

FILED
OCTOBER 12, 2016
INDIANA UTILITY
REGULATORY COMMISSION

Joint Petitioners' Exhibit No.

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 44868

DIRECT TESTIMONY

OF

STEPHAN T. HAYNES

ON BEHALF OF AEP GENERATING COMPANY

DIRECT TESTIMONY
OF
Stephan T. Haynes

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

2 A1. My name is Stephan T. Haynes and my business address is 1 Riverside
3 Plaza, Columbus, Ohio 43215.

4 **Q2. Please state by whom are you employed and in what capacity?**

5 A2. I am employed as senior vice president - Strategic Initiatives and Chief
6 Risk Officer for American Electric Power ("AEP"). I am responsible for all
7 risk management functions and strategic analysis for new business
8 opportunities.

9 **Q3. Please describe your professional and educational qualifications.**

10 A3. I earned my master's degree in business administration from The Ohio
11 State University, where I was named a Weidler Scholar for placing in the
12 top 5 percent of the class, and a bachelor of business systems analysis
13 degree, summa cum laude, from Harding University. I also completed the
14 AEP/OSU Management Development Program and the Darden Program
15 at the University of Virginia.

16 Prior to my current position as Senior Vice President, I served as
17 assistant treasurer and before taking this position was responsible for
18 cash management, market risk activities, trusts and investments, and the
19 planning and execution of AEP's corporate financing programs, including

1 debt and equity instruments, and banking relationships. I also previously
2 served as vice president - Market Risk Oversight and prior to that as
3 managing director - risk oversight in the Risk Management department,
4 where I served since July 1998. Prior positions with AEP include
5 managing director - corporate finance; manager - corporate finance, and
6 other positions in investor relations and information systems.

7 **Q4. What are your responsibilities with respect to the generating facility**
8 **in Lawrenceburg, Indiana ("Facility"), owned by AEP Generating**
9 **Company ("AEG")?**

10 A4. I served as the AEG witness in Cause No. 43212 where the Indiana Utility
11 Regulatory Commission ("Commission") approved AEG's acquisition of
12 the Facility from PSEG Lawrenceburg Energy Company, LLC ("PSEG")
13 and authorized AEG to succeed to the declination of jurisdiction granted to
14 PSEG in the Commission's December 20, 41757 Order in Cause No.
15 41757 ("41757 Order"), subject to certain conditions. I filed initial and
16 supplemental testimony in that case dealing with the acceptance of the
17 conditions allowing for the succession of declination of jurisdiction granted
18 by the Commission in the 41757 Order. I am familiar with the elements of
19 the present transaction and can testify to the elements of the transaction
20 impacting the Facility.

1 **Q5. What is the business of AEG?**

2 A5. AEG is a corporation organized under the laws of the State of Ohio. AEG
3 is registered with the Indiana Secretary of State and is authorized to do
4 business in the State of Indiana. AEG is a wholly owned subsidiary of
5 American Electric Power Company, Inc. ("AEP"). AEG acquired the
6 Facility at issue in this case from PSEG in a transaction approved by the
7 Federal Energy Regulatory Commission ("FERC") in Docket No. EC07-56,
8 PSEG Lawrenceburg Energy Company, LLC, 119 FERC ¶ 62,015 (2007).
9 AEG entered into a unit power sales agreement to sell the output of the
10 Facility to Ohio Power Company. All power relating to AEG's interests in
11 Indiana are sold on a wholesale basis pursuant to contracts on file with the
12 FERC. AEG makes no retail sales in Indiana or elsewhere. The Joint
13 Petition concerns the Facility as described below.

14 AEG also has (a) a 50% undivided ownership interest in Unit 1 of
15 the Rockport Generating Station in Spencer County, Indiana ("Rockport
16 Plant") and (b) a 50% leasehold interest in Unit 2 of the Rockport Plant.
17 Those facilities are not affected by this Joint Petition.

18 **Q6. Please describe the Facility.**

19 A6. The Facility is a natural-gas-fired, combined-cycle generating facility with a
20 summer net capacity of 1,096 MW. The Facility comprises four
21 combustion turbine generators and two steam turbine generators. The
22 primary water source is Tanners Creek. The Facility is located within the
23 region served by the PJM Interconnection. Commercial operation began

1 in June, 2004. All of the power generated by the Facility is sold on a
2 wholesale basis pursuant to a market-based rate certificate approved by
3 the FERC.

4 **Q7. Has the Commission issued an order regarding the extent of its**
5 **regulation of AEG in connection with its ownership and operation of**
6 **the Facility?**

7 A7. Yes. In the 41757 Order the Commission declined to exercise its
8 jurisdiction over the prior owner of the Facility, subject to certain terms and
9 conditions and reporting requirements. In connection with the sale of the
10 Facility to AEG, in Cause No. 43212, the Commission issued an Order on
11 April 18, 2007 ("April 43212 Order") permitting AEG to succeed to the
12 declination of jurisdiction granted by the 41757 Order, subject to certain
13 conditions. The April 43212 Order also released the prior owner and its
14 affiliates from all duties and obligations contained in the 41757 Order. One
15 of the conditions imposed under the April 43212 Order requires AEG to
16 seek Commission approval prior to any future transfer of ownership of the
17 Facility.

