STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA ("AES INDIANA") FOR (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ACQUISITION OF HOOSIER WIND ("HOOSIER WIND PROJECT"); (2) APPROVAL OF THE HOOSIER WIND PROJECT AS A CLEAN ENERGY PROJECT AND ASSOCIATED ACCOUNTING AND RATEMAKING, INCLUDING TIMELY COST RECOVERY UNDER IND. CODE § 8-1-8.8-11.	)	**CAUSE NO. 45933**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 14S
SETTLEMENT TESTIMONY OF OUCC WITNESS
MICHAEL D. ECKERT

January 9, 2024

Respectfully submitted,

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SETTLEMENT TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 45933
INDIANA MICHIGAN POWER COMPANY D/B/A I&M

I. INTRODUCTION

Q: Please state your name, employer, current position, and business address.

A: My name is Michael D. Eckert, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, IN, 46204. I am the Director of the Electric Division for the Indiana Office of Utility Consumer Counselor ("OUCC").

Q: Are you the same Michael D. Eckert who earlier filed direct testimony in this proceeding?

A: Yes.

Q: What is the purpose of your testimony?

A: I will address why the OUCC supports the Stipulation and Settlement Agreement ("Settlement Agreement") entered into and filed on December 20, 2023, by and among Indiana Michigan Power Company ("I&M"), I&M Industrial Group,[1] Citizens Action Coalition of Indiana, Inc. ("CAC"), Joint Municipals (collectively the City of Fort Wayne, Indiana, the City of Marion, Indiana and Marion Municipal Utilities), Walmart Inc., and Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance (collectively the "Settling Parties"). If approved, the Settlement Agreement will provide certainty regarding critical issues, including I&M's revenue requirement, authorized return, and the allocation of I&M's revenue requirement among its rate classes.

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[1] Air Products and Chemical, Inc., Cleveland-Cliffs, Inc., General Motors LLC, Linde, Inc., Marathon Petroleum Company LP, Metal Technologies Auburn LLC, Messer LLC, and University of Notre Dame.

Q: Does the Settlement Agreement balance the interests of I&M and its ratepayers?

A: Yes. The Settlement Agreement is a product of intense negotiations, with each party compromising on challenging issues to reach an overall settlement that balances ratepayers' interests. The nature of such compromise includes assessing the litigation risk associated with a contested proceeding. Given the certainty of many ratepayer benefits under the Settlement Agreement, as described below, the OUCC, as the statutory representative of all ratepayers, concluded the Settlement Agreement is a fair resolution of the issues, supported by the evidence, is in the public interest, and should be approved.

II. AFFORDABILITY

Q: Does the Settlement Agreement address the "Five Pillars of Electric Utility Service,"[2] including the affordability issues the OUCC raised in this case?

A: Yes. Through Ind. Code §§ 8-1-2-0.5 and -0.6, the Indiana General Assembly declared a policy recognizing the importance of utility service affordability for present and future generations. These statutes require decisions concerning Indiana's electric generation resource mix, energy infrastructure, and electric service ratemaking constructs to consider certain attributes, referred to as the "Five Pillars of Electric Utility Service."

Q: What does Ind. Code § 8-1-2-0.5 state about affordability?

A: The statute declares that affordability should be protected when utilities invest in infrastructure necessary for system operation and maintenance.

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[2] The "Five Pillars of Electric Utility Service" are reliability, affordability, resiliency, stability, and environmental sustainability.

Q: Does the Settlement Agreement address affordability?

A: Yes. The Settlement Agreement significantly reduces I&M's requested revenue increase in several ways, thereby further protecting affordability. For example, the Settlement Agreement[3] removes:

1) $15.8 million in depreciation expense;

2) $6.0 million in Operating and Maintenance ("O&M") expenses;

3) $2.0 million of I&M's requested nuclear decommissioning expense;

4) $0.9 million in IT costs;

5) $4.0 million in major storm expense; and

6) other costs identified in my testimony and the Settlement Agreement.

Q: How much has I&M's rate request been reduced as a consequence of the Settlement Agreement?

A: I&M originally requested a $116.4 million rate increase. As a result of the settlement, I&M's request was reduced to $56.9 million as shown in Settlement Agreement, Attachment A. This is a decrease of $59.5 million, prior to updated Transmission Owner Costs, Revenues and Proposed Rider Revenue.

III. RELIABILITY, RESILIENCY, AND STABILITY

Q: Does the Settlement Agreement address and allow I&M to maintain or improve and help ensure its reliability, resiliency, and stability?

