

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; (2) ACCOUNTING RELIEF; (3) INCLUSION IN)
RATE BASE OF QUALIFIED POLLUTION CONTROL)
PROPERTY AND CLEAN ENERGY PROJECT; (4))
ENHANCEMENTS TO THE DRY SORBENT INJECTION)
SYSTEM; (5) ADVANCED METERING)
INFRASTRUCTURE; (6) RATE ADJUSTMENT)
MECHANISM PROPOSALS; AND (7) NEW SCHEDULES)
OF RATES, RULES AND REGULATIONS.)

CAUSE NO. 45235

OUCC'S SECOND NOTICE OF CORRECTIONS TO PREFILED TESTIMONY

The Indiana Office of Utility Consumer Counselor (“OUCC”), by counsel, provides notice to the Indiana Utility Regulatory Commission (“Commission”) of corrections to the prefiled testimonies of Margaret Stull (Public’s Exhibit No. 4) and Lauren Aguilar (Public’s Exhibit No. 10).

Such corrections are attached hereto in both redline and clean form. The OUCC intends to offer these corrected pages of Ms. Stull’s and Ms. Aguilar’s testimonies at the evidentiary hearing in this Cause.

For clarity, Table 1 of Ms. Stull's prefiled testimony has been corrected as follows:

Original Version:

Table 1: Funded Status of Petitioner's Defined Benefit Pension Plans

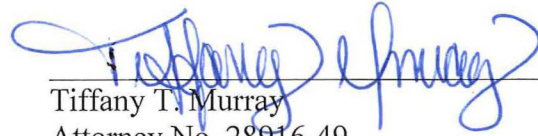
	Qualified Plan	SERP	Total
<u>AEP - As of December 31, 2019</u>			
Projected Benefit Obligations	\$ (4,777,757,677)	\$ (70,600,656)	\$ (4,848,358,333)
Fair Value of Plan Assets	4,701,727,981	-	4,701,727,981
Funded Status Asset (Liability)	\$ (76,029,696)	\$ (70,600,656)	\$ (146,630,352)
Funded Percentage	98.41%	0.00%	96.98%
<u>AEP - As of December 31, 2018</u>			
Projected Benefit Obligations	\$ (5,158,705,604)	\$ (79,011,173)	\$ (5,237,716,777)
Fair Value of Plan Assets	5,183,145,851	-	5,183,145,851
Funded Status Asset (Liability)	\$ 24,440,247	\$ (79,011,173)	\$ (54,570,926)
Funded Percentage	100.47%	0.00%	98.96%
<u>I&M - As of December 31, 2018</u>			
Projected Benefit Obligations	\$ (572,245,232)	\$ (6,787,569)	\$ (579,032,801)
Fair Value of Plan Assets	572,488,683	-	572,488,683
Funded Status Asset (Liability)	\$ 243,451	\$ (6,787,569)	\$ (6,544,118)

Corrected Version:

Table 1: Funded Status of Petitioner's Defined Benefit Pension Plans

	Qualified Plan	SERP	Total
<u>AEP - As of December 31, 2018</u>			
Projected Benefit Obligations	\$ (4,777,757,677)	\$ (70,600,656)	\$ (4,848,358,333)
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<u>I&M - As of December 31, 2018</u>			
Projected Benefit Obligations	\$ (524,482,797)	\$ (6,258,634)	\$ (530,741,431)
Fair Value of Plan Assets	546,718,894	-	546,718,894
Funded Status Asset (Liability)	\$ 22,236,097	\$ (6,258,634)	\$ 15,977,463
Funded Percentage	104.24%	0.00%	103.01%

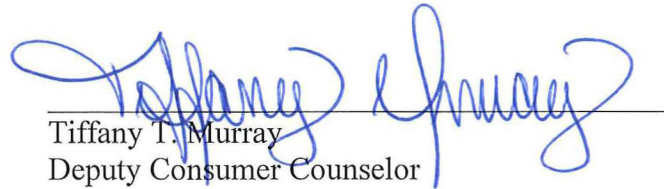
Respectfully submitted,



Tiffany T. Murray
Attorney No. 28916-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

Indiana Office of Utility Consumer Counselor Second Notice of Corrections has been served upon the following parties of record in the captioned proceeding by electronic service on October 15, 2019.



