

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

FILED

July 26, 2017

INDIANA UTILITY
REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER)
COMPANY, AN INDIANA CORPORATION, FOR)
(1) AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR ELECTRIC UTILITY SERVICE)
THROUGH A PHASE IN RATE ADJUSTMENT;)
(2) APPROVAL OF: REVISED DEPRECIATION)
RATES; ACCOUNTING RELIEF; INCLUSION IN)
BASIC RATES AND CHARGES OF QUALIFIED)
POLLUTION CONTROL PROPERTY, CLEAN)
ENERGY PROJECTS AND COST OF BRINGING)
I&M'S SYSTEM TO ITS PRESENT STATE OF)
EFFICIENCY; RATE ADJUSTMENT)
MECHANISM PROPOSALS; COST DEFERRALS;)
MAJOR STORM DAMAGE RESTORATION)
RESERVE AND DISTRIBUTION VEGETATION)
MANAGEMENT PROGRAM RESERVE; AND)
AMORTIZATIONS; AND (3) FOR APPROVAL OF)
NEW SCHEDULES OF RATES, RULES AND)
REGULATIONS.)

CAUSE NO. 44967 - NONE

**VERIFIED PETITION FOR GENERAL RATE INCREASE AND
ASSOCIATED RELIEF UNDER IND. CODE § 8-1-2-42.7, NOTICE OF PROVISION
OF INFORMATION IN ACCORDANCE WITH THE MINIMUM STANDARD FILING
REQUIREMENTS AND REQUEST FOR ADMINISTRATIVE NOTICE**

INDIANA MICHIGAN POWER COMPANY (“I&M”, “Company” or “Petitioner”) respectfully petitions the Indiana Utility Regulatory Commission (“Commission” or “IURC”) for (1) authority to increase its retail rates and charges for electric service rendered by I&M in the State of Indiana through a phase-in rate adjustment; (2) for approval of: revised depreciation rates; accounting relief; inclusion in basic rates and charges of Qualified Pollution Control Property, Clean Energy Projects and the cost of bringing I&M’s system to its present state of efficiency; rate adjustment mechanism proposals; cost deferrals; Major Storm Damage Restoration Reserve and Distribution Vegetation Management Program Reserve; and

amortizations; and (3) for approval of new schedules of rates, rules and regulations. This filing is made pursuant to Ind. Code § 8-1-2-42.7 (“Section 42.7”).¹ I&M also requests administrative notice to be taken of certain Commission Orders that are pertinent to this case, as identified herein. In support of this Petition, I&M represents the following:

Petitioner’s Corporate Status.

1. I&M, a wholly-owned subsidiary of American Electric Power Company, Inc. (“AEP”), is a corporation organized and existing under the laws of the State of Indiana, with its principal offices at Indiana Michigan Power Center, Fort Wayne, Indiana.

2. I&M is engaged in, among other things, rendering electric service in the States of Indiana and Michigan. I&M owns, operates, manages and controls plant and equipment within the States of Indiana and Michigan that are in service and used and useful in the generation, transmission, distribution and furnishing of such service to the public. I&M has maintained and continues to maintain its properties in an adequate state of operating condition.

Petitioner’s Service Territory.

3. I&M provides electric service to approximately 589,000 retail customers within a service area covering approximately 8,260 square miles in northern and east-central Indiana and southwestern Michigan. In Indiana, I&M provides retail electric service to approximately 461,000 customers in the following counties: Adams, Allen, Blackford, DeKalb, Delaware, Elkhart, Grant, Hamilton, Henry, Howard, Huntington, Jay, LaPorte, Madison, Marshall, Miami, Noble, Randolph, St. Joseph, Steuben, Tipton, Wabash, Wells and Whitley. In Michigan, I&M currently provides retail electric service to approximately 128,000 customers. In addition, I&M serves customers at

¹ In this filing, I&M uses the terms “basic rates” and “base rates” interchangeably.

wholesale in the States of Indiana and Michigan. I&M's electric system is an integrated and interconnected entity that is operated within Indiana and Michigan as a single utility.

Petitioner's "Public Utility" Status.

