

FILED  
September 21, 2021  
INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA MICHIGAN )  
POWER COMPANY (I&M) AND AEP )  
GENERATING COMPANY (AEG) FOR ) CAUSE NO. 45546  
CERTAIN DETERMINATIONS WITH )  
RESPECT TO THE COMMISSION'S )  
JURISDICTION OVER THE RETURN OF )  
OWNERSHIP OF ROCKPORT UNIT 2 )

JOINT PETITIONERS' SUBMISSION OF  
SETTLEMENT TESTIMONY OF ANDREW J. WILLIAMSON

Indiana Michigan Power Company ("I&M") and AEP Generating Company  
("AEG") (collectively, "Petitioners"), hereby submit the settlement testimony of Andrew J.  
Williamson.

Respectfully submitted,

IURC  
JOINT PETITIONERS' *7*  
EXHIBIT NO. *7*  
*10-22-21*  
DATE REPORTER

OFFICIAL  
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## CERTIFICATE OF SERVICE

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DMS 20998048v1

I&M Exhibit: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY AND  
AEP GENERATING COMPANY  
CAUSE NO. 45546**

**PRE-FILED VERIFIED TESTIMONY  
OF  
ANDREW J. WILLIAMSON  
IN SUPPORT OF SETTLEMENT AGREEMENT**

**TESTIMONY OF ANDREW J. WILLIAMSON  
IN SUPPORT OF SETTLEMENT AGREEMENT ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY  
AND AEP GENERATING COMPANY**

**I. Introduction of Witness**

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

My name is Andrew J. Williamson and my business address is Indiana Michigan Power Center, P.O. Box 60, Fort Wayne, IN 46801.

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

I am employed by Indiana Michigan Power Company ("I&M") as Director of Regulatory Services.

**Q3. What are your responsibilities as Director of Regulatory Services?**

I am responsible for the supervision and direction of I&M's Regulatory Services Department, which has responsibility for the rate and regulatory matters affecting I&M's Indiana and Michigan jurisdictions. I report directly to I&M's Vice President of Regulatory and Finance.

**Q4. Briefly describe your educational background and professional experience.**

I received a Degree of Bachelor of Business Administration, Accounting and Finance Majors, in May 2004 from Ohio University. In January 2007, I passed the Certified Public Accountant (CPA) Examination. I am a licensed CPA in the state of Ohio and a member of the American Institute of CPAs.

I was employed by PricewaterhouseCoopers, LLP ("PwC") as a Staff and Senior Auditor from August 2004 until December 2007. At PwC, I assisted and

1 led the audits of the books and records of public and private companies,  
2 compilation of financial statements and compliance with the standards set forth  
3 under the Sarbanes-Oxley Act of 2002.

4  
5 In January 2008, I joined American Electric Power ("AEP") as a Staff  
6 Accountant in the Accounting Policy and Research department. Thereafter, I  
7 have held positions as a Staff and Senior Accountant in Financial Policy  
8 Transaction and Analysis, as a Senior Financial Analyst in Transmission  
9 Investment Strategy and as a Manager of Regulatory Accounting Services. In  
10 March 2014, I assumed my current position as Director of Regulatory Services for  
11 I&M.

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

13 Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC or  
14 Commission") on behalf of I&M in numerous cases, including I&M's most recent  
15 general rate case filings, Cause Nos. 45576, 45235 and 44967.

16 In addition, I have testified before the Michigan Public Service Commission  
17 on behalf of I&M, before the Public Utility Commission of Texas on behalf of AEP  
18 Texas Central Company, AEP Texas North Company, Electric Transmission  
19 Texas, LLC and Southwestern Electric Power Company, and before the  
20 Corporation Commission of the State of Oklahoma on behalf of Public Service  
21 Company of Oklahoma.

22 **Q6. Did you substantially participate in negotiating the Settlement Agreement  
23 in this Cause?**

24 Yes. I am a member of the I&M and AEP Generating Company ("AEG")  
25 (collectively "Petitioners") team that worked with the other parties in negotiating  
26 the Settlement Agreement filed in this Cause.

**Q7. What is the purpose of your settlement testimony in this proceeding?**

My testimony supports the Settlement Agreement reached among all the parties and filed in this Cause on September 13, 2021. I refer to the parties collectively as the “Settling Parties” (and individually “Settling Party”). I will explain the Settlement Agreement and describe from Petitioners’ perspective why the Settlement Agreement is reasonable and in the public interest and should be approved by the Commission.

**Q8. Have all the parties joined the Settlement Agreement?**

Yes, and this is a settlement of all the issues among all the parties.

