

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER)
COMPANY, AN INDIANA CORPORATION, FOR)
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR ELECTRIC UTILITY SERVICE)
THROUGH A PHASE IN RATE ADJUSTMENT; AND)
FOR APPROVAL OF RELATED RELIEF INCLUDING:)
(1) REVISED DEPRECIATION RATES, INCLUDING)
COST OF REMOVAL LESS SALVAGE, AND)
UPDATED DEPRECIATION EXPENSE; (2))
ACCOUNTING RELIEF, INCLUDING DEFERRALS)
AND AMORTIZATIONS; (3) INCLUSION OF CAPITAL)
INVESTMENT; (4) RATE ADJUSTMENT)
MECHANISM PROPOSALS, INCLUDING NEW)
GRANT PROJECTS RIDER AND MODIFIED TAX)
RIDER; (5) A VOLUNTARY RESIDENTIAL)
CUSTOMER POWERPAY PROGRAM; (6) WAIVER)
OR DECLINATION OF JURISDICTION WITH)
RESPECT TO CERTAIN RULES TO FACILITATE)
IMPLEMENTATION OF THE POWERPAY)
PROGRAM; (7) COST RECOVERY FOR COOK)
PLANT SUBSEQUENT LICENSE RENEWAL)
EVALUATION PROJECT; AND (8) NEW SCHEDULES)
OF RATES, RULES AND REGULATIONS)

CAUSE NO. 45933

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

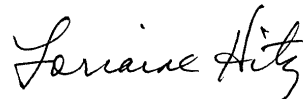
PUBLIC'S EXHIBIT NO. 6

TESTIMONY OF OUCC WITNESS

BRIAN A. WRIGHT

NOVEMBER 15, 2023

Respectfully submitted,



Lorraine Hitz
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Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS BRIAN A. WRIGHT
CAUSE NO. 45933
INDIANA MICHIGAN POWER COMPANY**

I. INTRODUCTION

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

2 A: My name is Brian A. Wright, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, IN, 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst II in the Electric Division for the Indiana Office
6 of Utility Consumer Counselor ("OUCC"). A summary of my qualifications can be
7 found in Appendix A.

8 **Q: What is the purpose of your testimony?**

9 A: I recommend denial of Indiana Michigan Power Company's ("I&M" or
10 "Petitioner") request for establishment of a Grants Project Rider ("GPR") to recover
11 costs for projects eligible to receive state and federal grants. I also address I&M's
12 intention to seek grant funding for supplying rural "middle mile" broadband
13 service. OUCC Witness Wes Blakley further discusses the ratemaking aspects of
14 the Grants Project Rider.

15 **Q: What did you do to prepare for your testimony?**

16 A: I reviewed I&M's verified petition, direct testimony, and exhibits submitted in this
17 Cause. I also reviewed I&M's responses to data requests submitted by the OUCC
18 and other interested parties.

19 **Q: To the extent you do not address a specific item or adjustment, does this mean
20 you agree with those portions of I&M's proposals?**

21 A: No. Excluding any specific adjustments, issues or amounts I&M proposes does not
22 indicate my approval of those adjustments, issues, or amounts. Rather, the scope of

1 my testimony is limited to the specific items addressed herein.

2 **II. GRANTS PROJECT RIDER**

2 **Q: Briefly describe I&M's proposed Grants Project Rider ("GPR").**

3 A: I&M's parent company, AEP, is currently seeking grants through the federal
4 government's Grid Resilience and Innovation Partnerships ("GRIP") Program. The
5 grants would focus on various projects to improve or update grid infrastructure,
6 such as burying underground lines, routine replacement of aging infrastructure, and
7 distribution management software.¹ Grant funding must be met with at least one-
8 to-one matching funds from the entity receiving the grant.² AEP would apply for
9 each grant, then would calculate each individual AEP subsidiary's (in this case,
10 I&M) share of the grant money AEP receives. That calculation would also state the
11 matching funds each member utility would be expected to contribute according to
12 an internal formula developed by AEP. The utilities' allocated grant amount and
13 share of matching funds may be adjusted based on the utilities' actual needs.³ In
14 addition to matching grant funds, I&M would be expected to pay a share of the
15 grant preparation and management costs.

16 I&M proposes to establish the GPR to track expenses and grant awards for
17 AEP projects that are eligible for any state and federal grants. I&M states it would
18 only seek recovery of expenses for projects that are not included in the Capital
19 Forecast. Grant awards received for all projects would be credited through the

¹ I&M Response to OUCC DR 4, Confidential Att. BAW-1.

² Direct Testimony of Scott Osterholt, Figure SSO-3, p.12.

³ Osterholt Direct, p.13, ll. 1-9.

