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 RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION IN RATE BASE OF QUALIFIED POLLUTION CONTROL PROPERTY AND APPROVED: 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.	)	**CAUSE NO. 45235**

Verified Cross-Answering Testimony of

Nicholas Phillips, Jr.

On behalf of

The I&M Industrial Group

September 17, 2019

BRUBAKER & ASSOCIATES, INC.

Project 10797

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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Verified Cross-Answering Testimony of Nicholas Phillips, Jr.

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Nicholas Phillips, Jr. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q ARE YOU THE SAME NICHOLAS PHILLIPS, JR. THAT FILED DIRECT TESTIMONY ON BEHALF OF INDIANA MICHIGAN INDUSTRIAL GROUP ("IG") ON AUGUST 20, 2019?

A Yes, I am.

Q WHAT CROSS-ANSWERING TESTIMONY ARE YOU PRESENTING AT THIS TIME?

A I am responding to the cost of service testimony of CAC witness Jonathon Wallach and OUCC witness Glenn A. Watkins. I also comment on the rate design proposals of

witness Justin Bieber on behalf of the Kroger Company and witness Steve W. Chriss on behalf of Walmart Inc.

Response to Mr. Wallach

Q HAVE YOU REVIEWED THE COST OF SERVICE RECOMMENDATION OF MR. WALLACH?

A Yes. Mr. Wallach recommends the use of the Equivalent Peak ("EP") method to allocate production investment among I&M's customer classes. The EP method is a flawed attempt to classify the majority (69%) of I&M's production investment as being energy-related. There are numerous flaws with the EP method including:

1. The EP method has previously been rejected by this Commission.

2. The EP method is based on I&M's production system being designed as if peakers serve the entire load. The I&M system has no peakers in its production portfolio and therefore peakers serve none of the load on the I&M system. Instead, Mr. Wallach uses peaking facilities from other utilities, that do not reflect I&M's system, in his EP calculations as a substitute.

3. Mr. Wallach is recommending that the Commission reverse its findings from years of cases which determined that the same production investment owned and operated by I&M is demand-related. Mr. Wallach presents no compelling evidence to warrant such a reversal in findings by this Commission.

Q HAS THIS COMMISSION PREVIOUSLY REJECTED THE EP METHOD?

A Yes. The EP method has been rejected as stated below:

> The Commission agrees with the arguments of Petitioner and the Intervenors in this case that the EPM appears to encourage low load factor use of a utility's system. We are persuaded by Mr. Phillips' break-even point phenomenon and Mr. Hopkins' fuel symmetry argument. We are also unable to support the EPM because of the additional uncertainty inherent within the estimates necessary to perform such a study. The assumptions required by the EPM are not widely accepted and have not been routinely implemented in any other jurisdiction. This Commission simply cannot adopt a methodology based on the present record which is lacking in evidentiary support for the EPM. We therefore reject Public's proposed EPM and agree with Petitioner that production

> plant costs should be classified as demand-related and a coincident peak methodology should be used for allocation in this proceeding.

Final Order SIGECO, Cause Nos. 39871 and 40078, June 21, 1995, at page 55.

Q DO YOU AGREE WITH THE COMMISSION'S FINDING?

A Yes. The Commission's finding was appropriate in that proceeding and continues to be appropriate in this proceeding.

Q DOES I&M'S PRODUCTION SYSTEM CONTAIN ANY PEAKING PLANTS?

A No. If Mr. Wallach finds fault with I&M's system planning and design, he should present evidence in that regard. He has not. To make calculations necessary to the EP method, Mr. Wallach uses cost per kilowatt of gas turbines installed at other utilities in Indiana and Michigan.[1] There is no showing that assuming the cost of peakers for other utilities is a reasonable assumption for the nonexistent peakers in I&M's production system or that the use of these substitutes reflects the costs of I&M's actual system as designed and built.

Q HAS I&M OWNED AND OPERATED THE COOK AND ROCKPORT FACILITIES IN PRIOR CASES?

A Yes. I&M's production system has contained the Cook and Rockport facilities, which comprise the vast bulk of I&M's generation capacity, for decades. This Commission has consistently found that the investment in those facilities is demand-related. Mr. Wallach has not presented any compelling evidence to warrant a reversal of previous findings by this Commission.

[1]Wallach Testimony, page 15.

