

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

FILED

July 26, 2017

INDIANA UTILITY  
REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER )  
COMPANY, AN INDIANA CORPORATION, FOR )  
(1) AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR ELECTRIC UTILITY SERVICE )  
THROUGH A PHASE IN RATE ADJUSTMENT; (2) )  
APPROVAL OF: REVISED DEPRECIATION )  
RATES; ACCOUNTING RELIEF; INCLUSION IN )  
BASIC RATES AND CHARGES OF QUALIFIED )  
POLLUTION CONTROL PROPERTY, CLEAN )  
ENERGY PROJECTS AND COST OF BRINGING )  
I&M'S SYSTEM TO ITS PRESENT STATE OF )  
EFFICIENCY; RATE ADJUSTMENT MECHANISM )  
PROPOSALS; COST DEFERRALS; MAJOR )  
STORM DAMAGE RESTORATION RESERVE )  
AND DISTRIBUTION VEGETATION )  
MANAGEMENT PROGRAM RESERVE; AND )  
AMORTIZATIONS; AND (3) FOR APPROVAL OF )  
NEW SCHEDULES OF RATES, RULES AND )  
REGULATIONS. )

CAUSE NO. 44967-NONE

**SUBMISSION OF DIRECT TESTIMONY OF  
CHRISTOPHER M. HALSEY**

Petitioner, Indiana Michigan Power Company (I&M), by counsel, respectfully  
submits the direct testimony and attachments of Christopher M. Halsey in this Cause.

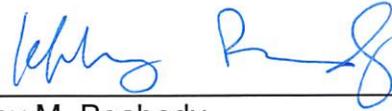
Teresa Morton Nyhart (Atty. No. 14044-49)  
Nicholas K. Kile (Atty. No. 15023-23)  
Jeffrey M. Peabody (Atty No. 28000-53)  
Barnes & Thornburg LLP  
11 South Meridian Street  
Indianapolis, Indiana 46204  
Nyhart Phone: (317) 231-7716  
Kile Phone: (317) 231-7768  
Peabody Phone: (317) 231-6465  
Fax: (317) 231-7433  
Email: [tnyhart@btlaw.com](mailto:tnyhart@btlaw.com)  
[nkile@btlaw.com](mailto:nkile@btlaw.com)  
[jpeabody@btlaw.com](mailto:jpeabody@btlaw.com)

Attorneys for Indiana Michigan Power  
Company

**CERTIFICATE OF SERVICE**

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, or United States Mail, postage prepaid this 26th day of July, 2017 to:

William I. Fine  
Abby R. Gray  
Indiana Office of Utility Consumer Counselor  
Office of Utility Consumer Counselor  
115 West Washington Street  
Suite 1500 South  
Indianapolis, Indiana 46204  
infomgt@oucc.in.gov  
wfine@oucc.in.gov  
agray@oucc.in.gov



---

Jeffrey M. Peabody

Teresa Morton Nyhart (No. 14044-49)  
Nicholas K. Kile (No. 15023-23)  
Jeffrey M. Peabody (No. 28000-53)  
BARNES & THORNBURG LLP  
11 South Meridian Street  
Indianapolis, Indiana 46204  
Nyhart Phone: (317) 231-7716  
Kile Phone: (317) 231-7768  
Peabody Phone: (317) 231-6465

Attorneys for INDIANA MICHIGAN POWER COMPANY

I&M Exhibit: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**CHRISTOPHER M. HALSEY**

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**PRE-FILED VERIFIED DIRECT TESTIMONY OF CHRISTOPHER M. HALSEY  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

1 **Q. Please state your name and business address.**

2 A. My name is Christopher M. Halsey. 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 a  
6 Regulatory Consultant Principal in the Regulatory Services Department.

7 **Q. Please briefly describe your educational and professional experience.**

8 A. I graduated from Kent State University in 2003 with dual Bachelor's Degrees in  
9 both Accounting and Justice Studies. I obtained my MBA from Ashland University  
10 with a core concentration in Finance in 2007.

11 I started with American Electric Power (AEP) in Canton, Ohio in the AEP  
12 Service Corporation (AEPSC) accounting department as a contractor in 2002 and  
13 was later hired by AEPSC into the payroll department in 2003. In August 2004, I  
14 accepted a position in the Commercial Accounting group of AEPSC as an  
15 accountant. In August 2007, I transferred to the AEPSC Regulatory department  
16 as a Regulatory Analyst. In July 2010, I transferred to the AEP Transmission  
17 organization to work on transmission related matters, and in January 2012, I  
18 returned to the AEPSC Regulatory group. In July 2013, I assumed my current  
19 position as a Regulatory Consultant Principal in I&M's Regulatory Services  
20 department.

21 **Q. What are your responsibilities as Regulatory Consultant Principal?**

22 A. I am responsible for the preparation of regulatory filings and analyses.

1 **Q. Have you previously testified in any regulatory proceedings?**

2 A. Yes. I have testified on behalf of I&M before the Indiana Utility Regulatory  
3 Commission (IURC or Commission) in the following proceedings:

- 4 • 44182 LCM X Life Cycle Management Rider
- 5 • 44422 CSR X Capacity Settlement Rider
- 6 • 44331 ECR X Environmental Cost Rider
- 7 • 44523 ECR X Environmental Cost Rider
- 8 • 43992 ECCR X Environmental Compliance Cost Rider
- 9 • 43775 OSS-7 Off-System Sales Sharing Margin Rider
- 10 • 44511 Clean Energy Solar Pilot Project
- 11 • 44511 SPR-2 Solar Power Rider
- 12 • 43774 PJM X PJM Rider

13 In addition, I have submitted testimony in Case No. U-18083, 2015  
14 Renewable Energy Plan Reconciliation (REP), and Case No. U-18333, 2016 EO  
15 Reconciliation, on behalf of I&M before the Michigan Public Service Commission.

16 **I. PURPOSE OF TESTIMONY**

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to:

- 19 1. Calculate forecasted rider revenue requirements for the twelve months ending  
20 December 31, 2018 (Test Year) under I&M's existing rider recovery  
21 mechanisms. That is, I calculate what I&M's rider revenue requirements would  
22 be in the Test Year without the changes to riders or I&M's base rates that I&M  
23 is proposing in this case.
- 24 2. Support Adjustments Rider-1 through Rider-3 on Exhibit A-5, which remove  
25 from Test Year net operating income all net expenses and off-system sales  
26 (OSS) margins that I&M proposes to recover through riders in this proceeding.

1 3. Calculate forecasted rider revenue requirements for the Test Year under I&M's  
2 rider recovery mechanism proposals in this proceeding. That is, I calculate  
3 what I&M's rider revenue requirements will be in the Test Year with the changes  
4 to riders that I&M is proposing in this case. I calculate the rider revenue  
5 requirements for all riders except the Phase-In Rate Adjustment, which is  
6 supported by Company witness Stegall.