**Q9. On whose behalf are you testifying?**

I am testifying on behalf of Petitioners. While the Settling Parties have reviewed and had an opportunity to comment on the testimony I am providing prior to its filing, I note the other Settling Parties may not agree with all opinions and explanations contained in my testimony. This is also the case with respect to Petitioners’ view of the other Settling Parties’ testimony. Neither my testimony nor testimony presented by any other Settling Party changes the substance of the Settlement Agreement.

I am authorized by all Settling Parties to inform the Commission all Settling Parties believe that: (a) the Settlement Agreement as a whole represents a reasonable resolution of the issues in this Cause; (b) approval of the Settlement Agreement is in the public interest; and (c) all Settling Parties strongly encourage the Commission, after considering the evidence in support of the Settlement Agreement, to find the Settlement Agreement to be reasonable and in the public interest and promptly enter an order approving the Settlement Agreement in its entirety. I&M and AEG also ask that the Commission include in its order a

declination of its jurisdiction over the acquisition of Rockport Unit 2 (or, the Unit) by I&M and AEG that would expire December 31, 2028 or the date the Unit is retired (whichever occurs first), which all Settling Parties agree not to challenge.

**Q10. Are you sponsoring any attachments?**

Yes. Together with the Indiana Office of the Utility Consumer Counselor ("OUCC") witness Peter M. Boerger, I co-sponsor Settling Parties Joint Exhibit 1, which is a copy of the Settlement Agreement previously filed in this Cause.

**Q11. Were the attachments you are sponsoring prepared or assembled by you or under your direction and supervision?**

Yes.

## **II. Overview of Settlement Agreement**

**Q12. Please generally describe the Settlement Agreement.**

The Settlement Agreement resolves all pending issues. Section A. sets forth the negotiated terms and conditions. Section B. of the Settlement Agreement addresses the presentation of the Settlement Agreement to the Commission. Section C. addresses the effect and use of the Settlement Agreement. Taken as a whole, the Settlement Agreement represents the result of arm's-length negotiations by a diverse group of stakeholders with differing views on the issues raised in the docket. Party experts were involved with legal counsel in the development of both the conceptual framework and the details of the Settlement Agreement. Many hours were devoted by the Settling Parties to discussions, the collaborative exchange of information, and settlement negotiations. It is my opinion that the Settlement Agreement is in the public interest and reasonably



resolves all issues in this docket without further expenditure of the time and resources of the Commission and the Settling Parties in the litigation of these matters.

**Q13. Will Commission approval of the Settlement Agreement satisfy the closing condition for Required Government Approvals as defined in the Trust Interest Purchase Agreements (“TIPAs”)?**

Approval of the Settlement Agreement in combination with an order declining jurisdiction over each of I&M and AEG’s purchases – which the other Settling Parties have agreed not to challenge within the context of the Settlement Agreement terms – would satisfy the closing condition for the required Indiana governmental approvals. Those approvals are needed by December 16, 2021. I would add that the Federal Energy Regulatory Commission (“FERC”) approved the acquisition by order dated September 9, 2021, in Docket No. EC21-97-000.

### **III. Discussion of Settlement Agreement Terms**

**Q14. Please discuss Section A.1. of the Settlement Agreement (Legal Authority to Own).**

This Section sets the framework for the negotiated terms and conditions and the Settling Parties’ agreement that these terms represent a fair, just, and reasonable resolution of the pending proceeding and approval of this settlement by the Commission is in the public interest. Section A.1. sets forth the context for the agreement, addressing in particular the special circumstances of this case, which include a unique financing, ownership, and operating structure (“sale and leaseback”). As explained in the Petition, Petitioners were authorized to undertake the obligations associated with this structure in Indiana Michigan Power

Company and AEG, Cause No. 38690; Cause No. 38691 (IURC 3/30/89), 1989 WL 1734132. Revised Petition, ¶¶ 12-17. This Section also recognizes that the Commission has previously declined to exercise much of its jurisdiction over AEG. Section A. memorializes the Settling Parties' negotiated resolution as to I&M's share of Rockport Unit 2, stating in particular that I&M has committed to operating its share of Rockport Unit 2 as a merchant plant after a date certain and that with specific exceptions and subject to certain conditions as set forth in this Settlement Agreement, I&M is agreeing on a prospective basis to remove from its cost of service all costs and expenses associated with the operation of Rockport Unit 2 as of the date of the lease expiration, including costs associated with the Unit Power Agreement ("UPA") between itself and AEG. This Section states I&M's agreement that it will not seek a certificate of public convenience and necessity ("CPCN") or other approval to recover future costs or expenses associated with Rockport Unit 2 arising after the termination of the Lease.

