

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
INDIANA MICHIGAN POWER COMPANY)
FOR AUTHORIZATION OF NEW OFF) CAUSE NO. 43774 PJM 11
SYSTEM SALES MARGIN SHARING / PJM)
COST RIDER ADJUSTMENT FACTORS)

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF
MICHAEL R. WHITMORE

Indiana Michigan Power Company ("I&M"), by counsel, hereby submits the direct testimony and attachment of Michael R. Whitmore.

Respectfully submitted,



Teresa Morton Nyhart (14044-49)
Jeffrey M. Peabody (28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204-3535
Nyhart Phone: (317) 231-7716
Peabody Phone: (317) 231-6465
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Peabody Email: jpeabody@btlaw.com

Attorneys for Petitioner
Indiana Michigan Power Company

CERTIFICATE OF SERVICE

The undersigned certifies that on August 12, 2020, a copy of the foregoing was served by email transmission as follows:

Office of Utility Consumer Counselor
PNC Center
115 W. Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov



Jeffrey M. Peabody

Teresa Morton Nyhart (14044-49)
Jeffrey M. Peabody (28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204-3535
Nyhart Phone: (317) 231-7716
Peabody Phone: (317) 231-6465
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Peabody Email: jpeabody@btlaw.com

Attorneys for Petitioner
Indiana Michigan Power Company

INDIANA MICHIGAN POWER COMPANY

CAUSE NO. 43774 PJM 11

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

MICHAEL R. WHITMORE

**DIRECT TESTIMONY OF MICHAEL R. WHITMORE
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY**

Introduction

1 **Q Please state your name, business address, and current position.**

2 A My name is Michael Whitmore. My business address is Indiana Michigan Power
3 Center, P.O. Box 60, Fort Wayne, Indiana 46801. I am employed by Indiana
4 Michigan Power Company (I&M or the Company) as a Regulatory Consultant Staff
5 in the Regulatory Services Department.

6 **Q Please summarize your educational and professional background.**

7 A I have a Bachelor's degree in Finance, a Masters degree in Business
8 Administration, and a Juris Doctorate, all from Indiana University. I began my
9 career working for the Indiana Utility Regulatory Commission (IURC or the
10 Commission) as an analyst in the electric division. In 2014, I began working for
11 Northern Indiana Public Service Company (NIPSCO) as a senior analyst. In 2019,
12 I began working for I&M as a Regulatory Consultant Staff.

13 **Q What are your responsibilities as a Regulatory Consultant Staff in the
14 Regulatory Services Department?**

15 A My responsibilities in this position include supporting state regulatory case and
16 compliance filings.

17 **Q What is the purpose of your testimony in this Cause?**

18 A The purpose of my testimony is to:

- 19 • Support I&M's Verified Petition for an adjustment to its Off System Sales
20 Margin Sharing (OSS) / PJM Cost Rider (OSS/PJM Rider). I summarize
21 the Company's request and discuss the IURC orders and other regulatory
22 issues that impact I&M's request, including the amounts the IURC has
23 approved for recovery outside of this rider, in base rates.

- 1 • Explain the OSS component and PJM component in the rider
2 • Report PJM Regional Transmission Expansion Plan (RTEP) projects
3 owned by AEP or I&M, as required in the final order in Cause No. 43306.

4 **Q Are you sponsoring any attachments?**

5 A Yes. Attachment MRW-1 lists the items I&M provides to the OUCC in the PJM
6 audit package. I&M is providing the same information to the OUCC in the audit
7 package that it has provided in past PJM rider filings.

8 **Q Was this attachment prepared or assembled by you or under your direction
9 and supervision?**

10 A Yes. The data provided to the OUCC in the confidential audit package was
11 compiled from a variety of Company resources.

12 **Q Please summarize I&M's request in this docket.**

13 A I&M is seeking to change its OSS/PJM Rider factors to reflect the sum of its
14 estimated net rider expense in the forecast period and the balance of the regulatory
15 liability/(asset) related to the rider at the end of the reconciliation period. The
16 proposed revenue requirement in this filing is approximately \$227 million, as
17 shown on Attachment SH-1.

