

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. 2

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP

JUNE 15, 2023

Respectfully submitted,



T. Jason Haas  
Attorney No. 34983-29  
Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP**  
**CAUSE NO. 45869**  
**INDIANA MICHIGAN POWER COMPANY**

**I. INTRODUCTION**

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

2 A: My name is Kaleb G. Lantrip, and my business address is 115 W. Washington St.,  
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst  
4 in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division.  
5 A summary of my educational background and experience is included in Appendix  
6 A attached to my testimony.

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

8 A: I address Indiana Michigan Power Company's ("I&M" or "Petitioner") request to  
9 recover its Capacity Purchase Agreement ("CPA") contract costs through its  
10 existent Resource Adequacy Rider ("RAR"). Ultimately, I recommend approval of  
11 I&M's request to recover contracted capacity costs through its RAR, and that  
12 I&M's development cost recovery approval be limited to the return of the \$142  
13 thousand presented in this filing.

14 **Q: Please describe the review and analysis you conducted in order to prepare**  
15 **your testimony.**

16 A: I reviewed I&M's petition, testimony, attachments, and workpapers provided in  
17 this filing. I reviewed Cause No. 45164 I&M RAR filings for comparison of scale  
18 and the rate impact of this CPA's inclusion within its recovery.

1 **Q: To the extent you do not address a specific item in your testimony, should it be**  
2 **construed to mean you agree with I&M's proposal?**

3 A: No. My silence regarding any topic, issue, or item I&M proposes does not indicate  
4 my approval of those topics, issues, or items. Rather, the scope of my testimony is  
5 limited to the specific items addressed herein.

## II. MONTPELIER CPA PROJECT

6 **Q: What are the details of the plant with which the Petitioner is contracting?**

7 A: The Montpelier Generating Station is an existing natural gas combustion turbine  
8 facility, located in Poneto, IN, which went into commercial operation in 2001 and  
9 is already connected to the AEP transmission system.<sup>1</sup>

10 **Q: What is the type of agreement for which the Petitioner is seeking approval?**

11 A: The Petitioner is requesting approval of a Capacity Purchase Agreement ("CPA")  
12 for 210 MW of Montpelier plant's natural gas peaking capacity<sup>2</sup> for a seven-year  
13 contract, starting in PJM capacity year 2027/2028 and ending in PJM capacity year  
14 2033/2034.<sup>3</sup> I&M's contract does not include any energy purchases.<sup>4</sup>

15 **Q: How does I&M propose these contract costs be recovered in rates?**

16 A: I&M is proposing to use its existent Resource Adequacy Rider ("RAR"), which  
17 files on an annual schedule and is approved to recover I&M's purchased capacity  
18 costs. Petitioner is requesting Commission allow for recovery of the CPA costs over  
19 the course of the 7-year contract term.

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<sup>1</sup> Direct Testimony of Timothy B. Gaul, p. 5, l. 11 through p. 6, l.1.

<sup>2</sup> Gaul Direct, p. 5, l. 4.

<sup>3</sup> Gaul Direct, p. 6, ll. 1-3.

<sup>4</sup> Direct Testimony of Andrew J. Williamson, p. 4, ll. 3-4.

1 **Q: Are there additional costs for which I&M is seeking recovery?**

2 A: Yes. Witness Williamson requests approval for \$142 thousand of development  
3 costs for the Montpelier CPA.<sup>5</sup>

4 **Q: What are the components of these development costs?**

5 A: I&M determined these costs based on the installed capacity of the CPA of 210 MW,  
6 when combined with the development costs of the requested 280 MW of PPA  
7 resources in the concurrently filed Cause No. 45868. Therefore, I&M allocated  
8 43% of the development costs to the CPA  $[210/(210+280)]$ .<sup>6</sup> The costs include  
9 internal resource support costs and outside services to develop and finalize the CPA  
10 and obtain approval for the resource. The costs are not ongoing in nature and have  
11 not been otherwise recovered in I&M's rates.<sup>7</sup>

12 **Q: How is I&M proposing to recover these development costs?**

13 A: I&M is requesting Commission approval to establish a regulatory asset and  
14 authority to recover these costs through the RAR over a period of two years,  
15 including a pre-tax return on the unamortized balance.<sup>8</sup> I&M notes that additional  
16 costs will continue to be incurred until all condition precedents and other applicable  
17 contract terms are met and final. Following Commission approval of this request,  
18 I&M will include the final CPA development cost balance in the RAR.<sup>9</sup>

19 **Q: Do you agree with I&M's proposed recovery of these development costs?**

20 A: No. As noted above, I&M does not yet have the finalized version of the CPA  
21 development cost total, and I would not recommend the Commission's approval in

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<sup>5</sup> Williamson Direct, p. 5, ll. 22-23.

<sup>6</sup> Williamson Direct, p. 6, ll. 1-5.

<sup>7</sup> Williamson Direct, p. 5, ll. 7-17.

<sup>8</sup> Williamson Direct, p. 5, ll. 19-22.

<sup>9</sup> Williamson Direct, p. 5, ll. 23-26.

1 this Cause be applied to costs above the \$142 thousand requested here. If the  
2 Petitioner receives approval for its capacity agreement costs to be recovered  
3 through the RAR, any development costs over and above the \$142 thousand may  
4 be requested and supported through that rider filing update. Additionally, I  
5 recommend that the development costs be allowed a “return of” and not “pre-tax  
6 return on” treatment in making the Petitioner whole for its development expenses  
7 in finalizing this contract.