18 **Q8. What other conditions did the Commission impose on AEG under the**
19 **2007 Order?**

20 A8. In the April 43212 Order, the Commission made its declination of
21 jurisdiction contingent upon the satisfaction of the conditions stated in my
22 direct and supplemental testimony, plus certain financial assurance

1 requirements. Pursuant to its August 8, 2007 Order in Cause No. 43212
2 (together with the April 43212 Order, the "43212 Orders"), the Commission
3 approved a Capital Funds Agreement between AEG and its parent
4 company, AEP, which requires AEP to supply or cause to be supplied all
5 capital necessary to meet the requirements of the financial assurance
6 obligation. Also to account for inflation, the Commission found that AEG
7 should file periodic updates of the cost estimate to decommission the
8 Facility and return the site to its current condition. The Commission also
9 issued certain affiliate conditions related to affiliate transactions between
10 AEG and I&M. Those conditions would not be necessary going forward as
11 the Facility is being sold to an entity that is not an affiliate of any AEP
12 companies.

13 **Q9. Please describe the proposed transaction.**

14 A9. AEG and Joint Petitioner Lightstone Generation LLC ("Lightstone
15 Generation"), f/k/a Burgundy Power LLC, have entered into an agreement
16 for the sale of all of AEG's right, title, and interest in the Facility to
17 Lightstone Generation, subject to the satisfaction of various conditions
18 including the receipt of applicable regulatory approvals. Lightstone
19 Generation shall also assume the liabilities and obligations of AEG relating
20 to the Facility, except for limited liabilities expressly retained by AEG.
21 Additional information about the transaction is provided in the Direct

1 Testimony of William Lee Davis on behalf of Lightstone Generation LLC
2 and Lawrenceburg Power, LLC.¹

3 **Q10. Why is AEG proposing to sell the Facility?**

4 A10. Lawrenceburg was acquired to serve the Ohio market via a power sales
5 agreement with Columbus Southern Power Company, which was
6 subsequently merged into Ohio Power Company. Subsequently the
7 power sales agreement was transferred to AEP Generation Resources,
8 and the Facility began selling all its power into the wholesale power
9 market with no direct customers or price assurance. The wholesale power
10 market, including the PJM capacity market, have become increasingly
11 volatile and have been providing lower and less stable returns relative to
12 AEP's regulated businesses. AEP's long-term strategy has been to
13 become a fully regulated, premium energy company focused on
14 investment in infrastructure and the energy innovations that our customers
15 want and need. This transaction advances that strategy and reduces
16 some of the business risks associated with operating competitive
17 generating assets.

18 **Q11. What relief does AEG request from the Commission?**

19 A11. AEG requests that the Commission provide any approvals that may be
20 necessary for the sale of the Facility. AEG asserts that the criteria set forth
21 in the 41757 Order for when a third-party owner and operator may

¹ As Mr. Lee Davis explains in his prefiled testimony, Lawrenceburg Power, LLC is a wholly owned subsidiary of Lightstone Generation. See at p. 4, lines 11 - 13.

1 succeed to the declination of jurisdiction are applicable in the current
2 circumstances. They are "(1) the Commission determines that the
3 successor has the necessary technical, financial, and managerial
4 capability to own and operate the Facility; and (2) the successor agrees to
5 the same terms and conditions imposed on Petitioner as set forth in this
6 Order." 41757 Order, p. 10. AEG also requests that the Commission
7 release and terminate without condition any and all duties, obligations and
8 periodic update and reporting requirements of AEG and its affiliates
9 contained in the 43212 Orders.

10 **Q12. Why is it important for AEG to be released from any obligations set**
11 **forth in the 43212 Orders?**

12 A12. When the sale is consummated, Lightstone Generation will succeed to
13 AEG's rights and obligations under the 43212 Orders. AEG will no longer
14 control the Facility and, therefore, will have no way of complying with
15 those obligations. Also, AEG has entered into the transaction with the
16 understanding and expectation that AEG and its affiliates will be free and
17 clear of any residual duties, obligations and periodic update and reporting
18 requirements relating to the 43212 Orders and the pricing and other terms
19 of the purchase and sale agreement reflect that understanding and
20 expectation. It is a part of the benefit for which AEG has bargained in the
21 purchase and sale agreement and is a condition precedent to closing of
22 the transaction.

1 **Q13. Does this conclude your verified prepared direct testimony?**

2 **A13. Yes, it does.**

VERIFICATION

I, Stephan T. Haynes, Senior Vice President - Strategic Initiatives and Chief Risk Officer for American Electric Power, affirm under penalties of perjury that the representations contained in the foregoing are true and correct to the best of my knowledge, information and belief.


Stephan T. Haynes

Dated: October 12, 2016