7 **Q. Are you sponsoring any exhibits in this proceeding?**

8 A. As noted above, I support Adjustments Rider-1 through Rider-3 on Exhibit A-5.

9 **Q. Are you sponsoring any attachments in this proceeding?**

10 A. I am sponsoring the following attachments that calculate Test Year rider revenue  
11 requirements under I&M's existing rider recovery mechanisms:

- 12 • Attachment CMH-1: Existing Capacity Settlement Rider (CSR)
- 13 • Attachment CMH-2: Existing Clean Coal Technology Rider (CCTR)
- 14 • Attachment CMH-3: Existing Demand Side Management / Energy  
15 Efficiency Program Cost Rider (DSM/EE)
- 16 • Attachment CMH-4: Existing Environmental Compliance Cost Rider  
17 (ECCR)
- 18 • Attachment CMH-5: Existing Off-System Sales Margin Sharing Rider  
19 (OSS)
- 20 • Attachment CMH-6: Existing PJM Cost Rider (PJM)
- 21 • Attachment CMH-7: Existing Life Cycle Management Rider (LCM)
- 22 • Attachment CMH-8: Existing Federal Mandate Rider (FMR)
- 23 • Attachment CMH-9: Existing Solar Power Rider (SPR)

24 I also sponsor the following attachments that calculate Test Year rider revenue  
25 requirements under I&M's rider recovery mechanism proposals in this proceeding:

- 26 • Attachment CMH-10: Proposed Off-System Sales / PJM Cost Rider  
27 (OSS/PJM)

- 1 • Attachment CMH-11: Proposed Demand Side Management / Energy
- 2 Efficiency Program Cost Rider (DSM/EE)
- 3 • Attachment CMH-12: Proposed Life Cycle Management Rider (LCM)
- 4 • Attachment CMH-13: Proposed Environmental Cost Rider (ECR)
- 5 • Attachment CMH-14: Proposed Resource Adequacy Rider (RAR)

6 **Q. Are you sponsoring any workpapers in this proceeding?**

7 A. I sponsor the following workpapers:

- 8 • WP-CMH-1, in reference to Attachment CMH-2 (CCTR)
- 9 • WP-CMH-2, in reference to Attachment CMH-3 (DSM/EE)
- 10 • WP-CMH-3, in reference to Attachment CMH-5 (OSS)
- 11 • WP-CMH-4, in reference to Attachment CMH-6 (PJM)
- 12 • WP-CMH-5, in reference to Attachment CMH-7 (LCM)
- 13 • WP-CMH-6, in reference to Attachment CMH-8 (FMR)
- 14 • WP-CMH-7, in reference to Attachment CMH-9 (SPR)
- 15 • WP-CMH-8, in reference to Attachment CMH-10 (OSS/PJM)
- 16 • WP-CMH-9, in reference to Attachment CMH-11 (DSM/EE)
- 17 • WP-CMH-10, in reference to Attachment CMH-12 (LCM)
- 18 • WP-CMH-11, in reference to Attachment CMH-13 (ECR)
- 19 • WP-CMH-12, in reference to Attachment CMH-14 (RAR)
- 20 • WP-CMH-13 in reference to Adjustment Rider 1
- 21 • WP-CMH-14 in reference to Adjustment Rider 2
- 22 • WP-CMH-15 in reference to Adjustment Rider 3

23 **Q. Were the exhibit, attachments, and workpapers that you are supporting**  
24 **prepared by you or under your direction?**

25 A. Yes.

1                                    **II. EXISTING RIDER REVENUE REQUIREMENTS**

2    **Q.    Please describe the purpose of calculating the Test Year revenue**  
3            **requirements for I&M's existing rider recovery mechanisms for which you**  
4            **were responsible.**

5    A.    Calculating Test Year revenue requirements for I&M's existing rider recovery  
6            mechanisms is necessary in order to accurately forecast I&M's Test Year operating  
7            revenue without the increase in basic rates and other requested relief in this  
8            proceeding. Specifically, the Test Year revenue requirements that I calculated for  
9            I&M's existing riders were used by Company witness Nollenberger to calculate  
10           Test Year rates for I&M's existing riders. Company witness Stegall then used  
11           these Test Year rider rates to calculate Test Year revenues for I&M's existing  
12           riders. As Company witness Stegall describes, these Test Year rider revenues  
13           formed the basis of Mr. Stegall's Operating Revenue Adjustment No. 1 to Exhibit  
14           A-5.

15   **Q.    How did you calculate the Test Year revenue requirements for I&M's existing**  
16           **riders?**

17   A.    Using the Company's forecast, I calculated a Test Year revenue requirement for  
18           each existing rider based on the recovery mechanism that has been approved by  
19           the Commission. I obtained the forecasted expenses or other components for  
20           each rider from I&M's forecast, which is sponsored by Company witness Lucas.  
21           These calculations are shown in Attachments CMH-1 through CMH-9 and are  
22           further supported by Workpapers WP-CMH-1 through WP-CMH-7.

1 **Q. Please summarize the existing riders for which you calculated Test Year**  
 2 **revenue requirements.**

3 A. I calculated Test Year revenue requirements for the riders indicated on Figure  
 4 CMH-1 below. Figure CMH-1 provides the name of the rider, the Cause in which  
 5 the rider mechanism was authorized, and a summary of the existing rider  
 6 mechanism.

**Figure CMH-1  
Existing Riders**

Existing Rider	Cause No.	Summary of Existing Rider Mechanism
Capacity Settlement Rider (CSR)	44422	Reconciles actual capacity equalization settlement receipts or payments compared to the level of capacity equalization settlement receipts in I&M's base rates approved in Cause No. 44075.
Clean Coal Technology Rider (CCTR)	44523	Recognizes cost of service associated with I&M's ownership share of the Rockport Unit 1 SCR project.
Demand Side Management / Energy Efficiency Program Cost Rider (DSM)	43827	Recognizes DSM plan costs, including program direct and indirect costs, net lost revenues, and performance incentives.
Environmental Compliance Cost Rider (ECCR)	43992	Recognizes I&M's net emission allowance costs related to consumption of allowances, and gains and losses on disposition of allowances.
Off-System Sales Margin Sharing Rider (OSS)	43775	Shares 50% margins above or below the level embedded in the revenue requirement in Cause No. 44075 down to \$0.
PJM Cost Rider (PJM)	43774	Recognizes certain PJM costs above the level included in I&M's base rates approved in Cause No. 44075, as approved in Cause No. 43774 and specifically in 43774 PJM-4 S1.
Life Cycle Management Rider (LCM)	44182	Recognizes cost of service associated with the Cook Nuclear Plant LCM project.

Existing Rider	Cause No.	Summary of Existing Rider Mechanism
Federal Mandate Rider (FMR)	44331	Recognizes cost of service, including preconstruction and consumables cost, associated with the Rockport Clean Coal Technology (CCT) Project to install a DSI system.
Solar Power (SPR)	44511	Recognizes cost of service associated with I&M's Clean Energy Solar Pilot Project (CESPP), including marketing expenses associated with the GPR.

1        **III. ADJUSTMENTS TO REMOVE NET EXPENSES FOR RIDER PROPOSALS**

2        **Q. Which Company witness supports I&M's proposals regarding rider**  
3        **mechanisms?**

4        A. Company witness Williamson supports I&M's proposals to establish, merge,  
5        change, and eliminate certain riders. He also discusses the Company's request  
6        for any new rate adjustment mechanisms.