A: Yes. Reliability, resiliency, and stability are three of the "Five Pillars" that must be considered. One aspect of the Settlement Agreement that addresses these Pillars is I&M's proposed Vegetation Management Program and the associated proposed Vegetation Management expense amount of $15.376 million.[4]

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[3] Stipulation and Settlement Agreement, December 20, 2023, Sections I.A.2 and I.A.3.
[4] Testimony of Michael D. Eckert, Public's Ex. 1, November 15, 2023, p, 23, l. 2.

Q: Did I&M propose to continue its Major Storm Damage and Restoration Reserve?

A: Yes. The Major Storm Damage and Restoration Reserve will be continued as proposed by I&M. Annual major storm O&M expense embedded in I&M's Indiana base rates ($7.8 million) will be increased by an additional $1.6 million, for a total of $9.4 million in annual major storm costs. The previously unrecovered balance of storm restoration costs will be recovered and amortized over four years instead of two. The net result of these adjustments is an approximate $4.0 million decrease in I&M's Indiana revenue requirement.

IV. ENVIRONMENTAL SUSTAINABILITY

Q: Will the Settlement Agreement allow I&M to progress toward environmental sustainability?

A: Yes. The rate increase reflected in the Settlement Agreement supports I&M's provision of service and its environmental goals. I&M has an ongoing need for investment as part of its plan to transition from coal generation to a fleet consisting predominantly of renewables, natural gas, and nuclear. By year-end 2028,[5] I&M plans to shut down its last large coal-fired generating unit (Rockport Unit 1) and have new utility infrastructure and new renewable generating resources in place.

V. RATEPAYER BENEFITS OF SETTLEMENT AGREEMENT

Q: As a result of the Settlement Agreement, will I&M's base rates be designed to reflect a lower revenue requirement than I&M proposed in its initial request?

[5] Direct Testimony of Robert Jessee, p. 5, ll. 19 – 25.

A: Yes. The Settling Parties agreed to an annualized combined basic rate and rider revenue requirement increase of $56.9 million,[6] which is a decrease of $59.5 million[7] prior to updated Transmission Owner Costs, Revenues, and Proposed Rider Revenue[8] or approximately 51.11% from I&M's requested increase of $116.4 million.[9] Under the revised revenue requirement, residential electric customers using 1,000 kilowatt hours (kwh) per month will experience an overall increase of approximately $8.47 per month, or 5.20%. By comparison, I&M's initial case-in-chief included a requested monthly increase of approximately $14.83, or 9.10% at the same usage level.[10]

VI. RETURN ON EQUITY

Q: Please explain the ROE reduction component of the Settlement Agreement.

A: In its case-in-chief, I&M proposed a 10.50% ROE. The OUCC and the intervenors advocated for a considerably lower ROE. As a result of the settlement negotiations, a compromise was reached, resulting in an agreed 9.85% ROE.[11] The ROE component of the weighted average cost of capital used in each of I&M's capital riders will be 9.85%.

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[6] Stipulation and Settlement Agreement, December 20, 2023, 1. Terms and Conditions, Section A. Revenue Requirements.
[7] *Id.* p. 2.
[8] Settlement Attachment B provides a summary of I&M's rate recovery resulting from Settlement, including Transmission Owner Costs, Revenues and Proposed Rider Revenue.
[9] I&M's Verified Petition, August 9, 2023, p. 9, Paragraph 26.
[10] Direct Testimony of Jenifer L. Fischer, Attachment JLF – 4, p. 1.
[11] Stipulation and Settlement Agreement, December 20, 2023, 1. Terms and Conditions, Section A. Revenue Requirements, Section I.A.1.1.

Q: Is the agreed ROE reasonable and in the interest of ratepayers?

A: Yes. A lower ROE benefits ratepayers by reducing the return on rate base reflected in customers' rates. From the OUCC's perspective, for settlement purposes, a 9.85% ROE for determining I&M's revenue requirement in its base rates and in I&M's ongoing capital riders more accurately reflects I&M's risk profile than I&M's proposed 10.50% ROE. In addition, the lower ROE reduces the return on capital investment that consumers must pay through capital riders between rate cases. Thus, the Settlement Agreement establishes a more balanced plan that is in the interest of ratepayers while still preserving I&M's financial integrity.

VII. RIDERS

Q: Does the Settlement Agreement address issues regarding I&M's rider requests?

