establishing a CCR compliant pond and tank-based  
3 chemical treatment system by May 11, 2023. I&M will also permanently close the  
4 West Bottom Ash Pond through removal of existing CCR material.<sup>18</sup>

5 Mr. Kerns explains the Unit 2 ELG Compliance project involves developing  
6 and implementing a comprehensive plan for the Rockport Plant to comply with the  
7 ELG, which requires Rockport to cease discharging bottom ash transport water as  
8 soon as possible. He indicates I&M's forecasted 2021-2022 total capital  
9 expenditures for the ELG is approximately \$20 million, but this investment will be  
10 avoided if the plant is retired by 2028.<sup>19</sup>

11 **Q: Is I&M requesting recovery of costs associated with capital projects for**  
12 **compliance with the CCR or ELG Rules in this Cause?**

13 **A:** No. It appears I&M is notifying the Commission of these projects and associated  
14 capital expenditures during the test year but is not requesting Commission approval  
15 or associated cost recovery. I&M indicates neither the CCR nor ELG Compliance  
16 project costs are included in the revenue requirement for this Cause, as they will  
17 not be in service until after the test year ends.<sup>20</sup> Additionally, as part of the Rockport  
18 2 Settlement, I&M agreed to not seek recovery of ELG Compliance investments  
19 made after the Rockport Unit 2 lease expires.<sup>21</sup>

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<sup>18</sup> OUCC Attachment CMA-3, I&M's Response to OUCC Data Requests 13-2 and 13-3, p. 1.

<sup>19</sup> Kerns, Direct, p. 18, lines 10-16.

<sup>20</sup> OUCC Attachment CMA-3, pp. 2-3.

<sup>21</sup> Cause No. 45546, Settlement Agreement, Section 3 states, "I&M and AEG agree that in no event shall I&M customers be responsible for any costs related to ELG investments or other new investments at Rockport Unit 2 incurred after termination of the Lease."

1 **Q: Does the OUCC have any concerns with these projects?**

2 A: Yes. However, the OUCC's concerns lie more with the projects' future cost  
3 recovery and not with their technical necessity. Even though these project costs will  
4 not be included in the revenue requirements in this case, the OUCC notes its  
5 concern regarding their potential cost recovery in future rate proceedings. Some  
6 activities associated with the CCR Compliance projects are related to ash pond  
7 closures.<sup>22</sup> Since I&M recorded Asset Retirement Obligations ("AROs") for ash  
8 pond closures and has been recovering these costs through rates,<sup>23</sup> the OUCC notes  
9 that any closure activities should be funded from these AROs first and not treated  
10 as a capital investment. While the new CCR-compliant ash pond I&M plans to  
11 construct to serve Rockport for its remaining life would qualify as a new capital  
12 project, closing the East Bottom and West Bottom Ash Ponds would not.

#### IV. RECOMMENDATIONS

13 **Q: Please summarize your recommendations.**

14 A: I recommend the Commission approve I&M's request to accelerate recovery of  
15 noncurrent SO<sub>2</sub> allowances through the ECR subject to the OUCC's recommended  
16 adjustments, which include extending the amortization period from 6 years to 12  
17 years and allocating a portion of allowances to Rockport Unit 2 after the lease ends  
18 in December 2022. When these adjustments are applied, I&M's allowed annual  
19 recovery for noncurrent SO<sub>2</sub> allowances would be \$1,969,000 (Total Company)

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<sup>22</sup> *Id.*, p. 1.

<sup>23</sup> Direct Testimony of I&M witness Jennifer C. Duncan, p. 17, lines 1-4, Attachment JCD-1, p. 11, line 43; Direct Testimony of I&M witness Tyler H. Ross, p. 10; Cash, Direct, p. 12, lines 24-27, through p. 13, lines 1-2; Rate Base Adjustment RB-2; WP-A-DEP-1 and WP-A-DEP-2.

