

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER)
COMPANY, AN INDIANA CORPORATION,)
FOR AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC UTILITY)
SERVICE THROUGH A PHASE IN RATE)
ADJUSTMENT; AND FOR APPROVAL OF)
RELATED RELIEF INCLUDING: (1) REVISED)
DEPRECIATION RATES; (2) ACCOUNTING)
RELIEF; (3) INCLUSION IN RATE BASE OF)
QUALIFIED POLLUTION CONTROL)
PROPERTY AND CLEAN ENERGY)
PROJECT; (4) ENHANCEMENTS TO THE)
DRY SORBENT INJECTION SYSTEM; (5))
ADVANCED METERING INFRASTRUCTURE;)
(6) RATE ADJUSTMENT MECHANISM)
PROPOSALS; AND (7) NEW SCHEDULES)
OF RATES, RULES AND REGULATIONS.)

FILED
October 4, 2019
INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 45235

PETITIONER'S NOTICE OF SECOND CORRECTIONS

Petitioner Indiana Michigan Power Company (I&M), by counsel, hereby submits the attached clean and redline revised pages to the prefiled testimony and attachments of I&M witnesses Andrew R. Carlin, David S. Isaacson, Jeffrey W. Lehman, David A. Lucas, Matthew W. Nollenberger, and Andrew J. Williamson.

A clean copy of the revised pages will be included in the court reporter copy offered into evidence at the hearing.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, or United States Mail, postage prepaid this 4th day of October, 2019 to:

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Figure ARC-2R

Year	<u>Overall</u> AEP Operating Earnings Score (As a Percent of Target)
2014	182.7%
2015	191.0%
2016	170.5%
2017	92.0%
2018	144.9%
5 Year Average	156.2%

Furthermore, similar to annual incentive compensation, the performance units awarded under the Company's long-term incentive plan have paid out at far higher than the target level on average, as shown on Figure ARC-3R below:

Figure ARC-3R

Three Year Performance Period	Performance Unit Score (As a Percent of Target)
2012 – 2014	148.7%
2013 – 2015	176.3%
2014 – 2016	163.9%
2015 – 2017	164.8%
2016 – 2018	136.7%
5 Period Average	158.1%

Performance units represent 70% of the Company's long-term incentive awards.

While annual and long-term incentive compensation payouts can vary both above and below the target level, customers have received and are likely to continue to receive the benefits of above-target incentive compensation on average going forward. The Company's shareholders have paid and will continue to pay the above-target portion of both annual and long-term incentive

Figure DSI-11
Summary of Grid Modernization Work Plan (Indiana)

Grid Modernization	Units	Driver	2019	2020
AMI	Units	Customer Experience, Reliability	0	60,038
Distribution Line Sensors	Units	Reliability	120	0
Distribution Automation	Scheme	Reliability	6	5
Station SCADA	Station	Reliability	1.75	2.25
Smart Reclosers	Units	Reliability	105	93
Smart Circuit Ties	Line Miles	Reliability	19.19	24.32
Total	Units	Driver	2019	2020

Figure DSI-12
Grid Modernization Project Capital Expenditures (Indiana – \$000)

Grid Modernization	2019	2020
AMI	\$0	\$ 10,777
Distribution Line Sensors	\$189	\$0
Distribution Automation	\$6,771	\$4,878
Station SCADA	\$2,433	\$3,350
Smart Reclosers	\$1,477	\$1,326
Smart Circuit Ties	\$6,294	\$13,238
Totals	\$17,164	\$33,569

Figure DSI-13
Projected Grid Modernization Project O&M Expenditures
(Indiana – \$000)

Grid Modernization	2019	2020
AMI	\$0	\$310
Smart Reclosers	\$2	\$2
Smart Circuit Ties	\$126	\$164
Total	\$128	\$166476

V. AMI DEPLOYMENT

Q. What are I&M's plans to implement AMI in Indiana?

A. I&M will be deploying AMI across its Indiana service territory over a three-year period from 2020 through 2022. The goal is to deploy AMI to all customers, with the possible exception of large industrial customers.

Q. Do other I&M witnesses support I&M's AMI deployment plan?

A. Yes. Company witness Thomas discusses the Company's decision to deploy AMI at this time. Company witness Lucas supports the customer engagement strategy. Company witness Williamson describes I&M's requested regulatory treatment. My testimony supports the need for this investment from an operational perspective, the cost of installing the meters and communication network, and the benefits that AMI will provide for the distribution system.