1 tracker.⁴ I&M is also seeking recovery of grant writing and application costs for all
2 grant-eligible projects through the tracker.⁵

3 **Q: Please describe the expedited approval process I&M requests for the GPR.**

4 A: I&M seeks a new 90-day expedited grant project Commission review and approval
5 for future grant projects with new technologies and business practices that have not
6 previously received Commission approval.⁶

7 **Q: Would I&M's proposed GPR help I&M in securing current GRIP program**
8 **grants?**

9 A: No. The final grant negotiations and awards will be completed by Winter 2023,
10 before a Final Commission Order in this cause.⁷ AEP has already been awarded
11 grant money for its member utilities' Advanced Distribution Management System
12 ("ADMS") and Distributed Energy Resource Management System ("DERMS").⁸
13 Therefore, the proposed rider, expedited review, and approval process would not
14 help I&M/AEP to secure the current round of GRIP Program grants.

15 **Q: Does I&M's GPR proposal lack important details about how the GPR and**
16 **expedited review process would function?**

17 A: Yes. I&M indicated it may pursue grid infrastructure grants under the GRIP
18 Program and various technologies not previously approved by the Commission.⁹
19 But at a basic level, I&M has not directed the Commission to any statute under
20 which it would pursue GPR recovery. I&M has not identified any rule or authority

⁴ Direct Testimony of Dona Seger-Lawson, p. 26, ll. 5-28.

⁵ Seger-Lawson Direct, p. 27, ll. 2-14.

⁶ Seger-Lawson Direct, p. 30, ll. 3-29.

⁷ <https://www.energy.gov/gdo/frequently-asked-questions-grid-resilience-and-innovation-partnerships-grip-program>, Schedule section.

⁸ <https://www.aep.com/news/releases/read/9166/AEP-Selected-to-Receive-Federal-Grant-to-Enhance-Grid-Reliability>

⁹ Seger-Lawson Direct, p. 30, ll. 5-7.

1 that authorizes the GPR or the expedited approval process. Depending on their
2 nature, future grant projects may require Commission issuance of a Certificate of
3 Public Convenience and Necessity (“CPCN”) for new utility generation under I.C.
4 ch. 8-1-8.5, approval as a clean energy project and associated incentives under I.C.
5 ch. 8-1-8.8, or approval under a different statute. I&M seeks a one-size-fits-all
6 approach for these grants when the type of project, applicable statute, and grant
7 process for each could vary widely. This one-size-fits-all approach is neither
8 appropriate nor reasonable.

9 **Q: What types of projects does I&M say it would seek approval for under the**
10 **proposed GPR expedited approval process?**

11 A: In addition to the grid infrastructure projects being applied for funding in the GRIP
12 Project, I&M would potentially seek any project that could qualify for state and
13 federal grants. According to I&M witness Dona Seger-Lawson, I&M may seek
14 Commission approval for “Advanced Technology projects that the Commission
15 may not have previously approved.”¹⁰ This vague description would allow I&M to
16 seek approval of virtually any project without seeking proper approval under the
17 applicable statutes or showing a sufficient relation to providing electric service.

18 **Q: What information would I&M file in support of GPR filings and reports?**

19 A: Petitioner’s testimony is ambiguous about the information it would provide in both
20 the initial filing for approval of projects under the expedited process and the
21 progress reports in the GPR. I&M promises that petitions under the expedited GPR
22 would provide detailed costs and benefits, but I&M failed to provide such

¹⁰ Seger-Lawson Direct, p. 30, ll. 5-8.

1 information in this docket.¹¹ I&M witness Scott Osterholt does not even provide a
2 basic description of the projects for which I&M is seeking grant funding, nor does
3 he provide any cost benefit analysis for these projects. Absent such information,
4 the OUCC and other parties would have to issue discovery, which can be a time-
5 consuming process requiring multiple rounds. I&M has not committed to provide
6 a sufficient level of detail needed to properly evaluate any proposal under the
7 expedited process.

8 **Q: Is the expedited approval process justified?**

9 A: No. I&M has not provided a single example of a grant it applied for that it did not
10 receive because it did not have an expedited process of 90 days. Like other utilities,
11 Petitioner has been able to proceed with applications on the current round of GRIP
12 Program grants without such a process being in place.¹² Further, water utilities in
13 Indiana have pursued grants for years without seeking the creation of new trackers
14 specifically in conjunction with those grants.¹³

¹¹ Seger-Lawson Direct, p. 30, ll. 22-24.

¹² For example, in its recent base rate case, AES Indiana reported applying for GRIP grants in partnership with the Indiana Office of Energy Development and other Indiana utilities as well as another DOE grant. (Cause No. 45911, Direct Testimony of AES Indiana witness Kenneth J. Zagzebski (Filed November 6, 2023), pp. 11-12. Mr. Zagzebski adopted the testimony of AES Indiana witness Kristina Lund, which was originally filed on June 28, 2023.)