7        **Q. Please summarize the adjustments you are sponsoring related to I&M's**  
8        **riders and why these adjustments are necessary.**

9        A. I am sponsoring three adjustments to I&M's net operating income, as shown on  
10       Exhibit A-5, to remove the net expenses that I&M has included in riders in this  
11       proceeding. These adjustments, labeled Adjustments Rider-1 through Rider-3, are  
12       necessary in order to accurately calculate I&M's requested basic rates. The net  
13       expenses that I&M proposes to recover and include in riders are not part of the  
14       cost of service used to calculate basic rates, and thus must be removed from I&M's  
15       net operating income on Exhibit A-5. Specifically, I support adjustments related to  
16       I&M's ECR, DSM/EE Rider, and OSS/PJM Rider.

1 **Q. How did I&M treat revenues produced by existing riders and existing base**  
2 **rates that are associated with the net expenses included in I&M's rider**  
3 **proposals?**

4 A. Adjustments OR-2 through OR-7 on Exhibit A-5 removes from net operating  
5 income all Test Year revenues associated with the net expenses that the Company  
6 has included in riders. Company witness Stegall supports Adjustments OR-2  
7 through OR-7.

8 **Q. How did you calculate Adjustments Rider-1 through Rider-3?**

9 A. I calculated each adjustment using the forecasted level of net expenses and OSS  
10 margins obtained from the Company's forecast, which is sponsored by Company  
11 witness Lucas. Workpapers WP-CMH-13 through WP-CMH-15 show my  
12 calculations for these adjustments. These adjustments are included on Exhibit  
13 A-5.

14 **Q. Please explain Adjustment Rider-1.**

15 A. Adjustment Rider-1 removes from Test Year net operating income all expenses  
16 that I&M included in the ECR – specifically, generation consumables expense (i.e.,  
17 expense for activated carbon, ammonia, and sodium bicarbonate) and net  
18 emission allowance costs. Adjustment Rider 1 increases Test Year net operating  
19 income by \$27,333,492 on a total Company basis.

20 **Q. Please explain Adjustment Rider-2.**

21 A. Adjustment Rider-2 removes from Test Year net operating income all expenses  
22 that I&M included in the DSM/EE Rider. As discussed by Company witness  
23 Williamson, this adjustment excludes DSM-related costs associated with the

1 Electric Energy Consumption Optimization (EECO) and Work Energy  
2 Management (WEM) programs, which are included in I&M's proposed basic rates.  
3 Adjustment Rider-2 increases Test Year net operating income by \$20,611,897 on  
4 a total Company basis.

5 **Q. Please explain Adjustment Rider-3.**

6 A. Adjustment Rider-3 removes from Test Year net operating income all net expenses  
7 that I&M included in the OSS/PJM Rider – specifically, OSS margins and the net  
8 expenses incurred as a result of I&M's membership in PJM as a transmission  
9 owner (TO), a generator, and a Load Serving Entity (LSE). Adjustment Rider-3  
10 increases Test Year net operating income by \$247,068,510 on a total Company  
11 basis.

12 **Q. Are you sponsoring adjustments for the LCM Rider, Fuel Adjustment Clause  
13 (FAC) and the RAR?**

14 A. No. No adjustment is needed for the LCM Rider due to the Phase-In Rate  
15 Adjustment, which is discussed by Company witness Williamson. No adjustment  
16 is needed for the FAC and RAR because each is set at an initial rate of zero.

17 **IV. PROPOSED RIDER REVENUE REQUIREMENTS**

18 **Q. Why did you calculate Test Year revenue requirements for I&M's proposed  
19 rider rates?**

20 A. I calculated Test Year revenue requirements to be used by Company witness  
21 Nollenberger to create rider rates that I&M proposes to put in place when new  
22 basic rates are implemented as part of this proceeding. Specifically I calculated  
23 revenue requirements for the OSS/PJM Rider, DSM/EE Rider, LCM Rider, and

1 ECR. I also present an example of how the revenue requirement for the RAR will  
2 be calculated. For each of the riders I cover below, Company witness Nollenberger  
3 calculates the proposed rider rates and presents the rate design and Company  
4 witness Cooper presents the tariffs.

5 **Q. What methodology did you use in calculating the proposed rider revenue**  
6 **requirements?**

7 A. I followed a methodology consistent with what I&M uses in its existing rider filings.  
8 Attachments CMH-10 through CMH-14 provide the calculations for the revenue  
9 requirements.

10 **A. OSS/PJM Rider**

11 **Q. Company witness Williamson discusses the Company's proposal to**  
12 **combine the OSS and PJM Riders. How did you calculate the Test Year**  
13 **revenue requirement for the proposed OSS/PJM Rider rates?**

14 A. Using forecasted PJM costs, OSS margins, and other data from the Company's  
15 forecast, I created a revenue requirement for the OSS/PJM Rider as it is proposed  
16 by Company witness Williamson. Specifically, the OSS/PJM Rider revenue  
17 requirement includes (1) 100% of I&M's net PJM expenses and (2) sharing 50%  
18 of I&M's net OSS margins starting from \$0. As Company witness Williamson  
19 explains, the determination of OSS margins excludes the OVEC demand-related  
20 costs that I&M has included in base rates and requests to track incrementally in  
21 the RAR.

1 **Q. What PJM-related costs are included in the OSS/PJM Rider?**

2 A. The OSS/PJM Rider revenue requirement includes all net expenses that relate to  
3 I&M's membership in PJM as a transmission owner (TO), a generator and a load  
4 serving entity (LSE). Examples of these net expenses include the following:

- 5 • PJM administrative
- 6 • PJM Regional Transmission Expansion Project (RTEP)
- 7 • Ancillary services
- 8 • Net transmission congestion
- 9 • Open Access Transmission Tariff (OATT)

10 **Q. In what format did you present the OSS/PJM Rider revenue requirement?**

11 A. As shown on Attachment CMH-10 and Workpaper WP-CMH-8, I presented the  
12 OSS and PJM components of the OSS/PJM Rider revenue requirement in  
13 separate schedules. Each schedule follows a format consistent with what I&M has  
14 used for rider update filings in Cause No. 43774 (for the PJM Cost Rider) and  
15 Cause No. 43775 (for the Off-System Sales Margin Sharing Rider).

16 **Q. What is the Test Year revenue requirement for the proposed OSS/PJM Rider  
17 rates?**

18 A. The Test Year revenue requirement for the OSS/PJM Rider is \$215,204,720 on an  
19 Indiana jurisdictional basis, as shown on Attachment CMH-10.

20 **B. DSM/EE Rider**

21 **Q. Is the Test Year revenue requirement for the DSM/EE Rider the same as  
22 Adjustment Rider-2?**

23 A. No. Due to the Settlement in Cause No. 44841, the revenue requirement for the  
24 proposed DSM/EE Rider rates is slightly different than Adjustment Rider-2. As

1 described above, Adjustment Rider-2 removes from the Test Year expenses that  
2 I&M proposes to recover in the DSM/EE Rider. To calculate Adjustment Rider-2  
3 and the other adjustments I am sponsoring, I used the forecasted data available in  
4 I&M's forecast. Because this forecast was finalized before I&M entered into the  
5 Settlement in Cause No. 44841, the forecast does not fully reflect the Settlement  
6 Agreement. Also, the Settlement established a set of average rates to be charged  
7 over the three-year plan period ending in 2019. This approach is necessary to  
8 implement the DSM/EE Rider rates consistent with that agreement. This will also  
9 minimize the variance in customer revenues and actual costs incurred over the  
10 three-year plan period.