Q. Why is AMI a necessary investment to make at this time from an operational perspective?

A. First, 35% of the AMR meters deployed in I&M's Indiana service territory will reach the end of their design life by the startend of the proposed AMI deployment. Rather than a patchwork AMI deployment to replace AMR meters as they reach the end of their design lives, it is prudent to build out the entire AMI system in a single deployment. This approach is the most efficient and effective way to gain the most benefits from the AMI technology. For example, if AMI were deployed in pockets across I&M's Indiana service territory, the cost of deployment would increase; areas without AMI would not benefit from visibility into system conditions and

1 A PEV is fundamentally an electric appliance that follows its owner/driver –
2 when the owner/driver is at work, the vehicle is also at work; when the owner/driver
3 is at home, the vehicle is also at home. It is most simple and convenient for the
4 owner/driver to connect the vehicle to an Electric Vehicle Supply Equipment (EVSE,
5 commonly referred to as a charger) if one is available, upon arrival at their
6 destination. By default, unless the owner is encouraged with utility program
7 incentives, the vehicle will begin to charge at this time at the full power allowed by
8 the connected EVSE. This is the same time when the owner/driver will be using lights,
9 cooking appliances, space heating, space cooling, and many other electric
10 appliances – thereby adding the PEV load coincident to their existing electricity
11 demand.

12 If this increase in coincident peak demand occurs, it is highly likely to cause
13 energy generation from higher cost sources, require additional system capacity, and
14 cause additional system equipment wear. These all add to system costs, which are
15 then recovered through all electric utility customers, and do not allow downward rate
16 pressure for all customers to occur.

17 It is highly unlikely that the outcome of increased system utilization and
18 downward rate pressure will occur unless electric utilities are engaged to create
19 customer program offerings that align incentives for off-peak charging.

20 **PLUG-IN ELECTRIC VEHICLE CHARACTERISTICS**

21 **Q. Please describe whether PEVs are different than other electrical appliances.**

22 A. PEVs are fundamentally different than other current electrical appliances in the
23 following ways, as provided in work paper JWL-~~42~~:

- 1
- 2

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6

IM Plugged In Summary of Benefits: Home Charging											
Year	1	2	3	4	5	6	7	8	9	10	
Benefit To Participant	\$104	\$104	\$104	\$104	\$104	\$104	\$104	\$104	\$104	\$104	
	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	
Benefit To All I&M Customers	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	
Enrollment Incentive Cost	-\$500	-	-	-	-	-	-	-	-	-	
Cumulative Total	-\$392	-\$284	-\$176	-\$68	\$40	\$148	\$256	\$364	\$472	\$579	
TEN YEAR TOTAL BENEFIT TO ALL INDIANA MICHIGAN POWER CUSTOMERS:										\$579	

1 the EIG program. I&M has also issued multiple communications encouraging
2 participation in the program.

3 As stated on page 20 of my direct testimony, the EIG program in the
4 Settlement Agreement in Cause No. 44967 included three components. The
5 first component was for I&M to award \$220,000 in grants to the members of
6 the Joint Municipal Group and the 39 North Conservancy District. I&M has
7 distributed all funds associated with this component of the EIG.

8 The second and third components of the EIG make available \$480,000
9 for Qualifying Projects identified by the Joint Municipal Group, 39 North
10 Conservancy District, and other eligible customers. These components of the
11 program require action from the Joint Municipals and other eligible customers.
12 I&M can only award grants when Qualifying Projects are identified and
13 applications are submitted. Since July 1, 2018, I&M has received 210
14 applications and has approved 145 grants for a total of \$14952,567.

15 As discussed previously, I&M is fully committed to pursuing quality
16 economic development projects that meet all eligibility criteria. The eligibility
17 criteria are specifically designed to ensure projects provide value to all I&M
18 customers. I&M has proposed to continue the EIG program at \$137,500 per
19 year. This amount is reasonable based on the level of applications I&M has
20 received in the program to date.

21 **Q. 39 North witness Cearley alleges in testimony (p. 12) that 39 North has**
22 **received little support, delays in processing legitimate requests, or**
23 **severely reduced funding for legitimate projects regarding the EIG**

alternative class revenue allocation methodology after considering the results of his various recommended class cost of service studies.

