

OFFICIAL
EXHIBITS

FILED
December 4, 2020
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN POWER)
COMPANY ("I&M"), AN INDIANA CORPORATION,)
REQUESTING: (1) COMMISSION APPROVAL OF I&M'S)
TENTH ONGOING REVIEW PROGRESS REPORT)
RELATING TO THE LIFE CYCLE MANAGEMENT)
PROJECT AT THE D.C. COOK NUCLEAR PLANT; (2))
AUTHORITY TO ADJUST ITS RETAIL ELECTRIC)
RATES THROUGH ITS LIFE CYCLE MANAGEMENT)
RIDER TO REFLECT LIFE CYCLE MANAGEMENT)
PROJECT COSTS)

CAUSE NO. 44182
LCM-10

IURC
PUBLIC'S
EXHIBIT NO. 2
DATE 1-4-21 REPORTER AT

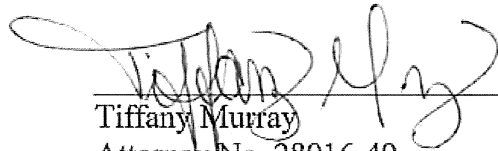
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

MICHAEL D. ECKERT- PUBLIC'S EXHIBIT NO. 2

DECEMBER 4, 2020

Respectfully submitted,



Tiffany Murray
Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 44182 LCM-10
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

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

2 A: My name is Michael D. Eckert and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor ("OUCC") as the Assistant Director of the
5 Electric Division. My qualifications are set forth in Appendix A of this document.

6 **Q: Have you previously testified before the Indiana Utility Regulatory**
7 **Commission ("Commission")?**

8 A: Yes.

9 **Q: Please describe the review and analysis you conducted to prepare your**
10 **testimony.**

11 A: I read Indiana Michigan Power Company's ("Petitioner" or "I&M") petition,
12 prefiled testimony, exhibits, and workpapers in this proceeding. I also reviewed
13 the Commission's Orders in Cause Nos. 44182, 44967, and 45235 as well as other
14 relevant Commission orders.

15 **Q: What is the purpose of your testimony in this Cause?**

16 A: I address Petitioner's LCM Rider calculations, total LCM project costs,
17 independent expert monitor costs, and the ratemaking aspects of I&M's annual
18 LCM filings. In particular, I examine the following issues:

- 19 1) Whether I&M implemented and properly applied the LCM-9 rate by
20 examining customer bills;
- 21 2) Whether Petitioner included a schedule for the completion of the
22 LCM Project for which rate relief is sought;

- 1 3) Whether Petitioner provided the amount of capital investment in the
2 facility; and
- 3 4) Whether Petitioner provided substantial documentation showing its
4 expected costs and expenses, and the schedule for incurring those
5 costs and expenses.

II. LCM RIDER CALCULATIONS

6 **Q: Please identify the costs Petitioner proposes to track in LCM-10.**

7 A: Petitioner proposes to refund \$319,096 in revenue through its LCM-10 Rider
8 rates, which includes a regulatory asset/(liability) of \$1,737,551 that includes the
9 over collection (variance). If approved, I&M's proposed LCM factor for a
10 residential customer using 1,000 kilowatt hours ("kWh") per month will result in
11 a \$0.05 monthly credit. This LCM rate will be effective for January 2021 to
12 December 2021 or until rates are revised.

13 **Q: How will the proposed LCM-10 factor impact the cost of electricity for**
14 **I&M's residential customers?**

15 A: Table 1 below estimates the cost of electricity for an I&M residential customer
16 using 1,000 kWh, including trackers. Table 1 is based on approved rates as of
17 November 25, 2020 and I&M's proposed LCM rate factor in this Cause.