11 **Q. What DSM/EE Rider rates is I&M proposing?**

12 A. The 3-Year DSM Plan settlement established a set of average rates based on a  
13 revenue requirement for plan years 2017 through 2019. These average rates  
14 included lost revenues and other costs (EECO and WEM) that will be reflected in  
15 I&M's basic rates. As a result, I am adjusting the revenue requirement agreed to  
16 in the 3-Year DSM Plan settlement and proposing revenue requirements for two  
17 sets of rates, (1) for the Test Year as described above and (2) for 2019 (hereafter  
18 referred to as "2019 revenue requirement"). The 2019 revenue requirement was  
19 calculated consistent with the Test Year revenue requirement with two exceptions.

- 20 1. Net lost revenues associated with 50% of the measures installed during  
21 2018 and 2019 according to the 3-Year DSM/EE Plan are included in  
22 2019.
- 23 2. EECO and WEM program costs specific to 2019 are included.

1 All other components of my Test Year and 2019 revenue requirements are the  
2 same and are based on one-third of the related revenue requirement as agreed to  
3 in the 3-Year DSM/EE Plan. Company witness Williamson describes the EECO  
4 and WEM program costs included in I&M's proposed basic rates.

5 **Q. How specifically did you adjust the DSM/EE Rider revenue requirements to**  
6 **account for EECO and WEM program costs?**

7 A. For the EECO program, I excluded costs related to capital expenditures that I&M  
8 is including in basic rates. However, I included in the revenue requirements the  
9 respective period expenses related to the EECO program, including costs  
10 associated with evaluation, management, and verification (EM&V) and internal  
11 support labor, as shown on Workpaper WP-CMH-9. I obtained these costs from  
12 the Company's attachments and workpapers in Cause No 44841.

13 Likewise, for the WEM program, I excluded costs related to capital  
14 expenditures that that I&M is including in basic rates. However, I included in the  
15 revenue requirements the respective period expenses related to the WEM  
16 program, including costs associated with Program Administration and Support,  
17 EM&V, and customer incentives. Again, I obtained these costs from the  
18 Company's attachments and workpapers in Cause No 44841.

19 **Q. How is I&M planning on implementing the proposed 2019 DSM/EE Rider**  
20 **rates?**

21 A. I&M proposes the Commission approve the DSM/EE Rider rates as part of the  
22 compliance filing in this basic rate case. We are proposing to implement the 2019  
23 DSM/EE Rider rates with the first billing cycle January, 2019.

1 **Q. What are the revenue requirements for the proposed DSM/EE Rider rates?**

2 A. The Test Year revenue requirement for the DSM/EE Rider is \$21,211,049 on an  
3 Indiana Jurisdictional basis, as shown on Attachment CMH-11. The 2019 revenue  
4 requirement is \$29,378,791 on an Indiana jurisdictional basis, as shown on  
5 Attachment CMH-11.

6 **C. LCM Rider**

7 **Q. How did you calculate the Test Year revenue requirement for the proposed**  
8 **LCM Rider rates?**

9 A. Using data from the Company's forecast, I created a revenue requirement for the  
10 LCM Rider as shown on Attachment CMH-12. As supported by Company witness  
11 Williamson, once new basic rates are implemented, the Phase-In Rate Adjustment  
12 (PRA) will adjust the proposed basic rates to reflect the forecasted LCM plant that  
13 is in-service as of December 31, 2017. Therefore, the LCM Rider revenue  
14 requirement is based on the 2018 Test Year forecast.

15 **Q. Is I&M proposing to modify the ratemaking treatment from that approved by**  
16 **the Commission in existing LCM Rider filings?**

17 A. Yes. As explained by Company Witness Williamson, I&M is requesting to modify  
18 the LCM Rider to synchronize the depreciation rate used to calculate ongoing LCM  
19 Rider depreciation with the rates approved by the Commission in this proceeding.  
20 I&M also proposes to accrue an allowance for funds used during construction  
21 (AFUDC) in lieu of a return on construction work in progress (CWIP) for the  
22 remaining LCM Rider period. I have reflected these changes in my revenue  
23 requirement calculation. Consistent with the recovery approved by the

1 Commission in Cause No. 44182, the following costs are used to determine the  
2 revenue requirement for I&M's proposed LCM Rider rates:

- 3 • Depreciation expense.
- 4 • Property tax expense.
- 5 • Pre-tax return on net plant in-service.
- 6 • Amortization of the deferred LCM costs for the period of January 1, 2012  
7 through December 31, 2013.
- 8 • Amortization of the E3 independent monitor costs plus associated E3  
9 carrying costs.

10  
11 **Q. Does I&M propose to maintain schedules similar to what has been provided  
12 in Cause Nos. 44182 LCM 1 through LCM 7?**

13 A. Yes. I&M proposes to maintain schedules similar to those used in existing LCM  
14 Rider filings, with the exception of the modifications discussed above.

15 **Q. What is the Test Year revenue requirement for the proposed LCM Rider  
16 rates?**

17 A. The Test Year revenue requirement for the LCM Rider is \$4,434,986 on an Indiana  
18 Jurisdictional basis, as shown on Attachment CMH-12.

19 **D. ECR**

20 **Q. Company witness Williamson explains the Company's proposal to merge its  
21 environmental cost rate adjustment mechanisms into one ECR. How did you  
22 calculate the Test Year revenue requirement for the proposed ECR rates?**

23 A. Using the Company's forecast, I created a revenue requirement for the ECR as it  
24 is proposed by Company witness Williamson. Specifically, the ECR revenue  
25 requirement includes (1) 100% of consumables expenses (i.e. sodium  
26 bicarbonate, activated carbon, and ammonia) and (2) 100% of net allowance  
27 expenses, as shown on Workpaper WP-CMH-11.

1 **Q. What is the Test Year revenue requirement for the proposed ECR rates?**

2 A. The Test Year revenue requirement for the ECR Rider is \$17,727,829 on an  
3 Indiana Jurisdictional basis, as shown on Attachment CMH-13.

4 **F. RAR**

5 **Q. Please explain the proposed RAR.**

6 A. As supported by Company witness Williamson, I&M is proposing to create a new  
7 expense tracking mechanism, the Resource Adequacy Rider (RAR), to adjust  
8 rates to reflect incremental changes in the Company's purchased power costs,  
9 excluding those recovered through the FAC, compared to the amount embedded  
10 in base rates. This mechanism will ensure customer rates reflect the actual cost  
11 of purchased power incurred to provide service.

12 Currently, I&M's purchased power contracts subject to this rider consists of  
13 its Unit Power Agreement with AEG for a portion of the Rockport Plant and Ohio  
14 Valley Electric Corporation (OVEC). These costs during the Test Year are  
15 \$169,883,355 on a total Company basis, as shown on Attachment CMH-14. This  
16 baseline will be used for purposes of calculating the incremental change in ongoing  
17 RAR filings. Subsequent to implementing new basic rates, I&M will commence an  
18 initial RAR rate proceeding. Thereafter, RAR factors will be established annually  
19 based upon a projection of costs to be tracked, and will include a reconciliation of  
20 actual costs and revenues. Attachment CMH-14 sets forth an example of how the  
21 incremental costs subject to the RAR will be determined. Company witness  
22 Nollenberger presents the rate design and Company witness Cooper presents the  
23 RAR tariff.