4. I&M is a "public utility" under Ind. Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

5. I&M is also subject to the jurisdiction of the Michigan Public Service Commission and the Federal Energy Regulatory Commission ("FERC") as to electric service provided by I&M to retail customers in Michigan and to wholesale customers, respectively.

6. I&M's transmission system is under the functional control of PJM Interconnection, L.L.C., a FERC-approved regional transmission organization ("RTO"), and is used for the provision of open access non-discriminatory transmission service pursuant to PJM's Open Access Transmission Tariff on file with the FERC. As a member of PJM, charges and credits are billed to AEP and allocated to I&M for functional operation of the transmission system, management of the PJM markets including the assurance of a reliable system, and general administration of the RTO. As a PJM member, I&M must also adhere to the federal reliability standards developed and enforced by the North American Electric Reliability Corporation ("NERC"), which is the electric reliability organization certified by the FERC to establish and enforce reliability standards for the bulk power system. ReliabilityFirst (RF) is one of eight NERC Regional Entities and is responsible for overseeing regional reliability standard development and enforcing compliance. I&M's transmission facilities are wholly located with the RF region.

Petitioner’s Electric Utility System.

7. I&M renders electric service by means of electric production, transmission and distribution plant, as well as general property, equipment and related facilities, including office buildings, service buildings and other property, all of which is used and useful in the generation, purchase, transmission, distribution and furnishing of electric energy for the convenience of the public. In order to continue to properly serve the public located in its service area and to discharge its duties as public utility, I&M is continuing to make numerous additions, replacements and improvements to its electric utility systems.

8. I&M’s property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and approved and adopted by this Commission.

Statutory Authority for Requested Relief.

9. This Petition is filed pursuant to Section 42.7. Other provisions of the Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, *et seq.*, that may be applicable to the subject matter of this proceeding, include, but are not limited to: Ind. Code §§ 8-1-2-4, 6, 10, 19, 20, 21, 42, 61, 68 and 71.

GAO 2013-5.

10. In accordance with the guidance provided by the Commission’s General Administrative Order 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7) (“GAO 2013-5”), I&M provided its Notice of Intent to File Rate Case to the Commission on May 26, 2017. This Notice was provided at least 30 days prior the date of filing this Petition. I&M also reached out to the Indiana Office of Utility Consumer Counselor (“OUCC”) and other stakeholders to discuss the filing.

Test Year, Rate Base Cutoff Dates.

11. Pursuant to Section 42.7(d), I&M is utilizing a forward looking test period determined on the basis of projected data for the twelve (12) months ended December 31, 2018 (“Test Year”). In accordance with Section 42.7, this Test Year (which commences January 1, 2018), begins not later than 24 months after the date on which this Petition is filed. This test period is entirely within the twenty-four month period following the date on which I&M is filing its Petition.

12. I&M is utilizing the Test Year end, December 31, 2018, as the general rate base cutoff date. As recognized in the GAO 2013-5, a future test year does not align with all of the Commission’s pre-existing Minimum Standard Filing Requirements (“MSFRs”) (170 IAC 1-5-1 *et seq.*). I&M has used the MSFR as guidance as to the categories of information that are appropriate for inclusion as working papers.

13. Section 42.7 and GAO 2013-5 contemplate new rates being placed into effect within 300 days but not earlier than the date on which the projected data period begins, which in this case is January 1, 2018. Pursuant to the terms of the settlement agreement approved in Cause No. 43774 PJM-4 S1, I&M agreed to not implement new base rates prior to July 1, 2018. Thus, this Test Year (January 1, 2018 through December 31, 2018) is the first calendar year during which new rates will be implemented as a result of this Cause. Therefore, I&M’s test period aligns its proposed rates with its cost of providing service.

Submission of Case in Chief and Other Supporting Documentation.

14. I&M is filing its case in chief, including the information required by Section 42.7(b), in written form contemporaneous with this Petition.

15. I&M proposes the Commission establish its authorized net operating income by applying the overall weighted average cost of capital by the Test Year end original cost rate base. The Company also proposes the Test Year end original cost rate base be used as the fair value of the Company's utility property.

