

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN )  
POWER COMPANY (I&M), AN INDIANA )  
CORPORATION, FOR APPROVAL OF A CLEAN )  
ENERGY PROJECT AND QUALIFIED )  
POLLUTION CONTROL PROPERTY AND FOR )  
ISSUANCE OF CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY FOR USE OF )  
CLEAN COAL TECHNOLOGY; FOR ONGOING )  
REVIEW; FOR APPROVAL OF ACCOUNTING )  
AND RATEMAKING, INCLUDING THE TIMELY )  
RECOVERY OF COSTS INCURRED DURING )  
CONSTRUCTION AND OPERATION OF SUCH )  
PROJECT THROUGH I&M'S CLEAN COAL )  
TECHNOLOGY RIDER; FOR APPROVAL OF )  
DEPRECIATION PROPOSAL FOR SUCH )  
PROJECT; AND FOR AUTHORITY TO DEFER )  
COSTS INCURRED DURING CONSTRUCTION )  
AND OPERATION, INCLUDING CARRYING )  
COSTS, DEPRECIATION, TAXES, OPERATION )  
AND MAINTENANCE AND ALLOCATED )  
COSTS, UNTIL SUCH COSTS ARE REFLECTED )  
IN THE CLEAN COAL TECHNOLOGY RIDER OR )  
OTHERWISE REFLECTED IN I&M'S BASIC )  
RATES AND CHARGES. )

CAUSE NO. 44871

SUBMISSION OF DIRECT TESTIMONY OF  
ANDREW J. WILLIAMSON

Indiana Michigan Power Company, by counsel, hereby submits the direct testimony and attachments of Andrew J. Williamson.



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Attorneys for Indiana Michigan Power  
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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, United States Mail, postage prepaid this

21<sup>st</sup> day of October, 2016 to:

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**STATE OF INDIANA**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**ANDREW J. WILLIAMSON**

**ON BEHALF OF**

**INDIANA MICHIGAN POWER COMPANY**

**PRE-FILED VERIFIED DIRECT TESTIMONY OF ANDREW J. WILLIAMSON  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Indiana Michigan Power Company (I&M or Company) as its  
6 Director of Regulatory Services.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
8 BACKGROUND.**

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

13 I was employed by PricewaterhouseCoopers, LLP (PwC) as a Staff and  
14 Senior Auditor from August 2004 until December 2007. At PwC, I assisted and  
15 led the audits of the books and records of public and private companies,  
16 compilation of financial statements and compliance with the standards set forth  
17 under the Sarbanes-Oxley Act of 2002.

18 In January 2008, I joined American Electric Power (AEP) as a Staff  
19 Accountant in the Accounting Policy and Research department. Thereafter,  
20 I've held positions as a Staff and Senior Accountant in Financial Policy  
21 Transaction and Analysis, as a Senior Financial Analyst in Transmission

1 Investment Strategy and as a Manager of Regulatory Accounting Services. In  
2 March 2014, I assumed my current position as Director of Regulatory Services  
3 for I&M.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
5 **COMMISSIONS?**

6 A. Yes. I have filed testimony before the Indiana Utility Regulatory Commission  
7 (IURC or Commission) on behalf of I&M in the following matters:

- 8 • 43775 OSS-5 Off System Sales Rider Reconciliation
- 9 • 44523 I&M Request for Certificate of Need
- 10 • 44331 ECR-X Federal Mandate Rider Reconciliations
- 11 • 44542 TDSIC Plan
- 12 • 44543 TDSIC Rider
- 13 • 44655 SDI Contract Amendment
- 14 • 44696 Generation Hedging Plan

15 In addition, I have filed testimony before the Michigan Public Service  
16 Commission in Case Nos. U-17919 and U-17698. I have also filed testimony  
17 before the Public Utility Commission of Texas on behalf of AEP Texas Central  
18 Company (TCC), AEP Texas North Company (TNC), Electric Transmission  
19 Texas, LLC (ETT) and Southwestern Electric Power Company (SWEPCO),  
20 and before the Corporation Commission of the State of Oklahoma on behalf of  
21 Public Service Company of Oklahoma (PSO).