See also, Osterholt Direct, Figure SSO-4, p. 13, and Attachment SSO-4.

¹³ *In re Petition of City of Ft. Wayne*, Cause No. 45777, 2023 WL 2674279 (Ind. Util. Regul. Comm'n Mar. 22, 2023) (municipality intended to seek grants and low interest loans from the State Revolving Fund ("SRF") Program and other funding agencies to try to expedite lead line replacement process); *Petition of Ind.-Amer. Water Co.*, Cause No. 42351 DSIC-6, 2010 WL 4233039 (Ind. Util. Regul. Comm'n Oct. 20, 2010) (utility filed with SRF for grants and loans for infrastructure improvement projects and offset customer rates for reimbursements and contributions); *In re Petition of City of Marion*, Cause No. 45838, 2023 WL 5089012 (Ind. Util. Regul. Comm'n Aug. 2, 2023) (municipal utility to apply for a low interest loan or grant from the SRF Program to fund infrastructure).

1 According to I&M's own testimony, it intends to use this process in the
2 future to seek approval of technologies and practices that have not previously been
3 brought before the Commission.¹⁴ I&M has sought approval for an expedited
4 process that it has not established a need for while setting a tight timeline that would
5 deprive the public and interested parties of enough time to properly evaluate and
6 testify regarding such new projects.

7 **Q Given the outstanding questions about how the GPR and expedited approval**
8 **process would function, should I&M's request for the creation of the GPR be**
9 **approved?**

10 A: No. I&M has failed to provide critical details such as an authorizing statute,
11 reporting guidelines, and basic requirements for the filings. This tracker could
12 encourage I&M to invest in projects that are either unnecessary or unrelated to the
13 provision of electric utility service. I&M's share of the projects will certainly
14 increase costs to customers. Any utility investment must be justified on its own
15 merit rather than upon the grant subsidy related to it.

16 **Q What do you recommend regarding the GPR?**

17 A: The Commission should reject I&M's request for establishment of the GPR and
18 expedited review process. Neither is necessary for I&M to pursue and receive the
19 current round of GRIP Program grants.

III. BROADBAND

20 **Q: Briefly describe I&M's proposed fiber project.**

21 A: The Delaware and Grant Middle Mile Connect ("DG MMC") project would install
22 approximately 256 miles of 144-strand fiber optic cable in Delaware and Grant

¹⁴ Seger-Lawson Direct, p. 30, ll. 5-8.

1 Counties.¹⁵ About two-thirds of the installed fiber capacity would be reserved for
2 I&M's internal communications needs such as monitoring smart grid infrastructure.
3 I&M intends to lease the remaining dark (unused) fiber to internet service providers
4 ("ISPs") to supply broadband internet services in underserved areas. I&M may
5 install additional fiber capacity at the request of the ISP if additional resources are
6 needed for providing internet services.¹⁶

7 **Q: Is broadband internet related to the provision of providing electric service?**

8 A: No. Supplying broadband internet access is outside the scope of electric service and
9 does not increase the reliability, affordability, resilience, stability, or environmental
10 sustainability of I&M's electric power grid or service. The OUCC recognizes the
11 need to expand high speed internet access to rural communities and supports
12 initiatives accomplishing this objective. However, if an investor-owned electric
13 utility seeks to do this work, it should do so with company and shareholder dollars,
14 and not expect electric ratepayers to foot the bill. It is inappropriate for I&M to ask
15 electric ratepayers to cover the costs of investments and initiatives not specifically
16 needed for the provision of electric utility service. Allowing I&M to use its electric
17 service infrastructure to provide broadband infrastructure and service to ISPs – and
18 to recover those costs through its electric customers' rates – would go against
19 decades of fundamental ratemaking standards and would be a dangerous precedent

¹⁵ Osterholt Direct, p.26, ll. 4-6.

¹⁶ Osterholt Direct, p. 27, lines 21-26.

1 because I&M's electric customers would be funding a capital investment for a non-
2 electric business venture.

3 **Q: Does I&M's case-in-chief express support for the broadband project from**
4 **elected officials, schools, and economic development organizations?**

5 A: Yes. A series of letters is included with the testimony of I&M witness Katherine K.
6 Davis (Attachment KKD-1) endorsing the DG MMC project. The OUCC agrees
7 with and supports the benefits of rural broadband service expansion as expressed
8 in these letters. But in response to discovery, Petitioner confirms that none of the
9 letters specifically address cost recovery for the project, and admits that none of the
10 letters endorse electric rate recovery to pay for broadband initiatives.¹⁷

11 **Q: Does I&M need to install additional fiber optic infrastructure to provide the**
12 **middle-mile broadband service?**

13 A: Yes. According to Mr. Osterholt's testimony, at least \$11.7 million of the total
14 \$41.1 million DG MMC project cost is devoted to the broadband project.¹⁸ This
15 amount does not include administrative costs, O&M costs for broadband
16 infrastructure, and grant writing costs for the National Telecommunications and
17 Information Administration ("NTIA") broadband grant.

