I&M Exhibit: _____

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

JENNIFER C. DUNCAN

INDEX

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ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

Q. Please state your name and business address.

A. My name is Jennifer C. Duncan. My business address is 1 Riverside Plaza, Columbus, OH 43215.

Q. By whom are you employed and in what capacity?

A. I am employed by American Electric Power Service Corporation (AEPSC) as a Regulatory Consultant Principal in the Regulated Pricing and Analysis Department. AEPSC supplies engineering, financing, accounting, planning, advisory and other services to the subsidiaries of the American Electric Power (AEP) System, one of which is Indiana Michigan Power Company (I&M or the Company).

Q. Please briefly describe your educational background and business experience.

A. I received a Bachelor of Arts degree in Psychology from The Ohio State University in 2005 and a Bachelor of Science degree in Accounting from Franklin University in 2008. I Am also a Certified Public Accountant in the State of Ohio and a Certified Internal Auditor. During and following completion of my Accounting degree, I held various accounting and financial positions. In April 2013, I joined AEPSC as an Audit Consultant in the Audit Services Department. In February 2017, I accepted the position of Senior Regulatory Consultant in the AEPSC Regulated Pricing and Analysis Department. I was promoted to my current position in April 2018.

Q. What are your responsibilities as a Regulatory Consultant Principal?

A. My responsibilities include preparation of cost-of-service studies and rate design analyses for the AEP system operating companies, as well as other projects related to regulatory issues and proceedings, individual customer requests, and general rate matters.

Q. Have you previously testified before any regulatory commissions?

A. Yes. I have submitted testimony before the Indiana Utility Regulatory Commission (Commission or IURC) on behalf of I&M in Cause Nos. 44331 ECR-5, 44511 SPR-2, 43774 PJM-8, 43775 OSS-8, and 44871 ECR-2. I have also submitted testimony before the Michigan Public Service Commission (MPSC).

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to describe and support the test year (Test Year) jurisdictional separation study, which allocates the total Company rate base, revenues, and expenses to the Indiana retail jurisdiction. In addition, I support several jurisdictional adjustments included in the jurisdictional separation study. I also explain the Company's Proposed Phase-in Rate Adjustment (PRA) mechanism designed to phase-in the Company's requested rate change during the forward-looking Test Year. Lastly, I support the calculation of the Forecasted Plant Credit component of the Phase-in Rate Adjustment.

Q. Are you sponsoring any exhibits in this proceeding?

A. Yes. I am co-sponsoring the following portions of I&M Exhibit A:

- I&M Exhibit A-5 (net electric operating income)
- I&M Exhibit A-6 (rate base)

Q. Are you sponsoring any attachments in this proceeding?

A. Yes. I am sponsoring the following attachments:

- Attachment JCD-1: Test Year Jurisdictional Separation Study
- Attachment JCD-2: Detail of Present and Proposed Revenues[1]
- Attachment JCD-3: Forecasted Plant Credit PRA Revenue Requirement

Q. Are you sponsoring any workpapers in this proceeding?

A. Yes. I am sponsoring the following workpapers:

- WP-JCD-1: Workpaper supporting base forecast and allocator calculations
- WP-JCD-2: Summary of Fixed, Known, and Measurable Adjustments[2]
- WP-JCD-3: Workpaper showing all Test Year ratemaking adjustments in a jurisdictional study format
- WP-JCD-4: Workpaper supporting calculation of Operating Revenue Adjustment No. 1
- WP-JCD-5: Forecasted Plant Credit Phase-in Rate Adjustment Jurisdictional Separation Study
- WP-JCD-6: Workpaper showing calculation of the adjustments entered into WP-JCD-5 to develop the Forecasted Plant Credit PRA
- WP-JCD-7: Calculation of the Forecasted Plant Credit PRA

[1] There is both a public and confidential version of Attachment JCD-2.
[2] This workpaper does not contain adjustments related to the Forecasted Plant Credit PRA.