16. To aid the Commission in processing this Petition and in accordance with the guidance in the GAO 2013-5, I&M provides notice that it has provided supporting documentation in accordance with the Commission's MSFRs, modified where appropriate to conform with the forward-looking test year authorized by Section 42.7.

17. I&M's supporting documentation also includes historical data for the calendar year 2016, the most recent audited set of financial statements at the time I&M began preparing this filing, and additional historical information by month for the period January 2017 through March 30, 2017 (the most recent month for which reviewed financial information is available at the time of this filing).

18. I&M is also submitting herewith the workpapers and other information required by 170 IAC 1-5, modified to conform with the forward-looking test year authorized by Section 42.7. This information is provided electronically and/or on CD-ROM (in Excel format where appropriate) and includes workpapers for the forecast (including the load forecast), the cost of service study, the proposed cost of equity and fair rate of return, the depreciation study and nuclear decommissioning.

Petitioner's Existing Rates and Rate Structure.

19. I&M's existing retail rates in Indiana were established pursuant to the Commission's orders in Cause No. 44075 based upon test year operating results for the twelve months ended

March 31, 2011, adjusted for fixed, known and measurable changes.² Those basic rates and charges remain in effect today, as modified by various riders approved by the Commission from time to time.

20. The petition initiating Cause No. 44075 was filed with the Commission on September 23, 2011. Therefore, in accordance with Ind. Code § 8-1-2-42(a), more than fifteen months have passed since the filing date of I&M's most recent request for a general increase in its basic rates and charges.

21. I&M files a semi-annual Fuel Adjustment Clause ("FAC") proceeding (docketed as Cause No. 38702 FAC[X]) in accordance with Ind. Code § 8-1-2-42(d) to adjust its rates to account for fluctuations in its fuel costs. I&M also files adjustments to riders set forth in its Commission-approved tariff. These riders adjust I&M's rates for service to timely recover changes in certain costs associated with the provision of service.

Petitioner's Operating Results Under Existing Rates.

22. I&M's underlying revenue requirements have and continue to change. Since its basic rates and charges were last established, I&M has continued to make significant capital expenditures for additions, replacements and improvements to its electric utility system. Environmental risks and costs have and continue to increase substantially due to regulations imposed by the United States Environmental Protection Agency. I&M has and must continue to make significant capital expenditures for additions as a result of environmental mandates and the needs of the Company's distribution system. The open access requirements applicable to I&M's transmission system impose obligations, costs and risks on I&M as a grid user and operator and require the way in which these costs are recognized for ratemaking purposes to be updated.

² The Commission's Orders in Cause No. 44075 were issued February 13, 2013 ("44075 Order") and March 14, 2013 ("44075 Reconsideration Order"), collectively "44075 Orders").

23. As a result, I&M's Test Year return upon its electric utility property is below the level required to permit I&M to earn a fair return on its electric utility property equal to that available on other investments of comparable risk, to provide revenues which will enable it to continue to attract capital required for additions, replacements and improvements to its electric utility property and to comply with regulatory mandates at a reasonable cost, to maintain and support I&M's credit, and to assure confidence in I&M's financial soundness. As a consequence, I&M's existing rates and charges will be insufficient to provide revenues adequate to cover its necessary and reasonable operating expenses and to provide the opportunity to earn the fair return to which I&M is lawfully entitled. I&M's existing rates, therefore, are unjust, unreasonable, insufficient and confiscatory and should be increased commencing as soon as practicable after June 30, 2018.

Petitioner's Proposed Rates and Charges and Tariff Terms.

24. Adequate rates are essential to allow I&M to achieve the financial results that will be necessary to attract needed debt and equity capital on reasonable terms, to comply with environmental and other mandates and to otherwise invest to meet the continued need for electricity within I&M's service area. I&M requests that new rates and charges and the associated accounting relief be authorized to enable I&M to realize a reasonable and adequate net operating income to render adequate and reliable service and facilities to the public.

25. As proposed in its case-in-chief, I&M requests the Commission to approve an overall annual increase in revenues from base rates and charges, including rate adjustment mechanisms, in the total amount of approximately \$264.4 million. After accounting for offsets and changes in the rate adjustment mechanisms, this request results in a net Test Year increase in revenues from base rates of approximately \$263.2 million. I&M's proposed rate adjustment balances customer and

Company interests and is detailed in its case-in-chief filed contemporaneous herewith and further summarized below.