1                                    **G. Gross Revenue Conversion Factor (GRCF)**

2    **Q.    Did I&M include GRCF costs in the calculation of the revenue requirements**  
3           **used to calculate the proposed rider rates?**

4    A.    Yes, I&M has included a GRCF consistent with the methodology that has been  
5           approved by the Commission in I&M's existing rider revenue requirement  
6           calculations. For purposes of estimating GRCF costs, I&M used December 31,  
7           2016 as a basis. It was necessary to include GRCF costs otherwise the proposed  
8           rider rates would be understated.

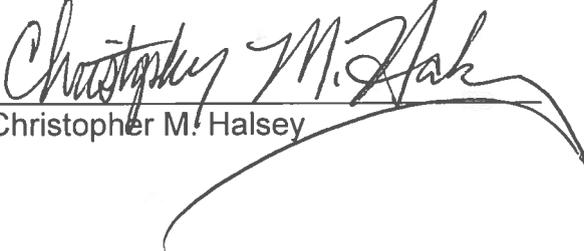
9    **Q.    Does this conclude your pre-filed verified direct testimony?**

10   A.    Yes.

**VERIFICATION**

I, Christopher M. Halsey, Regulatory Consultant Principal 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: 7-24-17

  
Christopher M. Halsey

**Indiana Michigan Power  
Capacity Settlement Rider (CSR)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-1  
Page 1 of 1  
Existing Rider

<b>CSR Revenue Requirement</b>	<b>Indiana</b>
<b>Capacity Equalization Settlement Payments/Receipts</b>	\$24,870,514
<hr/>	
<b>Subtotal CSR Revenue Requirement:</b>	\$24,870,514
Gross Revenue Conversion Factor <sup>1</sup>	1.7825%
Gross Revenue Conversion Factor Revenue Requirement	\$451,362
<hr/>	
<b>Total CSR Revenue Requirement</b>	<u><u>\$25,321,876</u></u>

(1) GRCF based on I&M's last filing in Cause No. 44422, CSR-2, Attachment CMH-1  
Source: Commission order in Cause No. 44075, pages 57 & 58

**Indiana Michigan Power  
Clean Coal Technology Rider (CTR)  
Rockport Unit 1 SCR Project  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-2  
Page 1 of 1  
Existing Rider

Line #	Description	Source:	Indiana Demand Amount	Indiana Energy Amount	Indiana Total
1	SCR Depreciation Expense	WP-CMH-1, page 1	\$ 8,033,443		\$ 8,033,443
2	SCR Return on Electric Plant in Service (EPIS)	WP-CMH-1, page 2	\$ 9,796,394		\$ 9,796,394
3	SCR Return on CWIP	WP-CMH-1, page 3	\$ 363,052		\$ 363,052
4	O&M Expenses	WP-CMH-1, page 4	\$ 555,768		\$ 555,768
5	Consumables	WP-CMH-1, page 4		\$ 921,768	\$ 921,768
6	SCR Incremental Property Taxes	(Future Use)	\$ -		\$ -
7	Revenue Requirement Subtotal	Sum Lines 1 through 6	<u>\$ 18,748,657</u>	<u>\$ 921,768</u>	<u>\$ 19,670,425</u>
8	Gross Revenue Conversion Factor	WP-CMH-1, page 6	1.6794%	1.6794%	1.6794%
9	Gross Revenue Conversion Factor Revenue Required	Line 7 multiplied by (1/(1-Line 8)-1)	\$320,243	\$15,745	\$335,988
10	Total Revenue Requirement	Sum Lines 7 and 9	<u>\$ 19,068,900</u>	<u>\$ 937,513</u>	<u>\$ 20,006,413</u>

**Indiana Michigan Power**  
**Demand Side Management / Energy Efficiency Program Cost Rider (DSM/EE)**  
**Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-3  
Page 1 of 1  
Existing Rider

	Source	Total Program Cost
<b><u>Section 1 - Test Year DSM/EE Program Costs:</u></b>		
Home Energy Products	WP-CMH-2, page 1	\$1,278,698
Income Qualified Weatherproofing	WP-CMH-2, page 1	\$578,070
Schools Energy Education	WP-CMH-2, page 1	\$662,856
Home Appliance Recycling	WP-CMH-2, page 1	\$596,999
Home New Construction	WP-CMH-2, page 1	\$502,955
Home Weatherproofing	WP-CMH-2, page 1	\$542,250
Home Energy Online Checkup	WP-CMH-2, page 1	\$75,000
Home Energy Reports	WP-CMH-2, page 1	\$2,242,427
Residential Peak Reduction	WP-CMH-2, page 1	\$1,912,331
Residential EE Products	WP-CMH-2, page 1	\$367,857
Work Prescriptive Rebates	WP-CMH-2, page 1	\$4,710,964
Work Custom Rebates	WP-CMH-2, page 1	\$5,243,633
Work Direct Install		
Small Business Efficiency Pilot	WP-CMH-2, page 1	\$420,506
<b>Total Direct Program Costs</b>		<b>\$19,134,546</b>
Indirect Program Costs:		
<b>Total Indirect Program Costs</b>	WP-CMH-2, page 1	<b>\$1,274,387</b>
EECO Program Costs:		
Residential EECO	WP-CMH-2, page 1	\$1,517,384
C&I EECO	WP-CMH-2, page 1	\$161,911
<b>Total EECO Program Costs</b>		<b>\$1,679,295</b>
<b>Total Test Year Direct, Indirect &amp; EECO Program Costs</b>		<b>\$22,088,228</b>
<b><u>Section 2 - Test Year Net Lost Revenues:</u></b>		
Residential	WP-CMH-2, page 2	\$15,441,072
C&I		
EECO	WP-CMH-2, page 2	\$365,377
Pre-Opt Out Measures - July 2014 Opt Out	WP-CMH-2, page 2	\$10,675,602
Pre-Opt Out Measures - Jan. 2015 Opt Out	WP-CMH-2, page 2	\$2,189,667
Non-Opt Out Customer Portion	WP-CMH-2, page 2	\$4,905,082
<b>Total Net Lost Revenues</b>		<b>\$33,576,800</b>
<b><u>Section 3 - Test Year Shared Savings</u></b>		
Residential		\$931,779
C&I, Non Opt Out Customers		\$973,972
<b>Total Shared Savings</b>		<b>\$1,905,751</b>
<b>Total Test Year DSM/EE Plan</b>		<b>\$57,570,779</b>
<b><u>Section 4 - PY 6 Forecasted True-up</u></b>		
PY 5 Program Cost, Net Lost Revenues, Shared Savings		
Residential		\$0
C&I		
All Customers		\$0
All Customers Excluding July 2014 Opt Out		\$0
<b>Total PY 6 Forecasted True-up</b>		<b>\$0</b>
<b>Total DSM Costs (All Components)</b>		<b>\$57,570,779</b>
<b>Revenue Tax Rate<sup>1</sup></b>		<b>1.6794%</b>
<b>Gross Revenue Conversion Factor</b>		<b>1.01708</b>
<b>Total DSM Revenue Requirement</b>		<b>\$58,554,130</b>
<b>Residential Customers</b>		<b>\$28,076,992</b>
<b>C&amp;I Customers</b>		<b>\$30,477,138</b>
<b>Total DSM Costs</b>		<b>\$58,554,130</b>