18 **Q Who are the other witnesses supporting I&M's request in this cause?**

19 A I&M's request is being supported by the testimonies and attachments of:

- 20 • Malinda Dielman, Regulatory Accounting Case Manager. Ms. Dielman
21 supports the rider expenses and over/under reconciliation calculation in
22 the reconciliation period and how those expenses reflect I&M's
23 compliance with the Cause No. 44967 order and Cause No. 45235 Final
24 Order (45235 Final Order).
- 25 • Jason Stegall, Regulatory Pricing Manager. Mr. Stegall supports the net
26 OSS revenue and net PJM charges estimated to be realized in the
27 forecast period and how those amounts reflect compliance with the 45235
28 Final Order.

- 1 • Stephen Hornyak, Regulatory Consultant. Mr. Hornyak supports the
2 revenue requirement and the proposed factors to be implemented in the
3 forecast period. He also explains how Financial Transmission Rights are
4 treated in this case.

5 **Q What is the reconciliation period and the forecast period in this filing?**

6 A The reconciliation period is July 1, 2019 through June 30, 2020. The forecast
7 period is January 1, 2021 through December 31, 2021.

OSS Component

8 **Q What is the purpose of the OSS component of the PJM/OSS Cost Rider?**

9 A The OSS component flows through to I&M's Indiana retail customers the net
10 charge or credit that results from the PJM accounts related to off-system sales. In
11 Cause No. 44967, the Commission ordered I&M to share 95% of its off-system
12 sales margins with these customers.

13 **Q How did the OSS component change as a result of the 45235 Final Order?**

14 A In Cause No. 45235, the Commission directed I&M to:

- 15 1) Credit its customers, beginning March 11, 2020, with 100% of its Indiana-
16 jurisdictional OSS margins above \$0
- 17 2) Reduce its Indiana jurisdictional OSS margins by \$17.4 million annually to
18 account for capacity excluded from base rates
- 19 3) Track Account 4470099, Capacity Credit Net Sales, in the company's
20 Resource Adequacy Rider instead of the OSS/PJM Rider, beginning on
21 March 11, 2020.

22 **Q Did I&M comply with each of the changes to the OSS component that were
23 ordered by the Commission?**

24 A Yes. Company witness Dielman describes how I&M complied with the changes to
25 the OSS component.

1 **Q Does I&M's share of OSS margins affect the earnings test contained in IC §**
2 **8-1-2-42 et seq?**

3 A No. I&M's share of net OSS margins are excluded from the earnings test in
4 determining I&M's compliance with the provisions of IC § 8-1-2-42(d)(3) and IC §
5 8-1-2-42.3.

PJM Component

6 **Q What is the purpose of the PJM component of the OSS/PJM Cost Rider?**

7 A The purpose of the PJM component is to account for net charges related to I&M's
8 participation in the PJM Regional Transmission Organization. Some of these
9 accounts are known as Network Integration Transmission Services (NITS)
10 accounts.

11 In its 2018 order in Cause No. 44967, the Commission directed I&M to:

- 12 • Recover all of its NITS expenses through the rider, subject to a cap on two
13 of the NITS accounts (4561035 and 5650016), and
- 14 • Recover or return to customers through the rider the difference between
15 its other PJM component expenses (called "non-NITS") and a base rate
16 expense of approximately \$34 million.

17 **Q How did the PJM component change as a result of the 45235 Final Order?**

18 A Effective March 11, 2020, the Commission's 45235 Final Order resulted in the
19 following changes to the PJM component:

- 20 1) The NITS cost cap established in Cause No. 44967 ended.
- 21 2) I&M is authorized to recover 100% of the company's NITS expenses in
22 the OSS/PJM Cost Rider.
- 23 3) The embedded cost of I&M's non-NITS accounts in its base rates
24 changed from approximately \$34 million to just over \$48 million.
- 25 4) The energy and demand jurisdictional allocation factors used in the
26 OSS/PJM Cost Rider changed.