Phase-In Rate Adjustment

26. As explained in the filed testimony of Company witness Andrew J. Williamson, I&M proposes to implement the requested rate increase in phases to reasonably reflect the utility property that is used and useful at the time rates are placed into effect. I&M's filing aligns the timing of its capital structure with rate base for purposes of the rate phase-in.

Rate Adjustment Mechanisms

27. In addition to base rates, I&M's filing also reflects the impact of the new base rates on I&M's rider rates. The relief sought by I&M in this case includes proposals to establish, consolidate, modify, discontinue or reduce to zero certain existing riders. The changes are driven by an attempt to streamline the regulatory process and provide efficient and timely cost recovery.

28. In particular, I&M proposes to consolidate its existing Clean Coal Technology Rider ("CCTR"),³ its Environmental Compliance Cost Recovery Rider ("ECCR") (allowance costs)⁴ and the tracking of 100% I&M's consumables expense into one prospective rate adjustment mechanism named the Environmental Compliance Rider ("ECR").⁵ This one rider will be processed on an ongoing basis using the "ECR-X" docketing convention. The DSI systems on Rockport Unit 1 and Unit 2 were placed in service in June and May 2015, respectively. These projects and the associated O&M (other than consumables) are being moved into base rates in this general rate proceeding. Timely cost recovery for ongoing clean energy projects will be recognized in the new

³ The CCTR proceedings are docketed as Cause No. 44523-ECR [X] and reflect the Rockport Unit 1 SCR Project approved in Cause No. 44523. This project and associated O&M (other than consumables) are being moved into base rates in this general proceeding.

⁴ These annual proceedings are docketed as Cause No. 43992-ECCR [X].

⁵ Currently, cost recovery, including consumables cost, for I&M's Rockport DSI Compliance Project approved under the Federally Mandated Cost statute is implemented in Cause No. 44331 ECR [X].

ECR and the separate CCTR will be discontinued. I&M also proposes to recognize all consumables expense, including the consumable expense recognized in Cause Nos. 44331 ECR-X and 44523 ECR-X, in the new (consolidated) ECR.

29. Commencing with the implementation of new base rates in this Cause, the Capacity Settlement Rider (CSR) and Depreciation Credit Rider will be discontinued. I&M proposes to file a final reconciliation of the CSR in I&M's first ECR proceeding subsequent to the final order in this Cause.

30. The Compliance Project being addressed via I&M's Federal Mandate Rider ("FMR") is also being moved into base rates in this proceeding. The FMR will remain in effect with a zero factor until such time as the Commission approves a new project under the Federally Mandated Cost statute (Ind. Code ch. 8-1-8.4). As noted above, consumables will be addressed in the new ECR.

31. I&M's filing reflects the continuation of the LCM Rider to recover the LCM Project costs approved in Cause No. 44182 that will be incurred during and after I&M's Test Year. I&M requests that the LCM Rider be modified to synchronize the depreciation rate used to calculate ongoing LCM Rider depreciation with the rates approved by the Commission in this proceeding. I&M also proposes to accrue an allowance for funds used during construction in lieu of a return on construction work in progress (CWIP) for the remaining LCM Rider period. I&M's proposed base rates include LCM plant that is forecasted to be placed in service as of Test Year End. To reflect the implementation of new rates, the projected LCM Rider rates proposed in this case are based on a 2018 Test Year and provide recovery for the LCM projects that go into service during 2018. All of this work has been or will be subject to ongoing review in the LCM proceedings. Prior to 2019 I&M will file in a separate proceeding under Cause No. 44182 LCM-X, to revise LCM Rider rates

to reflect recovery for the LCM projects that go into service after 2018. I&M is requesting these modifications to commence with the implementation of new base rates in this Cause.