Response to Mr. Watkins

Q HAS COST ALLOCATION METHODOLOGY BEEN A SUBJECT OF PRIOR I&M BASE RATE PROCEEDINGS BEFORE THE IURC?

A Yes. The IURC approved a 6CP method for allocating production and transmission investment in Cause No. 39314 and again in Cause No. 44075, which are the last two I&M base rate proceedings that were not settled.[2]

Q DID THE OUCC PRESENT THE PEAK AND AVERAGE METHOD IN CAUSE NO. 39314 AND CAUSE NO. 44075?

A Yes. In Cause No. 39314 the OUCC presented an energy-based allocation method sponsored by Mr. Johnson. Mr. Johnson recommended use of the Peak and Average method for allocating production plant, which proposes that a significant portion of I&M's generation investment be allocated on an energy (average demand) basis. The proposal to allocate what has normally been classified as demand-related costs on the basis of energy is very similar to the approach proposed by Dr. Nicholson in Cause No. 44075. Similarly, in this proceeding, Mr. Watkins recommends the use of a 12CP as a "fall back" position just as previously proposed by Mr. Johnson and Dr. Nicholson. The IURC has rejected the peak and average and the 12CP fallback position in previous I&M cases and should do so again in this case.

[2]Two other base rate cases, Cause No. 43306 and Cause No. 44967, were resolved by settlement.

Q IS WHAT MR. WATKINS IS RECOMMENDING IN THIS CAUSE ESSENTIALLY THE SAME METHOD AS PROPOSED BY MR. JOHNSON AND DR. NICHOLSON IN THE PREVIOUS I&M CASES YOU MENTIONED?

A Yes.

Q IS THERE ANY RELATIONSHIP SET FORTH BY MR. WATKINS THAT PROVES THAT ENERGY USAGE IS APPROPRIATE FOR THE CLASSIFICATION OF PRODUCTION PLANT?

A No. That customers use certain equipment on a year round basis is not a fact that is startling or new. All practitioners in this field realize that virtually all electric equipment is used year round. The appropriate result of such fact, as repeatedly recognized by this Commission, is that fixed costs should be allocated on a demand basis as opposed to an energy basis. Power plants, transformers and utility equipment are rated in relation to their peak capacity requirements, such as 1,000 MW for a power plant or 25 kVa for a transformer. The capacity ratings of electric equipment must be matched to peak load requirements of customers and are not related to annual kWh consumption.

Q REGARDING CAUSE NOS. 39314 AND 44075, IS THE PRODUCTION PLANT THAT THE COMMISSION FOUND TO BE APPROPRIATELY CLASSIFIED AS DEMAND-RELATED BASICALLY THE SAME PLANT SUBJECT TO ALLOCATION IN THIS PROCEEDING?

A Basically yes. Although I&M has since closed Tanners Creek, the Cook and the Rockport facilities, both base load generation assets, remain the backbone of I&M's portfolio. I&M has not constructed any new base load generation or peaking

generation. Therefore, Mr. Watkins is asking the Commission to find its previous orders were in error and reverse its decisions with respect to the appropriate allocation method of production plant. Obviously, the same production plant that was consistently found to be demand-related and appropriately allocated on demand did not suddenly change and become energy-related based on the system load factor. These basic and routine items were known and examined in the previous cases. Mr. Watkins has presented no new or relevant facts to justify his recommendation to significantly change the allocation methodology in this case. I recommend that the Commission again find that utility investment is a fixed cost and properly classified as being demand-related. Consistent with past practice, demand-related costs should be allocated on the basis of the relevant coincident peak demand. I recommend that the Commission continue to allocate demand related costs on coincident peak demand consistent with its previous findings and reject Mr. Watkins' approach.

Q IS THE IMPACT OF ALLOCATING SIGNIFICANT PLANT INVESTMENT ON THE BASIS OF ENERGY USAGE SIGNIFICANT?

A Yes. Page 28 of Mr. Watkins' direct testimony is a summary of the rates of return under present rates based on the cost of service method filed by I&M and the OUCC study, which allocates about 62% of production investment based on energy. Classes with higher than average load factors and off-peak classes are adversely impacted by the utilization of the OUCC proposed Peak and Average method. Those classes include Large General Service, Industrial Power Service, Water and Sewage Service, Outdoor Lighting and Street Lighting. The beneficiaries of the Peak and Average methodology are classes with below-average load factors, such as the Residential class and the General Service class. The change in results between the two studies is dramatic and

cause for concern. It is clear that the Peak and Average method produces results that are unreasonable and unsuitable for ratemaking. This method should be rejected in its entirety.