- WP-JCD-8: Reconciliation of the revenue differences between Attachments JCD-2 and MWN-2
- WP-JCD-9: Summary of Rider amounts shown in Attachment MWN-2

I also co-sponsor the following workpapers with Company witness Williamson:

- WP-AJW-2 - Adjustment Rider 1- DSM Rider
- WP-AJW-3 – Adjustment Rider 2 – OSS/PJM Rider

Q. Were the exhibits, attachments, and workpapers that you are sponsoring prepared by you or at your direction?

A. Yes.

Q. Which of the net operating income adjustments included in I&M Exhibit A-5 do you sponsor or co-sponsor?

A. I support the following adjustments in I&M Exhibit A-5:

- Operating Revenue Adjustment No. 1 (OR-1) - Adjust Indiana Firm and Interruptible Sales Revenues to detailed tariff level forecast revenues, including current riders
- Rider Adjustment No. 1 (RIDER-1) - To reduce total company O&M expense associated with EE/DSM program expenses that will continue to be recovered in the DSM Rider and related Indiana retail revenue
- Rider Adjustment No. 2 (RIDER-2) - To reduce total company OSS margin and NITS expenses and related Indiana retail revenue that will continue to be fully recovered in the PJM/OSS rider

JURISDICTIONAL SEPARATION STUDY

Q. Please explain the purpose of the jurisdictional separation study.

A. The purpose of the jurisdictional separation study is to determine the Company's cost of providing service to the Company's Indiana retail jurisdiction. Certain portions of I&M's rate base, revenue, and expenses are utilized in common for service to retail and wholesale customers. Retail customers are served in the Indiana and Michigan jurisdictions, and wholesale customers in both states comprise the wholesale or FERC jurisdiction. Because I&M provides service in three jurisdictions, it was necessary to determine the rate base, revenues, and expenses that relate to serving I&M's Indiana jurisdictional retail customers. In order to accomplish this task, the study is prepared using the process of cost allocation and direct assignment. There are three basic steps to achieve this process. First, costs are functionalized into production, transmission, and distribution functions. Second, these costs are classified as demand, energy, or customer related. Third, the costs are directly assigned or allocated to a jurisdiction on the basis of an appropriate allocation methodology.

Q. Please explain the functionalization process.

A. Functionalization is the process by which costs are separated according to the major electric system functions of production, transmission, and distribution. In general, the functionalized costs as reported in the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts are used, but certain plant and expense accounts, such as general and intangible plant and administrative and general expenses, are not directly assigned to major functions. All such costs are

therefore functionalized according to the functionalization of other related costs so that they can be properly classified and allocated.

Q. What is the next step in the cost assignment process?

A. The second step is classification, the process by which the functionalized costs are designated as being either demand, energy, or customer-related. Demand and customer-related costs are fixed costs that are incurred regardless of the level of energy sales. An example of a demand-related cost is the investment in production facilities. Meters are an example of a cost whose level is affected by the number of customers served. An energy-related cost is a cost such as fuel expense, which varies with the level of energy sales.

Q. What is the final step in the cost assignment process?

A. The final step in the cost assignment process is allocation. Allocation is the process by which the classified and functionalized costs are assigned to the jurisdictions by the use of allocation factors. When each classified and functionalized cost is multiplied by a jurisdictional allocation factor, the product is the cost assigned to each jurisdiction.

Q. For what period was the jurisdictional separation study prepared?

A. I prepared Attachment JCD-1, the jurisdictional separation study for the Test Year period of January 1, 2020 to December 31, 2020.

Q. Does your jurisdictional separation study follow the same approach as the jurisdictional separation study filed in Cause No. 44967?

A. Yes. The same overall methods employed to develop the jurisdictional study in Cause No. 44967, the Company's last basic rate proceeding, were used to develop

the jurisdictional study in this case. As discussed below, several new allocation factors were created and implemented in the study. The forecasted jurisdictional study that I have prepared is the source of data for the class cost-of-service study prepared by Company witness High.

Q. What was the source of the information used in Attachment JCD-1?

A. The Company's forecast, which is supported by Company witness Heimberger, serves as the source of information for the Test Year jurisdictional study.

Q. Please describe Attachment JCD-1.

A. Attachment JCD-1, pages 1 through 14 provide the jurisdictional separation study for the twelve months ended December 31, 2020 that is used in the calculation of the Indiana retail jurisdictional revenue as shown in Exhibit A-1 supported by Company witness Williamson. Column 2 of the study, "12 Months Ended December 31, 2020 Total Company Projected," is the relevant data from the Company's forecast. Column 6, "Fixed, Known & Measurable Adjustments," contains all of the adjustments proposed by the Company's witnesses in this case. Column 7, "Total Company After Adjustments," contains the total dollars to be allocated or assigned to one of the Company's jurisdictions in this case. Column 8 contains the Indiana retail jurisdictional amounts for each line item in the study. Column 9 identifies the allocator used for each line item.