32. If approved, I&M's filing will result in the modification of the Demand Side Management ("DSM") Rider factors to remove the capital and O&M costs related to the Electric Energy Consumption Optimization ("EECO") and Innovari (Work Energy Management (WEM)) programs. I&M's proposed base rates include these programs' in-service capital and associated O&M costs other than the supporting costs for evaluation, measurement and verification services, program incentives and DSM labor. EECO and/or WEM assets and related costs, implemented as part of I&M's DSM Plan filings and placed in-service after the end of the Test Year will continue to be recognized for ratemaking purposes in the DSM Rider.

33. All four facilities within the Commission-approved Clean Energy Solar Pilot Project ("CESPP")⁶ were placed in-service prior to the Test Year and are included in I&M's Test Year rate base and operating expenses. Commencing with the implementation of new base rates in this case, I&M will zero the SPR factors and I&M proposes to file a final reconciliation of the SPR in I&M's first ECR proceeding subsequent to the final order in this Cause. After the final reconciliation, I&M intends to leave the SPR tariff in place at a zero factor in anticipation of future SPR filings.

34. I&M is not requesting any changes to the structure of the GPR, but is requesting that the voluntary net credits realized through the GPR be reflected in customer rates through I&M's ongoing FAC filings. This change will allow I&M to continue the timely reflection of the credit in customer rates without continuing to file separate docketed SPR proceedings.

⁶ See Orders in Cause Nos. 44511 and 44511-SPR-1.

35. With respect to the FAC, I&M proposes an update to the base cost of fuel and requests the generic purchase power benchmark procedures established in Cause No. 41363 be waived.

36. I&M proposes to recover 100 percent of I&M's PJM transmission related costs through its existing PJM Rider and to combine the PJM Rider and the Off-System Sales (OSS) Margin Sharing Rider into a singular annual rider filing. I&M seeks to modify the OSS Rider by updating the base level of off-system sales margin to \$0. I&M proposes to maintain the current 50/50 sharing of OSS margin with customers, above \$0.

37. The relief sought by I&M in this case also includes the proposed Resource Adequacy Rider ("RAR"), which will track incremental changes in the Company's purchased power costs, excluding those recovered through the FAC, compared to the amount embedded in base rates. As explained in greater detail in the testimony of Company witness Williamson, I&M is requesting annual RAR filings and rider rate updates once initial RAR rates are established subsequent to this proceeding.

Other Proposals Included In Filing.

38. As explained in the case-in-chief filed contemporaneous herewith, the Company's proposed rate relief also includes, but is not limited to, the following:

- a. I&M requests approval of a Renewable Energy Option ("REO"). The proposed new REO is a voluntary rate option will allow customers who so desire to elect a certain percentage of their monthly service from I&M's renewable resources. I&M requests authority to defer up to \$250,000 annually in marketing costs associated with the REO and to offset these costs with revenue produced from the REO. The REO revenue in excess of marketing costs will be credited back to

customers through I&M's FAC filings. This treatment of marketing costs is consistent with the settlement approved in Cause No. 44511-SPR-1.

- b. Depreciation Rates. I&M's current depreciation rates were approved in the 44075 Order and the May 20, 2016 Order in Cause No. 44555. I&M seeks approval to revise its depreciation rates as proposed in its case-in-chief filed contemporaneous with this Petition. I&M requests such revised depreciation rates be made effective upon implementation of new base rates in this Cause.
- c. Major Storm Damage Restoration Reserve. The 44075 Order approved I&M's Major Storm Damage Restoration Reserve. As discussed in the case-in-chief, the Company proposes to continue this mechanism including the deferral accounting above and below the level of average expense embedded in basic rates.
- d. Distribution Vegetation Management Program Reserve. The Company proposes the Commission authorize I&M to implement a deferral mechanism that would work the same as the Major Storm Damage Restoration Reserve. This reserve would apply to the Company's distribution vegetation management operations and maintenance ("O&M") costs. This deferral would track actual distribution vegetation management O&M costs (excluding major storm costs) as compared to the level embedded in the revenue requirement used to establish I&M's basic rates. Actual costs greater than the amount included in I&M's base rates approved in this proceeding would be recorded as a regulatory asset (under recovery) and actual costs less than the amount included in I&M's base rates approved in this proceeding would be recorded as a regulatory liability (over recovery). The cumulative under or over-recovery would be amortized in I&M's

next base rate case. The deferral mechanism supports the implementation of a program addressed to the ongoing provision of reliable service and ensures customer rates ultimately reflect the actual level of distribution vegetation management O&M incurred by the Company to improve reliability. It also ensures that the costs included in the determination of customer rates are used for distribution vegetation management O&M activities. The primary goal is to improve customer reliability and sustain the benefits by achieving a four-year trim cycle on a going forward basis. This deferral mechanism will support I&M's efforts to maintain and improve service reliability