- South Bend witness Seelye does not agree with I&M's proposed customer class revenue allocation, concluding (at 24) that I&M's proposal to eliminate 25% of inter-class subsidies "didn't go far enough in eliminating subsidies". Instead, Mr. Seelye recommends that 50% of subsidies be eliminated based on South Bend's proposed cost of service study. Mr. Seelye also disagrees with the Company's proposal that ensures that no tariff class receives a decrease in total revenues.
- Auburn witness Rutter (at 8-10) agrees in general that the Company has attempted to allocate revenues based on the principle of cost causation. However, Mr. Rutter disagrees that [the](#) Company has moved all classes closer to earning the class average rate of return (RoR). Mr. Rutter recommends a RoR for the Street Lighting (SL) class of 9.35% or the mid-point between the Company's proposed SL class RoR of 12.83% and the proposed class average RoR of 5.86%.
- CAC witness Wallach presents (at 15-16) what he describes as a "reasonable and fair approach" to allocate the base revenue increase among the customer classes based on his "Modified CCOS". Specifically, Mr. Wallach's proposal would (1) maintain base revenues at current levels (i.e., no increase or decrease) for those classes where the class cost of service studies show a revenue decrease at an equalized

to request cost recovery. The requested rider simply provides timely financial support for this significant capital investment and ensures that customer rates ultimately reflect only the actual cost of the AMI deployment overtime. In addition, our proposal provides the Commission and stakeholders with valuable periodic updates on the progress of the deployment and associated cost.

Q. Please summarize the AMI Rider costs.

A. Figures AJW-2 and AJW-3 below provide a summary of the estimated capital investment in total and specific to the Test Year, and the estimated annual O&M included in the Test Year.

Figure AJW-2

AMI Estimated Capital Investment Summary			
(Indiana Jurisdictional)			
(\$000s)			
	Test Year	Total	Witness
AMI Meters & Communication Network	\$ 10,777	\$ 90,229	Isaacson
AMI Software/Technology	\$ 3,390	\$ 3,390	Lucas
Total =	\$ 14,167	\$ 93,619	

Figure AJW-3

AMI Estimated O&M Summary		
(Indiana Jurisdictional)		
(\$000s)		
	Test Year	Witness
AMI Meters & Communication Network ¹	\$ 2,250,000	Isaacson
AMI Software/Technology	\$ 160,722	Lucas
Customer Engagement	\$ 329,940	Lucas
Total =	\$ 2,410,722	
1 - Amount represented here is based on Test Year forecast		

Indiana AMI Deployment
Estimated Annual Revenue Requirement
(\$000s)

Rate Base:	2020	2021	2022	Support Witness
AMI Meters & Communication Network	\$ 9,648	\$ 46,031	\$ 80,825	Isaacson
AMI Communication Network	\$ 1,129	\$ 5,374	\$ 9,404	Isaacson
Accumulated Depreciation ¹	\$ (469)	\$ (3,177)	\$ (9,346)	
AMI IT Software	\$ 3,390	\$ 3,390	\$ 3,390	Lucas
Accumulated Amortization ¹	\$ (339)	\$ (1,017)	\$ (1,695)	
Total Net Plant =	\$ 13,359	\$ 50,601	\$ 82,578	

Revenue Requirement:	2020	2021	2022	Support Witness
Pre-tax Return on Rate Base ¹	\$ 460	\$ 2,222	\$ 4,635	
Meter Depreciation Expense ¹	\$ 447	\$ 2,581	\$ 5,880	
Network Depreciation Expense ¹	\$ 22	\$ 127	\$ 289	
IT Amortization Expense ¹	\$ 339	\$ 678	\$ 678	
Meter Deployment O&M	\$ 309	\$ 1,253	\$ 1,239	Isaacson
Software O&M	\$ 161	\$ 161	\$ 161	Lucas
Customer Engagement O&M	\$ 330	\$ 330	\$ 330	Lucas
Property Tax Expense	\$ -	\$ 99	\$ 381	
Gross Revenue Conversion Factor Costs	\$ 36	\$ 129	\$ 236	
Annual Revenue Requirement =	\$ 2,104	\$ 7,580	\$ 13,829	

1 - calculated using a half year convention

Additional Information:

	Rates	Source	Witness
Pre-tax WACC =	7.34%	Exhibit A-7	Messner/Kelly
Meter Depreciation rate =	9.27%	Proposed rate (acct 370)	Cash
Network Depreciation rate =	3.91%	Proposed rate (acct 397)	Cash
IT Amortization rate =	20%	5 year period	
Property tax rate =	0.70%	Test Year forecast Rx	
GRCF rate =	1.7060%	6/30/2018 from WP-AJW-1	

1 potentially not representative during any future time period. As a result,
2 consumables and allowances expenses should be tracked through the ECR.