Page 1 is a summary of operating revenues, expenses, and net operating income for I&M on a total Company basis and on an Indiana retail jurisdictional basis. It also shows the components of rate base on a total Company basis and on an Indiana retail jurisdictional basis.

Pages 2 through 5 show the detailed development of rate base. Pages 5 and 6 show the detailed breakdown of operating revenues. Pages 7 through 13 show the development of expenses, including operation and maintenance expenses, depreciation and amortization expenses, administrative and general expenses, taxes other than income, and income taxes. The computation of the payroll allocation factor for the Indiana retail jurisdiction is shown on page 14.

The allocation factors used are shown throughout the study in the column labeled "Allocator," and allocation factor values are shown on page 15.

Q. Please describe the major functions of production, transmission, and distribution and related assignments.

A. Production refers to all production facilities including steam generation, nuclear, hydraulic, and solar generation, together with step-up substation facilities necessary to integrate that generation into the power supply system. Production facilities are used in serving all customers.

Transmission refers to the transmission substations and lines necessary to integrate I&M's sources of power, both I&M owned and purchased or interchanged, into the power supply system. Certain substations perform more than one of the functions described above. The investments in each of the substations have been divided between the functions served.

Distribution refers to the facilities required to connect the customer to the transmission system. Most distribution substations and lines were directly assigned to the jurisdictions. When a substation or line supplies more than one jurisdiction, related costs were assigned or allocated to the jurisdictions based on

non-coincident maximum demands. Metering costs were directly assigned based on actual metering investment.

Further separation of common investment and expenses between the Indiana jurisdiction and other jurisdictions is accomplished through the allocation process.

Q. Please describe the method used in calculating the demand and energy allocation factors.

A. The demand allocation factor is an average of 12 monthly loss adjusted coincident peak demands (12 CP). The energy allocation factor was calculated using annual loss adjusted kWh usage provided by Company witness Burnett. The Company also calculated retail demand and energy allocators for those items in the jurisdictional study that are only related to retail service and should not be allocated to the Company's wholesale customers.

Q. Were any adjustments made to the 2020 Test Year data used to calculate the demand and energy allocation factors?

A. Yes. Demand and energy factors were adjusted to annualize known interruptible customer load changes and to annualize the loss of wholesale load effective June 1, 2020 for the majority of the members within the Indiana and Michigan Municipal Distributors Association (IMMDA). The wholesale load loss is further discussed by Company witness Williamson.

Q. Were new demand and energy allocation factors required in the preparation of the jurisdictional separation study?

A. Yes. In February of 2019, 10% of I&M's Michigan retail customers elected to participate in Michigan's Electric Customer Choice program, thus switching their power supplier from I&M to a competitive supplier. As a result of Customer Choice participation in I&M's Michigan retail jurisdiction, those customers participating in the program (shopping customers) now pay competitive suppliers for non-capacity Generation and Transmission services instead of paying I&M. I&M's costs for those services, such as fuel costs, should not be allocated to Michigan shopping customers. To properly reflect this change, four new allocation factors were prepared: demand excluding shopping, energy excluding shopping, retail demand excluding shopping, and retail energy excluding shopping. These allocation factors are used to properly allocate the power supply costs related to service provided to Indiana and non-shopping Michigan customers. Specifically, the new allocators were developed by removing the demand and energy related to the shopping customers from the original demand and energy allocators as reflected in WP-JCD-1. The use of the "excluding shopping" factors ensures that Michigan shopping customers are not being allocated costs for services that I&M no longer provides to them.

Q. Please describe the allocation of the functional components of electric plant-in-service.

A. Production plant was allocated as described above, using the 12 CP demand allocation factor. Transmission plant was also allocated using the 12 CP demand

allocation factor. Distribution plant was directly assigned to a state based on the geographic location identified in the Company's plant accounting system. Intangible plant and general plant were allocated based on the payroll allocation factor, which is the ratio of Indiana jurisdictional operation and maintenance (O&M) payroll expense to total Company O&M payroll expense.

