

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M) FOR AN ORDER)
AUTHORIZING (1) PRE-APPROVAL OF A)
CAPACITY PURCHASE AGREEMENT (CPA))
AND (2) TIMELY RECOVERY OF COSTS)
THROUGH I&M'S RESOURCE ADEQUACY)
RIDER (RAR) OF THE COST OF CAPACITY I&M)
WILL INCUR UNDER THE CPA.)

CAUSE NO. 45869

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS DEREK J. LEADER

JUNE 15, 2023

Respectfully submitted,



T. Jason Haas
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TESTIMONY OF OUCC WITNESS DEREK J. LEADER
CAUSE NO. 45869
INDIANA MICHIGAN POWER

I. INTRODUCTION

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

2 A: My name is Derek J. Leader, and my business address is 115 West Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor (“OUCC”) as a Utility Analyst. My
5 qualifications are set forth in Appendix A of this document.

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

7 A: My testimony addresses Indiana Michigan Power Company’s (“I&M” or
8 “Petitioner”) request for the Indiana Utility Regulatory Commission
9 (“Commission”) to approve the Montpelier Capacity Purchase Agreement (“CPA”)
10 and authorize I&M to recover associated costs throughout the terms of the
11 Montpelier CPA via the Company’s existing Resource Adequacy Rider (RAR) or
12 successor rate adjustment mechanism. I recommend approval of I&M’s request to
13 recover contracted capacity costs through its RAR and I&M’s development cost
14 recovery approval be limited to the return of the \$142,000 presented in this filing.
15 My testimony supports the testimony of OUCC witness Kaleb G. Lantrip.

16 **Q: Please describe the review and analysis you conducted to prepare your**
17 **testimony.**

18 A: I reviewed I&M’s Petition, prefiled testimony, exhibits, and workpapers in this
19 proceeding. I met with other OUCC staff and discussed issues in the case. I also
20 reviewed the four solar projects proposed in Cause No. 45868.

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

3 A: No. Excluding any specific adjustments or issues I&M proposes does not indicate
4 my approval of those adjustments or issues. Rather, the scope of my testimony is
5 limited to the specific items addressed herein.

6 **Q: Are you sponsoring any attachments?**

7 A: Yes. I am sponsoring OUCC Attachment DJL – 1, an I&M press release.

II. I&M'S REQUEST AND CASE BACKGROUND

8 **Q: Please describe I&M's request in this Cause.**

9 A: I&M is seeking approval of the Montpelier CPA and authorization to recover
10 associated costs. The CPA would provide “for the purchase of 210 MW of PJM
11 accredited capacity beginning in PJM capacity year 2027/2028 (or June 1, 2027)
12 and ending with the PJM capacity year 2033/2034 (or May 31, 2034).”¹ I&M also
13 seeks to recover the CPA's development costs as well as the direct costs.²

14 **Q: What is the status of I&M's generation?**

15 A: In a recent press release, I&M stated:

16 I&M has at its availability various sources of generation including
17 2,278 MW of nuclear generation in Michigan, 450 MW of
18 purchased wind generation from Indiana, more than 22 MW of
19 hydro generation in both states and approximately 35 MW of large-
20 scale solar generation in both states. The company's generation
21 portfolio also includes 2,620 MW of coal-fueled generation in
22 Indiana.³

23 Currently, I&M has a total of 5,404 MWs available from various sources.

¹ Petition, page 4.

² Petition, page 4.

³ OUCC attachment DJL – 1.

1 **Q: What is the future of I&M's generation?**

2 A: I&M describes itself as "on the brink of a major generation transformation."⁴ I&M
3 plans to retire Rockport Units 1 and 2 by the end of 2028, coal power units capable
4 of producing 2,600 MW together. Most of this lost capacity will be made up with
5 intermittent renewables, but the Montpelier gas facility will provide firm capacity.⁵

6 **Q: What is the status of the Montpelier facility?**

7 A: Montpelier Electric generating station is a 236-megawatt (MW) operating power
8 station in Poneto, Indiana (Wells County). It consists of four gas turbines, each
9 brought online in 2001.⁶ It was acquired by Rockland Capital in May 2018.