█ indicates confidential information

1 beginning in January 2023. As an offset to accelerated allowance cost recovery,  
2 I&M should also provide a credit to account for the accompanying reduction in the  
3 noncurrent allowance inventory included in rate base.

4 **Q: Does this conclude your testimony?**

5 **A: Yes.**

**APPENDIX A**


1 **Q: Please summarize your professional background and experience.**

2 A: I graduated from the University of Evansville in 2004 with a Bachelor of Science  
3 degree in Environmental Administration. I graduated from Indiana University,  
4 Bloomington in May 2007 with a Master of Public Affairs degree and a Master of  
5 Science degree in Environmental Science. I also completed internships with  
6 Vectren's Environmental Affairs Department in the spring of 2004, with the U.S.  
7 Environmental Protection Agency in the summer of 2005, and with the U.S.  
8 Department of the Interior in the summer of 2006. I obtained my 40-hour OSHA  
9 Hazardous Operations and Emergency Response (HAZWOPER) Certification. I  
10 have been employed by the OUCC since May 2007. As part of my continuing  
11 education at the OUCC, I have attended the National Association of Regulatory  
12 Utility Commissioners' (NARUC) week-long seminar in East Lansing, Michigan.  
13 I also annually attend the Indiana Chamber of Commerce's Environmental  
14 Conference.

15 **Q: Please describe some of your duties at the OUCC.**

16 A: I review and analyze utilities' requests and file recommendations on behalf of  
17 consumers in utility proceedings. Depending on the case at hand, my duties may  
18 also include analyzing state and federal regulations, evaluating rate design and  
19 tariffs, examining books and records, inspecting facilities, and preparing various  
20 studies. Since my expertise lies in environmental science and policy, I assist in  
21 many cases where environmental compliance is an issue.

22 **Q: Have you previously provided testimony to the Commission?**

 indicates confidential information

1 A: Yes.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC DR 13  
IURC CAUSE NO. 45576

DATA REQUEST NO OUCC DR 13-07

REQUEST

Please refer to page 35, lines 18-27, of Witness Seger-Lawson's direct testimony and respond to the following:

- a. Please provide studies, modeling, underlying assumptions, calculations, and any other documents supporting I&M's forecast that it will have a December 31, 2028 noncurrent SO<sub>2</sub> allowance inventory of \$25 million.
- b. Please provide I&M's monthly SO<sub>2</sub> allowance inventory calculations for the past three calendar years. Please include supporting information including the beginning inventory balance, number of allowances added, sold, surrendered, or consumed, and any other adjustments necessary for determining the monthly ending inventory balance.
- c. Has I&M considered or attempted to sell SO<sub>2</sub> allowances at a loss to reduce the impact of allowances remaining in inventory when its fossil fuel-fired generation retires at the end of 2028? If it has, please indicate how many allowances it has been able to sell at a loss to reduce inventory to date. If not, please explain why.
- d. Please provide the forecasted annual SO<sub>2</sub> emissions from Rockport Unit 1 and 2, separately, through 2028.
- e. Is I&M required to surrender any of the SO<sub>2</sub> allowances making up the noncurrent SO<sub>2</sub> allowance inventory pursuant to the NSR Consent Decree? Please provide the amount of SO<sub>2</sub> allowances I&M expects to surrender pursuant to the Consent Decree through the end of 2028.

Is the remaining inventory value mainly due to the SO<sub>2</sub> allowances I&M acquired pursuant to the past Interim Allowance Agreement with other AEP Eastern subsidiaries? Please explain.

RESPONSE

I&M objects to the request on the grounds and to the extent the request seeks information that is confidential, proprietary, competitively sensitive, and/or trade secret. Subject to and without waiver of the foregoing objection, I&M provides the following response, with the confidential information being provided pursuant to the nondisclosure agreement between the parties.