Q PLEASE EXPLAIN.

A The Peak and Average method is not based on sound cost allocation principles. There is no reason to significantly increase the cost to customers that efficiently utilize a system such as high load factor and off-peak customers. High load factor and off-peak customers on electric utility systems allow for more efficient utilization of production plant, which benefits all customers. Adopting the Peak and Average method would discourage the efficient use of the system. Additionally, there is no rational link between the system load factor and the classification of plant investment on the basis of annual energy usage irrespective of the time of occurrence.[3] If average demand is important and used for planning purposes, I&M could retire a significant amount of its plant and have no need to construct any new plant since it would have excess capacity in relation to its average load.

Q WHAT IS THE BIP METHOD?

A The BIP method classifies and assigns individual generating assets based on their specific role in a utility's generation portfolio. Under the BIP method, typically "Base" load units are classified and allocated on energy, "Intermediate" units are classified and allocated based on their capacity factor, and "Peak" units are classified and allocated on peak demand.

[3]Mr. Watkins states that the capacity/energy trade-off is admittedly arbitrary under the P&A method (Watkins Direct, page 10, lines 19-20).

Q IS THE BIP METHOD A REASONABLE COST ALLOCATION METHOD TO USE?

A No, it is not. Mr. Watkins has not demonstrated that there is a clear cost-causation relationship between the BIP methodology, customers' loads, and I&M's resource planning. Utilities identify a need for new generation resources when generating capacity is needed to meet peak day demands and capacity reserves.

The reserve margin requirements are tied to contribution to the utility's highest peak demands in the year which, for I&M, predominately occur in the summer months. The generation resource ultimately selected would be the lowest cost resource available to meet that need for additional peak day capacity.

The BIP methodology fails to reflect cost causation because factors like fuel cost, technological obsolescence and environmental requirements can change significantly, distorting the dispatch order of the generating resources over time. Changes in these factors can change the designation of units as Base or Intermediate, affect the economic utilization of the plant or be distorted by the addition of new plants that produce a different generation mix.

The BIP methodology ignores all these significant events that distort the dispatch arrangement and the designation of Base, Intermediate or Peak nature of I&M's resources over time. The BIP methodology simply does not reflect the reality of I&M's planning, the reality of how resources dispatch or change over time, and does not accurately assign the resource costs between classes in proportion to class demands for service.

Q ARE THERE ANY OTHER PROBLEMS WITH THE BIP METHODOLOGY?

A Yes. The BIP method allocates production plant associated with Base, Intermediate and Peak production costs using the BIP designations. However, the BIP method

allocates all fuel costs on the basis of average energy cost and total energy usage. As such, the BIP method is internally inconsistent in allocating production plant investment on the basis of BIP units but allocating the fuel costs associated with the BIP units without regard to the Base, Intermediate and Peak designations.

Q WHY IS THIS UNREASONABLE?

A The BIP method essentially averages energy costs and allocates those across customer classes based only on energy usage. However, to be consistent with the BIP method for allocating fixed costs, customer classes should receive an allocation of the energy costs from the BIP resources that are allocated to them. For example, customers that are allocated a larger percentage of Base generating resource fixed costs should benefit from receiving a higher allocated share of the lower energy cost produced through the Base units. Customers that are allocated a higher percentage of peak costs should pay the higher energy costs derived from peaking units because they pay a lower allocated share of base capacity costs.

This more balanced methodology would ensure that customers that pay higher capital costs for base units benefit by receiving the lower energy costs produced by those units. Conversely, customers assigned the fixed costs for a cheaper combination of Base, Intermediate and Peak units should be assigned higher energy costs associated with the fuel cost produced by the higher cost mix of resources.

However, the BIP method fails to be consistent in allocating costs in this manner. Mr. Watkins' proposal to use the BIP method to allocate energy on an average basis across all customers creates an economic detriment to customers who are assigned a large portion of the cost of Base generation resources. His proposal also provides a subsidy to customers that require less Base generation but more

Intermediate and Peak facilities and, more fundamentally, as discussed previously, the BIP method does not accurately reflect cost causation on I&M's system.

