

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) ) CAUSE NO. 45869  
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. )

**SUBMISSION OF REVISION TO DIRECT TESTIMONY**

Petitioner, Indiana Michigan Power Company ("I&M", "Petitioner", or "Company"),  
by counsel, respectfully submits its corrections to the following direct and rebuttal  
testimony:

- I&M Witness Williamson's direct testimony, page 5. A typographical error  
was discovered on line 23, the year "2022" should read "2023" and has  
been corrected.

A clean revised copy will also be included in the court reporter copy offered into  
evidence at the hearing.

Respectfully submitted,



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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served this 23rd day of June, 2023, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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**Q12. Is this proposal consistent with Commission approved treatment of other purchased capacity costs?**

Yes. This proposal is consistent with the purpose of the RAR recovery mechanism the Commission approved in Cause Nos. 44967 and 45576. The RAR tracks incremental changes in the Company's non-fuel<sup>1</sup> purchased power costs, compared to the amount embedded in base rates.

**Q13. Is I&M requesting ratemaking and accounting treatment for the CPA development costs?**

Yes. The Company incurred reasonable and necessary costs related to the development of the Montpelier CPA. At the time I&M short-listed projects from the 2022 All Source RFP, the Company created a specific work order to collect the charges associated with development of the Clean Energy PPA Projects requested for approval in Cause No. 45868 and the Montpelier CPA. These costs include the expenses I&M incurs related to internal resource support and outside services that are reasonable and necessary to develop and finalize the CPA and obtain approval of the resource. These costs are not ongoing in nature and not otherwise captured by the ratemaking process, and therefore it is reasonable that the Commission authorize recovery of these costs along with recovery of the costs I&M will incur under the CPA. I&M requests Commission approval to establish a regulatory asset and authority to recover these costs in the RAR over a period of two years, including a pre-tax return on the unamortized balance. The CPA development costs incurred as of February 28, 2023~~2~~ are approximately \$142 thousand. Additional costs will continue to be incurred until all condition precedents and other applicable contract terms are met and final. Following the Commission's approval of I&M's request, I&M will include the final CPA development cost balance in the RAR.

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<sup>1</sup> Excluding those costs, if any, recovered through the Fuel Adjustment Clause (FAC).

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

**INDIANA MICHIGAN POWER COMPANY**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**ANDREW J. WILLIAMSON**

## **Contents**

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**DIRECT TESTIMONY OF ANDREW J. WILLIAMSON  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

**I. Introduction of Witness**

**Q1. Please state your name and business address.**

My name is Andrew J. Williamson and my business address is Indiana Michigan Power Center, P.O. Box 60, Fort Wayne, IN 46801.

**Q2. By whom are you employed and in what capacity?**

I am employed by Indiana Michigan Power Company (I&M or Company) as Director of Regulatory Services.

**Q3. What are your responsibilities as Director of Regulatory Services?**

I am responsible for the supervision and direction of I&M's Regulatory Services Department, which has responsibility for the rate and regulatory matters affecting I&M's Indiana and Michigan jurisdictions. I report directly to I&M's Vice President of Regulatory and Finance.

**Q4. Briefly describe your educational background and professional experience.**

I received a Degree of Bachelor of Business Administration, Accounting and Finance Majors, in May 2004 from Ohio University. In January 2007, I passed the Certified Public Accountant Examination. I am licensed in the state of Ohio and a member of the American Institute of Certified Public Accountants.

I was employed by PricewaterhouseCoopers, LLP (PwC) as a Staff and Senior Auditor from August 2004 until December 2007. At PwC, I assisted and led the audits of the books and records of public and private companies, compilation of



1 financial statements and compliance with the standards set forth under the  
2 Sarbanes-Oxley Act of 2002.

3 In January 2008, I joined American Electric Power (AEP) as a Staff Accountant  
4 in the Accounting Policy and Research department. Thereafter, I held positions  
5 as a Staff and Senior Accountant in Financial Policy Transaction and Analysis,  
6 Senior Financial Analyst in Transmission Investment Strategy and Manager of  
7 Regulatory Accounting Services. In March 2014, I assumed my current position  
8 as Director of Regulatory Services for I&M.

9 **Q5. Have you previously testified before any regulatory commissions?**

10 Yes. I have testified before the Indiana Utility Regulatory Commission (IURC or  
11 Commission) on behalf of I&M in numerous cases, including I&M's most recent  
12 general rate case filings, Cause Nos. 45576, 45235, and 44967. I also filed  
13 testimony in Cause No. 45868, seeking approval of additional generation  
14 resources related to I&M's 2022 All-Source Request for Proposal (RFP).

15 In addition, I have testified before the Michigan Public Service Commission  
16 (MPSC) on behalf of I&M, before the Public Utility Commission of Texas on  
17 behalf of AEP Texas Central Company (TCC), AEP Texas North Company  
18 (TNC), Electric Transmission Texas, LLC (ETT) and Southwestern Electric  
19 Power Company (SWEPCO), and before the Corporation Commission of the  
20 State of Oklahoma on behalf of Public Service Company of Oklahoma (PSO).