(1) GRCF based on December 31, 2017  
Source: Test Year Forecast

**Indiana Michigan Power  
Environmental Compliance Cost Rider (ECCR)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-4  
Page 1 of 1  
Existing Rider

	Total Company ECCR Cost	Indiana ECCR Cost
5090000 Allow Consum Title IV SO2	\$1,529,388	
Total Allowance Expense		\$1,529,388
Less: Allowances Associated with Off System Sales		\$259,513
Allowance Expense to Remove from Base Rates		\$1,269,875
4118007 Comp Allow Gains CSAPR SO2	\$6,000	
4118008 Comp Allow Gains CSAPR Seas Nox	\$75,000	
4118009 Comp Allow Gains CSAPR An NOx	\$35,000	
Less: Gains/(Losses) on Disposition of Allowances		\$116,000
Total Environmental Costs		\$1,153,875
Indiana Jurisdictional Energy Factor <sup>1</sup>		0.6348797
Indiana Environmental Compliance Costs		\$732,572

(1) Cause No. 44075

Source: Test Year Forecast

**Indiana Michigan Power  
Off-System Sales Margin Sharing Rider (OSS)  
Revenue Requirement/(Credit) - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-5  
Page 1 of 1  
Existing Rider

<b>Forecast Jurisdictional Costs</b>	<b>Source</b>	<b>IN/MI/FERC Demand</b>	<b>IN/MI/FERC Energy</b>	<b>Total</b>
Total Company OSS Margin Forecast	WP-CMH-3, page 1	\$27,978,284	(\$29,748,280)	(\$1,769,997)
Jurisdictional Allocation Factors <sup>1</sup>		64.65519%	63.48797%	
Indiana OSS Margin		<u>\$18,089,412</u>	<u>(\$18,886,579)</u>	<u>(\$797,167)</u>
Less: OSS Margin in Basic Rates				(\$26,900,000)
<b>Incremental OSS Margin</b>				<u>\$26,102,833</u>
Customer Share of Incremental Margins in Rider (50%)				(\$13,051,417)
Gross Revenue Conversion Factor (GRCF) <sup>2</sup>				1.7688%
GRCF Revenue Needed				(\$235,010)
<b>Total Rider (Credit)/Charge</b>				<u><u>(\$13,286,427)</u></u>

(1) Cause No. 44075

(2) GRCF based on I&M's last filing in Cause No. 43775, OSS-7  
Source: Test Year Forecast

**Indiana Michigan Power  
PJM Cost Rider (PJM)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-6  
Page 1 of 1  
Existing Rider

<b>Forecast Jurisdictional Costs</b>	<b>Source</b>	<b>IN/MI Retail Demand</b>	<b>IN/MI Retail Energy</b>	<b>IN/MI/FERC Demand</b>	<b>IN/MI/FERC Energy</b>	<b>Total</b>
Total Company PJM Cost Forecast	WP-CMH-4, page 1	\$20,448,004	\$0	\$13,272,685	\$13,976,000	\$47,696,689
Jurisdictional Allocation Factors <sup>1</sup>		82.26555%	82.04099%	64.65519%	63.48797%	
Indiana PJM Cost		\$16,821,663	\$0	\$8,581,480	\$8,873,079	\$34,276,222
Incremental Indiana PJM Contested Costs	WP-CMH-4, page 2	\$106,946,818	(\$162,307)	\$0	\$0	\$106,784,511
Less: Contested Costs Exceeding Jan 2017 - Jun 2018 Cap <sup>2</sup>	WP-CMH-4, page 3	(\$5,555,490)				(\$5,555,490)
Less: PJM Admin Costs in Basic Rates		\$0	\$0	\$5,224,801	\$0	\$5,224,801
Total PJM Net Revenue Requirement		\$118,212,991	(\$162,307)	\$3,356,679	\$8,873,079	\$130,280,442
Gross Revenue Conversion Factor (GRCF) <sup>3</sup>		1.7688%	1.7688%	1.7688%	1.7688%	1.7688%
GRCF Revenue		\$2,128,602	(\$2,923)	\$60,442	\$159,773	\$2,345,895
<b>PJM Revenue Requirement</b>		<b>\$120,341,593</b>	<b>(\$165,229)</b>	<b>\$3,417,121</b>	<b>\$9,032,852</b>	<b>\$132,626,336</b>

(1) Cause No. 44075

(2) Contested Costs based on Cause No. 43774 PJM-4 and PJM-4 S1

(3) GRCF based on I&M's last filing in Cause No. 43774, PJM-7

Source: Test Year Forecast

**Indiana Michigan Power  
Life Cycle Management Rider (LCM)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-7  
Page 1 of 1  
Existing Rider

	(A)	(B)		(C) Indiana Jurisdictional Total
<u>Line #</u>		<u>Source:</u>		<u>2018</u>
1	Depreciation Expense	WP-CMH-5, page 3	\$	19,477,966
2	Return on Electric Plant In-Service	WP-CMH-5, page 4	\$	39,649,481
3	Property Tax Expense	WP-CMH-5, page 5	\$	4,386,933
4	Amortization of Deferred Actual Costs for the period of 1/1/18 through 12/31/18	WP-CMH-5, page 6		\$440,565
5	Return on Construction Work in Progress (CWIP)	WP-CMH-5, page 7	\$	4,391,196
6	Amortization of Independent Monitor Costs & Carrying Costs 1/1/18 through 12/31/18	WP-CMH-5, page 8	\$	143,628
7	Revenue Requirement Subtotal	Sum Lines 1 through 8	\$	<u>68,489,770</u>
8	Gross Revenue Conversion Factor (GRCF)	WP-CMH-5, page 9		1.6794%
9	GRCF Revenue Required	Line 8 multiplied by (1/(1-Line 9)-1)		\$1,169,864
10	Total Revenue Requirement	Sum Lines 7 and 9		<u><u>\$69,659,634</u></u>

**Indiana Michigan Power  
Federal Mandate Rider (FMR)  
Rockport CCT Project (DSI)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-8  
Page 1 of 1  
Existing Rider