A: Yes. The Settling Parties agreed to I&M's rider requests with the following modifications:

Table MDE – 1S

Tracker	Cause Number (if Applicable)	Description ("Changes")
Demand Side Management /Energy Efficiency Cost Rider ("DSM/EE") (45)	43827	No changes except to adjust net lost revenues.
Fuel Cost Adjustment Rider ("FAC") (46)	38702	No changes other than to reset the base cost of fuel.
Environmental Cost Rider ("ECR") (47)	44871	Updates the embedded amount in base rates to reflect the forecasted test year level of consumables and allowances costs, and include Life Cycle Management ("LCM") property tax expense.
Off-System Sales/PJM Cost Rider ("OSS/PJM") (48)	43774	Updates the embedded base rate amount to reflect the forecasted test year level of PJM non-NITS charges.
Life Cycle Management Rider ("LCM") (49)	45576	This rider will be removed as I&M requested.
Resource Adequacy Rider ("RAR") (50)	45164	Updates the embedded base rate amount of forecasted test year non-fuel purchased power expenses, purchase power capacity expenses, and capacity sales revenues, including purchase power capacity expenses to reflect Rockport Unit 2 capacity purchase and PJM-accredited capacity purchase through a bilateral contract.
Phase-In Rate Adjustment Rider ("PIR") (51)	45576	Updated to reflect the applicable Settlement Agreement terms (ex. capital structure and weighted average cost of capital per Section I.A.1 of the settlement).
Solar Power Rider ("SPR") (52)	45245	Continues the SPR as previously authorized by the Commission.
Tax Rider (53)	45576	Rider will be used to implement ratemaking adjustments associated with the IRS Private Letter Ruling that requires I&M to make its proposed Net Operating Loss Carryforward (NOLC) adjustment as provided for specifically in Section I.A.1.4. of the Settlement and to reconcile the excess crediting of unprotected ADFIT in accordance with Cause Nos. 45235 and 45576. Petitioner's proposal to flow Corporate Alternative Minimum Tax (CAMT) and Production Tax Credit (PTC) through the Tax Rider is withdrawn.
Grant Projects Rider	N/A	Withdrawn

Q: Did the Settling Parties agree to continue the OUCC's 35-day review period

from the time I&M files its FAC petition until the time the OUCC files its case-in-chief?

A: Yes. A 35-day review period is necessary to provide the OUCC with adequate time to review I&M's semi-annual FAC filing and issue appropriate discovery to evaluate and address issues, as needed. The OUCC has 35-day agreements with all five Indiana investor-owned electric utilities in their respective FAC proceedings, and this 35-day review period will continue under the Settlement Agreement.

VIII. DEPRECIATION AND AMORTIZATION EXPENSE

Q: Did the Settling Parties agree to continue the use of the Average Life Group ("ALG") depreciation methodology to calculate depreciation rates as proposed by I&M?

A: Yes. The Settling Parties agreed to use OUCC witness David Garrett's proposed adjustment to I&M's requested depreciation rates for distribution plant accounts shown in Attachment DJG-3. This results in a reduction to depreciation expense of $15.8 million.[12] The depreciation rates were calculated using the ALG methodology.

IX. SUBSEQUENT LICENSE RENEWAL APPLICATION ("SLRA") PROJECT

Q: Has I&M agreed to limit the costs associated with the SLRA Project?

A: Yes. I&M has agreed to limit the Indiana jurisdictional costs associated with the SLRA to no more than $5 million before I&M submits its 2024 Integrated Resource Plan to the Commission. If the Cook Subsequent License Renewal is not included

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[12] Stipulation and Settlement Agreement, December 20, 2023, Section I.A.2.

in I&M's Preferred Portfolio, I&M will be allowed to recover a return of the costs, not to exceed $5 million, in a future proceeding absent evidence of imprudence.[13]

X. REVENUE ALLOCATION/RATE DESIGN

Q: Please explain how the Settlement Agreement's revenue allocation was determined.

A: The Settling Parties spent considerable time negotiating a fair and reasonable revenue allocation among all rate classes. As stated in the Settlement Agreement under Section I.B., Cost of Service and Rate Design, the agreed allocation is without reference to any specific cost allocation methodology and was determined strictly for settlement purposes. I participated in settlement meetings with other OUCC technical experts and attorneys during which the agreed allocation was discussed, and the OUCC concluded it is a fair compromise in the context of the overall agreed settlement.

Q: What considerations were important to the OUCC in reaching an agreed revenue allocation?

A: The OUCC's goal in reaching an agreed revenue allocation is to ensure that any cost increases are fair and reasonable to all rate classes.

Q: Under the Settlement Agreement, does I&M's current monthly customer charge change?

A: Yes. The monthly customer charge is restored to the level established before the repeal of the state's Utility Receipts Tax. In its direct case, I&M proposed an increase of almost 15.0% or $2.21 in the residential customer fixed charge. Through compromise, the Settling Parties agreed to increase the monthly residential

[13] Stipulation and Settlement Agreement, December 20, 2023, Section I.A.9.1.

customer charge by $0.21, placing it at $15.00, the same level the Commission approved in Cause No. 45576, I&M's last rate case.

Q: Have you compared the Revenue Allocation Summary included in the Settlement Agreement as Attachment C to I&M's original allocation percentage?