## II. Purpose of Testimony

21 **Q6. What is the purpose of your testimony?**

22 The purpose of my testimony is to address the accounting and ratemaking  
23 associated with the Montpelier capacity-only purchase agreement (CPA).  
24 Specifically, I&M is requesting timely cost recovery through I&M's existing  
25 Resource Adequacy Rider (RAR) of the cost of capacity I&M will incur under the

1 Montpelier CPA. In addition, I support other accounting and ratemaking  
2 proposals, including the request to defer costs incurred prior to recovery in  
3 I&M's rates. I also provide an estimate of the overall incremental customer rate  
4 impact of the Montpelier CPA.

5 **Q7. Are you sponsoring any attachments?**

6 Yes, I am sponsoring the following attachments:

- 7 • Attachment AJW-1 and AJW-1C, Montpelier CPA Customer Rate Impact  
8 (Confidential/Competitively Sensitive and Public Version)
- 9 • Attachment AJW-2 and AJW-2C, Comprehensive Generation  
10 Transformation Customer Rate Impact (Confidential/Competitively  
11 Sensitive and Public Version)

12 **Q8. Are you sponsoring any workpapers?**

13 Yes, I am sponsoring:

- 14 • WP AJW-1, CONFIDENTIAL/COMPETITIVELY SENSITIVE Customer  
15 Rate Impact Support.xlsx

16 **Q9. Were the attachments and workpapers that you sponsor prepared or**  
17 **assembled by you or under your direction?**

18 Yes.

### III. Accounting and Ratemaking Treatment for the Montpelier CPA

**Q10. Please describe the Montpelier CPA the Company is seeking approval of.**

The Montpelier CPA is a capacity-only contract I&M has entered into with Rockland Capital for 210 MW of firm PJM-accredited capacity. I&M's contract does not include any energy purchases.

The Montpelier Electric Generating Station is an existing facility that went into commercial operation in 2001 and is located in Poneto, IN (Wells County). This facility is connected to the AEP transmission system in PJM. The contract term for the Montpelier PPA is seven (7) years, starting in the PJM 2027/2028 Planning Year (or June 1, 2027) and ending in 2033/2034 (or May 31, 2034).

As further described by Company witness Lucas, the Montpelier CPA benefits customers in numerous ways, including providing a unique opportunity to better align I&M's future generation resources with changes in forecasted capacity requirements related to I&M's long-term wholesale contracts. Company witness Gaul describes the CPA in more detail.

**Q11. How does I&M propose the costs of the Montpelier CPA be recovered?**

I&M seeks timely cost recovery under Ind. Code § 8-1-2-42(a) through a rate adjustment mechanism. The Company proposes timely cost recovery be administered through the RAR proceedings which is an existing rate adjustment mechanism approved by the Commission that recovers the costs of I&M's purchased capacity resources. The Company seeks the Commission to find the Montpelier CPA is reasonable and necessary and authorize the associated timely cost recovery throughout the entire seven (7) year term of the agreement. The Company also seeks confirmation that the costs thereof are recoverable through the RAR proceedings (or successor recovery mechanism).

1 **Q12. Is this proposal consistent with Commission approved treatment of other**  
2 **purchased capacity costs?**

3 Yes. This proposal is consistent with the purpose of the RAR recovery  
4 mechanism the Commission approved in Cause Nos. 44967 and 45576. The  
5 RAR tracks incremental changes in the Company's non-fuel<sup>1</sup> purchased power  
6 costs, compared to the amount embedded in base rates.

7 **Q13. Is I&M requesting ratemaking and accounting treatment for the CPA**  
8 **development costs?**

9 Yes. The Company incurred reasonable and necessary costs related to the  
10 development of the Montpelier CPA. At the time I&M short-listed projects from  
11 the 2022 All Source RFP, the Company created a specific work order to collect  
12 the charges associated with development of the Clean Energy PPA Projects  
13 requested for approval in Cause No. 45868 and the Montpelier CPA. These  
14 costs include the expenses I&M incurs related to internal resource support and  
15 outside services that are reasonable and necessary to develop and finalize the  
16 CPA and obtain approval of the resource. These costs are not ongoing in  
17 nature and not otherwise captured by the ratemaking process, and therefore it is  
18 reasonable that the Commission authorize recovery of these costs along with  
19 recovery of the costs I&M will incur under the CPA. I&M requests Commission  
20 approval to establish a regulatory asset and authority to recover these costs in  
21 the RAR over a period of two years, including a pre-tax return on the  
22 unamortized balance. The CPA development costs incurred as of February 28,  
23 2023 are approximately \$142 thousand. Additional costs will continue to be  
24 incurred until all condition precedents and other applicable contract terms are  
25 met and final. Following the Commission's approval of I&M's request, I&M will  
26 include the final CPA development cost balance in the RAR.

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<sup>1</sup> Excluding those costs, if any, recovered through the Fuel Adjustment Clause (FAC).