22 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CAUSE?**

23 A. The purpose of my testimony is to explain I&M's requested accounting and  
24 ratemaking treatment related to the costs associated with I&M's Ownership  
25 Share of the installation of Selective Catalytic Reduction (SCR) technology at  
26 Rockport Unit 2 (the "Rockport Unit 2 SCR Project" or "Project"). I will also

1 explain I&M's request for ongoing review of the construction of the Project to  
2 be conducted annually as part of I&M's Clean Coal Technology Rider (CCTR)  
3 proceedings and I provide an estimate of the overall rate impact of the Project  
4 to I&M's customers.

5 **Q. ARE YOU SPONSORING ANY ATTACHMENTS IN THIS CAUSE?**

6 A. Yes. I am sponsoring the following Attachments:

- 7 • Attachment AJW-1 Estimated Rate Impact of I&M's Ownership Share of  
8 the Project
- 9 • Attachment AJW-2 Rockport Plant Ownership

10 **Q. WERE THESE ATTACHMENTS PREPARED OR ASSEMBLED BY YOU OR**  
11 **UNDER YOUR DIRECTION AND SUPERVISION?**

12 A. Yes.

13 **Q. PLEASE EXPLAIN THE TERM "I&M'S OWNERSHIP SHARE" OF THE**  
14 **ROCKPORT UNIT 2 SCR PROJECT.**

15 A. The sale and leaseback financing arrangement regarding Rockport Unit 2,  
16 which is discussed by Company witness Chodak, allows, among other things,  
17 I&M and AEG to invest in Rockport Unit 2 as necessary to comply with  
18 environmental regulations by installing environmental control equipment and  
19 systems. I&M and AEG jointly own any modifications made to Rockport Unit 2.  
20 The Project costs associated with I&M's 50% Ownership Share are recognized  
21 as plant-in-service by I&M, no different than project costs associated with  
22 Rockport Unit 1. The ownership and lease arrangement is shown in  
23 Attachment AJW-2.

1 **Q. PLEASE SUMMARIZE THE RATEMAKING AND ACCOUNTING RELIEF**  
2 **THAT I&M IS REQUESTING IN THIS PROCEEDING.**

3 A. I&M seeks approval to recover I&M's Ownership Share of the Project costs as  
4 a Clean Energy Project under I&M's CCTR. The accounting and ratemaking  
5 relief sought by I&M in this Cause does not include costs I&M will incur under  
6 the Unit Power Agreement (UPA) related to the Project.

7 **Q. WHAT IS THE CCTR?**

8 A. The CCTR is a recovery mechanism used for the timely recovery of costs  
9 associated with environmental projects. I&M's CCTR was established by the  
10 Commission in Cause No. 43636 to allow I&M to timely recover the capital  
11 costs (including return on investment, depreciation, and tax expense) and  
12 operation and maintenance (O&M) (including consumable expenses)  
13 associated with the Selective Non-Catalytic Reduction (SNCR) at I&M's  
14 Tanners Creek Plant and the original Activated Carbon Injection (ACI)  
15 equipment at the Rockport Plant. These environmental projects were  
16 subsequently rolled into I&M's basic rates and charges in Cause No. 44075  
17 and, in Cause No. 43636 ECR-7, the factor in I&M's CCTR was set to zero.

18 Currently, I&M is recovering the costs associated with the Rockport Unit  
19 1 SCR through the CCTR per the Commission's Order in Cause No. 44523.  
20 I&M proposes that upon approval of the Rockport Unit 2 SCR Project, it be  
21 authorized to recover the Project costs of I&M's Ownership Share of the  
22 Rockport Unit 2 SCR Project in that rate adjustment mechanism. Consistent  
23 with the recovery of Rockport Unit 1 SCR costs, I&M proposes to file testimony

1 and attachments that forecast project expenditures and reconcile actual  
2 revenues and costs in a similar format currently used in CCTR filings.