1 **Q Did I&M comply with each of the changes to the PJM component that were**
2 **ordered by the Commission?**

3 A Yes. Company witness Dielman describes how I&M complied with the changes to
4 the PJM component.

RTEP Projects

5 **Q What are RTEP projects?**

6 A PJM RTEP projects are transmission expansions or enhancements required to
7 achieve compliance with respect to PJM's system reliability, operational
8 performance, or market efficiency as determined by PJM's Office of the
9 Interconnection and approved by the PJM Board of Managers. Also included are
10 transmission projects that result from transmission customer requests for
11 generator interconnection, merchant transmission additions, and long-term
12 transmission service.

13 The agreement signed by transmission owning utilities when they joined PJM
14 obligates them to build transmission facilities approved by the PJM Board of
15 Managers. PJM monitors and coordinates the construction of all new transmission
16 facilities to ensure the required in-service dates can be met to address the
17 identified reliability criteria violations. To summarize, RTEP projects are approved
18 transmission upgrades and additions which transmission owners are bound to
19 construct in order to alleviate system constraints within a specified timeframe.

20 **Q Are there any RTEP project charges or credits in the reconciliation period?**

21 A Yes. Attachment MLD-1 establishes that the RTEP credits during the reconciliation
22 period were \$18.9 million.¹

¹ Accounts 4561060, 5650012, and 5650019.

1 **Q How are the costs for RTEP projects allocated in PJM?**

2 A For RTEP projects that operate at the 500 kV level and higher, a hybrid cost
3 allocation is used. Basically, 50% of the costs are allocated to consumers based
4 on their expected use of the new transmission upgrade or expansion (“DFAX
5 Allocation”) with the remaining 50% allocated to all consumers in PJM based on
6 load ratio share. PJM allocates a load ratio share percentage calculated as the
7 transmission owner’s annual zonal peak divided by the sum of all the non-
8 coincident zonal peaks.

9 The American Electric Power Zone (AEP Zone) load share percentage for January
10 to December 2019 was 14.10% and was 14.18% for January 2020 to June 2020.
11 The costs of RTEP projects that operate below the 500 kV level are 100% allocated
12 to consumers on the calculated DFAX Allocation. This DFAX Allocation calculation
13 determines the percentage of the project cost that should be allocated to each
14 beneficiary zone.

15 Projects that are determined to benefit only the AEP Zone (100% AEP) are
16 included in the plant in service amount for the constructing AEP operating
17 company, and recovered through the PJM Open Access Transmission Tariff
18 (OATT) formula rates.

19 **Q Does I&M currently own any allocated PJM RTEP projects?**

20 A Yes. I&M owns ten RTEP projects. These projects are described in Attachment
21 MRW-1.

22 **Q Are there any RTEP charges or credits in the forecast period?**

23 A Yes. Company witness Stegall supports the forecast 2020 expenses, which are
24 based on 1) an estimated construction schedule for major projects approved by

1 the Federal Energy Regulatory Commission to the PJM required in-service date,
2 and 2) the required in-service date for minor projects.

3 **Q What is the gross revenue conversion factor (GRCF) to be used in the**
4 **revenue requirement?**

5 A The proposed GRCF is shown in *Figure MRW-1*. The formula is identical to that
6 used in the company's previous PJM filings.

Figure MRW-1. GRCF calculation

Indiana Utility Receipts Tax	I	1.4000%
Public Utility Assessment Fee	P	0.1274%
Uncollectible Revenue Factor	U	0.4688%
Gross Revenue Conversion Factor	$(I+P) * (1-U) + U$	1.9890%

7 **Q Does this conclude your pre-filed verified direct testimony?**

8 A Yes.

VERIFICATION

I, Michael R. Whitmore, Regulatory Consultant Staff for I&M, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date *August 11, 2020*

Michael R. Whitmore

Michael R. Whitmore

Summary of PJM-11 Audit Package Provided to OUCC

Unless otherwise stated, all tabs refer to the file "PJM-11 Audit Package (Confidential).xlsx."