- e. Nuclear Decommissioning Expense. Company witness Aaron Hill discusses the nuclear decommissioning trust fund (the "Trust") established to decommission the Cook Plant at the end of its useful life, specifically addressing the annual contribution necessary to ensure adequate funds were available for the decommissioning. The purpose of funding the nuclear decommissioning Trust is to ensure that adequate funds are available to pay for the safe dismantlement of the Cook Plant at the end of its life and to comply with certain State and Nuclear Regulatory Commission ("NRC") requirements. The nuclear decommissioning expense is included in the revenue requirement to allocate the cost of decommissioning the plant to the customers who are receiving the benefits of its generation during its useful life. The 44705 Order embedded \$4 million in nuclear decommissioning costs in the revenue requirement used to establish the

Company's rates.⁷ As explained by Company witnesses Hill and Williamson, the Company's filing reflects this \$4 million funding level for nuclear decommissioning costs and updates the jurisdictional allocation methodology for these costs.

- f. Dry Cask Storage Costs. The dry cask storage project at Cook Plant is addressed in the written testimony of Company witnesses Q. Shane Lies and Williamson. This program is addressed to the safe storage and ultimate disposal of spent nuclear fuel. These costs were recognized in the revenue requirement approved in the 44075 Order (at 65). I&M has been successful at recovering a significant percentage of these costs through a settlement agreement with the Department of Energy ("DOE"). That settlement agreement was recently extended to recover costs incurred through December 31, 2019. I&M expects to incur significant dry cask storage costs during the Test Year. Based on the assumption that a large majority of these costs will be reimbursed from the DOE, I&M proposes that these costs not be included in the revenue requirement in this case. Instead, I&M proposes the Commission authorize the Company to defer with carrying charges for future recovery through the ratemaking process any of the costs that are not ultimately reimbursed by the DOE.
- g. Prepaid Pension Asset. I&M has included the forecasted Test Year end Prepaid Pension Asset in rate base. The Prepaid Pension Asset is recorded on the Company's books and forecasted consistent with generally accepted accounting principles. The Commission included this asset in I&M's rate base in Cause No.

⁷ See 44075 Order, at 80 ("The amount of decommissioning costs to be included in the cost of service for Units No.1 and No.2 of the Donald C. Cook Plant is \$2.00 million and \$2.00 million, respectively.")

44075 and the Company's filing continues this approved approach so as to recognize the opportunity cost incurred by the Company to produce these benefits.

- h. Tanners Creek Final Accounting and Ratemaking. The Tanners Creek Plant, consisting of four units, was retired May 31, 2015. This used and useful facility was retired to allow cost effective compliance with environmental mandates and to bring the Company's property to its present state of efficiency. Company witnesses Williamson and Jason A. Cash address the final accounting and ratemaking associated with Tanners Creek Plant.
- i. Cook Improvement Project. The Cook Nuclear Plant has operated safely and reliably for many years. In 2005, the Company recently sought and received from the NRC 20-year extensions of the Unit 1 and 2 operating licenses, meaning that these units are currently licensed to operate until 2034 and 2037, respectively. The Company has studied and analyzed how to maintain and improve the safety, reliability, efficiency and availability of the Cook Plant through the extended life cycle of the units. This effort was labeled the Cook Improvement Project ("CIP"), was necessary to bring the Company's property to its present state of efficiency and is amortized in the revenue requirement as discussed by Company witness Williamson.
- j. Other Accounting and Ratemaking Proposals. As discussed by Company witness Williamson, the Company's proposed revenue requirement also reflects an amortization of the deferred costs associated with the Cook Plant turbine

replacement,⁸ the Rockport DSI Compliance Project 20% deferral approved in Cause No. 44331, the nuclear decommissioning study and rate case expense. I&M also asks the Commission to recognize other costs for ratemaking purposes and to approve accounting relief as reflected in I&M's case-in-chief.