Line #	Description	Source:	100% Indiana Total Revenue Requirement			80% Indiana Total Revenue Requirement			20% Indiana Total Revenue Requirement		
			Indiana Demand Amount	Indiana Energy Amount	Indiana Total	Indiana Demand Amount	Indiana Energy Amount	Indiana Total	Indiana Demand Amount	Indiana Energy Amount	Indiana Total
1	DSI Depreciation Expense	WP-CMH-6, page 1	\$ 6,964,863		\$ 6,964,863	\$ 5,571,890		\$ 5,571,890	\$ 1,392,973		\$ 1,392,973
2	DSI Return on EPIS	WP-CMH-6, page 2	\$ 5,010,656		\$ 5,010,656	\$ 4,008,525		\$ 4,008,525	\$ 1,002,131		\$ 1,002,131
3	DSI Return on CWIP	WP-CMH-6, page 3	\$ 276,985		\$ 276,985	\$ 221,588		\$ 221,588	N/A		N/A
4	O&M Expenses	WP-CMH-6, page 4	\$ 837,543		\$ 837,543	\$ 670,035		\$ 670,035	\$ 167,509		\$ 167,509
5	Consumables	WP-CMH-6, page 4		\$ 13,108,556	\$ 13,108,556		\$ 10,486,845	\$ 10,486,845		\$ 2,621,711	\$ 2,621,711
6	DSI Incremental Property Taxes	(Future Use)	\$ -		\$ -				\$ -		\$ -
7	Revenue Requirement Subtotal	Sum of Lines 1 through 6	\$ 13,090,048	\$ 13,108,556	\$ 26,198,605	\$ 10,472,039	\$ 10,486,845	\$ 20,958,884	\$ 2,562,613	\$ 2,621,711	\$ 5,184,324
8	Gross Revenue Conversion Factor (GRCF)	WP-CMH-6, page 6	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%
9	GRCF Revenue Required	Line 7 multiplied by (1/(1-Line 8)-1)	\$223,589	\$223,905	\$ 447,494	\$178,871	\$179,124	\$ 357,995	\$43,772	\$44,781	\$ 88,553
10	Total Revenue Requirement	Sum Line 7 and 9	\$ 13,313,637	\$ 13,332,461	\$ 26,646,100	\$ 10,650,910	\$ 10,665,969	\$ 21,316,879	\$ 2,606,385	\$ 2,666,492	\$ 5,272,877

**Indiana Michigan Power  
Solar Power Rider (SPR)  
Clean Energy Solar Pilot Project (CESPP)  
Revenue Requirement - Test Year 2018**

Company Witness: Halsey  
Attachment CMH-9  
Page 1 of 1  
Existing Rider

Line #	Item	Source	2018
1	Depreciation Expense	WP-CMH-7, page 1	1,208,779
2	Pre-Tax Return	WP-CMH-7, page 1	1,854,346
3	Investment Tax Credit (ITC) Amortization	WP-CMH-7, page 2	(481,111)
4	Property Taxes	WP-CMH-7, page 2	329,283
5	Incremental O&M and Solar Forecasting Expenses	WP-CMH-7, page 2	286,760
6	Marketing Expense	WP-CMH-7, page 2	-
7	Green Power Rider Credits	WP-CMH-7, page 2	-
8	Revenue Requirement subtotal	Sum Lines 1 through 7	3,198,056
9	Gross Revenue Conversion Factor (GRCF)	WP-CMH-7, page 3	1.6794%
10	GRCF Costs	Line 8 multiplied by $(1/(1-\text{Line 9})-1)$	\$54,626
11	Total Revenue Requirement	Sum Lines 8 and 9	<u>3,252,682</u>

Source: Test Year Forecast

**Indiana Michigan Power**  
**Off System Sales / PJM Cost Rider (OSS/PJM)**  
**Revenue Requirement - Calendar Year 2018**

Company Witness: Halsey  
Attachment CMH-10  
Page 1 of 1  
Rider Proposal

Line #	Forecast Jurisdictional Costs	Source:	IN/MI Retail Only Demand	IN/MI Retail Only Energy	IN/MI/FERC Total Company Demand	IN/MI/FERC Total Company Energy	Total
<b>PJM</b>							
1	Total Company PJM Cost Forecast	WP-CMH-8, page 2	\$246,053,253	\$1,763,308	\$13,272,685	\$13,976,000	\$275,065,247
2	Jurisdictional Allocation Factors <sup>(1)</sup>	Company witness Stegall, Attachment JMS-1 P. 17	81.89071%	81.79487%	65.21029%	63.76832%	
3	Total Indiana PJM Costs	Line 1 times Line 2	\$201,494,756	\$1,442,295	\$8,655,157	\$8,912,260	\$220,504,468
<b>OSS</b>							
4	Total Company OSS Margin Forecast	WP-CMH-8, page 1			\$1,751,544	(\$29,748,280)	(\$27,996,737)
5	Jurisdictional Allocation Factors <sup>(1)</sup>	Company witness Stegall, Attachment JMS-1 P. 17			65.21029%	63.76832%	
6	Incremental Indiana OSS Margin	Line 4 times Line 5			\$1,142,187	(\$18,969,979)	(\$17,827,792)
7	Customer Share of Incremental Margins in Rider (50%)	Line 8 times 50% of OSS Sharing Margin			\$571,094	(\$9,484,990)	(\$8,913,896)
<b>TOTAL</b>							
8	(Over)/Under Recovery Balance <sup>(2)</sup>	(Future Use)	\$0	\$0	\$0	\$0	\$0
9	Total OSS & PJM Net Revenue Requirement	Line 3 plus Line 7 plus Line 8	\$201,494,756	\$1,442,295	\$9,226,251	(\$572,730)	\$211,590,572
10	Gross Revenue Conversion Factor (GRCF)	WP-CMH-8, page 3	1.6794%	1.6794%	1.6794%	1.6794%	1.6794%
11	GRCF Revenue Required	Line 11 multiplied by (1/(1-Line 12)-1)	\$3,441,703	\$24,636	\$157,592	(\$9,783)	\$3,614,148
12	Total OSS/PJM Rider (Credit)/Charge	Sum Lines 11 and 13	\$204,936,459	\$1,466,931	\$9,383,843	(\$582,513)	\$215,204,720

(1) Allocation factors requested in this case are supported by Company witness Stegall, see Attachment JMS-1 P. 17

(2) I&M will reconcile actual revenues and expenses associated with this rider in all subsequent rider updates

**Indiana Michigan Power**  
**Demand Side Management / Energy Efficiency Program Cost Rider (DSM/EE)**  
**3 Year DSM/EE Settlement & Compliance Program**