3 **Q. ARE I&M'S BOOKS AND RECORDS KEPT IN ACCORDANCE WITH THE**  
4 **FERC UNIFORM SYSTEM OF ACCOUNTS (USOFA) ADOPTED BY THIS**  
5 **COMMISSION?**

6 A. Yes. I&M's books and records are maintained according to the FERC USofA as  
7 adopted by this Commission at 170 IAC 4-2-1.1.

8 **Q. WILL I&M'S BOOKS AND RECORDS BE CONSISTENT WITH THE FERC**  
9 **USOFA IF THE PROPOSED ACCOUNTING FOR THE PROJECT IS**  
10 **IMPLEMENTED?**

11 A. Yes.

12 **Q. PLEASE EXPLAIN THE RATEMAKING RELIEF REQUESTED FOR I&M'S**  
13 **OWNERSHIP SHARE OF THE PROJECT.**

14 A. I&M seeks timely cost recovery via its existing CCTR, of the following costs  
15 associated with I&M's Ownership Share:

- 16 • Carrying costs including all applicable federal and state income taxes;
- 17 • Depreciation;
- 18 • Associated O&M expense (including consumables expense);
- 19 • Associated property tax expense.

20 Consistent with I&M's current CCTR filings within Cause No. 44523  
21 ECR-X, I&M requests approval to establish rates using the forecasted costs  
22 associated with the period in which future requested rates are expected to be  
23 in effect. I&M also requests to recover gross revenue conversion factor  
24 (GRCF) costs in the calculation of the CCTR revenue requirement associated

1 with the Project. The GRCF recovers the revenue related expenses I&M incurs  
2 associated with the revenues collected from this rider, and adjusts revenues to  
3 take into account that I&M does not collect all revenues associated with this  
4 rider that are billed to customers. I&M requests to implement construction work  
5 in progress (CWIP) ratemaking treatment for I&M's Ownership Share of the  
6 Project costs.

7 **Q. PLEASE EXPLAIN THE PROPOSED ACCOUNTING TREATMENT FOR**  
8 **I&M'S OWNERSHIP SHARE OF THE PROJECT.**

9 A. I&M seeks authority to:

- 10 • Depreciate I&M's Ownership Share, once the assets are in-service, over  
11 10 years;
- 12 • Defer and record as a regulatory asset the associated depreciation,  
13 carrying costs, O&M, consumable and property tax expenses until such  
14 time as these costs receive ratemaking treatment through the CCTR or  
15 are otherwise reflected in basic rates; and
- 16 • Utilize, via the CCTR, traditional over/under recovery accounting for the  
17 annual true-up of rider revenues to actual costs consistent with I&M's  
18 CCTR tracker reconciliations.

19 **Q. WHEN DOES I&M PROPOSE TO BEGIN CWIP RATEMAKING TREATMENT**  
20 **FOR THE PROJECT COSTS?**

21 A. I&M proposes to begin CWIP recovery for I&M's Ownership Share of the  
22 Project's capital costs once the Project has been under construction for at least  
23 six (6) months and the associated costs are included in CCTR rates. The

1 Company will certify its Qualified Pollution Control Property (QPCP) Project  
2 costs to the Commission and request approval for an appropriate rate  
3 adjustment at annual intervals.

4 **Q. WILL I&M ACCRUE ALLOWANCE FOR FUNDS USED DURING**  
5 **CONSTRUCTION (AFUDC) ON THE PROJECT?**

6 A. Yes. I&M will record AFUDC on CWIP balances in accordance with 170 IAC 4-  
7 6-13 as defined and prescribed in the FERC USofA, until CWIP ratemaking  
8 treatment begins or the associated assets are placed in-service. As discussed  
9 later in my testimony, the rates I&M uses for equity funds are the return  
10 approved in the settlement agreement approved by the Commission in Cause  
11 No. 43774 PJM-4 and the return established in the last Indiana basic rate case  
12 (Cause No. 44075) (or subsequent general rate case). The debt rate  
13 represents I&M's current quarter-end cost of debt.

14 **Q. PLEASE EXPLAIN I&M'S PROPOSAL REGARDING O&M EXPENSE**  
15 **RELATED TO I&M'S OWNERSHIP SHARE OF THE PROJECT.**

16 A. I&M proposes to include its Ownership Share of the Project's associated O&M  
17 expense, including the cost of consumables, in its CCTR. I&M requests the  
18 Commission authorize I&M to defer O&M and consumable expenses incurred  
19 during the operation of the Project until such time as these costs are reflected  
20 in the CCTR.