- 1. Summary of I&M's total company PJM cost forecast by month and by account in excel format.**

See Tab 1

- 2. Summary of jurisdictional cost forecast and prior period true-up, including the FTR revenue test in excel format.**

See Tab 2

- 3. PJM Cost Rider Rate Design in excel format.**

See Tab 3

- 4. Summary of Current and Proposed PJM Cost Rider (current and proposed revenues by tariff) in excel format.**

See Tab 4

- 5. Typical Bills in excel format.**

See Tab 5

- 6. Workpapers that provide the monthly details from actual amounts for the historical period in excel format.**

See Tab 6

7. Trial balance for "Total Company", by month, for year ended 6-30-2020.

See Tab 7

8. G/L Detail for the Month of June 2020 for Total Company and Indiana.

See Tab 8

9. Copies of all PJM invoices to AEP for 12 months ending 6-30-2020.

See "*PJM Audit Package Q9 CONFIDENTIAL AEPIMD Invoices.zip*" being provided pursuant to the July 6, 2006 Standard Form Nondisclosure Agreement between I&M and the OUCC.

10. An explanation of large variances from actual to forecast from previous year's filing.

See Tab 10

11. Supporting calculation of the AEP Zone load share percentage for 2020.

The AEP Zone load share percentage used to estimate calendar year 2020 RTEP settlements was based on the actual 2019 Network Service Peak Load load shares being billed during calendar year 2020. Attached is the June 2019 RTEP Settlement which can also be found on the PJM website at:

<https://www.pjm.com/-/media/committees-groups/subcommittees/mss/postings/transmission-enhancement-worksheet-june-2020.ashx?la=en>

See Tabs 11.1 and 11.2

12. Additional detail regarding Indiana Michigan Power's owned RTEP projects effective January 1, 2020 through December 31, 2020.

I&M owns ten RTEP Projects.

- RTEP Project b0839 described by PJM as 'Replace existing 450 MVA transformer at Twin Branch 345 / 138 kV with a 675 MVA transformer.' This project is a beneficiary allocated project with 99.73% of the cost allocated to the AEP Zone. The revenue requirement for the Twin Branch project (including true-up) being collected is \$784,996.

- I&M owns a portion of RTEP Project b1465.2 approved by PJM to replace the 100 MVAR 765 kV shunt reactor bank on Rockport - Jefferson 765 kV line with a 300 MVAR bank at Rockport Station. This project is allocated 50% to consumers, 50% to the AEP Zone, and has an annual revenue requirement of \$68,174.
- I&M owns RTEP Project b1465.3 approved by PJM to transpose the Rockport - Sullivan and Rockport - Jefferson 765 kV lines. This project is allocated 50% to consumers, 50% to the AEP Zone, and has an annual revenue requirement of \$2,256,723.
- RTEP Project b1659.14 described by PJM as 'Fort Wayne - Marion: Relocate 138 kV line due to new 765 kV build into Sorenson,' is allocated 50% to consumers and 50% to the AEP Zone. The project has an annual revenue requirement of \$283,171.
- I&M owns RTEP Project b2048 approved by PJM to support transformer A/B replacement at Tanners Creek. This project has an annual revenue requirement of \$85,106 and is allocated 92.49% to the AEP Zone.
- RTEP Project b1818 is described by PJM as 'Expand the Allen station by installing a second 345/138 kV transformer and adding four exits by cutting in the Lincoln-Sterling and Timber Switch -Milan 138 kV double circuit tower line.' This project has 88.30% of the cost allocated to the AEP Zone. I&M's revenue requirement for the Allen project being collected is \$1,126,779.
- I&M owns a portion of RTEP Project b1819 approved by PJM to Rebuild the Robinson Park-Sorenson 138 kV line corridor as a 345 kV double circuit line with one side operated at 345 kV and one side at 138 kV. This project has an annual revenue requirement of \$237,287 and is 87.18% allocated to the AEP Zone.
- I&M owns RTEP Project b1465.4 approved by PJM to 'make switching improvements at Sullivan and Jefferson 765 kV stations.' This project is allocated 50% to consumers and 50% to the AEP Zone and has an annual amount of \$100,226 is being refunded.
- I&M owns RTEP Project b1465.5 to 'make switching changes at Sullivan 765 kV station.' This project has an annual revenue requirement of \$169,230 and is allocated 50% to consumers and 50% to the AEP Zone.
- RTEP Project b2831.1 is the upgrade of the AEP portion of the Tanners Creek-Miami Fort 345 kV line. This project has an annual revenue requirement of \$67,813 and is allocated 56.45% to Duke Energy, 34.34% to Dayton Power & Light and 9.21% to Eastern Kentucky Power Cooperative.