**Q15. How does Section A.1. resolve the Settling Parties' disagreement regarding the declination or disclaimer of jurisdiction sought by Petitioners?**

This Section provides a negotiated and balanced resolution of the issues raised by the Settling Parties regarding declination of jurisdiction. The Consumer Parties agreed not to challenge I&M's and AEG's requests for an order from the IURC declining to exercise its jurisdiction over the acquisition of Rockport Unit 2 by I&M and AEG pursuant to IC § 8-1-2.5-5 in order to facilitate the acquisition of I&M's and AEG's respective shares of Rockport Unit 2 as required by the terms of the TIPAs, provided that pursuant to IC § 8-1-2.5-7, the Commission's declination of jurisdiction is for a limited term that expires on December 31, 2028 or on the retirement date of Rockport Unit 2, whichever is earlier.

The Settling Parties have also agreed that such a declination of jurisdiction does not otherwise affect the Commission's authority and jurisdiction over I&M

including, without limitation, issues raised in any subsequent or pending proceeding, including those related to the recovery of costs and expenses and other ratemaking associated with Rockport Unit 2 unless otherwise agreed to in this Settlement Agreement, to review I&M's books and records or to consider whether the acquisition has had an impact on I&M's cost of capital in a rate case filed after the expiration of the lease. The Settling Parties also agreed that such a declination of jurisdiction does not otherwise affect the Commission's authority and jurisdiction over AEG except as previously limited. As the Commission's ongoing jurisdiction over I&M and AEG was not in dispute, I view these terms as clarifications.

**Q16. Please discuss Section A.2. of the Settlement Agreement (Sunsetting Rockport Unit 2 from Service).**

As explained in the Company's prefiled direct and rebuttal testimony, the reacquisition of Rockport Unit 2 pursuant to the terms of the TIPAs (the Transaction) would avoid significant operating challenges and uncertainty that would arise following the end of the Lease if Rockport Unit 2 were owned by a third party (whether the current beneficial owners of the Unit or another entity(ies)) and serve as a bridge to the future as the Company transitions its resources to include more renewables. The acquisition would allow I&M to control and plan for the transition to and retirement of Rockport Unit 2 no later than December 2028, and in doing so avoid the cost of complying with the Effluent Limitation Guideline regulations ("ELG") Rule. Because of the negotiated timeline for providing notice that the required government approvals have been obtained, Petitioners sought declination (or disclaimer) of jurisdiction under the CPCN statute and represented that the economic risk of the Transaction, including the Rockport Unit 2 costs incurred under the UPA with AEG following the end of the Lease, would remain

with I&M and cost recovery would be subject to a later Commission decision in a separately filed CPCN proceeding.

The other parties contested the Company's proposal, raising various concerns including whether the relief sought was in the public interest as that term is defined in the declination of jurisdiction statute (IC § 8-1-2.5-5), what advantage Petitioners' proposed approach could create for I&M in a later filed CPCN case, and the near term need for the entire Unit 2 capacity and the reasonableness of the associated cost.

Section A.2. of the Settlement Agreement sets forth the Settling Parties' agreed transition plan, assuming the Transaction pursuant to the TIPAs closes, to address I&M's expected capacity needs through the 2023/2024 PJM Interconnection, L.L.C. ("PJM") Planning Year while balancing the concerns of the various parties.

Section A.2. provides that beginning December 8, 2022 through May 31, 2024, I&M may utilize up to 650 MWs of I&M's share of installed capacity (ICAP) from Rockport Unit 2, if available, and only to the extent necessary to meet the Indiana jurisdictional portion of I&M's Fixed Resource Requirement ("FRR")<sup>1</sup> capacity obligation. The 650 MWs represents I&M's direct ownership share of the Unit once the Transaction closes. The energy from Rockport Unit 2, however, will be treated as merchant beginning December 8, 2022 and through the remainder of the Unit's life. Nothing within this Settlement Agreement impacts I&M's ability to purchase energy within PJM, consistent with current and historical practices, to the extent needed or based on economics. This arrangement provides customers with a near-term capacity bridge that is consistent with PJM's competitive

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<sup>1</sup> I&M has notified PJM of its FRR election for the 2022/2023 PJM Planning Year. FRR is an alternative means for an eligible load-serving entity (LSE) to satisfy PJM's capacity obligation by self-suppling capacity resources.

1 Reliability Pricing Model capacity market, in which capacity is procured at the  
2 market clearing price and energy is purchased separately.

3 The exact amount of capacity utilized will be the amount needed for I&M,  
4 after including all other capacity resources it owns or controls, to fulfill its load  
5 obligation to PJM for each planning period as identified in AEP's FRR election  
6 notification letter. I&M will notify the Settling Parties of this annual capacity  
7 obligation and will provide to the Settling Parties a copy of the FRR election  
8 notification letter, a copy of the FRR Plan submitted to PJM, and supporting  
9 workpapers, all of which are subject to the protection of confidential information.  
10 The process that I&M will use to determine how much, if any, of the Rockport Unit  
11 2 capacity is needed to meet the Company's FRR capacity obligation is detailed  
12 in Section A.2.a.i.-ii. of the Settlement Agreement.