3
4 **RESOURCE ADEQUACY RIDER (RAR)**
5 **NON-FUEL PURCHASED POWER COST RECOVERY**

6 **Q. Does OUCC witness Lantrip (at 4-5) recommend the Commission approve**
7 **I&M's request to continue tracking non-fuel purchased power costs through**
8 **the RAR?**

9 A. OUCC witness Lantrip's testimony supports these costs meet the Commission's
10 general criteria to support cost recovery through a tracker and presents Table 1
11 (Lantrip at 4) in support of his recommendation which demonstrates the volatility
12 or variability of these costs overtime. The OUCC also points out (at 5, lines 8-19)
13 that without a RAR customers may not have a mechanism to realize the benefits
14 of future capacity sales and recommends the RAR be used for such purposes.

15 **Q. Has the Company included capacity sales revenues in a rider mechanism in**
16 **this proceeding?**

17 A. Yes, forecasted Test Year capacity sales revenues⁹ have been included in the
18 OSS/PJM Rider.

19 **Q. Is the Company agreeable to tracking future capacity sales revenue through**
20 **the RAR?**

21 A. Yes, the Company supports the RAR being used to track both capacity purchases
22 and sales.

⁹ \$6.4 million Total Company, see Company witness [Williamson's WP-AJW-3](#) ~~Duncan's Attachment JCD-1.~~

Figure ARC-2R

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5 Year Average	156.2%

Furthermore, similar to annual incentive compensation, the performance units awarded under the Company's long-term incentive plan have paid out at far higher than the target level on average, as shown on Figure ARC-3R below:

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Performance units represent 70% of the Company's long-term incentive awards.

While annual and long-term incentive compensation payouts can vary both above and below the target level, customers have received and are likely to continue to receive the benefits of above-target incentive compensation on average going forward. The Company's shareholders have paid and will continue to pay the above-target portion of both annual and long-term incentive

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Total	Units	Driver	2019	2020

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Grid Modernization Project Capital Expenditures (Indiana – \$000)

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Smart Circuit Ties	\$126	\$164
Total	\$128	\$476

1 **V. AMI DEPLOYMENT**

2 **Q. What are I&M's plans to implement AMI in Indiana?**

3 A. I&M will be deploying AMI across its Indiana service territory over a three-year
4 period from 2020 through 2022. The goal is to deploy AMI to all customers, with
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6 **Q. Do other I&M witnesses support I&M's AMI deployment plan?**

7 A. Yes. Company witness Thomas discusses the Company's decision to deploy AMI
8 at this time. Company witness Lucas supports the customer engagement strategy.
9 Company witness Williamson describes I&M's requested regulatory treatment. My
10 testimony supports the need for this investment from an operational perspective,
11 the cost of installing the meters and communication network, and the benefits that
12 AMI will provide for the distribution system.

13 **Q. Why is AMI a necessary investment to make at this time from an operational**
14 **perspective?**

15 A. First, 35% of the AMR meters deployed in I&M's Indiana service territory will reach
16 the end of their design life by the end of the proposed AMI deployment. Rather
17 than a patchwork AMI deployment to replace AMR meters as they reach the end
18 of their design lives, it is prudent to build out the entire AMI system in a single
19 deployment. This approach is the most efficient and effective way to gain the most
20 benefits from the AMI technology. For example, if AMI were deployed in pockets
21 across I&M's Indiana service territory, the cost of deployment would increase;
22 areas without AMI would not benefit from visibility into system conditions and

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5 commonly referred to as a charger) if one is available, upon arrival at their
6 destination. By default, unless the owner is encouraged with utility program
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15 then recovered through all electric utility customers, and do not allow downward rate
16 pressure for all customers to occur.

17 It is highly unlikely that the outcome of increased system utilization and
18 downward rate pressure will occur unless electric utilities are engaged to create
19 customer program offerings that align incentives for off-peak charging.

20 **PLUG-IN ELECTRIC VEHICLE CHARACTERISTICS**

21 **Q. Please describe whether PEVs are different than other electrical appliances.**

22 **A.** PEVs are fundamentally different than other current electrical appliances in the
23 following ways, as provided in work paper JWL-2:

Q. How does I&M's proposal for home charging benefit all customers, and how much benefit per participant is projected?

A. The I&M proposal establishes pricing incentives for residential and small commercial customers to use the scheduling technology in their PEVs, charging equipment, or associated smartphone apps to charge their PEV during the off-peak hours specified in the proposal. Importantly, it provides a \$500 rebate incentive for participating in the program which helps customers offset initial electrical costs that may be required to provide a dedicated 240V circuit. This dedicated circuit allows the PEV to charge entirely during the off-peak period. By helping customers who drive electric remove cost barriers to electrical installation and understand RS-PEV and GS-PEV off-peak incentives, all PEV charging can occur within the off-peak period, maximizing benefits to all I&M customers.