13. Detail for non-I&M owned PJM RTEP projects.

The list of non-I&M owned projects billed to AEP is based on PJM's Schedule 12-Appendix. The list used to populate the 2020 projects was based on the most recent Schedule 12 Appendix filed as part of the PJM OATT and the Cost Allocation page at: <https://www.pjm.com/planning/rtep-upgrades-status/cost-allocation-view.aspx>.

PJM, at the request of PJM members, has created the Transmission Cost Information Center ("TCIC") a tool to track transmission expenses, including RTEP projects, which has the ability to create a forecast of upcoming certain transmission expenses.

Using the new TCIC, AEP is able to specify a future month and obtain specific details about projected RTEP expenses. Similar to the internally developed AEP tool used in past years, the TCIC uses a list of all projects which listed AEP as a "Responsible Customer."

In service dates and Transmission Owner supplied estimated investment information are incorporated to calculate a monthly revenue requirement. Carrying charges unique to each Transmission Owner are used to calculate revenue requirements for all projects.

Revenue Requirements for projects are applied in the year they were projected to be placed in service reflecting beginning or mid-year cost recovery dates per the respective formula rates. Attached is "*PJM Audit Package Q13 RTEP forecast.xlsx*" which is the full supporting document to PJM's forecast 2021 RTEP expense.

Given the size of the working TCIC and the ability to only consider one month at a time, this file contains fourteen tabs: one for each month January 2020 through December 2020, summary page for the total, and the AEP LSE load share support. Since this tool was created for all of PJM's members, rows and columns for other unrelated PJM Transmission Zones have been hidden for simplicity or presentation but do not affect the underlying calculations.

14. Explanations on how the forecasts for PJM costs for the calendar year ended December 2020 were calculated. Please include in that explanation, how those forecasts relate to sales forecasts and generation forecasts.

PJM Net Marginal Losses: Marginal loss charges are forecasted based on the forward view of I&M's unit generation and loss spreads for the IM zone. The marginal loss over-collection credit forecast is based on average historical relationships between actual historical over-collection credits and load. These average relationships, coupled with expected future marginal loss charges and other known issues, are used to create the marginal loss over-collection forecast.

PJM Net Congestion: Congestion charges are forecasted based on the forward view of unit generation, load and congestion spreads relative to the IM zone. The FTR credit forecast is produced based on path entitlements, adjusted for market constraints and historic results.

PJM Administration Fees: PJM provides stated future rates for the various Admin Fee schedules. When preparing its PJM Admin Fee projections, the Company takes the prior period actual Admin Fee charges and multiplies them by the change rate (growth or decline) of the stated PJM rates for the future period.

Ancillary Service and Other Charges and Credits: The forecast for these items is based on prior year actual charges adjusted for any known market changes relating to these items.

15. Sales forecasts and generation forecasts for calendar year 2021

See Tab 15.1 in “PJM-11 Audit Package.xlsx”, which is being provided pursuant to the July 6, 2006 Standard Form Nondisclosure Agreement between I&M and the OUCC.

See Tab 15.2

16. PJM Accounts by Month July 2019 to June 2020

See Tab 16