8 **Q: Did the Petitioner provide an estimated RAR rate impact for I&M’s Indiana**  
9 **customers?**

10 A: Yes. Witness Williamson states in his public testimony that the average year 1 rate  
11 impact on an Indiana Jurisdictional basis for all rate classes would be approximately  
12 0.4%.<sup>10</sup>

13 **Q: How would this proposal affect rates, based on a current retail bill?**

14 A: Based on I&M’s current retail rates, as presented in the testimony of its pending  
15 Cause No. 44871 ECR-7 filing, a 0.4% increase in rates would be an increase of  
16 \$0.66 on a typical monthly residential bill of 1,000 kWh.<sup>11</sup>

### **III. OUCC RECOMMENDATIONS**

17 **Q: What do you recommend regarding Petitioner’s proposed recovery in this**  
18 **proceeding?**

19 A: I recommend the Commission approve I&M’s request to recover the Montpelier  
20 CPA costs through its RAR over the 7-year contract. Additionally, I recommend  
21 I&M be allowed to recover, on a “return of” basis only, its \$142 thousand of CPA  
22 development costs through the RAR over its requested two-year period. I further

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<sup>10</sup> Williamson Direct, p. 6, ll. 18-21.

<sup>11</sup> See Attachment KGL-1: Cause No. 44871 ECR-7, Direct Testimony of Michael S. Small, p. 4.

1 recommend I&M be allowed to seek recovery of development costs over and above  
2 the \$142 thousand through the RAR filing, subject to Commission approval based  
3 upon the support provided for these costs.

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

5 A: Yes.

**APPENDIX A**

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

2 A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a  
3 Bachelor of Science in Business with majors in Accounting and Finance. I am  
4 licensed in the State of Indiana as a Certified Public Accountant. I attended the  
5 National Association of Regulatory Utility Commissioners (“NARUC”) Spring  
6 2018 Conference held by New Mexico State University and the Intermediate  
7 Course Fall 2019 conference held by the Institute of Public Utilities at Michigan  
8 State University. In September 2019, I attended the annual Society of Depreciation  
9 Professionals (“SDP”) conference held in Philadelphia and the Basics of  
10 Depreciation course. In April 2022 and 2023, I attended the 53<sup>rd</sup> and 54<sup>th</sup> Society  
11 of Utility Regulatory and Financial Analyst (“SURFA”) Forums, both held in  
12 Richmond, Virginia.

13 **Q: Have you previously testified before the Commission?**

14 A: Yes.

15 **Q: Please describe your duties and responsibilities at the OUCC.**

16 A: I review Indiana utilities’ requests for regulatory relief filed with the Indiana Utility  
17 Regulatory Commission. My scope of review is typically focuses on accounting  
18 and utility ratemaking issues. This involves reading testimonies of petitioners and  
19 intervenors, previous orders issued by the Commission, and any appellate opinions  
20 to inform my analyses. I prepare and present testimony based on these analyses and  
21 make recommendations to the Commission on behalf of Indiana utility consumers.

Direct Testimony of Michael S. Small

1 **Q12. Please discuss Attachment MSS-2.**

2 Attachment MSS-2 is the Company's proposed clean and redlined ECR tariff  
3 sheets. The rates calculated in Attachment MSS-1 are reflected in Attachment  
4 MSS-2.

5 **Q13. What is the rate impact, of the new ECR factor, on a typical residential**  
6 **customer bill?**

7 Upon implementation, a residential customer using 1,000 kWh of electricity per  
8 month will see a monthly rate increase of \$0.66 or 0.4%. This calculation is  
9 based upon I&M's current rates in effect at the time of this filing.

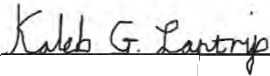
10 **Q14. Does this conclude your pre-filed verified direct testimony?**

11 Yes.



**AFFIRMATION**

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



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Kaleb G. Lantrip  
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.

Teresa Morton Nyhart  
Jeffrey M. Peabody  
Janet Nichols  
**BARNES & THORNBURG, LLP**  
[tnyhart@btlaw.com](mailto:tnyhart@btlaw.com)  
[jpeabody@btlaw.com](mailto:jpeabody@btlaw.com)  
[Janet.Nichols@btlaw.com](mailto:Janet.Nichols@btlaw.com)

Tammara D. Avant  
**AEP SERVICE CORP.**  
[tdavant@aep.com](mailto:tdavant@aep.com)

Jennifer A. Washburn  
Reagan Kurtz  
**CITIZENS ACTION COALITION**  
[jwashburn@citact.org](mailto:jwashburn@citact.org)  
[rkurtz@citact.org](mailto:rkurtz@citact.org)

**WVPA**  
Jeremy L. Fetty  
J. Michael Deweese  
**PARR RICHEY FRANSDEN PATTERSON KRUSE LLP**  
[jfetty@parrlaw.com](mailto:jfetty@parrlaw.com)  
[jdeweese@parrlaw.com](mailto:jdeweese@parrlaw.com)



---

T. Jason Haas  
Attorney No. 34983-29  
Deputy Consumer Counselor

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
PNC Center**

115 West Washington Street, Suite 1500 South  
Indianapolis, IN 46204  
[infomgt@oucc.in.gov](mailto:infomgt@oucc.in.gov)  
[thaas@oucc.in.gov](mailto:thaas@oucc.in.gov)  
317.232.2494 – Telephone  
317.232.3315 – Haas Direct  
317.232.5923 – Facsimile