Allocation of Production Investment

Q IN YOUR OPINION, IS IT APPROPRIATE TO CLASSIFY ALL PRODUCTION INVESTMENT AS DEMAND-RELATED?

A Yes. Consumers take for granted that when they flip the switch an electric light or appliance will turn on and run. Since electric energy cannot be stored in large quantities for any significant length of time, utilities must provide adequate generating capacity to meet the demands of their customers when those customers decide to make those demands. Therefore, investment in generation plant is properly classified as a demand-related cost.

Q WHAT ABOUT THE ARGUMENT THAT SOME PORTION OF THE INVESTMENT IN BASE LOAD PLANT SHOULD BE CLASSIFIED AS BEING ENERGY-RELATED ON THE THEORY THAT A UTILITY IS WILLING TO MAKE CERTAIN ADDITIONAL CAPITAL INVESTMENTS TO REDUCE ITS LEVEL OF FUEL COSTS?

A With respect to this argument, the economic choice between a base load plant and a peaking plant must consider both capital costs and operating costs, and therefore is a function of average <u>total</u> costs. The capital cost of peaking plants is lower than the capital cost of base load plants, but the operating costs of peaking plants are higher than the operating costs of base load plants. Moreover, when the hours of use are considered, the fixed cost per kWh for base load plant is usually less than the fixed cost per kWh for the peaking plant. Of course, since the fuel costs of base load plants are

lower than the fuel costs of peaking plants, the overall cost per kWh for base load plants is also less than the overall cost per kWh for peaking plants.

It is necessary, therefore, to look at both capital costs and operating costs in light of the expected capacity factor of the plant. The fact that base load plants have lower fuel costs than peaking plants does not mean that the investment in base load plants is strictly to achieve lower fuel costs. Investment in a base load plant would be made to achieve lower total costs, of which fixed costs and fuel costs are the primary ingredients.

For any given system, the capital costs are not a function of the number of kWh generated, but are fixed and therefore are properly related to system demands, not to kWh sold. These costs are fixed in that the necessity of earning a return on the investment, recovering the capital cost (depreciation), and operating the property are related to the existence of the property and not to the number of kWh sold. If sales volumes change, these costs are not affected, but continue to be incurred, making them fixed or demand-related in nature.

In my opinion, it is not proper to classify a portion of the fixed costs related to production based on energy.

Q WHAT HAPPENS IF FIXED OR DEMAND COSTS ARE ALLOCATED ON ENERGY?

A Since rate design should be based on cost of service, a number of problems are directly related to the allocation of fixed costs on an energy basis. First, allocation of fixed costs partly based on energy consumption makes the rates less stable than they would otherwise be. Second, allocation of fixed costs partly based on energy reduces the incentive given to customers by off-peak pricing provisions. Allocating production, transmission or distribution investment on an energy basis signals customers that a

demand created at the peak hour is the same as a demand created during the off-peak hour. Customers that shift loads in response to time-of-day rates will not be treated fairly by a kWh type of costing methodology, such as the Peak and Average method.

Q PLEASE EXPLAIN.

A With respect to stability, if a significant proportion of fixed costs is classified on the basis of energy and the level of kWh sales decreases (as often happens during an economic downturn), the utility's revenues will drop more than its costs, since fixed costs are being collected in the energy or variable portion of the rate. On the other hand, a proper recognition of the differentiation between demand and energy costs would, under these circumstances, cause revenues to decline in closer correspondence to the decline in costs, since the energy charges would basically recover those costs which do, in fact, vary with the number of kWh sold.

With respect to the concept of off-peak pricing, classification of a portion of the demand-related costs based on energy reduces the savings to the customer that would result from increased use during off-peak hours. For example, if a customer were to increase consumption during off-peak hours (without changing its demands or energy consumption during the on-peak hours), the Peak and Average allocation method would allocate more investment in fixed costs to the customer than before, since the number of kWh added during the off-peak period would increase the allocation of fixed costs, even though the system's total capacity and capacity-related costs had not increased. This reduces the savings that would be available to the customer as a result of adding load off-peak as opposed to on-peak. Similarly, a customer who shifts loads to off-peak periods would receive lower rates, temporarily, but would not receive an appropriate reduction in the allocation of demand-related costs associated with usage

of the loads shifted to off-peak periods. Therefore, this customer can expect an above-average increase in the next rate case because of the allocation of fixed costs on an energy basis. In my opinion, this result is a further demonstration of the inappropriateness of an energy type (average demand) approach to the allocation of fixed costs. Allocating fixed costs on an energy basis is in direct conflict with the sound ratemaking, including the time-based pricing, critical peak pricing, and demand response programs that are the subject of Section 1252 of the Energy Policy Act.