- a. Please see OUCC 13-7 CONFIDENTIAL Attachment 1. The 2028 inventory value in this model run was shown as \$22.67M. An accounting adjustment was made since this time and the current 2028 book value is estimated at \$25.1M.
- b. Please see OUCC 13-7 CONFIDENTIAL Attachment 2.

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DATA REQUEST SET NO. OUCC DR 13  
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- c. AEP has not seen selling the allowances at a loss as an option since there is a recovery mechanism for the cost the Company had incurred in this program.
- d. Please see OUCC 13-7 CONFIDENTIAL Attachment 3.
- e. I&M does not believe that SO<sub>2</sub> allowances surrendered as part of the Consent Decree are relevant to the current case. I&M submits excess current year vintage allowances received annually at no cost from USEPA as part of the surrender provision. These allowance have essentially zero value and I&M customers bear no cost relating to their surrender.
- f. Yes. Compliance with federal mandates was managed by the Company on a fleet wide basis. This was determined to be the most cost-effective solution to the compliance requirements. Some operating companies incurred tremendous expense installing environmental controls that benefitted other operating companies. Other operating companies agreed to share the expenses by agreeing to purchase SO<sub>2</sub> allowances using an agreed upon formula.



Indiana Michigan Power Company  
Cause No. 45576  
OUCC 13-7 CONFIDENTIAL Attachment 1

CONFIDENTIAL - EXCLUDED FROM PUBLIC ACCESS PER INDIANA RULES ON  
ACCESS TO COURT RECORDS RULE 5 (FORMERLY A.R. 9(G))

OUCC 13-7 CONFIDENTIAL Attachment 3

Indiana Michigan Power Company  
Cause No. 45576  
OUCC Set 13, Q13-7  
CONFIDENTIAL Attachment 3  
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INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC DR 13  
IURC CAUSE NO. 45576

DATA REQUEST NO OUCC DR 13-10

REQUEST

Please provide I&M's monthly Annual NOx and NOx Ozone Season allowance inventory calculations for the past three calendar years. Please include supporting information including the beginning inventory balance, number of allowances added, sold, surrendered, or consumed, and any other adjustments necessary for determining the monthly ending inventory balance.

RESPONSE

I&M objects to this request on the grounds and to the extent this question seeks information that is confidential, proprietary, competitively sensitive and/or trade secret. Subject to and without waiver of the foregoing objection, I&M states that the allowance inventory is an annual program. Please see OUCC 13-10 CONFIDENTIAL Attachment 1 for the beginning and end balances for the past three calendar years.

**Calculation of OUCC's Recommended  
 Annual Noncurrent SO<sub>2</sub> Allowance Inventory Costs  
 To Be Recovered Through the ECR  
 Beginning 01/01/2023**

<b><u>Line No.</u></b>	<b><u>Description</u></b>	<b><u>(\$000s)</u></b>	<b><u>Source/Notes</u></b>
1	Noncurrent Allowance Inventory as of 12/31/20 (Total Company) <sup>1</sup>	\$ 25,591	WP-IM-1, Historical Section 1, p. 1.
2	Less Noncurrent SO <sub>2</sub> Allowance Inventory allocated to Rockport Unit 2 operation after 12/7/22 (Total Company)	\$ 23,623	Attachment CMA-1, p. 2, line 6
3	OUCC Proposed Amortization in years	12	
4	OUCC Proposed Annual Noncurrent SO <sub>2</sub> Allowance costs to be recovered via the ECR (Total Company)	\$ 1,969	Line 4 / 12
5	I&M's Proposed Indiana Jurisdictional Energy Factor	68.56712%	I&M witness Jennifer C. Duncan Direct, p. 12, lines 5-8; Attachment JCD-2, p. 5, line 3
6	OUCC Proposed Annual Noncurrent SO <sub>2</sub> Allowance costs to be recovered via the ECR (Indiana Jurisdictional)	\$ 1,350	Line 4 * Line 5

Additional notes:

1. The noncurrent allowance inventory includes a negligible amount of NOx Seasonal Allowances. However, NOx Seasonal inventory value does not impact the OUCC's calculations. (See OUCC CONFIDENTIAL Attachment CMA-1, pp. 6-7, 17-18.)