21 **Q. HOW WILL I&M ACCOUNT FOR AND DETERMINE INCREMENTAL O&M**  
22 **EXPENSES RELATED TO THE PROJECT?**

23 A. O&M and consumable expenses related to the Project, as discussed by

1 Company witness Pifer, will be charged to the appropriate functional FERC  
2 expense accounts. Use of specific work order(s) will allow identification of the  
3 O&M associated with the Project. The SCR technology will require the use of  
4 anhydrous ammonia, which will allow for clear identification of the consumable  
5 expense associated with the Project.

6 **Q. HOW IS I&M PROPOSING TO DEPRECIATE THE PROJECT CAPITAL**  
7 **INVESTMENT?**

8 A. Ind. Code § 8-1-2-6.7 provides that the Commission shall allow a public utility  
9 that incorporates clean coal technology to depreciate that technology over a  
10 period of not less than ten (10) years or the useful economic life of the  
11 technology, whichever is less and not more than twenty (20) years. As  
12 supported by Company witness Chodak, I&M requests the Commission  
13 authorize I&M to depreciate I&M's Ownership Share of the Project over a 10  
14 year life, which is consistent with the Rockport Unit 1 SCR depreciation rate  
15 approved by the Commission in Cause No 44523. This depreciable life is  
16 consistent with the economic analysis performed by Company witness Weaver  
17 in this proceeding, as described in detail in his Pre-Filed Verified Direct  
18 Testimony.

19 I&M also requests that the Commission authorize I&M to defer any  
20 Project depreciation expense incurred until such time as such costs are  
21 reflected in the CCTR or are otherwise reflected in base rates.

1 **Q. PLEASE EXPLAIN I&M'S PROPOSAL REGARDING PROPERTY TAX**  
2 **EXPENSE RELATED TO I&M'S OWNERSHIP SHARE OF THE PROJECT.**

3 A. I&M requests the Commission authorize recovery of any incremental property  
4 tax expense associated with the Project. Incremental property tax will be  
5 determined by applying an effective property tax rate to the net taxable  
6 assessed value of the associated Project.

7 **Q. THE FINANCIAL INCENTIVES LISTED IN IND. CODE § 8-1-8.8-11(A)**  
8 **INCLUDE AUTHORIZATION OF UP TO THREE PERCENTAGE POINTS ON**  
9 **THE RETURN ON SHAREHOLDER EQUITY THAT WOULD OTHERWISE BE**  
10 **ALLOWED TO BE EARNED ON THE PROJECT. DOES I&M SEEK THIS**  
11 **RELIEF?**

12 A. No. I&M proposes to compute the revenue requirement for its Ownership  
13 Share in accordance with 170 IAC 4-6-14 using the return on equity (ROE)  
14 approved by the Commission. Prior to December 31, 2017 I&M will utilize a  
15 9.95% ROE according to the settlement agreement approved by the  
16 Commission in Cause No. 43774 PJM-4. Beginning January 1, 2018, I&M will  
17 utilize the ROE approved by the Commission in Cause No. 44075 or I&M's  
18 most recent base rate case proceeding, whichever is more recent.

19 **Q. IS I&M PROPOSING TO REFLECT THE BENEFIT OF ZERO COST**  
20 **CAPITAL, ASSOCIATED WITH FEDERAL ACCUMULATED DEFERRED**  
21 **INCOME TAXES (ADIT), WHEN ESTABLISHING THE REVENUE**  
22 **REQUIREMENT RELATED TO I&M'S OWNERSHIP SHARE?**

23 A. Yes. I&M is proposing to reflect ADIT in the capital structure (i.e. weighted cost

1 of capital or “WACC”) based on a blended historical level.