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Corrections indicated in red

1 Q: Are there rules governing claims regarding RECs?

2 A: Yes. The Federal Trade Commission ("FTC") promulgated extensive rules
3 regarding RECs, commonly referred to as the green guides.¹⁹ 6 CFR § 260.5
4 governs carbon offsets and states:

5 (a) Given the complexities of carbon offsets, sellers should employ
6 competent and reliable scientific and accounting methods to
7 properly quantify claimed emission reductions and to ensure that
8 they do not sell the same reduction more than one time.

9 (b) It is deceptive to misrepresent, directly or by implication, that a
10 carbon offset represents emission reductions that have already
11 occurred or will occur in the immediate future. To avoid deception,
12 marketers should clearly and prominently disclose if the carbon
13 offset represents emission reductions that will not occur for two
14 years or longer.

15 (c) It is deceptive to claim, directly or by implication, that a carbon
16 offset represents an emission reduction if the reduction, or the
17 activity that caused the reduction, was required by law.

18 6 CFR § 260.15 (d) governs Renewable Energy Claims and states:

19 If a marketer generates renewable electricity but sells renewable
20 energy certificates for all of that electricity, it would be deceptive
21 for the marketer to represent, directly or by implication, that it uses
22 renewable energy.

23 A pertinent takeaway from the rules is a utility, business, or individual cannot claim
24 the power it supplied or used is renewable or "green" unless it retires RECs equal
25 to the amount of energy supplied or used.

26 In other words, claims of renewable energy or carbon offsets must have
27 corresponding retired RECs.

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¹⁹ See 6 CFR Part 260. <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-issues-revised-green-guides/greenguides.pdf>.

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27 corresponding retired RECs.

¹⁹ See 6 CFR Part 260. <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-issues-revised-green-guides/greenguides.pdf>.

1 **Q: How many defined benefit pension plans does American Electric Power Co.**
2 **("AEP") currently have?**

3 A: AEP currently has two defined benefit pension plans – a “qualified” plan and an
4 “unqualified” Supplemental Employee Retirement Plan (“SERP”) referred to as the
5 “Excess Benefit Plan.” AEP’s qualified plan is funded, while its unqualified SERP
6 plan is unfunded. In my experience, unqualified plans are usually unfunded and this
7 does not violate any requirements from either ERISA or FASB.

8 **Q: What is the current status of AEP’s defined benefit pension plans?**

9 A: As of December 31, ~~2018~~2017, AEP’s defined benefit pension plan funded status
10 was a \$54,570,926 unfunded liability, with a projected benefit obligation of
11 \$5,237,716,777 and fair value plan assets of \$5,183,145,851.³

12 As of December 31, ~~2019~~2018, AEP’s defined benefit pension plan funded
13 status ~~is projected to be~~was a \$146,630,352 unfunded liability, with a projected
14 benefit obligation of \$4,848,358,333 and fair value plan assets of \$4,701,727,981.⁴

15 **Q: What is the current status of I&M’s defined benefit pension plans?**

16 A: As of December 31, 2018, I&M’s ~~stated its~~-defined benefit pension plans’ total
17 funded status was a surplus of \$15,977,463, based on a projected benefit obligation
18 of \$531,380,491 and trust fund assets at fair market value of \$547,357,954.⁵

19 ~~However, a review of I&M’s balance sheet as of December 31, 2018 reveals an~~

³ See OUCC Attachment MAS-2, Petitioner’s Minimum Standard Filing Requirements (“MSFR”) filed on May 14, 2019 - 1-5-8(a)(15), Attachments 1 and 2. As reflected in Table 1, this funded status includes both AEP’s qualified and unqualified pension funds.

⁴ See OUCC Attachment MAS-3, Petitioner’s response to OUCC DR No. 31-02. As reflected in Table 1, this funded status includes both AEP’s qualified and unqualified pension funds.