**Noncurrent SO<sub>2</sub> Allowance Costs**  
**Allocated to Rockport Unit 2 Operations**  
**After the Lease Ends on 12/07/2022**

<b>Line No.</b>	<b>Description</b>	<b>(\$000s)</b>	<b>Source/Notes</b>
1	Noncurrent SO <sub>2</sub> Allowance Inventory as of 12/31/2020 (Total Company)	\$ 25,591	WP-IM-1, Historical Section 1, p. 1
2	Noncurrent SO <sub>2</sub> Inventory Allocation to Rockport Unit 2 (Total Company)	\$ 12,796	Line 1 * 0.5
3	Years Rockport Unit 2 will operate after lease ends	6	
4	Age of Rockport Unit 2 at retirement	39	
5	Noncurrent SO <sub>2</sub> Inventory Allocation factor for Rockport Unit 2's operation after 12/07/2022	15.38%	Line 3/Line 4
6	Noncurrent SO <sub>2</sub> Inventory allocated to Rockport Unit 2's operation after 12/07/2022 (Total Company)	\$ 1,969	Line 2 x Line 5

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC DR 13  
IURC CAUSE NO. 45576

DATA REQUEST NO OUCC DR 13-02

REQUEST

Please refer to page 18, lines 3-9 of Witness Kerns' direct testimony where he discusses CCR Compliance projects and respond to the following:

- a. Please list and describe each activity, major component, or subproject encompassing I&M's proposed \$2.760 million CCR project cost.
- b. Please provide a detailed cost breakdown of the activities, equipment, or other costs encompassing I&M's proposed \$2.760 million CCR project cost.
- c. Please indicate the Association for the Advancement of Cost Engineering ("AACE") cost classification for the CCR compliance projects' cost estimate.
- d. Are these projects part of an overall CCR compliance project or strategy? Please explain.
- e. If the response to (d) is affirmative:
  - i. Please indicate the estimated in-service date of the full CCR Compliance project and provide its estimated cost.
  - ii. If the two CCR compliance projects Witness Kerns discusses are components of an overall CCR compliance project that will not be in-service until after the test year in this Cause, please explain why it is appropriate to include the partial CCR compliance project costs in rate base in this Cause.
- f. Do the projects included in the \$2.760 million estimate involve replacement of any plant in service? If so, how is I&M accounting for the retirements and what is the net impact to rate base for the CCR compliance projects when retirements are considered?

RESPONSE

- a. The activities in I&M's CCR compliance project include:
  - Closure of the East Bottom Ash Pond (BAP) by removal of the existing CCR material and establishing a CCR compliant pond and tank-based chemical treatment system by May 11, 2023 to manage CCR and non-CCR waste streams.
  - Permanent closure of the West Bottom Ash Pond by removal of the existing CCR material.
- b. I&M objects to this request on the grounds and to the extent this question seeks information that is confidential, proprietary, competitively sensitive and/or trade secret. Subject to and without waiver of the foregoing objection, please see OUCC 13-2

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CONFIDENTIAL Attachment 1, which is being provided pursuant to the nondisclosure agreement between the parties.

c. The cost estimate is an AACE Class 3 cost estimate.

d. Yes. The scope of the CCR project will meet the requirement of EPA Rule 40 CFR 257.103.

e. I&M objects to the request on the grounds and to the extent the request mischaracterizes I&M's proposal in this proceeding. Subject to and without waiver of the foregoing objection, I&M provides the following response.

i. The estimated in-service date for CCR compliance is May 11, 2023. See cost summary provided in subpart b.

ii. The CCR capital expenditures discussed by Company witness Kerns are not included in I&M's proposed rates.