Q. Please describe the method of allocation of accumulated provisions for depreciation and amortization.

A. The functional components of accumulated provisions for depreciation and amortization related to production, transmission and intangible plant were allocated in the same manner as the corresponding portions of electric plant-in-service. Distribution-related accumulated provisions for depreciation and amortization were directly assigned to Indiana when feasible or, to avoid over allocating amounts related to the balances already directly assigned to Indiana, allocated based on the distribution plant excluding Indiana specific accounts allocation factor. General plant related amounts were allocated based on the general plant allocation factor.

Q. Please describe the allocation of other rate base items and regulatory liabilities and assets components.

A. Fuel inventory and allowances were allocated using the energy excluding shopping allocation factor. Materials and supplies were separated into functional groups of production, transmission, and distribution. Production and transmission were allocated based on demand, and distribution was allocated based on distribution plant. Prepaid pension expense was allocated based on payroll. The deferred

gain of Rockport Unit 2 Sale was allocated based on demand. Regulatory assets and liabilities were directly assigned to Indiana.

Q. Please describe the development of the Indiana retail jurisdictional revenues.

A. Firm sales of electricity, base revenues plus riders, were directly assigned to the Company's jurisdictions. Interruptible sales revenue and non-firm (system sales) revenues were classified between demand and energy and then allocated using the applicable allocation factors.

The components of other operating revenues were assigned or allocated to the Indiana jurisdiction based upon the nature of each type of revenue. Miscellaneous service revenues and forfeited discounts were directly assigned. Rentals from certain items of I&M property were functionalized and then allocated to the Indiana jurisdiction according to the applicable allocation factor. Other electric revenue was similarly functionalized and allocated to the Indiana retail jurisdiction according to the applicable allocation factor which included using the retail demand excluding shopping and retail energy excluding shopping allocation factors for the activity associated with PJM.

Gains on the disposition of allowances were allocated using the energy excluding shopping allocation factor.

Q. Please describe the classification and allocation of O&M expenses.

A. Production expense was primarily classified as demand-related or energy-related and allocated to the Indiana retail jurisdiction by the applicable allocation factor. In

some instances, expenses were able to be identified as benefitting only one jurisdiction, so those expenses were directly assigned.

Purchased power expense reflects the demand-related and energy-related classification of billings for that power. The demand-related charges billed to I&M were allocated based on the demand allocation factor, and the energy-related charges were allocated based on the energy excluding shopping allocation factor.

Most transmission expense was classified as demand-related and allocated using the appropriate demand allocation factor. The PJM-related activity in Account 565 was allocated using the retail excluding shopping demand and energy allocation factors.

Distribution O&M expense was allocated using the distribution plant allocation factor, which was derived from the assignment of distribution plant. In some instances, expenses were able to be identified as benefitting only one jurisdiction, so those expenses were directly assigned.

Customer accounts O&M expense and customer service & information expense were classified as customer-related and allocated using the number of customers allocation factor, except for activity in account 908 that included a state designation, which was directly assigned to the Indiana and Michigan retail jurisdictions. Furthermore, the cost of demand response pursuant to rider D.R.S 1 in account 9080018 was determined to be demand-related and allocated using the demand allocation factor. Sales expense O&M was classified as demand-related and allocated using the demand allocation factor.

Most administrative and general O&M expense was allocated using the payroll allocation factor. In some instances, expenses were able to be identified as benefitting only one jurisdiction, so those expenses were directly assigned. Property insurance, account 924, was functionalized into production, transmission, and distribution; production and transmission functions were allocated based on demand, and distribution was allocated based on distribution plant. Regulatory commission expense, account 928, was directly assigned or allocated using the demand allocation factor, depending upon the specific nature of the expense.

Q. How were other O&M expense items allocated?

A. Factoring expense was directly assigned based upon the receivables which the Company sells. Line of credit fees were allocated using the rate base allocation factor. Accretion was functionalized and allocated accordingly.

Q. Please explain how depreciation and amortization expenses were allocated.

A. Depreciation and amortization expenses by function were allocated consistent with the functional plant-based allocation of accumulated provisions for depreciation and amortization.