- k. Rate Design. I&M's rate design includes the following proposals:
- i. Residential Monthly Customer Service Charge. Adjust the fixed residential customer charge closer to actual costs by increasing it from \$7.30 per month to \$18 per month. This proposal moves a portion of the Company's fixed distribution costs that only vary with the number of customers connected to the system from the kWh charge to the Residential Customer Service charge. I&M's proposed increase in the Residential Service Charge better reflects the fixed, customer-specific nature of these customer costs and provides increased customer rate stability. The proposed increase in the residential service charge also brings I&M's rates more in line with principals of cost causation, thereby eliminating subsidies within the residential class.
 - ii. Customer Transactional Fees. As a part of the Company's ongoing efforts to improve the customer experience, I&M is proposing to eliminate all customer transactional fees associated with the Bill Matrix and Pay Station programs, which will make the programs

⁸ See 44075 Order at 4-6.

more attractive to a broader range of customers. This is discussed by Company witness David A. Lucas.

- iii. Tariff, Schedules and Terms and Conditions of Service. I&M proposes to replace its existing rate schedules governing the electric utility service rendered by it with new schedules of rates and charges and terms and conditions applicable thereto. These changes are summarized in I&M's prefiled testimony and shown in the redlined version of the Tariff included with I&M's case-in-chief. These revisions include, without limitation, updates to terms of conditions and rate schedules and other changes either to clarify an existing term or Company policy or to propose a more appropriate application of an existing practice. As explained in greater detail in the testimony of I&M witness Kurt C. Cooper, I&M proposes setting an appropriate level of interest to be earned on residential deposits held for more than twelve months and revising I&M's procedures to allow remote disconnection for customers who have made threats or engaged in violence against Company employees. I&M is also proposing modifications to its Terms and Conditions of Service relating to nonresidential deposits. The proposed rate schedules and revised tariff are included in the Company's case-in-chief filed contemporaneous with this Petition.

Confidential Information.

39. Contemporaneous with the filing of this Petition, I&M is also filing a motion for protective order to protect certain confidential, proprietary, competitively sensitive and/or trade secret information related to I&M's filing from public disclosure. I&M has entered into a nondisclosure agreement with the OUCC and will work together with any intervenors to negotiate an acceptable confidentiality agreement to facilitate the production of the confidential information as appropriate.

Request for Prehearing Conference and Preliminary Hearing and Procedural Schedule.

40. Pursuant to 170 IAC 1-1.1-15, I&M requests that a date for a prehearing conference and preliminary hearing be promptly set by the Commission to address procedural matters including setting a procedural schedule that will allow completion of the case within 300 days in accordance with GAO-2013-5 and Section 42.7. I&M is working with the OUCC and potential intervenors to develop an agreed procedural schedule consistent with the timeframe in the GAO. I&M plans to file any agreement separately in this case.

Customer Notification.

41. In accordance with Ind. Code § 8-1-2-61(a), I&M will publish notice of the filing of this Petition in a newspaper of general circulation published in each Indiana county in which I&M renders service. In accordance with 170 IAC 4-1-18(c), I&M will furnish to each residential customer within forty-five (45) days of this Petition, a notice which fairly summarizes the nature and extent of the proposed changes. This notice will be provided via bill messaging, bill inserts, or similar mailing. The notice will be late-filed as an exhibit.

Request for Administrative Notice.

42. Pursuant to 170 IAC 1-1.1-21, I&M requests administrative notice to be taken of the following Commission Orders: Cause No. 44075 (2/13/2013 and 3/14/2013) (general rate case),

Cause No. 44555 (5/20/2015) (depreciation accounting rates), Cause No. 43774 PJM 4 (5/14/2014 and 10/1/2014) (PJM costs) and Cause No. 43774 PJM 4 S1 (11/9/2016) (PJM costs). Copies of these orders are being submitted contemporaneous with this Petition.