f. When the Company records the retirement of an asset (or retirement unit), it follows FERC Electric Plant Instruction No. 10(b)(2). FERC Electric Plant Instruction No. 10(b)(2) states "When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account." The CCR project is still under construction at the end of the forecasted Test Year.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC DR 13  
IURC CAUSE NO. 45576

DATA REQUEST NO OUCC DR 13-03

REQUEST

Please refer to page 18, lines 14-17, of Witness Kerns' direct testimony where he states that the 2021-2022 total capital expenditures for the ELG compliance project is approximately \$20 million and respond to the following:

- a. Please provide a detailed breakdown of the activities, equipment, or other costs that encompassing this \$20 million estimate.
- b. Please explain the difference between the \$20 million estimate provided above and the estimated \$50 million investment that I&M indicated it would avoid for ELG compliance in Cause No. 45546.
- c. What is the lead time necessary to complete the Rockport ELG Compliance project?
- d. What would be the latest date the Company could wait to begin constructing the ELG Compliance Project and still be able to meet the December 31, 2025 deadline in the 2020 ELG Reconsideration Rule?

RESPONSE

I&M objects to the request on the grounds and to the extent the request is not relevant to the relief sought in this proceeding, exceeds the scope of this proceeding, and is not reasonably calculated to lead to the discovery of admissible evidence. In support of this objection, I&M notes that the referenced ELG compliance costs are not included in the revenue requirement in this proceeding and are not proposed for recovery through I&M's rate adjustment mechanisms. Furthermore, if the relief requested in pending Cause No. 45546 is granted, I&M does not expect to incur these costs.

a.-d. See objection.



**AFFIRMATION**

I affirm, under the penalties for perjury, that the foregoing representations are true.



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Cynthia M. Armstrong

Senior Utility Analyst  
Indiana Office of Utility Consumer Counselor

Cause No 45576  
Indiana Michigan Power Co.

October 12, 2021

## CERTIFICATE OF SERVICE

This is to certify that a copy of the Indiana Office of Utility Consumer Counselor's Testimony Filing has been served upon the following parties of record in the captioned proceeding by electronic service on November 4, 2021.

Indiana Michigan Power  
Teresa Morton Nyhart  
Jeffrey M. Peabody  
**BARNES & THORNBURG LLP**  
[tnyhart@btlaw.com](mailto:tnyhart@btlaw.com)  
[Jeffrey.peadbody@btlaw.com](mailto:Jeffrey.peadbody@btlaw.com)

*Courtesy copy:*  
Janet Nichols  
[Janet.nichols@btlaw.com](mailto:Janet.nichols@btlaw.com)

Jessica A. Cano, Senior Counsel  
**AEP SERVICE CORP.**  
[jacano@aep.com](mailto:jacano@aep.com)

City of Marion, Indiana,  
and Marion Municipal Utilities  
J. Christopher Janak  
Nikki Gray Shoultz  
Kristina Kern Wheeler  
**BOSE MCKINNEY & EVANS LLP**  
[cjanak@boselaw.com](mailto:cjanak@boselaw.com)  
[nshoultz@boselaw.com](mailto:nshoultz@boselaw.com)  
[kwheeler@boselaw.com](mailto:kwheeler@boselaw.com)

Kroger  
Kurt J. Boehm  
Jody Kyler Cohn  
**BOEHM, KURTZ & LOWRY**  
[kboehm@bkllawfirm.com](mailto:kboehm@bkllawfirm.com)  
[jkylercohn@bkllawfirm.com](mailto:jkylercohn@bkllawfirm.com)

Justin Bieber  
**ENERGY STRATEGIES, LLC**  
[jbieber@energystrat.com](mailto:jbieber@energystrat.com)

John P. Cook  
**John P. Cook & Associates**  
[john.cookassociates@earthlink.net](mailto:john.cookassociates@earthlink.net)

Jennifer A. Washburn  
**CITIZENS ACTION COALITION**  
[jwashburn@citact.org](mailto:jwashburn@citact.org)