13 Section A.2.a.iii. resolves concerns and provides greater certainty about  
14 the cost of capacity by providing that I&M shall be allowed to recover costs for the  
15 capacity used from Rockport Unit 2 in the FRR plan at a rate that equals PJM's  
16 Base Residual Auction ("BRA") Reliability Pricing Model ("RPM") clearing price for  
17 the respective PJM Planning Years (i.e., 2022/2023 and 2023/2024). I&M's most  
18 recent Integrated Resource Plan ("IRP") as well as the IRP analysis currently  
19 underway indicates I&M has a near term capacity need of approximately 400MW  
20 once the Lease ends. Consequently, if the Company does not have access to  
21 the Unit 2 capacity, the Company would still be required to acquire capacity in the  
22 near term. The negotiated Settlement resolves concern over the cost of such  
23 capacity by agreeing to cost recovery based on the market price. While the full  
24 I&M ownership share of 650 MW is more capacity than the currently anticipated  
25 need, the Settlement Agreement provides customers the benefit of the full amount  
26 at the agreed market price should unforeseen circumstances arise that would  
27 increase the capacity need beyond what is currently anticipated.

Section A.2.iv. clarifies that the capacity expense for the 2022/2023 PJM Planning Year will be prorated for the term that follows the termination of the Lease.

Section A.2.v. addresses how the retail load capacity obligation through the 2023/2024 Planning Year will be addressed in the IRP that is currently underway.

Finally, Section A.2.vi. sets forth the Settling Parties' agreement that the remainder of Rockport Unit 2 shall be merchant, i.e. the share of Rockport Unit 2 not needed to meet I&M's load obligation during these respective PJM Planning Years will be treated as an RPM resource, and the cost of such capacity shall not be recovered from Indiana retail customers as outlined in the agreement, nor should the revenues associated with such capacity be credited to Indiana retail customers. And Section A.2.b. clarifies that all of the unit shall be merchant after the end of the transition period, i.e. beginning with the 2024/2025 PJM Planning Year and through the remainder of its operating life, meaning 100% of Rockport Unit 2 will be treated as a merchant generating unit and participate in the PJM markets as an RPM-only resource. Rockport Unit 2 will be excluded from I&M's IRP preferred plan as of June 1, 2024, consistent with the end of the 2023/2024 Planning Year.

**Q17. Please discuss Section A.3. of the Settlement Agreement (Retirement Date, ELG Rule, and Other Applicable Requirements).**

Section A.3. of the Settlement Agreement memorializes Petitioners' commitment, if Rockport Unit 2 is acquired as provided in the TIPAs, to permanently retire Rockport Unit 2 by no later than December 31, 2028. The section sets forth the mechanics for implementing the retirement and sets forth the Settling Parties' agreement 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. Finally, the Settlement Agreement maintains flexibility by clarifying that nothing therein impedes I&M's and AEG's rights to retire Rockport Unit 2 prior to December 31, 2028.

This provision is consistent with the plans underlying the proposed reacquisition of the Unit and the associated wind down benefits, such as avoiding the cost of ELG compliance, discussed by Witness Thomas. Thomas Direct at p. 8.

**Q18. Please discuss Section A.4. of the Settlement Agreement (Ratemaking).**

Section A.4. of the Settlement Agreement recognizes that the Lease term ends December 7, 2022, and addresses the removal of certain Rockport Unit 2 costs from I&M's rates thereafter. The Settling Parties have agreed that effective as of December 8, 2022, and except as provided in this agreement, no Rockport Unit 2 costs shall be recoverable through rates, but for the recovery of costs arising during the term of the Lease. The permitted recovery includes rider factors that address a period during the term of the Lease which are approved by the Commission for implementation or reconciliation after the Lease terminates.

The provisions in Section 4. of the Settlement Agreement reflect the Settling Parties' negotiated resolution regarding cost recovery by clarifying those costs that are not recoverable and those costs that are recoverable. Because I&M has agreed not to seek a CPCN for any part of Rockport Unit 2, it is reasonable to resolve the associated cost recovery issues at this time. Doing so mitigates future controversy and allows the Commission, Petitioners and stakeholders to understand the cost impact of the Settlement Agreement.

**Q19. How will the terms in Section A.4. be effectuated?**

To effectuate the agreed result, I&M agrees to exclude from its Indiana retail customers' rates any costs associated with (i) I&M's and AEG's purchase of Rockport Unit 2; (ii) any going-forward costs specifically associated with the continued ownership and operation of Rockport Unit 2 incurred after termination of the Rockport Unit 2 Lease; and (iii) Rockport Unit 2 purchases under the UPA with AEG after termination of the Lease, whether in base rates or through any tracker mechanisms, special riders, or charges, effective as of December 8, 2022.