Q ARE THERE ANY ADDITIONAL FLAWS IN THE PEAK AND AVERAGE METHODOLOGY?

A Yes. While the Commission should reject the OUCC's and Mr. Watkins' energy-based allocation again in this proceeding for the many reasons stated in my testimony, it should also reject it because it fails to address the fuel symmetry issue. That is, Mr. Watkins attempts to increase the allocation of investment to one group of customers, on the theory that those customers benefit more than others from the lower energy costs resulting from the operation of a base load plant as opposed to a peaking plant. What Mr. Watkins fails to do under this theory is to fairly and symmetrically allocate energy costs to the group of customers who would be forced to bear the higher capital costs allocated to them on a kWh basis. This is the fuel symmetry argument. If high load factor customers are allocated higher capital costs under the Peak and Average method then energy costs allocated to the high load factor class should recognize lower operating costs that result from the higher capital costs of the base load plants.[4] In the Peak and Average method proposed by Mr. Watkins in this proceeding, he failed to

[4]Mr. Watkins acknowledges that a potential weakness of the P&A method is that a significant amount of fixed capacity investment is allocated based on energy consumption with no recognition given to lower variable fuel costs during off-peak periods (Watkins Direct, page 10, lines 21-23).

properly assign the lower fuel costs to the high load factor classes of customers as part of his proposal.[5] However, again, even with fuel symmetry, Mr. Watkins' proposal is fundamentally flawed and should be rejected.

Q HAVE YOU REVIEWED THE OUCC'S "FALL-BACK" 12CP POSITION?

A Yes. As in prior rate cases, the OUCC is recommending an energy allocation while indicating that a 12CP allocation would be an acceptable alternative. I&M's clearly delineated coincident peaks, however, make this an unjustified allocation as it does not reflect system usage. As the OUCC has done in the past, this approach is more like a settlement negotiation strategy than a reasoned approach to cost allocation.

For example, in a Southern Indiana Gas and Electric Company Order d/b/a Vectren Energy Delivery of Indiana, Inc., Dr. Swan, on behalf of the OUCC, recommended the 12CP method if his proposed Equivalent Peaker method and Peak and Average methods were not accepted because the 12CP allocator recognizes broader year-round demands similar to Mr. Watkins' testimony in this cause.

Q WHAT DID THE COMMISSION CONCLUDE IN THE REFERENCED CASE?

A The Commission found that the continued use of the 4CP method is appropriate and rejected the OUCC's approach. In that regard, the Order stated the following:

> **(g) <u>Commission Findings</u>.** Vectren South has used a 4 CP methodology since at least the 1970s to allocate production and transmission costs on a demand-basis. We have noted our preference to utilize previously approved allocation methodologies unless evidence demonstrates that system operating characteristics have changed since the last approved COSS allocation methodology. *Northern Indiana Public Serv. Co.*, 2010 Ind. PUC LEXIS 294, at *263. Dr. Swan provided no evidence that system operating characteristics have changed since the Company's last COSS and Mr. Phillips and Mr. Heid both affirmatively testified that no such changes had occurred. Further,

[5]In Cause No. 39314, the Commission considered this flaw in the methodology in rejecting the Peak and Average method. *See* Final Order 39314, November 12, 1993 at pages 170-172.

> endorsing Dr. Swan's method would dramatically change the allocation of costs to customers as noted by Mr. Phillips. Changes in allocation methodology that significantly alter cost assignment may unreasonably disadvantage customers who have made investments in response to previous cost assignments. Of specific concern to the Commission are those investments made to foster demand response or to remove load during the Company's historical peak periods.

Cause No. 43839, April 27, 2011 at page 64.

Q SHOULD THE COMMISSION REJECT THE 12CP METHOD IN THIS CAUSE?