Company Witness: Halsey  
Attachment CMH-11  
Page 1 of 1  
Rider Proposal

Program Description	Total 3-year Settlement Program Costs	Total 2018 Proposed Program Costs	Total 2019 Proposed Program Costs
<b>Section 1 - DSM/EE Program Costs:</b>			
Home Energy Products	\$4,882,804	\$1,627,601	\$1,627,601
Income Qualified Weatherproofing	\$1,713,117	\$571,039	\$571,039
Schools Energy Education	\$1,987,062	\$662,354	\$662,354
Home Appliance Recycling	\$1,784,969	\$594,990	\$594,990
Home New Construction	\$1,466,093	\$488,698	\$488,698
Home Weatherproofing	\$1,554,429	\$518,143	\$518,143
Home Energy Engagement	\$6,798,120	\$2,266,040	\$2,266,040
Home Energy Management	\$6,232,009	\$2,077,336	\$2,077,336
Work Energy Management	\$4,068,667	\$266,477	\$270,505
Work Prescriptive Rebates	\$8,274,562	\$2,758,187	\$2,758,187
Work Custom Rebates	\$10,143,256	\$3,381,085	\$3,381,085
Work Direct Install	\$1,249,467	\$416,489	\$416,489
Public Efficient Streetlighting	\$4,550,520	\$1,516,840	\$1,516,840
<b>Total Direct Program Costs</b>	<b>\$54,705,075</b>	<b>\$17,145,280</b>	<b>\$17,149,307</b>
Indirect Program Costs:			
<b>Total Indirect Program Costs</b>	<b>\$4,135,000</b>	<b>\$1,378,333.33</b>	<b>\$0</b>
EECO Program Costs:			
Residential EECO (1)	\$4,542,725	\$178,632	\$570,621
C&I EECO (1)	\$593,200	\$23,326	\$74,513
<b>Total EECO Program Costs</b>	<b>\$5,135,925</b>	<b>\$201,958</b>	<b>\$645,134</b>
<b>Total PY 8 Direct, Indirect &amp; EECO Program Costs</b>	<b>\$63,976,000</b>	<b>\$18,725,571</b>	<b>\$17,794,442</b>
<b>Section 2 - Net Lost Revenues:</b>			
Residential	\$30,794,952	\$0	\$4,473,152
C&I			
EECO	\$326,414	\$0	\$0
Pre-Opt Out Measures - July 2014 Opt Out	\$29,149,997	\$0	\$0
Pre-Opt Out Measures - Jan. 2015 Opt Out	\$35,054,693	\$0	\$0
Pre-Opt Out Measures - Jan. 2016 Opt Out	\$45,029,305	\$0	\$0
Non-Opt Out Customer Portion	-\$40,535,442	\$0	\$3,110,211
<b>Total Net Lost Revenues</b>	<b>\$99,819,919</b>	<b>\$0</b>	<b>\$7,583,363</b>
<b>Section 3 - Shared Savings:</b>			
Residential	\$3,404,202	\$1,134,734	\$1,134,734
C&I, Non Opt Out Customers	\$2,983,571	\$994,523.67	\$994,524
<b>Total Shared Savings</b>	<b>\$6,387,773</b>	<b>\$2,129,258</b>	<b>\$2,129,258</b>
<b>Total 3 Year DSM Cost</b>	<b>\$170,183,692</b>	<b>\$20,854,829</b>	<b>\$27,507,062</b>
<b>Revenue Tax Rate</b>	1.7688%	1.6794%	1.6794%
<b>Gross Revenue Conversion Factor <sup>(1)</sup></b>	1.01801	1.01708	1.01708
<b>Total DSM Revenue Requirement</b>	<b>\$173,248,104</b>	<b>\$21,211,047</b>	<b>\$29,378,791</b>
<b>Residential Customers</b>	<b>\$72,800,645</b>	<b>\$12,446,075</b>	<b>\$17,394,318</b>
<b>C&amp;I Customers</b>	<b>\$100,447,459</b>	<b>\$8,764,974</b>	<b>\$11,984,473</b>
<b>Total DSM Costs</b>	<b>\$173,248,104</b>	<b>\$21,211,049</b>	<b>\$29,378,791</b>

\*GS excludes Non-Metered Customers

\*\*Rate for Tariff IS was reduced so that the total bill impact is in line with other tariff classes.

(1) Changed the GRCF for 2018 and 2019 based off of December 31, 2016 year ending value.

**Indiana Michigan Power**  
**Life Cycle Management Rider (LCM) Revenue Requirement**  
**Calendar Year 2018**

Company Witness: Halsey  
Attachment CMH-12  
Page 1 of 1  
Rider Proposal

(A)	(B)	(C)	
Line #	Line Description	Source:	Indiana Jurisdictional Total
1	Depreciation Expense	WP-CMH-10, page 3	\$ 218,010
2	Return on Net Plant in Service	WP-CMH-10, page 4	\$ 3,557,068
3	Property Tax Expense	WP-CMH-10, page 5	\$ -
4	Amortization of Deferred Costs	WP-CMH-10, page 6	\$ 440,565
5	Amortization of and Return on Deferred Independent Monitor Costs	WP-CMH-10, page 7	\$ 144,862
6	(Over)/Under Recovery Balance <sup>(1)</sup>	(Future Use)	\$ -
7	Revenue Requirement Subtotal	Sum Lines 1 through 7	<u>\$ 4,360,505</u>
8	Gross Revenue Conversion Factor (GRCF)	WP-CMH-10, page 8	1.6794%
9	GRCF Revenue Required	Line 8 multiplied by (1/(1-Line 9)-1)	\$74,481
10	Forecast Total Revenue Requirement	Sum Lines 8 and 10	<u>\$ 4,434,986</u>

(1) I&M will reconcile actual revenues and expenses associated with this rider in all subsequent rider updates

**Indiana Michigan Power  
Environmental Cost Rider (ECR)  
Revenue Requirement - Calendar Year 2018**

Company Witness: Halsey  
Attachment CMH-13  
Page 1 of 1  
Rider Proposal

Line #		Source:	Indiana Total Revenue Requirement		
			Indiana Demand Amount	Indiana Energy Amount	Indiana Total Amount
1	Allowances & Consumables	WP-CMH-11, Page 1		\$ 17,430,108	\$ 17,430,108
2	(Over)/Under Recovery Balance <sup>(1)</sup>	(Future Use)	\$ -	\$ -	\$ -
3	Revenue Requirement Subtotal	Sum Lines 1 and 2	\$ -	\$ 17,430,108	\$ 17,430,108
4	Gross Revenue Conversion Factor (GRCF)	WP-CMH-11, Page 3	1.6794%	1.6794%	1.6794%
5	GRCF Revenue Required	Line 3 multiplied by (1/(1-Line 4)-1)	\$0	\$297,721	\$297,721
6	Forecast Total Revenue Requirement	Sum Lines 3 and 5	\$ -	\$ 17,727,829	\$ 17,727,829

(1) I&M will reconcile actual revenues and expenses associated with this rider in all subsequent rider updates.

**Indiana Michigan Power  
Resource Adequacy Rider (RAR)  
Revenue Requirement - Calendar Year 2018**

Company Witness: Halsey  
Attachment CMH-14  
Page 1 of 1  
Rider Proposal

Line #	Resource Adequacy Rider (RAR)	Source:	
1	Total Company Ohio Valley Electric Corporation Purchased Power Expense <sup>(1)</sup>	WP-CMH-12, Page 1	\$26,226,740
2	LESS: Total Company OVEC in Base Rates	WP-CMH-12, Page 1	(\$26,226,740)
3	Incremental Total Company OVEC Expenses	Line 1 plus Line 2	\$0
4	Total Company American Electric Generating (AEG) Purchased Power Expense <sup>(1)</sup>	WP-CMH-12, Page 1	\$143,656,615
5	LESS: Total Company AEG in Base Rates	WP-CMH-12, Page 1	(\$143,656,615)
6	Incremental Total Company AEG Purchase Power Expense	Line 4 plus Line 5	\$0
7	(Over)/Under Recovery Balance <sup>(2)</sup>	(Future Use)	\$0
8	Jurisdictional Allocation Factors <sup>(3)</sup>	Company witness Stegall, see Attachment JMS-1 P. 17	65.21029%
9	Total Indiana Jurisdictional RAR Cost	Line 7 times Line 8	<u>\$0</u>
10	Gross Revenue Conversion Factor (GRCF)	WP-CMH-12, Page 2	1.6794%
11	GRCF Revenue Required	Line 9 multiplied by (1/(1-Line 10)-1)	\$0
12	<b>Total Rider (Credit)/Charge</b>	Line 9 plus Line 11	<u><u>\$0</u></u>

(1) Purchase Power expense excludes expenses recovered through I&M's fuel adjustment clause (FAC)  
(2) I&M will reconcile actual revenues and expenses associated with this rider in all subsequent rider updates  
(3) Allocation factors requested in this case are supported by Company witness Stegall, see Attachment JMS-1 P. 17