⁵ See OUCC Attachment MAS-4, Petitioner’s MSFR workpapers filed May 14, 2019, 1-5-8(a)(14). ~~It is unclear whether this funded status represents I&M’s portion of both AEP’s qualified and unqualified pension plans.~~

1 accumulated provision for pensions and benefits (Account 228.3) of \$6,544,118.⁶
2 This is a noncurrent liability and represents an unfunded pension liability rather
3 than a surplus or overfunded pension status as stated in the Minimum Standard
4 Filing Requirement ("MSFR") 1-5-8(a)(14).

5 As of December 31, ~~2019~~2018, I&M's share of the funded status of AEP's
6 qualified defined benefit pension plan ~~is was projected to be~~ a surplus of
7 \$22,238,097, based on a projected benefit obligation of \$524,480,797 and trust fund
8 assets at fair market value of \$546,718,894.⁶

9 As of December 31, 2018, I&M's share of the ~~projected benefit~~
10 ~~obligation funded status~~ for the unqualified (SERP) pension plan was not provided
11 in the 2019 Actuarial Report provided in response to discovery.⁷ but can be
12 calculated using the total surplus (\$15, 977,463) and the qualified pension plan
13 surplus (\$22,238,097) - an unfunded liability of \$6,258,634 (\$15,977,463 -
14 \$22,238,097).

15 Q: Did I&M present a different funded status for its qualified pension plan as of
16 December 31, 2018 in response to OUCC discovery?

17 A: Yes. In response to OUCC discovery, I&M provided its share of the projected
18 benefit obligation and fair value of plan assets for ~~its-AEP's~~ qualified pension plan
19 for each calendar year during the period 1995 – 2018. In 2018, I&M stated the
20 projected benefit obligation was \$572,245,232 and the fair value of plan assets was
21 \$572,488,683, yielding a surplus funded status of \$243,451.⁸ The information

⁶ See OUCC Attachment MAS-6, Petitioner's WP-IM-1-HISTORIC, Section 1, p. 2 of 3. Excludes the unregulated River Transportation Division

⁷ See OUCC Attachment MAS-3.

⁸ See OUCC Attachment MAS-5, Petitioner's response to OUCC DR No. 24-18.

provided in discovery matches the data included in the ~~2018-2017 Actuarial~~ actuarial report, Appendix D – Results by business unit, page 71 of the report (p. 77 of 91 of Attachment 2, MSFR 1-5-8(a)(15). However, it varies considerably from the information provided in MSFR workpaper 1-5-8(a)(14) as discussed in the previous question and answer.

Table 1: Funded Status of Petitioner's Defined Benefit Pension Plans⁹

	Qualified Plan	SERP	Total
<u>AEP - As of December 31, 20192018</u>			
Projected Benefit Obligations	\$ (4,777,757,677)	\$ (70,600,656)	\$ (4,848,358,333)
Fair Value of Plan Assets	4,701,727,981	-	4,701,727,981
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Projected Benefit Obligations	\$ (5,158,705,604)	\$ (79,011,173)	\$ (5,237,716,777)
Fair Value of Plan Assets	5,183,145,851	-	5,183,145,851
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<u>I&M - As of December 31, 20192018</u>			
Projected Benefit Obligations	\$ (524,482,797)	\$ (6,258,634)	\$ (530,741,431)
Fair Value of Plan Assets	546,718,894	-	546,718,894
Funded Status Asset (Liability)	\$ 22,236,097	\$ (6,258,634)	\$ 15,977,463
Funded Percentage	104.24%	0.00%	103.01%

Q: Given the requirements of ASC 715, is Petitioner's "prepaid pension asset" as of December 31, 2018 found on Petitioner's historical balance sheet?

A: No. ~~As mentioned above, the~~ The only reference to "pensions" in Petitioner's December 31, 2018 historical balance sheet is the \$6,544,118 "Accumulated Provision for Pensions and Benefits (Account 228.3)" included in Other Noncurrent Liabilities. As of December 31, 2018, \$7,147,557 is reflected as

⁹ Sources of information for Table 1 include 2018 actuarial reports for both qualified and unqualified defined benefit pension plans (Attachment MAS-2), I&M response to OUCC DR No. 24-18 (Attachment MAS-5), and 2019 actuarial reports provided in response to OUCC DR No. 31-02 (Attachment MAS-3).