Figure JWL-3 provides a summary of the benefits to all I&M customers per residential and small commercial home charging participant, as provided in work paper JWL-1.

Figure JWL-3

IM Plugged In Summary of Benefits: Home Charging											
Year	1	2	3	4	5	6	7	8	9	10	
Benefit To Participant	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106	\$106
Benefit To All I&M Customers	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108	\$108
Enrollment Incentive Cost	-\$500	-	-	-	-	-	-	-	-	-	-
Cumulative Total	-\$392	-\$284	-\$176	-\$68	\$40	\$148	\$256	\$364	\$472	\$579	
TEN YEAR TOTAL BENEFIT TO ALL INDIANA MICHIGAN POWER CUSTOMERS:											\$579

1 the EIG program. I&M has also issued multiple communications encouraging
2 participation in the program.

3 As stated on page 20 of my direct testimony, the EIG program in the
4 Settlement Agreement in Cause No. 44967 included three components. The
5 first component was for I&M to award \$220,000 in grants to the members of
6 the Joint Municipal Group and the 39 North Conservancy District. I&M has
7 distributed all funds associated with this component of the EIG.

8 The second and third components of the EIG make available \$480,000
9 for Qualifying Projects identified by the Joint Municipal Group, 39 North
10 Conservancy District, and other eligible customers. These components of the
11 program require action from the Joint Municipals and other eligible customers.
12 I&M can only award grants when Qualifying Projects are identified and
13 applications are submitted. Since July 1, 2018, I&M has received 21
14 applications and has approved 14 grants for a total of \$149,567.

15 As discussed previously, I&M is fully committed to pursuing quality
16 economic development projects that meet all eligibility criteria. The eligibility
17 criteria are specifically designed to ensure projects provide value to all I&M
18 customers. I&M has proposed to continue the EIG program at \$137,500 per
19 year. This amount is reasonable based on the level of applications I&M has
20 received in the program to date.

21 **Q. 39 North witness Cearley alleges in testimony (p. 12) that 39 North has**
22 **received little support, delays in processing legitimate requests, or**
23 **severely reduced funding for legitimate projects regarding the EIG**

MATTHEW NOLLENBERGER REBUTTAL – 4 (Revised)

1 alternative class revenue allocation methodology after considering the
2 results of his various recommended class cost of service studies.

- 3 • South Bend witness Seelye does not agree with I&M's proposed customer
4 class revenue allocation, concluding (at 24) that I&M's proposal to
5 eliminate 25% of inter-class subsidies "didn't go far enough in eliminating
6 subsidies". Instead, Mr. Seelye recommends that 50% of subsidies be
7 eliminated based on South Bend's proposed cost of service study. Mr.
8 Seelye also disagrees with the Company's proposal that ensures that no
9 tariff class receives a decrease in total revenues.

- 10 • Auburn witness Rutter (at 8-10) agrees in general that the Company has
11 attempted to allocate revenues based on the principle of cost causation.
12 However, Mr. Rutter disagrees that the Company has moved all classes
13 closer to earning the class average rate of return (RoR). Mr. Rutter
14 recommends a RoR for the Street Lighting (SL) class of 9.35% or the mid-
15 point between the Company's proposed SL class RoR of 12.83% and the
16 proposed class average RoR of 5.86%.

- 17 • CAC witness Wallach presents (at 15-16) what he describes as a
18 "reasonable and fair approach" to allocate the base revenue increase
19 among the customer classes based on his "Modified CCROSS".
20 Specifically, Mr. Wallach's proposal would (1) maintain base revenues at
21 current levels (i.e., no increase or decrease) for those classes where the
22 class cost of service studies show a revenue decrease at an equalized

to request cost recovery. The requested rider simply provides timely financial support for this significant capital investment and ensures that customer rates ultimately reflect only the actual cost of the AMI deployment overtime. In addition, our proposal provides the Commission and stakeholders with valuable periodic updates on the progress of the deployment and associated cost.