*Courtesy copy:*  
Reagan Kurtz  
[rkurtz@citact.org](mailto:rkurtz@citact.org)

AESI Industrial Group  
Joseph P. Rompala  
Todd A. Richardson  
Anne E. Becker  
**LEWIS & KAPPES, P.C.**  
[JRompala@Lewis-Kappes.com](mailto:JRompala@Lewis-Kappes.com)  
[TRichardson@Lewis-Kappes.com](mailto:TRichardson@Lewis-Kappes.com)  
[ABecker@Lewis-Kappes.com](mailto:ABecker@Lewis-Kappes.com)

*Courtesy copy:*  
Amanda Tyler  
Ellen Tenant  
[ATyler@lewis-kappes.com](mailto:ATyler@lewis-kappes.com)  
[ETennant@Lewis-kappes.com](mailto:ETennant@Lewis-kappes.com)

City of Fort Wayne, Indiana  
Brian C. Bosma  
Kevin D. Koons  
Ted W. Nolting  
**KROGER GARDIS & REGAS, LLP**  
[bcg@kgrlaw.com](mailto:bcg@kgrlaw.com)  
[kkoons@kgrlaw.com](mailto:kkoons@kgrlaw.com)  
[tw@kgrlaw.com](mailto:tw@kgrlaw.com)

Wabash Valley Power Association, Inc.  
Jeremy L. Fetty  
Liane K. Steffes  
**PARR RICHEY**  
[jfetty@parrlaw.com](mailto:jfetty@parrlaw.com)  
[lsteffes@parrlaw.com](mailto:lsteffes@parrlaw.com)

SDI

Robert K. Johnson  
**RK JOHNSON, ATTORNEY-AT-LAW**  
[rkj@rkjattorneyatlaw.com](mailto:rkj@rkjattorneyatlaw.com)

City of Muncie

Keith L. Beall  
**CLARK QUINN MOSES SCOTT & GRAHN LLP**  
[kbeall@clarkquinnlaw.com](mailto:kbeall@clarkquinnlaw.com)

Wal-Mart

Eric E. Kinder  
Barry A. Naum  
**SPILMAN THOMAS & BATTLE, PLLC**  
[ekinder@spilmanlaw.com](mailto:ekinder@spilmanlaw.com)  
[bnaum@spilmanlaw.com](mailto:bnaum@spilmanlaw.com)

**OUCC CONSULTANTS**

Glenn Watkins  
Jenny Dolen  
**TECHNICAL ASSOCIATES, INC.**  
[watkinsg@tai-econ.com](mailto:watkinsg@tai-econ.com)  
[jenny.dolen@tai-econ.com](mailto:jenny.dolen@tai-econ.com)

David J. Garrett  
**RESOLVE UTILITY CONSULTING PLLC**  
[dgarrett@resolveuc.com](mailto:dgarrett@resolveuc.com);

Mark E. Garrett  
Heather A. Garrett  
Edwin Farrar  
**GARRETT GROUP LLC**  
[mgarrett@garrettgroupllc.com](mailto:mgarrett@garrettgroupllc.com)  
[garrett@wgokc.com](mailto:garrett@wgokc.com)  
[edfarrarcpa@outlook.com](mailto:edfarrarcpa@outlook.com)



---

Tiffany Murray  
Deputy Consumer Counselor  
Randall C. Helmen  
Chief Deputy Consumer Counselor

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**PNC Center**

115 West Washington Street  
Suite 1500 South  
Indianapolis, IN 46204  
[infomgt@oucc.in.gov](mailto:infomgt@oucc.in.gov)  
[TiMurray@oucc.in.gov](mailto:TiMurray@oucc.in.gov)  
[RHelmen@oucc.in.gov](mailto:RHelmen@oucc.in.gov)  
317.232.2494 – Telephone  
317.232.4237 – Murray Direct  
317.232.4557 – Helmen Direct  
317.232.5923 – Facsimile