Q. Please explain how regulatory debits and credits were allocated.

A. Regulatory debits and credits were direct assigned to the benefiting jurisdiction.

Q. Please describe the allocation of taxes other than income taxes.

A. Taxes other than income taxes were classified as relating to payroll, property (net plant), demand, or gross plant and allocated accordingly, or directly assigned. Payroll taxes are related to payroll and were allocated using the payroll allocation factor. Property taxes and taxes on capital leases were allocated using the net

plant allocation factor. Taxes relating to the IURC and MPSC assessments were directly assigned. Sales and use taxes, business franchise taxes, and registration fees were allocated based on gross plant. State gross receipts taxes were directly assigned. Federal excise taxes were allocated based on demand.

Q. How were state and federal income taxes assigned?

A. State and federal income taxes were directly assigned to Indiana and were provided by Company witness Kelly.

Q. Please explain how adjustments were treated.

A. Adjustments were provided to me by various Company witnesses. Workpaper JCD-2 provides a comprehensive list of the adjustments contained within the jurisdictional study, as well as identifies the witnesses sponsoring each adjustment. The sum of all adjustments are shown in the Fixed, Known & Measurable Adjustments column within Attachment JCD-1 and shown by adjustment in Workpaper JCD-3. For those adjustments derived on a total Company basis, I added the total Company adjustment amount to the applicable account to arrive at Total Company After Adjustments. I then allocated the total based on the applicable allocation factor. Some adjustments were calculated on a retail jurisdictional basis; those adjustments were directly assigned to the appropriate retail jurisdiction.

JURISDICTIONAL ADJUSTMENTS

Q. Please describe the purpose of I&M's adjustments to firm sales and interruptible revenues.

A. I&M's Test Year retail revenues include all revenues associated with I&M's current basic rates and existing rider mechanisms. I&M's OR-1 and RIDER adjustments restate I&M's Test Year retail revenue from I&M's Indiana customers and allows a comparison to I&M's proposed rates. This is accomplished in two distinct steps:

1. I&M's total Test Year retail revenues are recalculated on a tariff class level. The resulting variance to the Test Year forecast is represented by Operating Revenue Adjustment No. 1 (OR-1).
2. I&M's Test Year retail revenues are adjusted to remove all rider revenues that relate to costs I&M seeks to recover through its rider mechanisms. The resulting adjustments are represented by Adjustments RIDER-1 and RIDER-2.

The sum of I&M's Test Year operating revenues and the three adjustments above produces adjusted operating revenue that is specific to I&M's Test Year and its proposed basic rates.

Q. Please describe Attachment JCD-2.

A. Attachment JCD-2 shows the calculation of both current and proposed revenues in this case. On a tariff class basis, projected billing units are developed by applying the energy sales forecast in MWh to historical billing units by rate schedule, including I&M's riders. To determine current basic rate retail revenue, I then multiplied the projected billing units by current basic rates to determine the

Test Year base revenues by rate schedule. To determine existing rider mechanism retail revenue, the rider rates were developed by Company witness Nollenberger from forecasted revenue requirements developed by Company witness Williamson. I then applied those rider rates to the appropriate billing units to develop Test Year rider revenues by rate schedule. This calculation becomes the basis for Operating Revenue Adjustment No. 1.

Once proposed basic rates and proposed rider rates were developed by Company witness Nollenberger, I then applied those rates to the projected billing units. The increase in proposed revenues over the Test Year revenues is shown on Line 12 of Exhibit A-1.

Q. Please describe Operating Revenue Adjustment No. 1 (OR-1) to Exhibit A-5.

A. Adjustment OR-1 adjusts the Test Year level of operating revenues to match revenues developed on a tariff class level as calculated in Attachment JCD-2. This adjustment is necessary because the Company forecasts Indiana retail revenues and retail energy sales by revenue class, not rate schedule. Adjustment OR-1 is the sum of the recalculated total operating revenue less the original forecasted level.

As a result of this adjustment, the Company's firm sales revenues in Indiana are increased by $3,788,134, and the Company's interruptible sales are decreased by $4,683,479. This results in a decrease in total Company revenues of $895,345.

Q. Please describe Rider Adjustment No. 1 (RIDER-1) to Exhibit A-5.

A. As supported by Company witness Williamson, adjustment RIDER-1 removes total company O&M expense and related Indiana retail revenue associated with

the Demand Side Management/Energy Efficiency (DSM/EE) Program Cost expenses that the Company proposes to continue to collect under the DSM/EE rider. Company witness Williamson supports the calculation of both the total revenues and expenses to be removed related to the rider. The revenue adjustment must be split between firm and interruptible sales revenues as the interruptible revenues are related to multiple jurisdictions and must be identified and allocated to the appropriate jurisdictions within the separation study. I support this revenue adjustment split amount between firm and interruptible sales revenues.