1 “Prepayments (Account 165)” and does not include the “prepaid pension asset”
2 claimed by I&M.¹⁰

3 **Q: Where is the projected December 31, 2020 “prepaid pension asset” reflected**
4 **on Petitioner’s test year balance sheet?**

5 A: I&M stated that the \$89,244,007 “prepaid pension asset” was recorded in
6 prepayments (Account 165) on the balance sheet.¹¹ More specifically, this amount
7 is reflected in account 1650010, but any amount recorded in that account is offset
8 by account 1650014, which is also reflected as part of prepayments.

9 According to I&M’s MSFR filed on May 14, 2019, 1-5-7(1) Chart of
10 Accounts, I&M identified Account 1650010 as “Prepaid Pension Benefits” with the
11 description “[t]o segregate the west prepaid pension from the other prepaid
12 employee benefits per the request of the reporting group for the purpose SEC
13 reporting.” Account 1650014 is identified as “FAS 158 Qual Contra Asset” with
14 the description “[t]his account is used to track the long term portion of the FAS 158
15 PBO liability (Projected Benefit Obligation) for the Qualified Pension Plan when
16 the net plan is still prepaid. This account offsets account 1650010.”¹² Therefore,
17 the total amount of “prepaid pension asset” included in I&M’s Prepayments
18 (Account 165) is zero.

¹⁰ See OUCC Attachment MAS-6, Petitioner’s WP-IM-1-HISTORIC, Section 1, p. 1 of 3.

¹¹ See OUCC Attachment MAS-7, Petitioner’s response to OUCC DR No. 24-33 and Exhibit A-2.

¹² See OUCC Attachment MAS-8, MSFR workpaper 1-7(1) chart of accounts, p. 7 of 47.

1 **Q: How many defined benefit pension plans does American Electric Power Co.**
2 **("AEP") currently have?**

3 A: AEP currently has two defined benefit pension plans – a “qualified” plan and an
4 “unqualified” Supplemental Employee Retirement Plan (“SERP”) referred to as the
5 “Excess Benefit Plan.” AEP’s qualified plan is funded, while its unqualified SERP
6 plan is unfunded. In my experience, unqualified plans are usually unfunded and this
7 does not violate any requirements from either ERISA or FASB.

8 **Q: What is the current status of AEP’s defined benefit pension plans?**

9 A: As of December 31, 2017, AEP’s defined benefit pension plan funded status was a
10 \$54,570,926 unfunded liability, with a projected benefit obligation of
11 \$5,237,716,777 and fair value plan assets of \$5,183,145,851.³

12 As of December 31, 2018, AEP’s defined benefit pension plan funded status
13 was a \$146,630,352 unfunded liability, with a projected benefit obligation of
14 \$4,848,358,333 and fair value plan assets of \$4,701,727,981.⁴

15 **Q: What is the current status of I&M’s defined benefit pension plans?**

16 A: As of December 31, 2018, I&M’s defined benefit pension plans’ total funded status
17 was a surplus of \$15,977,463, based on a projected benefit obligation of
18 \$531,380,491 and trust fund assets at fair market value of \$547,357,954.⁵ .

19 As of December 31, 2018, I&M’s share of the funded status of AEP’s
20 qualified defined benefit pension plan was a surplus of \$22,238,097, based on a

³ See OUCC Attachment MAS-2, Petitioner’s Minimum Standard Filing Requirements (“MSFR”) filed on May 14, 2019 - 1-5-8(a)(15), Attachments 1 and 2. As reflected in Table 1, this funded status includes both AEP’s qualified and unqualified pension funds.

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1 projected benefit obligation of \$524,480,797 and trust fund assets at fair market
2 value of \$546,718,894.⁶

3 As of December 31, 2018, I&M's share of the funded status for the
4 unqualified (SERP) pension plan was not provided in the 2019 Actuarial Report
5 provided in response to discovery⁷ but can be calculated using the total surplus
6 (\$15, 977,463) and the qualified pension plan surplus (\$22,238,097) - an unfunded
7 liability of \$6,258,634 (\$15,977,463 - \$22,238,097).