18 **Q: Does the proposed NTIA grant cover the costs of installation of fiber optic**
19 **infrastructure intended for use in I&M's electric service infrastructure?**

20 A: No. According to Mr. Osterholt's testimony, the NTIA requested that I&M remove
21 non-broadband costs from the grant application.¹⁹ Thus, the grant would only cover
22 costs incurred solely for the purpose of creating broadband internet access

¹⁷ I&M Response to OUCC DR 16-1, Att. BAW-2.

¹⁸ Osterholt Direct, pp. 28-29.

¹⁹ Osterholt Direct, p. 28, l. 23 – p. 29, l. 6.

1 infrastructure. This grant would not cover costs of fiber optic resources installed
2 for electric service and would not benefit I&M ratepayers.

3 **Q: Should broadband investment be accounted for separately from I&M's**
4 **electric service and rate base?**

5 A: Yes. Investment in broadband to provide internet service to ISPs should not be
6 included in the calculation of electric utility rates and billed to electric customers,
7 as it is not used and useful in providing electric service to electric utility ratepayers.

IV. RECOMMENDATIONS

8 **Q: What are your recommendations?**

9 A: I recommend the Commission:

- 10 1. Deny I&M's request to establish the GPR; and
11 2. Encourage I&M to recover of costs associated with supplying broadband
12 service.

13 **Q: Does this conclude your testimony?**

14 A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS BRIAN A. WRIGHT

1 **Q: Summarize your professional background and experience.**

2 A: I graduated from Beloit College in 1997 with a Bachelor of Arts degree in Biology.

3 I worked for nine years as a policy director with the Hoosier Environmental

4 Council. I actively worked on state and federal rulemakings in regard to coal

5 combustion residuals (CCR) and mercury emissions from power plants. I graduated

6 from Indiana University, Bloomington in May 2010 with a Master of Public Affairs

7 degree and a Master of Science degree in Environmental Science. During graduate

8 school, I was a consultant for EarthJustice and Citizens Coal Council and worked

9 to identify ground and surface water contamination at CCR disposal sites. I served

10 as a graduate assistant for a toxicology course offered at the School of Public and

11 Environmental Affairs. I worked for nine years as an environmental manager in the

12 Indiana Department of Environmental Management's Office of Air Quality. I have

13 been employed by the OUCC since January 2022.

14 **Q: Describe some of your duties at the OUCC.**

15 A: I review and analyze utilities' requests and file recommendations on behalf of

16 consumers in utility proceedings. Depending on the case at hand, my duties may

17 also include analyzing state and federal regulations, evaluating rate design and

18 tariffs, examining books and records, inspecting facilities, and preparing various

19 studies. Since my expertise lies in environmental science and policy, I assist in

20 many cases where environmental compliance is an issue.

21 **Q: Have you previously provided testimony to the Commission?**

22 A: Yes.

ATTACHMENT BAW-1

170 PAGES

CONFIDENTIAL

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. OUCC Set 16
IURC CAUSE NO. 45933-IN Base Case 2024 TY

DATA REQUEST NO OUCC 16-1

REQUEST

Please refer to the testimony and exhibits of Katherine K. Davis. Regarding Attachment KKD-1:

a.: Admit or deny that none of the letters in this attachment address electric ratepayer funding for broadband initiatives. If your answer is anything but an unconditional admission, identify the specific language in each letter, by author, that addresses electric ratepayer funding.

b.: Admit or deny that none of the letters in this attachment endorse electric rate increases or electric rate recovery to pay for broadband initiatives. If your answer is anything but an unconditional admission, identify the specific language in each letter, by author, that addresses electric rate increases.

RESPONSE

a. -b. Admit. Although the letters do not specifically address cost recovery of the broadband project, the letters indicate overall support for Indiana Michigan Power to move forward with these projects. These projects would help build the infrastructure to bring much needed high-speed broadband to the rural communities.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Brian A. Wright
Utility Analyst II
Indiana Office of Utility Consumer Counselor
Cause No. 45933
Indiana Michigan Power Co.

November 15, 2023
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 6 OUCC Witness Brian A. Wright* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 15, 2023.

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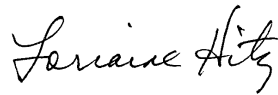
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