Except as otherwise provided in this Settlement Agreement, as part of implementing this exclusion, I&M's cost of service will be reduced to eliminate all costs related to the ownership and operation of Rockport Unit 2 after the termination of the Lease, including operation and maintenance ("O&M") expenses, and an adjustment will be made to credit customers with any amounts collected from customers after December 7, 2022 that do not relate to recoverable Rockport Unit 2 costs as specified within the Settlement Agreement.

The Settlement Agreement provides that the Parties reserve all rights to propose mechanisms to accomplish this in I&M's currently pending base rate case, Cause No. 45576.

**Q20. Does the Settlement Agreement address the wholesale contract concerns raised by Wabash Valley Power Association?**

Yes. In Section A.4.a., I&M has agreed to account for Rockport Unit 2 costs and revenues in a manner that also excludes these costs and revenues from wholesale customers' bills. I&M has reviewed the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USofA) and concluded this is appropriate treatment for costs that are not recoverable after the Lease according to the Settlement Agreement. However, in the event I&M is not allowed by applicable accounting rules to account for Rockport Unit 2 costs and revenues in



a manner that also excludes these costs and revenues from wholesale customers' bills, I&M will amend its wholesale agreement with Wabash Valley Power Association to the limited extent necessary to effectuate the exclusion of the foregoing costs and revenues.

**Q21. Does Section 4a address capacity costs?**

Yes, this Section provides that customers will still be responsible for the expenses associated with meeting I&M's Indiana capacity obligation as described in Section 2. of the Settlement Agreement. Any costs not specifically enumerated in Section 4. shall not be recoverable in customer rates, absent specific written agreement of the Settling Parties.

**Q22. Please discuss Section A.4.b. (Continuing Recovery of Costs Currently Embedded in Rates after Closing).**

This Section addresses the continued recovery of costs associated with prior Rockport Unit 2 investments in rates. The Settling Parties agree the net book value of Rockport Unit 2 investments and regulatory assets currently on I&M's books and records associated with investments in Rockport Unit 2 made during the term of the lease remains recoverable, consistent with prior IURC orders in Cause Nos. 44331, 44871, 44967, and 45235, using the depreciable lives of the related accounts approved by the Commission in Cause No. 45576. The Settling Parties have agreed not to challenge recovery of these investments and regulatory assets related to Rockport Unit 2, up to the cost previously approved by the Commission, in any future proceeding including in Cause No. 45576, but reserve all rights to propose alternative rate recovery mechanisms and regulatory treatment.

This treatment recognizes the Rockport Unit 2 capital investments made in accordance with the terms of the Lease were reasonable and necessary in the

1 provision of service to Indiana retail customers and should be fully recovered  
2 through I&M's cost of service. The remaining net book value is primarily related  
3 to environmental control equipment approved in Cause No. 44331 for the  
4 Rockport Dry Sorbent Injection and Cause No. 44871 for the Rockport Unit 2  
5 Selective Catalytic Reduction. These investments were found by the Commission  
6 to be reasonable even if Rockport Unit 2 is only available to I&M's customers  
7 through the end of the Lease. This is also consistent with the Commission's  
8 approved treatment in Cause No. 44555 of remaining cost associated with the  
9 Tanners Creek Plant, which was retired in 2015, and the remaining net book value  
10 was incorporated into Rockport Unit 1 and depreciated over its remaining life.

11 **Q23. Please discuss Section A.4.c. (Net Book Value of Additional Plant Placed in**  
12 **Service Prior to Lease Termination).**

13 Section A.4.c. addresses the recovery of certain investments in Rockport Unit 2  
14 made, or expected to be made, prior to the end of the Lease. This section sets  
15 forth the Settling Parties' agreement that the net book value of Rockport Unit 2  
16 investments that are projected to be placed in service before the Lease is  
17 terminated in Cause No. 45576 will be recoverable provided they are approved  
18 for recovery by the Commission in that Cause. Subsequent to any approval by  
19 the Commission in Cause No. 45576, the Settling Parties agreed not to challenge  
20 recovery of Rockport Unit 2 investments in any future proceeding up to the amount  
21 approved in that Cause. The Settling Parties preserve all rights to take any  
22 position in Cause No. 45576 with respect to the proposed investments, including  
23 cost recovery, regulatory treatment, and appropriate recovery mechanisms.