As a result of this adjustment, the Company's firm retail sales revenues in Indiana decreased by $21,663,532 and the Company's interruptible sales decreased by $2,356. This results in a revenue decrease of $21,665,888 on a total Company basis.

Q. Please describe Rider Adjustment No. 2 (RIDER-2) to Exhibit A-5.

A. As supported by Company witness Williamson, adjustment RIDER-2 removes total company Off-system Sales Margins, PJM Network Integration Transmission Services (NITS) expenses and related Indiana retail revenue the Company proposes to continue to collect under the OSS/PJM rider. Company witness Williamson supports the calculation of both the revenues and expenses to be removed related to the rider, while I support the revenue adjustment split amount between firm and interruptible sales revenues similar to adjustment RIDER-1.

As a result of this adjustment, the Company's firm retail sales revenues in Indiana decreased by $196,715,901 and the Company's interruptible sales

decreased by $4,236,958. This results in a revenue decrease of $200,952,859 on a total Company basis.

PHASE-IN RATE ADJUSTMENT (PRA)

Q. What is the purpose of I&M's PRA?

A. I&M's proposed base rates in this proceeding are calculated based on forecasted rate base at Test Year end. I&M proposes to implement the requested rate increase in phases to reasonably reflect the utility property that is used and useful at the time rates are placed into effect as well as changes in wholesale load levels during the Test Year. The PRA is the mechanism that will be used to implement this phase-in. The PRA process and methodology is consistent with the settlement agreement approved in I&M's last base rate case, Cause No. 44967[3]. As proposed, the PRA will adjust customer rates in three distinct steps.

Q. Please summarize the PRA steps.

A. The PRA establishes a three-step phase-in of new base rates, as described below:

[3] Paragraph I.A. 17 of the Settlement Agreement in Cause No. 44967.

Phase	Date Range	Description	Effective Increase	
Phase I	When new base rates are implemented through May 31, 2020.	The PRA will reflect two rate credits: (a) a rate credit for non-fuel revenue received from the IMMDA wholesale contracts ("IMMDA Credit", and (b) a rate credit to reflect forecasted plant additions during the Test Year ("Forecasted Plant Credit").[4]	Total Proposed: IMMDA Credit: Forecasted Plant Credit: Phase I Increase:	$172,004,651 ($46.442.922) ($43,051,354) $82,510,375
Phase II	June 1, 2020 through I&M's compliance filing on or after January 1, 2021.	On June 1, 2020, the IMMDA Credit will automatically expire. The full Forecasted Plant Credit will continue.	Total Proposed: Forecasted Plant Credit: Phase II Increase:	$172,004,651 ($43,051,354) $128,953,297
Phase III	After I&M's compliance filing.	The Forecasted Plant Credit will be reduced or eliminated based on I&M's compliance filing and the review process described below.	Phase III Increase:	$172,004,651

Q. Please describe the IMMDA Credit component of the PRA.

A. As discussed by Company witness Williamson, the majority of I&M's wholesale contracts with IMMDA members will end June 1, 2020. Adjustment OR-2, supported by Company witnesses Williamson and Nollenberger, annualizes the effect of the end of the IMMDA contracts. However, if new rates go into effect before the IMMDA contracts expire, I&M's rates should include a credit to reflect the contribution to fixed costs that I&M will receive from the IMMDA contracts through May 31, 2020. The IMMDA Credit ensures that customers realize the

[4] The "Forecasted Plant Credit" referenced in this proceeding is, generally speaking, was what referred to as the "PRA," "Phase-In Credit," or "Phase-In" in Cause No. 44967. "Phase III" in this proceeding corresponds to "Phase II" in Cause No. 44967. The change in terminology reflects that the PRA in this proceeding contains an additional component, the IMMDA Credit, that did not exist in Cause No. 44967.

benefit of the IMMDA contracts while they are still in place. The IMMDA Credit is calculated by Company witness Nollenberger.