2 **Q. WHAT IS THE WACC RATE I&M IS PROPOSING TO APPLY TO**  
3 **DETERMINE THE REVENUE REQUIREMENT ASSOCIATED WITH THE**  
4 **PROJECT?**

5 A. I&M will calculate the WACC utilizing its most current quarter-end cost of debt  
6 and applicable ROE as described previously, applied to the most current  
7 quarter-end debt and equity balances.

8 **Q. PLEASE EXPLAIN THE GROSS REVENUE CONVERSION FACTOR**  
9 **PROPOSED BY I&M.**

10 A. The GRCF determines the revenue related expenses I&M incurs associated  
11 with the revenues collected through the CCTR and further adjusts the GRCF to  
12 take into account that I&M will not collect all revenues that are billed to  
13 customers. I&M is requesting the Commission approve recognition and  
14 recovery of GRCF costs associated with the Project in the CCTR. The  
15 calculation and application of the GRCF is consistent with the GRCF approved  
16 by the Commission in Cause Nos. 44523 (ECR-X), 44182 (LCM-X), 43774  
17 (PJM-X), 43775 (OSS-X), 44331 (ECR-X), 44422 (CSR-X) and 43827 (DSM-X)

18 **Q. PLEASE EXPLAIN WHY THE RATE ADJUSTMENT MECHANISM AND**  
19 **DEFERRED ACCOUNTING TREATMENT IS REASONABLE AND**  
20 **NECESSARY.**

21 A. As supported by Company witnesses Chodak and Pifer, I&M is making  
22 significant investments in the Project. The request for authority to defer the  
23 associated carrying costs, depreciation, O&M, consumable and property tax

1 expenses until such costs are reflected in the CCTR is reasonable and  
2 necessary to ensure timely recovery of the Project.

3 Moreover, it would be very difficult and inefficient for I&M to perfectly  
4 time a base rate case, or base rate cases, with the in-service date of the  
5 Project. The statutory and regulatory framework applicable to this proceeding  
6 recognizes this and was established to avoid the adverse financial impact that  
7 could otherwise occur during the interim period between the Project in-service  
8 date and the inclusion of I&M's Ownership Share of the Project costs in I&M's  
9 basic rates. Allowing I&M to recover these costs through the CCTR also  
10 avoids the unnecessary cost and time commitment associated with filing a  
11 base rate case.

12 **Q. DOES I&M SEEK ONGOING COMMISSION REVIEW OF I&M'S**  
13 **OWNERSHIP SHARE OF THE PROJECT?**

14 A. Yes. I&M is requesting an ongoing review process as part of I&M's Ownership  
15 Share of the Project. I&M will include progress reports of construction, updated  
16 cost estimates and any revisions to cost estimates for the Project in the CCTR  
17 filing. I&M understands that a public hearing will be held before the  
18 Commission and the Commission may approve or deny a proposed increase in  
19 the cost estimates for the implementation, construction or use of the Project.

20 **Q. WHAT REPORTING PERIOD IS I&M PROPOSING?**

21 A. I&M is proposing a twelve-month reporting period in an effort to lessen the  
22 frequency of these filings and free up available resources amongst all parties  
23 involved. This filing interval will not alter the process of establishing rates or

1 the ability to review the rates as filed. It also does not change the reconciliation  
2 process that will ensure customers will only pay for actual costs as approved by  
3 the Commission. This reporting period is consistent with that used for I&M's  
4 current CCTR proceedings.

5 **Q. HOW WILL THE RATEMAKING TREATMENT RELATED TO I&M'S**  
6 **OWNERSHIP SHARE OF THE PROJECT BE EFFECTUATED?**

7 A. After the project is approved and has been under construction for not less than  
8 six (6) months, I&M will include a request in its annual CCTR filings (or initiate  
9 a new CCTR filing) to include I&M's Ownership Share of the Project value to its  
10 rate base on which it is authorized to earn a return and recover a cash return  
11 on CWIP during the construction process as discussed above. Once the  
12 Project is placed in-service, I&M's annual CCTR filings will include the pre-tax  
13 return on investment, depreciation, associated O&M, consumable and property  
14 tax expenses associated with I&M's Ownership Share as well as a GRCF  
15 applied to CCTR revenues. Also, once the Project is placed in-service, I&M's  
16 annual CCTR filings will include the amortization of any costs deferred prior to  
17 the Project CCTR rates going into effect.