**Q24. Please discuss Section A.4.d. (Cost of Removal and Asset Retirement Obligation).**

This section clarifies that nothing in this Settlement Agreement precludes I&M from seeking recovery of the cost of removal, including Asset Retirement Obligations, in a future proceeding. Because the actual cost of removal will not be known until after the Unit is retired, and because these obligations substantially arose from the years Rockport Unit 2 provided electric service to customers, it is reasonable to clarify as part of this Settlement Agreement that the Company may seek the associated cost recovery.

**Q25. Please discuss Section A.5. of the Settlement Agreement (Prohibition on New CPCN Request).**

This section memorializes the agreement that after the date of this Settlement Agreement, I&M shall not seek a new CPCN for any amount of Rockport Unit 2.

**Q26. Please discuss Section A.6. of the Settlement Agreement (Elimination of Supplemental Efficiency Adjustment/Degradation Factor in IRP/DSM).**

Section A.6. addresses a concern raised by CAC regarding the Company's IRP modeling of energy efficiency.

The Setting Parties agreed that in IRPs following the 2021 IRP, I&M will replace the Supplemental Efficiency Adjustment ("SEA") approach by modeling demand side management ("DSM") as an independent variable in the regression equation consistent with certain other Indiana investor-owned utilities.

For the 2021 IRP, which is already well underway, I&M agreed to run the following scenarios without the Supplemental Efficiency Adjustment/Degradation

Factor adjustment<sup>2</sup> in order to provide a comparison of the level of energy efficiency selected with and without the Supplemental Efficiency Adjustment/Degradation Factor adjustment: (1) the reference case with Rockport Unit 1 retiring by 2024; (2) the reference case with Rockport Unit 1 retiring by 2026; and (3) the rapid technology advancement case.

I&M also agreed to provide the initial results of these scenario runs through a live screen share of the model interface and provide CAC an opportunity to offer any reasonable changes that align with the intention of this settlement provision. Finally, I&M agreed to present the scenarios contemplated in the Settlement Agreement in its final 2021 IRP report, including modeling results, submitted in Indiana.

**Q27. Please discuss Section A.7. of the Settlement Agreement (2021 IRP and Subsequent IRP Modeling Scenarios).**

This section of the Settlement Agreement also addresses concerns regarding the IRP process. In this Section, I&M has agreed to include as part of its current IRP process certain early retirement scenarios for Rockport Unit 1 as well as an analysis of the costs associated with the early termination of the operation of the Ohio Valley Electric Corporation (“OVEC”) units under the Inter-Company Power Agreement (“ICPA”) by the end of 2030. The agreement to conduct additional analysis is consistent with the purpose of the IRP stakeholder process. This analysis may provide additional insights as the Company moves to transition to more renewable generation resources.

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<sup>2</sup> I&M will remove the SEA adjustment to the EE bundles and replace it with net to gross adjusted savings for EE bundles according to I&M’s 2021 Market Potential Study results.

**Q28. Please discuss Section A.8. of the Settlement Agreement (All-Source Competitive Bidding Process).**

This section sets forth the Settling Parties' agreement regarding the use of a non-discriminatory and flexible all-source competitive bidding process before seeking approval of certain new generation resources. The agreement clarifies what is meant by a nondiscriminatory request for proposals ("RFPs") and provides that the information gained from the process will be used in I&M's next IRP that follows the 2021 IRP currently underway. This provision is consistent with the CPCN statute, which recognizes that cost estimates should reflect a competitive solicitation. In agreeing to this provision, the Company was mindful of the need to safeguard use of RFPs, as overuse in circumstances where the Company may not be intending to timely pursue a transaction can adversely affect the process. From the Company's perspective, the agreement is sufficiently flexible and reasonably balances this concern.

The Settlement Agreement goes on to provide that with respect to IRPs thereafter, I&M will use its most recent RFP (the responses to which can be no more than 24 months old) to inform its analysis.

The Settlement Agreement maintains flexibility by recognizing that I&M will not be required to restrict its IRP inputs based on the RFP results. The Settlement Agreement also provides that future RFPs will at a minimum comport with the requirements of Section A.8.a. Section A.8.c. addresses the provision of the RFP bid results to interested stakeholders that are not competitive entities and subject to the protection of confidential information.

While I&M has no current plans to repower Rockport Unit 2, in this Section I&M agreed that for purposes of this Settlement Agreement to conduct the above referenced bidding process before seeking approval of any such repowering.

Finally, nothing in this agreement precludes I&M from seeking approval of renewable generation resources associated with its November 2020 RFP. This reasonably recognizes that this process has already occurred and clarifies that the Settlement Agreement does not foreclose use of this process.