Attorneys for Petitioner.

43. The names and addresses of I&M's duly authorized representatives, to whom all correspondence and communications concerning this Petition should be sent, are as follows:

Teresa Morton Nyhart (Atty. No. 14044-49)
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WHEREFORE, I&M respectfully requests that the Commission promptly conduct a prehearing conference and preliminary hearing, make such investigation and hold such hearings as are necessary or advisable in this Cause, and thereafter make and enter an appropriate order in accordance with the 300-day time frame provided in GAO-2013-5 and Section 42.7:

⁹ I&M will file a motion for admission of Mr. McKenzie pro hac vice.

- 1) finding that the existing rates for electric service rendered by I&M in the State of Indiana are insufficient to provide revenues to cover the reasonable and necessary Test Year operating expenses and fair return and are therefore unjust, unreasonable, insufficient, and confiscatory;
- 2) determining and, by order, fixing increased rates and charges to be imposed, observed and followed commencing as soon as practicable after June 30, 2018 in lieu of those so found to be unjust, unreasonable, insufficient and confiscatory;
- 3) continuing the inclusion in rate base of the Company's Prepaid Pension Asset.
- 4) including in the revenue requirement to be established in this Cause Qualified Pollution Control Property, Clean Energy Projects, the cost of bringing I&M's system to its present state of efficiency, nuclear decommissioning expense and cost amortizations as proposed by I&M;
- 5) approving the accounting relief and other requests set forth in I&M's Petition and in I&M's evidence herein, including the Major Storm Damage Restoration Reserve and Distribution Vegetation Management Program Reserve;
- 6) approving I&M's proposed rate design including the changes to the Residential Customer Service Charge;
- 7) authorizing I&M to revise and place into effect for accrual accounting purposes its depreciation rates as proposed in its evidence herein;
- 8) approving the Company's rate adjustment mechanism proposals, including I&M's proposals regarding the OSS Margin Sharing Rider, the LCM Rider, the PJM Rider, the Renewable Energy Option and the Resource Adequacy Rider, as proposed in I&M's evidence herein;

9) granting to I&M accounting authority to implement its rate proposals, including authority to defer Dry Cask Storage Costs for future recovery through the ratemaking process as proposed by I&M;

10) approving and authorizing I&M to implement various changes in the terms, conditions and provisions of I&M's tariff for electric service rates as proposed in I&M's evidence;

11) approving I&M's Test Year End rates and proposal to phase in the new rates as identified herein and discussed in I&M's case-in-chief;

12) authorizing and approving the filing by I&M of new schedules of increased rates and charges for electric service so as to provide just, reasonable, sufficient and nonconfiscatory rates;
and

13) granting such other and further relief to I&M as may be appropriate and proper.

Dated this 25 day of July, 2017.

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY

By: 

Toby L. Thomas

President and Chief Operating Officer

Teresa Morton Nyhart (Atty. No. 14044-49)

Nicholas K. Kile (Atty. No. 15023-23)

Jeffrey M. Peabody (Atty. No. 28000-53)

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Attorneys for INDIANA MICHIGAN POWER COMPANY

STATE OF INDIANA)
) SS:
COUNTY OF ALLEN)

AFFIDAVIT

Toby L. Thomas, being first duly sworn, upon oath, deposes and says that he is the President and Chief Operating Officer of Indiana Michigan Power Company, the Petitioner in the above-entitled Cause; that as such he executed the above and foregoing Petition and has authority so to do; that he has read said Petition and knows the contents thereof; and that the statements and representations therein contained are true to the best of his knowledge, information and belief.


Toby L. Thomas

Subscribed and sworn to before me, a Notary Public, in and for said County and State this 25 day of July 2017.


Regiana M. Sistevaris, Notary Public

I am a resident of Allen County, Indiana.
My commission expires: January 7, 2023

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was served upon the following via electronic email, hand delivery or First Class, United States Mail, postage prepaid this 26th day of July 2017 to:

William I. Fine
Abby R. Gray
Indiana Office of Utility Consumer Counselor
Office of Utility Consumer Counselor
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Jeffrey M. Peabody