Table 1 (Residential Bill)				
Description	kWh	Rate	Dollar Amount (\$)	Percent of Bill
Service Charge	1,000		\$15.00	10.53%
Energy Charge	900	\$0.114820	103.34	75.54%
Energy Charge	100	0.108090	10.81	7.59%
Demand Side Management/Energy Efficiency Program Cost Rider	1,000	(0.000363)	(0.36)	(0.25%)
Off-System Sales/PJM Rider	1,000	0.21736	21.74	15.26%
Environmental Cost Rider	1,000	0.000890	0.89	0.62%
Fuel Cost Adjustment	1,000	(0.004849)	(4.85)	(3.40%)
Resource Adequacy Rider	1,000	(0.000113)	(0.11)	(0.08%)
Phase-In Rider Adjustment	1,000	(0.003964)	(3.96)	(2.78%)
Sub-Total			142.48	100.02%
Life Cycle Management Rider	1,000	(0.000033)	(0.03)	(0.02%)
Total Billing Amount			<u>\$142.45</u>	<u>100.00%</u>
Base Energy Charge			\$129.15	90.66%
Other Trackers			13.34	9.36%
LCM Rider			(0.03)	(0.02%)
Total			<u>\$142.45</u>	<u>100.00%</u>

1 When including other current I&M tracker costs with its base rates and charges
2 and proposed LCM costs, a typical I&M residential customer using 1,000 kWh
3 per month would experience a bill of approximately \$142.45, which equates to an
4 average cost of 14.24 cents per kWh. The LCM costs make up approximately
5 (\$0.03), or (0.02%) of the total costs included on a typical residential customer's
6 bill.

7 **Q: Does Indiana Code § 8-1-8.8-12(f) require a reconciliation mechanism to**
8 **correct any variance between the forecasted costs and the actual costs if**
9 **forecasted data is used?**

10 **A:** Yes. Since Petitioner used forecasted data, it included a reconciliation mechanism
11 in its LCM Rider to correct for any variance between the forecasted costs and the

1 actual costs.¹ Petitioner over collected LCM Rider revenue resulting in a variance
2 to be refunded, which is included in the regulatory asset/(liability). I&M will
3 credit its customers for the variance over a twelve-month period (January 1, 2021
4 through December 31, 2021).

5 **Q: How did Petitioner calculate its depreciation and property tax expense**
6 **amounts?**

7 A: Petitioner calculated these amounts by multiplying its net investment (gross
8 additions less retirements) by the depreciation rate² and the property tax rate.³

9 **Q: What ratemaking effect would result if Petitioner did not use its net**
10 **investment?**

11 A: If Petitioner did not net retirements against gross additions, Petitioner would
12 recover depreciation expense and property tax expense on the new plant additions
13 through the LCM Rider. Additionally, Petitioner would still be recovering,
14 through base rates, depreciation expense and property tax expense on plant that
15 has been retired because base rates are not adjusted in the LCM. Generally, base
16 rates are adjusted in a base rate case.

17 **Q: Did you review Petitioner's LCM-10 Rider calculation, including its**
18 **supporting documentation?**

19 A: Yes. I conducted a detailed review of each input of Petitioner's LCM Rider
20 calculation and supporting documentation. Additionally, I created a working
21 model of Petitioner's LCM schedules to recalculate Petitioner's LCM Rider. I
22 reviewed the capital expenditures and costs associated with the reconciliation

¹ Cause No. 44182, Commission Order dated July 17, 2013, p. 60.

² Cause No. 44182 LCM 10, Exhibit MRW-1, p. 1 and 2.

³ Cause No. 44182 LCM 10, Exhibit MRW-1, p. 4.

1 period (July 1, 2019 through June 30, 2020) and the costs for the forecasted
2 period (January 1, 2021 through December 31, 2021).

3 **Q: Did you review a May 2020 residential bill to make sure I&M correctly**
4 **implemented the LCM-9 Rider rate?**

5 A: Yes, I did.

6 **Q: Did I&M use a 9.70% Return on Common Equity ("ROE") in its weighted**
7 **average cost of capital ("WACC") calculation as required by the**
8 **Commission's Cause No. 45235 Order?**⁴

9 A: Yes.

10 **Q: Please explain your Schedule 1.**

11 A: Schedule 1 presents the various components that comprise I&M's proposed LCM
12 costs, the related adjustment factor, and how the components are used in the
13 calculation.

14 **Q: Please explain your Schedule 2.**

15 A: Schedule 2 sets forth LCM-1, LCM-2, LCM-3, LCM-4, LCM-5, LCM-6, LCM-7,
16 LCM-8, and LCM-9 actual LCM costs in mills/kwh, as well as the LCM-10
17 period (January 1, 2021 through December 31, 2021) projected costs.