**Q29. Please discuss Section A.9. of the Settlement Agreement (Time is of the Essence).**

In Section A.9., the Settling parties agree that time is of the essence and will work to obtain a Commission order approving the Settlement Agreement no later than December 15, 2021. This provision reflects Petitioners' request for an order by this date. As explained by Witness Thomas, the few conditions on being able to close the Transaction include the condition that I&M and AEG must have the ability to reacquire Rockport Unit 2 pursuant to an order of the Commission and the FERC issued on or before December 16, 2021, which is the date Petitioners were able to negotiate with the Owner Trust. Thomas Direct at 9-10. This provision of the Settlement Agreement balances the need to provide the Commission with time to consider the relief requested by Petitioners with the need for the Owner Trust and Petitioners to know in a timely manner whether the required governmental approvals closing conditions will be met.

**Q30. Please discuss Section A.10. of the Settlement Agreement (No Waiver).**

Section A.10. further recognizes the unique circumstances of this case. As stated above, this case stems from a previously approved sale and leaseback financing transaction previously approved by the Commission in 1989. That long-term lease agreement comes to an end on December 7, 2022 and the beneficial unit owners are passive investors the Commission previously held are not public utilities. The Lease structure requires I&M to continue to operate Rockport Unit 2 for the beneficial owners after the Lease ends. Because Rockport Unit 2 is part

of a two unit station (the “Rockport Plant”), designed to be operated as a common entity, the termination of the Lease does not end the entanglement of I&M with the beneficial owners if they or another third party continues to own Rockport Unit 2 after the Lease terminates. Petitioners requested the Commission decline to exercise its jurisdiction under the CPCN statute with respect to the return of Rockport Unit 2 ownership to Petitioners, or determine that Ind. Code § 8-1-8.5-2 does not apply to the return of Rockport Unit 2 ownership to Petitioners. Revised Petition at ¶22. This request was made to allow Petitioners to untangle Rockport Unit 2 from the passive investors by reacquiring ownership of Rockport Unit 2 and to do so without any assurance of retail cost recovery. The request recognizes that Rockport Unit 2 has been in service for decades and exercise of the CPCN statute with respect to Rockport Unit 2 will not avoid its construction.

As stated at the beginning of my testimony the negotiated settlement package takes into consideration these unique circumstances and sets forth the Settling Parties’ proposed resolution of all matters pending in this Cause. Section A.10. makes clear that no party is waiving rights of future or pending issues, except as explicitly noted in this Settlement Agreement. This Settlement Agreement does not create a precedent, and all Settling Parties reserve their rights to take whatever position they deem appropriate in any pending or future proceeding regarding the applicability of IC ch. 8-1-2.5 to CPCNs or other proceedings.

**Q31. What other provisions does the Settlement Agreement contain?**

The Settlement Agreement sets forth the Settling Parties’ agreement that the Settlement Agreement is reflective of a negotiated settlement and neither the making of the Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding. The Settlement Agreement is a package compromise and will be null and void unless

approved in its entirety without an unacceptable modification or further condition. The Settlement Agreement sets forth the Settling Parties' agreement that it shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce this Settlement Agreement. The Settlement Agreement also includes provisions considering the substantial evidence in the record supporting the approval of the Settlement Agreement, recognizes the confidentiality of settlement communications, and reflects other terms typically found in settlement agreements before this Commission.

#### IV. Public Interest

**Q32. Is the declination of jurisdiction as set forth in the Settlement Agreement in the public interest as that term is defined in the declination of jurisdiction statute (IC 8-1-2.5-5)?**

Yes. As explained in Petitioner's direct and rebuttal testimony, Petitioners did not request authority to recover the cost of Rockport Unit 2 after the termination of the Lease from retail customers. The Settlement Agreement embraces this approach while safeguarding all parties' interest in assuring I&M has sufficient capacity to meet its PJM obligations through May 31, 2024. The cost of this capacity will reflect the PJM wholesale capacity market price. FERC regulation of the wholesale market renders exercise of Commission jurisdiction over the acquisition (or here, the re-acquisition) unnecessary.

Petitioners have the requisite managerial, operational, and financial abilities to continue to safely and reliably operate Rockport Unit 2 until it retires no later than December 2028. Petitioners will continue to operate Rockport Unit 2 in a manner consistent with good utility practice and the Settlement Agreement



avoids the ongoing operational complications and uncertainty that would arise if Petitioners do not acquire the Rockport Unit 2.

Thus, exercise by the Commission of its jurisdiction under the CPCN statute would be duplicative of other regulatory bodies, could complicate and cause inefficiencies for I&M in the operation of Rockport Unit 2 after the Lease terminates, and would be an unnecessary use of the Commission's resources under the unique circumstances here given the resolution of the contested issues negotiated by the Settling Parties.