Q. Please summarize the AMI Rider costs.

A. Figures AJW-2 and AJW-3 below provide a summary of the estimated capital investment in total and specific to the Test Year, and the estimated annual O&M included in the Test Year.

Figure AJW-2

AMI Estimated Capital Investment Summary			
(Indiana Jurisdictional)			
(\$000s)			
	Test Year	Total	Witness
AMI Meters & Communication Network	\$ 10,777	\$ 90,229	Isaacson
AMI Software/Technology	\$ 3,390	\$ 3,390	Lucas
Total =	\$ 14,167	\$ 93,619	

Figure AJW-3

AMI Estimated O&M Summary		
(Indiana Jurisdictional)		
	Test Year	Witness
AMI Meters & Communication Network ¹	\$ 2,250,000	Isaacson
AMI Software/Technology	\$ 160,722	Lucas
Customer Engagement	\$ 329,940	Lucas
Total =	\$ 2,410,722	
1 - Amount represented here is based on Test Year forecast		

Indiana AMI Deployment
Estimated Annual Revenue Requirement
(\$000s)

Rate Base:	2020	2021	2022	Support Witness
AMI Meters	\$ 9,648	\$ 46,031	\$ 80,825	Isaacson
AMI Communication Network	\$ 1,129	\$ 5,374	\$ 9,404	Isaacson
Accumulated Depreciation ¹	\$ (469)	\$ (3,177)	\$ (9,346)	
AMI IT Software	\$ 3,390	\$ 3,390	\$ 3,390	Lucas
Accumulated Amortization ¹	\$ (339)	\$ (1,017)	\$ (1,695)	
Total Net Plant =	\$ 13,359	\$ 50,601	\$ 82,578	

Revenue Requirement:	2020	2021	2022	Support Witness
Pre-tax Return on Rate Base ¹	\$ 460	\$ 2,222	\$ 4,635	
Meter Depreciation Expense ¹	\$ 447	\$ 2,581	\$ 5,880	
Network Depreciation Expense ¹	\$ 22	\$ 127	\$ 289	
IT Amortization Expense ¹	\$ 339	\$ 678	\$ 678	
Meter Deployment O&M	\$ 309	\$ 1,253	\$ 1,239	Isaacson
Software O&M	\$ 161	\$ 161	\$ 161	Lucas
Customer Engagement O&M	\$ 330	\$ 330	\$ 330	Lucas
Property Tax Expense	\$ -	\$ 99	\$ 381	
Gross Revenue Conversion Factor Costs	\$ 36	\$ 129	\$ 236	
Annual Revenue Requirement =	\$ 2,104	\$ 7,580	\$ 13,829	

1 - calculated using a half year convention

Additional Information:

	Rates	Source	Witness
Pre-tax WACC =	7.34%	Exhibit A-7	Messner/Kelly
Meter Depreciation rate =	9.27%	Proposed rate (acct 370)	Cash
Network Depreciation rate =	3.91%	Proposed rate (acct 397)	Cash
IT Amortization rate =	20%	5 year period	
Property tax rate =	0.70%	Test Year forecast Rx	
GRCF rate =	1.7060%	6/30/2018 from WP-AJW-1	

1 potentially not representative during any future time period. As a result,
2 consumables and allowances expenses should be tracked through the ECR.

3
4 **RESOURCE ADEQUACY RIDER (RAR)**
5 **NON-FUEL PURCHASED POWER COST RECOVERY**

6 **Q. Does OUCC witness Lantrip (at 4-5) recommend the Commission approve**
7 **I&M's request to continue tracking non-fuel purchased power costs through**
8 **the RAR?**

9 A. OUCC witness Lantrip's testimony supports these costs meet the Commission's
10 general criteria to support cost recovery through a tracker and presents Table 1
11 (Lantrip at 4) in support of his recommendation which demonstrates the volatility
12 or variability of these costs overtime. The OUCC also points out (at 5, lines 8-19)
13 that without a RAR customers may not have a mechanism to realize the benefits
14 of future capacity sales and recommends the RAR be used for such purposes.

15 **Q. Has the Company included capacity sales revenues in a rider mechanism in**
16 **this proceeding?**

17 A. Yes, forecasted Test Year capacity sales revenues⁹ have been included in the
18 OSS/PJM Rider.

19 **Q. Is the Company agreeable to tracking future capacity sales revenue through**
20 **the RAR?**

21 A. Yes, the Company supports the RAR being used to track both capacity purchases
22 and sales.

⁹ \$6.4 million Total Company, see Company witness Williamson's WP-AJW-3.