III. TOTAL LCM PROJECT COSTS

18 **Q: Did the Commission limit the authorized LCM Project Costs amount in**
19 **Cause No. 44182 and further reduce this amount in Cause No. 44182 LCM-**
20 **1?**

21 A: Yes. The Commission limited I&M's LCM cost recovery to the expected cost of
22 \$1.169 billion,⁵ less the approximate \$23 million⁶ in incremental upsizing costs or
23 \$1.146 billion.⁷ In Cause No. 44182 LCM-1, I&M further reduced the estimated

⁴ Cause No. 45235, Commission Order dated March 11, 2020, p. 42.

⁵ Cause No. 44182 LCM-06, Prefiled Direct testimony of Christopher Halsey, p. 4, l. 24.

⁶ *Id.* at p. 4, l. 25.

⁷ *Id.* at p. 5, Footnote 1.

1 cost to \$1.145 billion to reflect the removal of \$846,477 of Allowance for Funds
2 Used during Construction.

3 **Q: What is I&M's current cost estimate at completion?**

4 A: I&M's current LCM project cost estimate at completion is disclosed in QSL-2 –
5 Update of LCM Sub-Project Cost Estimates (Confidential).

6 **Q: Did the Commission's Cause No. 44182 Order require I&M to seek approval**
7 **for any expected LCM Project cost recovery increase?**

8 A: Yes. The last sentence of Paragraph 3(c) in the Commission's Order states:

Any increase in expected cost of the LCM Project for which I&M
intends to seek cost recovery will require additional approval in a
separate proceeding that allows for public notice and an evidentiary
hearing.⁸

9 **Q: Did I&M seek Commission approval for expected cost increases in this**
10 **current proceeding?**

11 A: No.

12 **Q: Did Petitioner include an LCM Project completion schedule?**

13 A: Yes. Petitioner's witness Q. Shane Lies provided information in his Exhibits
14 QSL-8A, QSL-8B, and QSL-9. OUCC witness Anthony Alvarez comments on
15 the LCM Project completion schedule in his prefiled testimony.

⁸ Cause No. 44182, Commission Order dated July 17, 2013, p. 58.

IV. INDEPENDENT EXPERT MONITOR

1 **Q: Did I&M engage an independent expert monitor to assist the Commission**
2 **and other interested parties with this ongoing review process?**⁹

3 A: Yes. I&M engaged E3 Consulting firm to serve as the LCM Project independent
4 expert monitor. Petitioner's witness John J. Purcell works for E3 Consulting and
5 included the August 2020 Semi Annual Progress Report as Exhibit JJP-1.

6 **Q: Does the OUCC oppose inclusion of reasonable costs associated with the**
7 **independent expert monitor in I&M's LCM Rider filings?**

8 A: No. The Commission's Cause No. 44182 Order specifically allows for such an
9 inclusion: "Reasonable costs associated with such an independent monitor may be
10 recovered via the LCM Rider."¹⁰

11 **Q: Per the Commission's Cause No. 44182 LCM-5 Order, is Petitioner required**
12 **to file, as a compliance filing, the Independent Monitor's report every six**
13 **months, even when there is no LCM Rider proceeding?**

14 A: Yes. Thus, I&M should file its next interim Independent Monitor report in six
15 months.

V. ANNUAL LCM FILINGS

16 **Q: Per the Commission's Cause No. 44182 LCM-05 Order, did Petitioner file its**
17 **LCM Rider as an annual filing?**

18 A: Yes. In Cause No. 44182 LCM-05, as requested by I&M, the Commission
19 authorized I&M to convert its semiannual LCM Rider filing to an annual filing.

⁹ *Id.* at p. 62.

¹⁰ Cause No. 44182, Commission Order dated July 17, 2013, p. 63.

VI. CONCLUSION

1 **Q: What do you conclude based on your review?**

2 A: Petitioner's LCM-10 filing is in accordance with the Commission's Order in
3 Cause No. 44182, Cause No. 44182 LCM-5, and Cause No. 45235. I&M's
4 proposed change to the LCM factor complies with the LCM Rider approved by
5 the Commission.