A: Yes. Table MDE 2S compares the settlement revenue allocation (%) and revenue increase ($) to I&M's original proposed increase and allocation.

<u>Table MDE – 2S</u>

Rate Class Description	Settled Revenue Increase	I&M Revenue Increase (As Filed)	Difference	Settled Percentage Allocation	I&M Percentage Allocation (As Filed)	Difference
Rate RS	$27,862,101	$56,353,515	($28,491,414)	5.19%	9.35%	(4.16%)
Rate GS	7,947,036	7,919,554	27,482	3.18%	3.20	(0.02%)
Rate LGS	15,228,619	33,463,444	(18,234,825)	3.93%	9.29%	(5.36%)
Rate IP	8,447,333	14,912,108	(6,464,775)	1.24%	3.20%	(1.96%)
Rate MS	100,394	243,621	(143,227)	5.13%	9.35%	(4.22%)
Rate WSS	652,311	1,039,101	(386,790)	4.91%	7.93%	(3.02%)
Rate IS	22,369	30,657	(8,288)	4.83%	9.35%	(4.52%)
Rate EHG	26,737	57,975	(31,238)	5.13%	9.35%	(4.22%)
Rate OL	271,034	158,722	112,312	5.13%	3.20%	1.93%
Rate SL	211,885	420,040	(208,155)	5.14%	9.35%	(4.21%)
Total	$60,769,8208	114,598,737	(53,828,918)	3.83%	7.21%	(3.38%)

Q: Did all rate classes have less revenue allocated to them than what I&M proposed in its original filing?

A: No. Every rate class but two has less revenue allocated to it than what I&M originally proposed. Rate classes GS and OL have more revenue allocated to them than what I&M originally proposed. Importantly, lighting customers in total (rate classes OL and SL) have less revenue allocated to them than what I&M originally proposed.

Q: Are any additional rate design matters covered in the Settlement Agreement that you would like to discuss?

A: Yes. The Settlement Agreement limits the increase to a residential customer using

1000 kWh per month to 5.2%, compared to I&M's initial proposal that would have increased the same customer's monthly bill by 9.1%.[14]

Q: Does the proposed cost allocation meet the OUCC's goal of a fair and reasonable compromise?

A: Yes. The cost allocation is a fair and reasonable compromise.

XI. CUSTOMER PROGRAMS

Q: Has I&M agreed to make contributions to certain programs and provide information to parties for the benefit of customers?

A: Yes. I&M agreed to do the following:

1) Provide $200,000 to the Indiana Community Action Association in both 2024 and 2025;[15]

2) Not disconnect service for any residential customer on Fridays, Saturdays, Sundays, and Holidays (New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Friday after Thanksgiving Day, December 24, and Christmas Day);

3) Provide and include monthly data by residential and non-residential customers regarding EDG tariff and Small Power Production tariff customer participation as part of its annual performance metrics report filed in Cause No. 44967;

4) Consider a new multi-family rate for qualifying residential customers in its next rate case filing following completion of the analysis agreed to in the settlement. The cost of the supporting analysis will be limited to no more than $50,000, excluding internal labor;

5) Waive the late payment charge on a delinquent bill at the request of the customer who received LIHEAP assistance within the last twelve months, once in each half calendar year;

[14] Direct Testimony of Jenifer L. Fischer, Attachment JLF – 4, p. 1.
[15] I&M's revenue deficiency in this Cause will not be adjusted to include the cost of this contribution.

6) Hold up to four meetings during 2024 and 2025 to propose updates to I&M's Indiana interconnection procedures to facilitate distributed generation in I&M's Indiana service territory; and

7) Explore and evaluate implementing: 1) Integrated Distribution Planning; 2) Virtual Power Plants; 3) Hosting Capacity Analyses; and 4) a solar+storage or mobile battery storage program that could help medically vulnerable customers in I&M's Indiana service territory.

XII. POWER PAY PROGRAM

Q: Did the Settling Parties agree to implement I&M's proposed Power Pay Program?

A: Yes. The Settling Parties agreed to implement Power Pay as a pilot program as recommended by the OUCC, with certain modifications. Those modifications are identified in the Settlement Agreement.

XIII. RECOMMENDATIONS

Q: What is the OUCC's recommendation in this Cause?

A: The OUCC recommends the Commission find the Settlement Agreement is in the public interest and approve it in its entirety. This recommendation is based on the ratepayer benefits the Settlement Agreement affords with certainty, as discussed above.

Q: Does this conclude your testimony?

A: Yes.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***Indiana Office of Utility Consumer Counselor Public's Exhibit No. 14-S Settlement Testimony of OUCC Witness Michael D Eckert*** has been served upon the following counsel of record in the captioned proceeding by electronic service on January 9, 2024.

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