18 **Q. HOW WILL I&M TREAT THE RETURN ASSOCIATED WITH THE**  
19 **REQUESTED RATEMAKING TREATMENT FOR ITS OWNERSHIP SHARE**  
20 **IN ITS FUEL COST ADJUSTMENT (FAC) FILINGS?**

21 A. Consistent with the treatment approved in Cause Nos. 43636 and 44523,  
22 related to the CCTR, I&M seeks Commission approval to add the approved  
23 return relating to the Project to its authorized Net Operating Income for

1 purposes of the FAC (d)(3) test.

2 **Q. HOW LONG WILL THE REQUESTED RATEMAKING TREATMENT REMAIN**  
3 **IN EFFECT?**

4 A. The requested ratemaking treatment will continue until I&M's Ownership Share  
5 of the Project is included in basic rates, including the associated return and all  
6 aforementioned operating costs.

7 **Q. WHAT ACCOUNTING WILL OCCUR IF THE PROJECT IS RETIRED PRIOR**  
8 **TO BEING FULLY DEPRECIATED?**

9 A. Company witness Chodak discusses the impact of the Lease terms on the  
10 remaining under depreciated book value of the Project upon termination of the  
11 lease. At the end of the lease, the Project will be retired for accounting  
12 purposes. I&M will follow the accounting for retirements according to the  
13 FERC USofA, the same accounting used for any other retired capital asset.

14 **Q. WHAT ACCOUNTING DOES THE FERC USOFA PRESCRIBE UPON**  
15 **RETIREMENT OF AN ASSET?**

16 A. I&M complies with FERC Electric Plant Instruction No. 10 "Additions and  
17 Retirements of Electric Plant", B(2), which requires for depreciable property  
18 that the original book cost of the retired plant assets to be equally credited to  
19 electric plant (FERC Account 101) and debited to accumulated depreciation  
20 (FERC Account 108).

21 **Q. HOW IS ANY UNDER DEPRECIATED BOOK VALUE OF AN ASSET**  
22 **TREATED UPON RETIREMENT?**

23 A. Since the Company follows FERC instructions, standard regulatory and group

1 accounting practices, any remaining costs or under depreciated book value is  
2 ultimately reflected in FERC Account 108 as a result of the accounting entries  
3 described above. As a result, the retirement of an asset with an under  
4 depreciated book value does not change the net plant balance. Any remaining  
5 balance, which is represented as a reduction (or debit) to FERC Account 108,  
6 will be included in future I&M filings until it has been fully recovered through the  
7 ratemaking process.

8 **Q. WHEN WILL I&M BEGIN REFLECTING THE RECONCILIATION OF ACTUAL**  
9 **PROJECT COSTS IN THE CCTR RATES?**

10 A. I&M will begin reconciling the actual costs associated with the Rockport Unit 2  
11 SCR Project with the second CCTR filing that includes the Project, utilizing the  
12 most recently available over/under recovery balance as of the time the second  
13 filing is compiled.

14 **Q. HAVE YOU CALCULATED AN ESTIMATED OVERALL RATE IMPACT FOR**  
15 **I&M'S INDIANA CUSTOMERS OF I&M'S OWNERSHIP SHARE OF THE**  
16 **PROJECT?**

17 A. Yes. As shown on Attachment AJW-1, I&M estimates the annual rate impact  
18 of the Ownership Share for the Indiana retail jurisdiction for all rate classes to  
19 be 1.6% upon completion of the Project.

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY IN THIS PROCEEDING.**

21 A. My testimony describes I&M's Ownership Share of the Project, shows the  
22 proposed accounting and ratemaking treatment for these costs and I&M's  
23 requested accounting and ratemaking proposals regarding the depreciation of

1 the Project are reasonable, and explains how and when rates will be  
2 determined, filed and reconciled.