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

7 A: Yes, it does.

APPENDIX A

QUALIFICATIONS OF MICHAEL D. ECKERT

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Purdue University in West Lafayette, Indiana in December
3 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed
4 in the State of Indiana as a Certified Public Accountant. Upon graduation, I
5 worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg,
6 Illinois until October 1987. In December 1987, I accepted a position as a Staff
7 Accountant with the OUCC. In May 1995, I was promoted to Principal
8 Accountant and in December 1997, I was promoted to Assistant Chief
9 Accountant. As part of the OUCC's reorganization, I accepted the position of
10 Assistant Director of its Telecommunications Division in July 1999. From
11 January 2000 through May 2000, I was the Acting Director of the
12 Telecommunications Division. As part of an OUCC reorganization, I accepted a
13 position as a Senior Utility Analyst. In September 2017, I accepted the position
14 of Assistant Director of the Electric Division. As part of my continuing education,
15 I have attended the National Association of Regulatory Utility Commissioner's
16 ("NARUC") two-week seminar in Lansing, Michigan. I attended NARUC's
17 Spring 1993 and 1996 seminar on system of accounts. In addition, I attended
18 several CPA sponsored courses and the Institute of Public Utilities Annual
19 Conference in December 1994 and December 2000.

Indiana Michigan Power Company
Cause No. 44182 LCM-10

Proposed Indiana LCM Jurisdictional Costs
Summary for the Reconciliation Period

Line	Description	44182 LCM-01	44182 LCM-02	44182 LCM-03	44182 LCM-04	44182 LCM-05	44182 LCM-06	44182 LCM-07	44182 LCM-08	44182 LCM-09	44182 LCM-10
		1/1/14-6/30/14 Indiana Jurisdictional Total Cost SMK-1	7/1/14-12/31/14 Indiana Jurisdictional Total Cost (CMH-1)	1/1/15-6/30/15 Indiana Jurisdictional Total Cost (CMH-1)	7/1/15-12/31/15 Indiana Jurisdictional Total Cost (CMH-1)	1/1/16-6/30/16 Indiana Jurisdictional Total Cost (CMH-1)	7/1/16-6/30/17 Indiana Jurisdictional Total Cost (CMH-1)	7/1/17-6/30/18 Indiana Jurisdictional Total Cost (CMH-1)	1/1/19-12/31/19 Indiana Jurisdictional Total Cost (CMH-1)	1/1/20-12/31/20 Indiana Jurisdictional Total Cost Revised (BEA-1)	1/1/21-12/31/21 Indiana Jurisdictional Total Cost (MRW-1)
1	Forecasted Period Depreciation Expense	\$1,403,599	\$1,509,783	\$2,172,359	\$3,520,118	\$3,914,641	\$10,477,131	\$17,034,520	\$219,525	\$2,239,000	\$210,827
2	Total Jurisdictional Return Required for the Forecasted Period	4,165,264	4,017,840	6,188,225	8,063,149	9,211,065	23,323,181	33,936,337	788,934	6,455,632	
3	Forecasted Property Tax	363,234	401,178	535,104	475,230	1,094,448	2,616,695	3,291,337	0	1,455,864	395,663
4	Amortization of Deferred Actual Costs	481,744	466,103	466,103	220,284	220,284	440,568	440,565	440,565	0	
5	Financing Expensed										789,748
6	Return on Construction Work In Progress	6,040,385	8,568,120	10,772,523	9,276,610	9,634,710	19,606,285	9,384,971	0	0	
7	Amortization of Independent Monitor Costs and Carrying Costs	0	0	344,502	106,741	132,147	127,742	201,681	137,642	(24,192)	28,564
8	Cumulative Balance (Over)/Under Recovery	0	0	(958,048)	78,239	(120,041)	1,245,760	(4,315,121)	5,466,531	(370,401)	(1,737,551)
9	Net Revenue Requirement for through	<u>\$12,454,226</u>	<u>\$14,963,025</u>	<u>\$19,520,768</u>	<u>\$21,740,371</u>	<u>\$24,087,254</u>	<u>\$57,837,362</u>	<u>\$59,964,290</u>	<u>\$7,053,197</u>	<u>\$9,755,903</u>	<u>(5312,749)</u>
10	Gross Revenue Conversion Factor (GRCF)					1.8530%	1.7825%	1.6794%	1.7060%	1.8192%	1.9890%
11	Forecast Period GRCF Revenue Required					\$ 446,337	\$ 1,049,661	\$ 1,024,241	\$ 122,416	\$ 177,480	\$ (6,347)
12	Total Revenue Requirement (Line 8 + Line 10)					<u>\$24,533,591</u>	<u>\$58,887,023</u>	<u>\$60,988,531</u>	<u>\$7,175,613</u>	<u>\$9,933,383</u>	<u>(5310,090)</u>