**Q14. How did I&M determine the Montpelier CPA Project development costs?**

In order to determine the Montpelier CPA Project development costs, I&M allocated all such costs based on the installed capacity (ICAP) value of the CPA. As a result, the Montpelier CPA represented approximately 43% (or 210 MW / 490 MW) of the total CPA and PPA resources.<sup>2</sup>

**Q15. Please explain I&M's proposed allocation of the Montpelier CPA costs.**

The Montpelier CPA Project costs will be allocated consistent with the previously approved allocation methodologies<sup>3</sup> for I&M's other purchased capacity costs that are also recovered in the RAR, which the Company utilizes a demand allocation factor for both jurisdictional and class allocation purposes.

**Q16. Please explain the requested deferral accounting authority and how such costs will be determined.**

The Company is requesting Commission authority to defer and record as a regulatory asset the Montpelier CPA costs until such time as these costs are included in I&M's rates, either RAR rates as proposed in this proceeding or I&M's basic rates. Such deferral accounting authority is reasonable and necessary to ensure timely recovery of the expenses incurred.

**Q17. What is the estimated overall rate impact for I&M's Indiana customers of the Montpelier CPA in the RAR?**

As shown on Attachment AJW-1, I&M estimated the average year 1 rate impact on an Indiana jurisdictional basis for all rate classes to be approximately 0.4%.

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<sup>2</sup> (210 MW Montpelier CPA) / (180 MW Sculpin PPA + 100 MW Elkhart PPA + 210 MW Montpelier CPA).

<sup>3</sup> Cause No. 45576, Settlement WP IM JCOSS-CCOSS TYE 12-31-22\_End of Period\_Settlement.

1 **Q18. Have there been recent cost reductions associated with I&M's generation**  
2 **transformation?**

3 Yes. The Montpelier CPA is necessary to replace the capacity need resulting  
4 from the Rockport Plant retiring by 2028. During 2022, the Rockport Unit 2  
5 Lease ended and Rockport Unit 2 was transitioned to a merchant unit, which  
6 reduced I&M's cost of providing service to its customers. This cost reduction  
7 was identified and incorporated into I&M's cost of service in Cause No. 45576.<sup>4</sup>  
8 Attachment AJW-2 estimates the overall year one rate impact inclusive of the  
9 Montpelier CPA, the Clean Energy Projects requested for approval in Cause No.  
10 45868, and the recent cost reductions associated with Rockport Unit 2 to be  
11 approximately a 7.6% reduction. This provides a more comprehensive  
12 summary of the net rate impact associated with I&M's generation  
13 transformation.

#### IV. Summary and Conclusion

14 **Q19. Please summarize your testimony and conclusions.**

15 I&M's Montpelier CPA is reasonable and necessary to continue to meet the  
16 long-term capacity needs of I&M's customers. Therefore, I&M's request for  
17 timely recovery of the associated costs through the RAR, along with deferral of  
18 costs incurred prior to inclusion in rates, should be approved. I&M's requested  
19 accounting and ratemaking as supported by my testimony should also be  
20 approved. Project development costs are reasonable and necessary to execute  
21 the Montpelier CPA contract and should be approved for recovery in the RAR.

22 **Q20. Does this conclude your pre-filed verified direct testimony?**

23 Yes.

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<sup>4</sup> Cause No. 45576 Joint Exhibit 1 Settlement Agreement Attachment 2.

### VERIFICATION

I, Andrew J. Williamson, Director of Regulatory at 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: 3-30-2023

Andrew J. Williamson  
Andrew J. Williamson

Indiana Michigan Power  
Montpelier CPA  
Indiana Jurisdictional Rate Impact Analysis by Major Class

	<u>2027 Annualized Impact</u>			
	Total Retail	Residential	Commercial	Industrial
Montpelier CPA Cost of Service				
Revenue Requirement Impact				
<b><i>Avg Retail Rate Impact %</i></b>				



**Indiana Michigan Power  
Generation Transformation Summary  
Indiana Jurisdictional Rate Impact Analysis by Major Class**

	<b><u>2027 Annualized Impact</u></b>			
	<b>Total Retail</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>
Montpelier CPA Cost of Service				
Renewable PSA and PPA Cost of Service <sup>1</sup>	\$ 83,816,999	\$ 33,387,191	\$ 29,013,280	\$ 21,416,527
Estimated Incremental Energy Revenue <sup>1</sup>	\$ (34,162,069)	\$ (12,257,987)	\$ (11,927,227)	\$ (9,976,855)
Estimated REC Sales Revenue <sup>1</sup>	\$ (20,546,191)	\$ (7,372,356)	\$ (7,173,426)	\$ (6,000,408)
Rockport Unit-2 Non-Fuel Cost	\$ (137,988,168)	\$ (57,671,044)	\$ (47,560,182)	\$ (32,756,942)
Rockport Unit-2 Fuel Cost Reduction	\$ (23,017,725)	\$ (8,259,189)	\$ (8,036,329)	\$ (6,722,207)
Net Revenue Requirement Impact				
<b>Avg Retail Rate Impact %</b>				

1 - I&M has requested approval of the associated resources in Cause No. 45868