3 **Q. DOES THIS CONCLUDE YOUR PRE-FILED VERIFIED DIRECT**  
4 **TESTIMONY?**

5 A. Yes, it does.

## VERIFICATION

I, Andrew J. Williamson, Director of Regulatory Services for 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: 10/19/16

Andrew J. Williamson  
Andrew J. Williamson

INDIANA MICHIGAN POWER COMPANY  
ESTIMATED RATE IMPACT  
ROCKPORT UNIT 2 SCR PROJECT

| LINE ITEM   | I&M             | I&M                        | TOTAL I&M                         |
|---|-----------------|----------------------------|-----------------------------------|
|   | OWNERSHIP SHARE | UNIT POWER AGREEMENT SHARE | ROCKPORT UNIT 2 SCR PROJECT COSTS |
| (IN THOUSANDS)  |                 |                            |                                   |
| 1 TOTAL CAPITAL INVESTMENT  | \$ 274,172      | \$ 274,172                 | \$ 274,172                        |
| 2 INVESTMENT ALLOCATION   | 50%             | 50%                        |                                   |
| 3 I&M COST RESPONSIBILITY <sup>1</sup>  | 100%            | 70%                        |                                   |
| 4 GROSS PLANT INVESTMENT  | \$ 137,086      | \$ 95,960                  | \$ 233,046                        |
| 5 PRE-TAX WEIGHTED AVERAGE COST OF CAPITAL <sup>2</sup>                           | 8.66%           | 7.68%                      | 8.26%                             |
| 6 PRETAX RETURN ON INVESTMENT   | \$ 11,872       | \$ 7,373                   | \$ 19,245                         |
| 7 DEPRECIATION PERIOD (IN YEARS) <sup>3</sup>                                     | 10              | 28                         |                                   |
| 8 ANNUAL DEPRECIATION - CAPITAL INVESTMENT  | \$ 13,709       | \$ 3,378                   | \$ 17,086                         |
| 9 ANNUAL INCREMENTAL O&M (APPROX \$1.25 MILLION TOTAL PLANT) <sup>4</sup>         | \$ 625          | \$ 438                     | \$ 1,063                          |
| 10 ANNUAL INCREMENTAL CONSUMABLES (APPROX \$2.5 MILLION TOTAL PLANT) <sup>4</sup> | \$ 1,250        | \$ 875                     | \$ 2,125                          |
| 11 TOTAL REVENUE REQUIREMENT (LINES 6 + 8 + 9 + 10)                               | \$ 27,455       | \$ 12,064                  | \$ 39,519                         |
| 12 INDIANA JURISDICTIONAL DEMAND ALLOC FACTOR - CAUSE NO. 44075                   | 64.65519%       | 64.65519%                  | 64.65519%                         |
| 13 ANNUAL INDIANA RETAIL REVENUE REQUIREMENT                                      | \$ 17,751       | \$ 7,800                   | \$ 25,551                         |
| 14 GROSS REVENUE CONVERSION FACTOR COSTS  | \$ 322          | \$ 142                     | \$ 464                            |
| 15 INDIANA RETAIL REVENUE REQUIREMENT   | \$ 18,073       | \$ 7,942                   | \$ 26,015                         |
| 16 INDIANA RETAIL REVENUE REQUIREMENT - CCTR                                      | \$ 18,073       |                            |                                   |
| 17 TOTAL INDIANA RETAIL REVENUES - CAUSE NO 44075                                 | \$ 1,160,068    |                            |                                   |
| 18 APPROXIMATE OVERALL % INCREASE IN CCTR RATES                                   | 1.6%            |                            |                                   |