Indiana Michigan Power Company
Cause No. 44182 LCM-10

Proposed and Prior Trackers (¢/kWh)

Description	Notes:	RS, RS-TOD, RS-TOD2, RS-OPES (¢/kWh)	GS, GS-TOD, GS-TOD2 (¢/kWh)	LGS, LGS-TOD (¢/kWh)	LGS, LGS-TOD (¢/kWh)	IP, CS-IRP, CS-IRP2 (¢/kWh)	IP, CS-IRP2 (\$/kW)	MS (¢/kWh)	WSS (¢/kWh)	IS (¢/kWh)	EHG (¢/kWh)	OL (¢/kWh)	SLS, ECLS, SLC, SLCM, FW-SL (¢/kWh)
44182 LCM-01		0.2499	0.1948	0.1774		0.1556		0.1913	0.1426	0.4947	0.1996	0.0852	0.0746
44182 LCM-02		0.2893	0.2250	0.2044		0.1855		0.2415	0.1756	0.0554	0.3157	0.0947	0.0932
44182 LCM-03		0.3811	0.3023	0.2906		0.2305		0.3296	0.2226	1.1756	0.3069	0.1401	0.1157
44182 LCM-04		0.4094	0.3093	0.3127		0.2377		0.3698	0.2455	0.0989	0.5579	0.1331	0.1269
44182 LCM-05		0.4838	0.3819	0.3402		0.2782		0.4104	0.2768	2.5155	0.5194	0.1679	0.1489
44182 LCM-06		0.5831	0.4379	0.4155		0.3300		0.4952	0.3313	0.2477	0.6843	0.1919	0.1731
44182 LCM-07		0.6410	0.6717	0.2905		0.3345		0.5808	0.3627	0.2665	0.9092	0.2048	0.1818

Description	Notes:	RS, RS-TOD, RS-TOD2, RS-OPES/PEV (¢/kWh)	GS, GS-TOD, GS-TOD2 (¢/kWh)	LGS, LGS-TOD (\$/kW)	LGS-M-TOD (¢/kWh)	IP, CS-IRP2 (\$/kW)	MS (¢/kWh)	WSS (¢/kWh)	IS (¢/kWh)	EHG (¢/kWh)	OL (¢/kWh)	SLS, ECLS, SLC, SLCM, FW-SL (¢/kWh)
44182 LCM-08		0.0676	0.0679	0.1620	0.0513	0.2080	0.0682	0.0420	0.0882	0.0712	0.0233	0.0222
44182 LCM-09		0.0962	0.0968	0.2270	0.0726	0.2900	0.0970	0.0592	0.1250	0.1011	0.0331	0.0316
44182 LCM-10		(0.0033)	(0.0032)	(0.0080)	(0.0025)	(0.0090)	(0.0032)	(0.0020)	(0.0019)	(0.0050)	(0.0001)	(0.0001)

AFFIRMATION

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



Michael D. Eckert
Assistant Director of the Electric Division

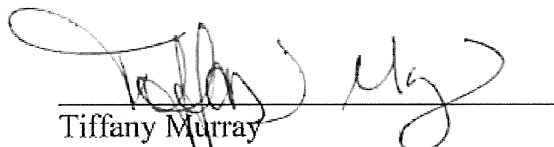
Indiana Office of Utility Consumer Counselor
Cause No. 44182 LCM-10
Indiana Michigan Power Co.
December 4, 2020

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana OUCC Testimony of Michael D. Eckert* has been served upon the following parties of record in the captioned proceeding by electronic service on December 4, 2020.

Kay E. Pashos
Mark Alson
Ice Miller LLP
One American Square, Suite 2900
Indianapolis, IN 46282 – 0200
kay.pashos@icemiller.com
mark.alsen@icemiller.com



Tiffany Murray
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
317/232-2494 – Telephone
317/232-5923 – Facsimile