Q. Please describe the Forecasted Plant Credit component of the PRA.

A. I&M's base rate cost of service reflects a forecasted Test Year end net plant-in-service balance. Upon implementation of the Test Year end base rates, the PRA will reduce customer rates to effectively reflect net plant-in-service (gross plant in-service less accumulated depreciation) and cost of capital as of December 31, 2019, which is representative of the beginning of the Test Year. The Forecasted Plant Credit will remain in effect until I&M's final compliance filing is made on or after January 1, 2021. In this way, I&M's rates will not reflect forecasted Test Year plant additions until after they are placed in service and are used and useful in the provision of service for customers. The calculation of the Forecasted Plant Credit is described below.

Q. Please explain I&M's proposed PRA compliance filing process.

A. On or after January 1, 2021, I&M will make a compliance filing in this docket that certifies its actual Test Year end net plant-in-service balance and reduces or eliminates the Forecasted Plant Credit to establish Phase III rates. Phase III rates will be determined using the lesser of: (a) I&M's forecasted Test Year end net plant approved by the Commission in its final order in this proceeding; or (b) I&M's certified Test Year end net plant. Within 60 days following the compliance filing, the OUCC and intervenors may state objections to I&M's certified Test Year end net plant. If there are objections, a hearing will be held to determine I&M's actual Test Year end net plant, and rates will be trued-up (with carrying charges)

retroactive to January 1, 2021 (regardless of when Phase III rates are placed in effect). This compliance filing procedure is the same method outlined in the settlement agreement approved in Cause No. 44967.

Q. Did you calculate the revenue requirement for the Company's Forecasted Plant Credit PRA?

A. Yes. I calculated the revenue requirement as an adjustment to the Company's jurisdictional separation study following the same methods employed to develop the Phase-In Rate Adjustment in Cause No. 44967.

Q. How did you calculate the utility plant adjustment to set net electric plant-in-service to the balance at the beginning of the Test Year?

A. The amount for plant-in-service was developed using the forecasted capital additions provided by Company witness Heimberger. To compute the balance at the beginning of the Test Year, I used witness Heimberger's forecasts and removed the plant-in-service activity which is forecasted to occur during the Test Year. The amount for accumulated depreciation was calculated using the authorized depreciation rates in Adjustment DEP-1 supported by Company witness Heimberger. Both calculations are shown in workpaper WP-JCD-6. This adjustment results in a decrease to total Company rate base of $432,402,666 as reflected in WP-JCD-5.

Q. How did you calculate the depreciation and amortization adjustment to set depreciation expense to a level matching depreciable plant-in-service at the beginning of the Test Year?

A. The amount of depreciation expense was developed using the forecasted plant-in-service activity provided by Company witness Heimberger. To compute the adjusted level of depreciation expense, I applied the Company's proposed depreciation rates, which were also used to calculate Adjustment DEP-2 supported by Company witness Heimberger, to plant balances at the beginning of the Test Year. The adjusted level of amortization expense was calculated by multiplying the forecasted amortization expense in December 2019 by 12 months.

The adjustment results in a decrease to total Company depreciation and amortization expense of $34,613,428 as reflected in WP-JCD-5.

Q. How were these two adjustments used to calculate the Forecasted Plant Credit PRA?

A. A separate jurisdictional study, provided as workpaper WP-JCD-5, was prepared with an additional column showing the total of these two adjustments, including the tax effect. The adjusted total Company amounts were then allocated using the same methodology used in Attachment JCD-1. Company witness High then developed a class cost-of-service study based on the adjusted Indiana jurisdictional amounts to provide revenue requirements by rate schedule. By comparing the new class revenue requirements with the ones calculated in WP-DEH-1, the adjustment amount for each rate schedule was developed. The Forecasted Plant Credit PRA total adjustment of $43,051,354 is shown in

Attachment JCD-3. This adjustment will be applied to customer bills from the date of implementation of new basic rates to the end of the Test Year, as described above.

Q. Please summarize your testimony.

A. The Company's jurisdictional separation study properly determines the Company's cost of providing service to the Indiana retail jurisdiction, consistent with prior Commission guidance. The jurisdictional adjustments I sponsor are necessary to produce adjusted operating revenue that is specific to I&M's Test Year and its proposed basic rates. The Phase-In Rate Adjustment constitutes just and reasonable rates. The revenue requirement calculated for the Company's proposed Forecasted Plant Credit Phase-In Rate Adjustment (PRA) appropriately determines the Company's cost of providing service to the Indiana retail jurisdiction, net of plant activity forecasted to occur in the Test Year.

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

A. Yes it does.