A Yes. The 12CP method is not appropriate for I&M's allocation of Production, Transmission or Distribution Plant and should be rejected.

As explained in my direct testimony, I&M's generating plant in this case is basically the same as it was in previous cases when a demand method was adopted. I&M had three basic generating stations in earlier years. With the closure of Tanners Creek, it now has two. The Cook and the Rockport facilities each consist of two large generating units. The Cook facility went on-line in the 1970s and the Rockport facility went on-line in the 1980s. These plants were planned earlier than the on-line dates. While I&M's generation plant has remained the same, on October 1, 2004, I&M (and the AEP system – East Zone) became part of the PJM RTO and began participating in the PJM energy market. As a result, Functional Control of the AEP transmission facilities, as well as generation dispatch including the transmission and generation facilities owned by I&M, were transferred to PJM. The AEP East Pool was terminated in 2014. I&M is now a stand-alone system and it is clear that the summer peak demand is determinative of its capacity requirements. I&M, in fact, uses the PJM installed reserve requirement of 15.7% in its integrated resource plan and its capacity requirements are determined by its summer peak load.

All of this illustrates that a 12CP allocation does not reflect I&M's actual system, or I&M's customers' use of the system.

Q PLEASE COMMENT ON MR. WATKINS' PROPOSED ALLOCATION OF TRANSMISSION PLANT.

A Mr. Watkins proposes to allocate transmission plant on a 12CP basis without any reason. He states in one sentence that the 12CP "strikes a reasonable balance between two general philosophies."[6] To the contrary, PJM has functional control over the AEP (including I&M) transmission facilities and these facilities are constructed to meet peak demand. The same rationale that applies to I&M's production system applies to the allocation of I&M's transmission system.

Q DO YOU AGREE WITH MR. WATKINS' APPROACH TO THE ALLOCATION OF DISTRIBUTION PLANT?

A No. Mr. Watkins fails to recognize a customer component to Accounts 360-368. I have addressed this issue in my direct testimony and it applies to Mr. Watkins' approach as well.

Q DOES MR. WATKINS' PROPOSAL TO AVERAGE THE RESULTS OF HIS COST STUDIES ALONG WITH THE I&M PROPOSED STUDY PRODUCE FAIR AND REASONABLE RESULTS?

A No. Averaging of flawed cost studies with the I&M study does not produce fair and reasonable results. The averaging of various flawed cost studies such as Mr. Watkins'

[6]Watkins Direct, page 25, line 18.

Peak and Average and BIP studies with I&M's study only produces flawed results that are not useful for ratemaking in this proceeding.

Cost of Service Summary

Q PLEASE SUMMARIZE YOUR COST OF SERVICE RECOMMENDATIONS.

A The Commission has stated that cost of service allocation methods should have continuity but could be changed if operational changes to the utility system have occurred. There is no showing by Mr. Watkins or Mr. Wallach that any change has occurred in the last 30 to 40 years in I&M's generating portfolio that would reasonably lead to a change in the classification or allocation from demand to energy.

The indisputable changes that have occurred are operational now that I&M is part of PJM and operates as a stand-alone company for operational purposes. I&M's reserve margin and capacity requirements are now determined by PJM's five highest peaks, all of which occur in the summer period. Any change to I&M's 6CP method (which made sense when I&M was part of the AEP system East Pool) should acknowledge the actual operational changes that have occurred. The 6CP method should be refined to reflect the changes that have occurred – and reflect the PLC peaks or the 4 summer peak method of cost of service.

Response to Rate Design Proposals

Q HAVE YOU REVIEWED THE RATE DESIGN RECOMMENDATIONS OF MR. JUSTIN BIEBER ON BEHALF OF KROGER CO. AND MR. STEVE CHRISS ON BEHALF OF WALMART INC.?

A Yes. Mr. Bieber and Mr. Chriss recommend gradually moving to better align the demand and energy components of several commercial and industrial rates with the

respective cost of those elements. This proposal has merit in principle so as long as the impact of the change in rate design does not produce harsh impacts to other customers taking service under the affected rates. There should be mitigation for intra-class impacts similar to the mitigation for increases to the class as a whole.

Q DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?

A Yes, it does.

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Verification

I, Nicholas Phillips, Jr., a Managing Principal of Brubaker & Associates, Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Nicholas Phillips, Jr.
September 17, 2019