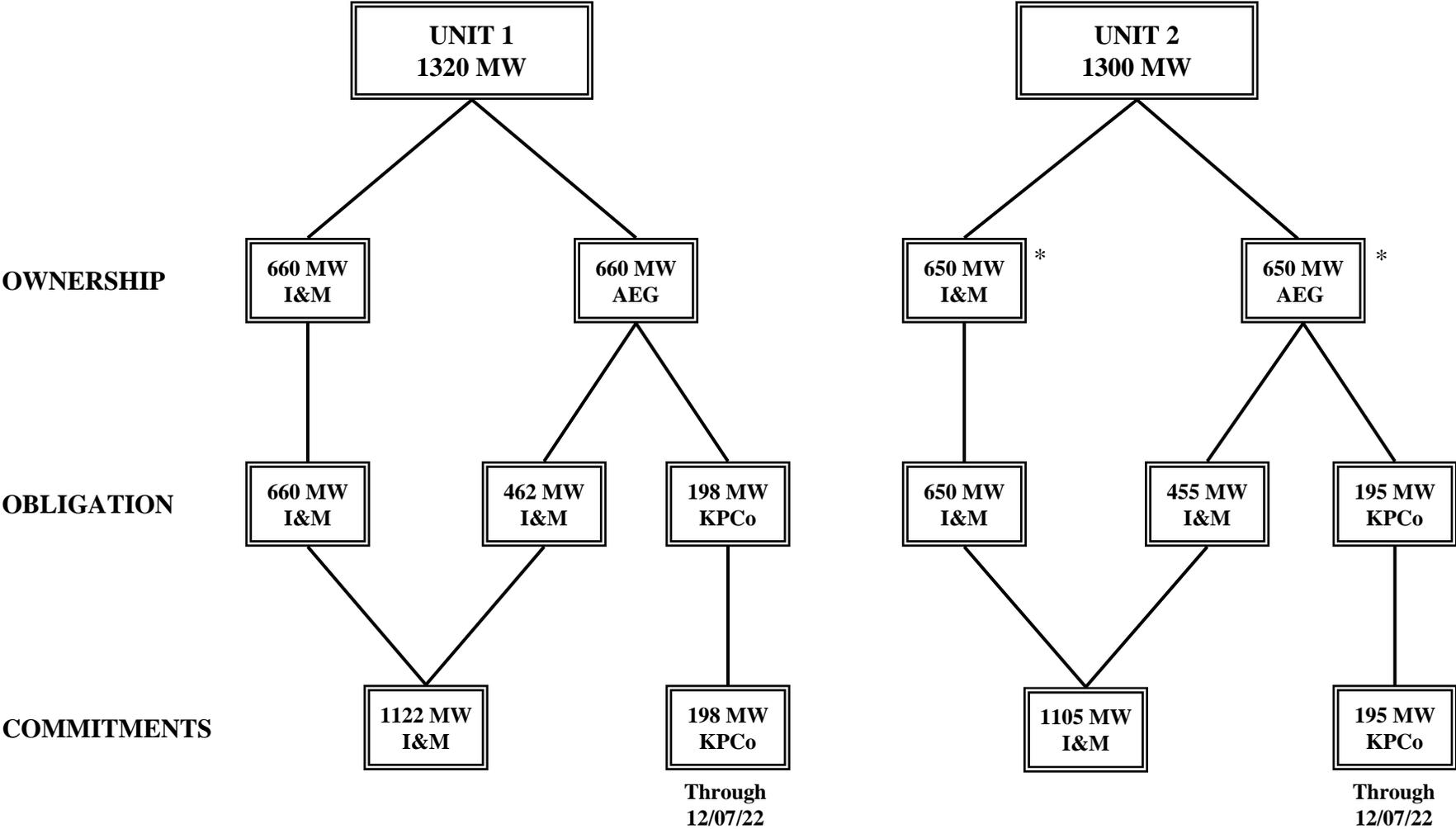
1 - I&M is responsible for 70% of AEG's Rockport related costs according to the Unit Power Agreement between I&M & AEG

2 - As of December 31, 2015, utilizing I&M's ROE from Cause No. 43774 PJM-4 Settlement (subject to change as discussed in testimony) and AEG's December, 2015 purchased power bill

3 - AEG's depreciation rate is based on AEG's December, 2015 purchased power bill, including cost of removal

4 - The AEG Unit Power Agreement share is based on 70% of AEG's 50% of the total estimated plant balance

# ROCKPORT PLANT OWNERSHIP, OBLIGATION AND COMMITMENTS



\* Both I&M and AEG sell and leaseback their respective shares of Rockport Unit 2. The lessors are non-affiliated, non-utility institutions. During the term of the lease, I&M and AEG each has full entitlement to 50% of the power and energy from Rockport Unit 2.