Declination of jurisdiction under the CPCN statute under the circumstances here would promote administrative and energy utility efficiency by streamlining regulation for Petitioners and enabling the Transaction to move forward in a timely manner. This is consistent with I&M's most recent IRP Short Term Action Plan which stated that the Company would "continue the evaluation of the Company's options related to Rockport Operations." I&M 2018-2019 IRP, 2 pp. ES-10, 145; also Satterwhite Rebuttal, pp. 12-13 (revised).

Closing of the Transaction will allow Petitioners to control the post Lease operation and wind down of the Unit and avoid the uncertainty and operating challenges that would otherwise exist post Lease. Thomas Rebuttal pp. 2-3. It will also bring the litigation with the Trust Owners to an end. Thomas Direct p. 9. If approved, and I&M with AEG reacquires Rockport Unit 2 and operates it as a merchant unit under the conditions set forth in the Settlement Agreement, I&M has a reasonable expectation that it will recover through the market its cost of the purchase and operations. If it does not, I&M can pursue other off ramps, such as early retirement. In other words, Rockport Unit 2 is being acquired for the reasons stated in Mr. Thomas' testimony and the economic analysis shows the economic risk I&M is undertaking is reasonable. Thomas Rebuttal p. 3.

As stated by Witness Thomas, the AEP Commercial Operations team has experience offering both retail regulated and merchant units owned by AEP's

operating companies and the roles and responsibilities between I&M and AEPSC would not change if Rockport Unit 2 were to be treated as a merchant unit. Thomas Rebuttal p. 6.

Given the terms of the Settlement Agreement, declination to exercise the CPCN Statute is an efficient way to address the future of Rockport Unit 2's ownership. Petitioners' reacquisition of Rockport Unit 2 maintains their control of both units at the Rockport Plant and allows I&M to achieve operating efficiencies at the Rockport Plant.

Declining to exercise jurisdiction under the CPCN statute will promote energy utility efficiency because it will allow the Transaction to proceed in a timely manner and this in turn provides the benefits noted above and in Petitioners' evidence.

Finally, the Commission has previously declined to exercise jurisdiction under the CPCN statute where retail cost recovery was not sought. If a third party were acquiring Rockport Unit 2 from the current beneficial owners with the intent to operate it as a merchant power plant, Commission precedent indicates that the Commission would likely decline to exercise jurisdiction under the CPCN statute. Exercise of the CPCN statute over Petitioners would unreasonably inhibit Petitioners from moving forward with the Transaction in the same way that a third party would be able to do so. Given the terms of the Settlement Agreement, it is unnecessary to inhibit Petitioners in this way under the circumstances here.

In sum, Petitioners proposal to separate Rockport Unit 2 from the passive beneficial owners of the unit upon termination of the Lease is reasonable and in the public interest, particularly given the negotiated terms agreed to by the Settling Parties.

Declination of jurisdiction under the CPCN statute and approval of the Settlement Agreement avoids the complexity and uncertainty associated with the

Owner Trust owning Rockport Unit 2 after the Lease terminates and in Petitioners' view this overall resolution will benefit the energy utility, customers and the state. Among other things reacquisition of Rockport Unit 2 as proposed by Petitioners returns control over the future of this unit and the Rockport Plant to a regulated Indiana public utility and provides the other benefits identified in Mr. Thomas' direct testimony tied to a more certain future.

Therefore, the Commission should find Petitioners' request that the Commission decline to exercise its jurisdiction under the CPCN Statute as provided in the Settlement Agreement with respect to the proposed Transaction is in the public interest.

**Q33. In your opinion, is Commission approval of the Settlement Agreement in the overall public interest?**

Yes. Settlement is a reasonable means of resolving a controversial proceeding in manner that is fair and balanced to all concerned.

It is my opinion the Settlement Agreement is in the public interest. The Settlement Agreement is supported by and within the scope of the evidence presented by the Settling Parties. The Settlement Agreement represents the result of extensive, good faith, arm's-length negotiations of the conceptual framework and details of the Settlement Agreement. Experts were involved with legal counsel and substantial time was devoted to the settlement discussions.

Taken as a whole, the Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause.

Petitioners ask the Commission to issue an order approving the Settlement Agreement in its entirety and declining to exercise its jurisdiction under the CPCN statute as to both I&M's and AEG's reacquisitions of Rockport Unit 2.

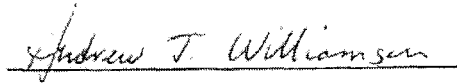
Q34. Does this conclude your pre-filed verified testimony in support of settlement agreement?

Yes.

### VERIFICATION

I, Andrew J. Williamson, Director of Regulatory Services at 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: September 21, 2021

A handwritten signature in cursive script, reading "Andrew J. Williamson", is written over a solid horizontal line.

Andrew J. Williamson

**Settling Parties Joint Exhibit 1**

[Settlement Agreement – Not Duplicated Herein]