8 **Q: Did I&M present a different funded status for its qualified pension plan as of**
9 **December 31, 2018 in response to OUCC discovery?**

10 **A:** Yes. In response to OUCC discovery, I&M provided its share of the projected
11 benefit obligation and fair value of plan assets for AEP's qualified pension plan for
12 each calendar year during the period 1995 – 2018. In 2018, I&M stated the
13 projected benefit obligation was \$572,245,232 and the fair value of plan assets was
14 \$572,488,683, yielding a surplus funded status of \$243,451⁸ The information
15 provided in discovery matches the data included in the 2017 actuarial report,
16 Appendix D – Results by business unit, page 71 of the report (p. 77 of 91 of
17 Attachment 2, MSFR 1-5-8(a)(15). However, it varies considerably from the
18 information provided in MSFR workpaper 1-5-8(a)(14) as discussed in the previous
19 question and answer.

⁶ Excludes unregulated River Transportation Division.

⁷ See OUCC Attachment MAS-3.

⁸ See OUCC Attachment MAS-5, Petitioner's response to OUCC DR No. 24-18.

Table 1: Funded Status of Petitioner's Defined Benefit Pension Plans⁹

	Qualified	Plan	SERP	Total	
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1 **Q: Given the requirements of ASC 715, is Petitioner's "prepaid pension asset" as**
2 **of December 31, 2018 found on Petitioner's historical balance sheet?**

3 **A:** No. The only reference to "pensions" in Petitioner's December 31, 2018 historical
4 balance sheet is the \$6,544,118 "Accumulated Provision for Pensions and Benefits
5 (Account 228.3)" included in Other Noncurrent Liabilities. As of December 31,
6 2018, \$7,147,557 is reflected as "Prepayments (Account 165)" and does not include
7 the "prepaid pension asset" claimed by I&M.¹⁰

8 **Q: Where is the projected December 31, 2020 "prepaid pension asset" reflected**
9 **on Petitioner's test year balance sheet?**

10 **A:** I&M stated that the \$89,244,007 "prepaid pension asset" was recorded in
11 prepayments (Account 165) on the balance sheet.¹¹ More specifically, this amount

⁹ Sources of information for Table 1 include 2018 actuarial reports for both qualified and unqualified defined benefit pension plans (Attachment MAS-2), I&M response to OUCC DR No. 24-18 (Attachment MAS-5), and 2019 actuarial reports provided in response to OUCC DR No. 31-02 (Attachment MAS-3).

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1 is reflected in account 1650010, but any amount recorded in that account is offset
2 by account 1650014, which is also reflected as part of prepayments.

3 According to I&M's MSFR filed on May 14, 2019, 1-5-7(1) Chart of
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6 employee benefits per the request of the reporting group for the purpose SEC
7 reporting." Account 1650014 is identified as "FAS 158 Qual Contra Asset" with
8 the description "[t]his account is used to track the long term portion of the FAS 158
9 PBO liability (Projected Benefit Obligation) for the Qualified Pension Plan when
10 the net plan is still prepaid. This account offsets account 1650010."¹² Therefore,
11 the total amount of "prepaid pension asset" included in I&M's Prepayments
12 (Account 165) is zero.

C. "Prepaid Pension Asset" – I&M's Proposal

13 **Q: How did I&M determine the amount of its current and projected "prepaid**
14 **pension asset"?**

15 A: I&M determined the amount of its "prepaid pension asset" by totaling its
16 cumulative pension contributions and then subtracting its cumulative pension cost
17 (as reflected in its U.S. GAAP financial statements).

18 **Q: What "prepaid pension asset" does Petitioner assert in this Cause?**

19 A: I&M Witness Aaron L. Hill indicates I&M had a "prepaid pension asset" of
20 approximately \$97.5 million (total company) as of December 31, 2018. Mr. Hill
21 stated the "projected prepaid pension asset":

¹² See OUCC Attachment MAS-8, MSFR workpaper 1-7(1) chart of accounts, p. 7 of 47.