III. AFFORDABILITY

10 **Q: Does the OUCC have concerns about the affordability of I&M's proposal?**

11 A: Yes. Through Indiana Code § 8-1-2-0.5, the Indiana General Assembly declared a
12 policy recognizing utility service affordability for present and future generations. It
13 indicates affordability should be protected when utilities invest in infrastructure
14 necessary for system operation and maintenance.⁷

15 **Q: How does the issue of affordability tie into I&M's request?**

16 A: In March 2023, the typical I&M residential customer using 1,000 kWh per month
17 paid (excluding taxes) \$157.98 for their electric bill.⁸ The four solar projects I&M
18 has proposed in Cause No. 45868 are expected to raise rates by about 1.7%.⁹ I&M
19 has estimated the average year 1 rate impact of the Montpelier CPA on all rate

⁴ Petition, page 6, ¶ 17.

⁵ Direct Testimony of David A. Lucas, p. 6, l. 3-8.

⁶ Global Energy Monitor, Montpelier Electric Generating Station Global Energy Monitor (2023),
https://www.gem.wiki/Montpelier_Electric_generating_station (last visited May 30, 2023).

⁷ I.C. § 8-1-2-.05

⁸ Cause No. 38702 FAC 90, Direct Testimony of Michael Eckert.

⁹ Cause No. 45868, Direct Testimony of Andrew J. Williamson, p. 18, l. 15

1 classes to be approximately 0.4%.¹⁰ Together, that would be a raise of 2.1%, or
2 about \$3.32. In light of the Indiana General Assembly's policy, affordability should
3 be a constant consideration for all Indiana jurisdictional utilities, as well as the
4 Commission as it deliberates its decisions.

IV. CAPACITY REQUIREMENT

5 **Q: Why is the Montpelier CPA being proposed at this time?**

6 A: I&M requires new capacity due to the planned Rockport Units 1 and 2 retirements
7 from service by the end of 2028. The solar projects in Cause No. 45868 are intended
8 to partly replace this capacity, with Montpelier covering the intermittence of solar
9 power.

10 **Q: How much capacity is required to replace Rockport Units 1 and 2?**

11 A: Together, as of December 2020, when I&M's most recent IRP was developed,
12 Rockport Units 1 and 2 provided 2,132 MW of PJM unforced capacity.¹¹ I&M
13 assumes Rockport Unit 1 will operate through 2028. Unit 2 will be used as a
14 capacity only resource until May 31, 2024, after which it will transition to a
15 merchant resource in the PJM wholesale market until retirement.¹² Beginning in
16 2024, I&M's capacity shortfall is greater than 300 MW as Rockport Unit 2 will no
17 longer be a capacity resource.¹³ Once Rockport Unit 1 retires in 2028, the capacity
18 shortfall increases to approximately 1,500 MW.¹⁴

¹⁰ Direct Testimony of Andrew Williams, p. 6, l. 21.

¹¹ Direct Testimony of Mark Becker, Attachment MAB-1, p. 59.

¹² Direct Testimony of David Lucas, p. 5, lines 6-16.

¹³ Becker Direct, p. 7, lines 18-20.

¹⁴ Becker Direct., p. 7, lines 22-23.

V. RECOMMENDATIONS

1 **Q: What do you recommend?**

2 A: I recommend the Commission approve I&M's request to recover the Montpelier
3 CPA costs through its RAR over the 7-year contract. The Montpelier CPA is
4 reasonable and in the public interest.

5 Additionally, as discussed in the testimony of OUCC witness Kaleb Lantrip, I
6 recommend I&M be allowed to recover, on a "return of" basis only, its \$142
7 thousand of CPA development costs through the RAR over its requested two-year
8 period. I further recommend I&M not be allowed to seek recovery of development
9 costs over and above the \$142 thousand through the RAR filing, unless subject to
10 Commission approval, based upon the support provided for these costs.

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

12 A: Yes.

APPENDIX A
QUALIFICATIONS OF DEREK J. LEADER

1 **Q: Please describe your educational background and experience.**

2 A: I graduated with a Bachelor of Art degree in Economics from Trinity University in
3 San Antonio, Texas, in 2012, and acquired a second bachelor's degree in Math from
4 Western Governors University out of Salt Lake City, Utah in 2016. I worked as an
5 accountant for Defense Finance and Accounting from May 2011 to August 2011. I
6 was a student trainee at Fort Carson's U.S. Army Dental Activity from July 2012
7 to September 2012. I worked at Rose-Hulman Institute of Technology as a
8 recreation assistant from August 2013 to November 2013.

9 I did my student teaching at Northview High School of Clay County from
10 August to November of 2015. I taught high school math at Shiloh CUSD#1 in
11 Hume, Illinois from August 2016 to July 2017. I taught math, science, and social
12 studies at George W. Julian 57 from August 2017 to July 2018. I taught math and
13 robotics at Woodrow Wilson Middle School from August 2018 to January 2019. I
14 taught math at Marion High School from August 2019 to July 2021. I taught math
15 at Riverton Parke Jr/Sr High School from August 2021 to July 2022.

16 I began my career with the OUCC in August 2022. As part of my continuing
17 education, I have attended the Michigan State University Institute of Public Utilities
18 Annual Regulatory Studies Program - Fundamentals Course on August 8-12, 2022,
19 and the Advanced Cost Allocation and Rate Design Course on November 14-17,
20 2022. I have also taken Fundamentals of Utility Law presented by Scott Hempling
21 and NARUC Regulatory Training Initiative.

I&M TO RAISE RESERVOIR LEVEL AT ELKHART HYDROELECTRIC PLANT

March 14, 2023

ELKHART, Ind., – On the first day of spring, Monday, March 20, Indiana Michigan Power (I&M) will begin raising the water level upstream of the Elkhart Hydroelectric Plant, which is located on the St. Joseph River.

The reservoir was lowered two feet in December 2022 to reduce ice buildup and flooding upstream. The reservoir will slowly be raised to its spring and summer time operating level, approximately six inches per day, over a three-to-four-day period. Those who live along the St. Joseph River, within eight miles upstream of the Elkhart Hydroelectric Plant, should be aware of the change in water levels.

I&M runs the Elkhart Hydroelectric Plant in accordance with its license issued by the Federal Energy Regulatory Commission. The Elkhart Hydroelectric Plant has been owned and operated by I&M since 1913. It is one of six run-of-river hydroelectric plants on the St. Joseph River. "Run-of-river" means all the water goes through the generation equipment inside the hydroelectric facility before the water is passed out of the facility and returned to the river.

Combined, I&M's six hydroelectric facilities generate more than 22 megawatts of electricity – enough to power 15,000 homes a year.

###

Indiana Michigan Power (I&M) is headquartered in Fort Wayne, and its approximately 2,100 employees serve more than 600,000 customers. More than 80% of its energy delivered in 2021 was emission-free. I&M has at its availability various sources of generation including 2,278 MW of nuclear generation in Michigan, 450 MW of purchased wind generation from Indiana, more than 22 MW of hydro generation in both states and approximately 35 MW of large-scale solar generation in both states. The company's generation portfolio also includes 2,620 MW of coal-fueled generation in Indiana.

American Electric Power, based in Columbus, Ohio, is powering a cleaner, brighter energy future for its customers and communities. AEP's approximately 17,000 employees operate and maintain the nation's largest electricity transmission system and more than 224,000 miles of distribution lines to safely deliver reliable and affordable power to 5.5 million regulated customers in 11 states. AEP also is one of the nation's largest electricity producers with approximately 31,000 megawatts of diverse generating capacity, including more than 6,900 megawatts of renewable energy. The company's plans include growing its renewable generation portfolio to approximately 50% of total capacity by 2032. AEP is on track to reach an 80% reduction in carbon dioxide emissions from 2005 levels by 2030 and has committed to achieving net zero by 2045. AEP is recognized consistently for its focus on sustainability, community engagement, and diversity, equity and inclusion. AEP's family of companies includes utilities AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana, east Texas and the Texas Panhandle). AEP also owns AEP Energy, which provides innovative competitive energy solutions nationwide. For more information, visit [aep.com](https://www.aep.com)



Elkhart Hydroelectric Plant

Related Stories

AFFIRMATION

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



Derek J. Leader
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45869
Indiana Michigan Power Co.

June 15, 2023

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Testimony Kaleb G. Lantrip* has been served upon the following parties of record in the captioned proceeding by electronic service on June 15, 2023.

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