

OFFICIAL  
EXHIBITS

FILED  
November 15, 2023  
INDIANA UTILITY  
REGULATORY COMMISSION

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 )

IURC  
PUBLIC'S  
EXHIBIT NO. 4  
DATE 1-31-24 REPORTER AT

CAUSE NO. 45933

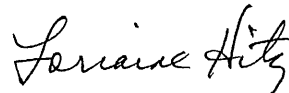
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 4

KALEB G. LANTRIP

NOVEMBER 15, 2023

Respectfully submitted,



Lorraine Hitz  
Attorney No. 18006-29  
Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP**  
**CAUSE NO. 45933**  
**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  
4       Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric  
5       Division. A summary of my educational background and experience is included in  
6       Appendix A attached to my testimony.

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

8   A:   I provide recommendations regarding Indiana Michigan Power Company's  
9       ("I&M" or "Petitioner") requests to:

- 10           1. Replace its Customer Information System ("CIS");
- 11           2. Revise its embedded amount of resource adequacy costs in base rates;
- 12           3. Provide a revised estimate of Network Integration Transmission  
13           Services ("NITS") and embedded base rate non-NITS charges as  
14           tracked through the Cause No. 43774 "Regional Transmission  
15           Operator" ("PJM" or "RTO") Rider; and
- 16           4. Establish allocation factors for the future filing of a "Transmission  
17           Distribution and Storage System Improvement Charge" ("TDSIC")  
18           case.

1 I also discuss I&M's "M-3" supplemental PJM projects, the OUCC's  
2 concerns regarding the current PJM M-3 process, and the recent complaint that  
3 the Office of the Ohio Consumers' Counsel ("OCC") filed with the Federal  
4 Energy Regulatory Commission ("FERC").

5 Ultimately, I recommend the Indiana Utility Regulatory Commission  
6 ("Commission"):

- 7 • Approve I&M's proposal to replace its legacy CIS investment as part of  
8 AEP's company-wide transition;
- 9 • Approve I&M's proposal to embed \$80.1 million of resource adequacy  
10 costs in base rates and continue to use its RA Rider filing to track  
11 incremental amounts above and below this base rate amount;
- 12 • Approve I&M's proposal to continue tracking its PJM NITS costs through  
13 Cause No. 43774; and
- 14 • Reject I&M's request for separate TDSIC allocation factors.

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

17 A: I read and reviewed I&M's petition, direct testimony, work papers, attachments,  
18 responses to discovery, and other I&M cases and final orders.

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

21 A: No. my silence regarding any topics, issues, or items I&M proposes does not  
22 indicate my approval of those topics, issues, or items. Rather the scope of my  
23 testimony is limited to the specific items addressed herein.

## II. CIS REPLACEMENT

1   **Q:   Please describe the Customer Information System I&M is implementing.**

2   A:   I&M witness Joe Brenner describes the new CIS as a technology platform and  
3       central repository for all customer information. The CIS manages the billing,  
4       accounts receivable, and rates for I&M.<sup>1</sup> The CIS also links the consumption and  
5       metering process to third-party service providers, provides payment options for  
6       customers, and coordinates collection activities. Ideally, a CIS manages customer  
7       premises information to provide a holistic view of the customer's use and enables  
8       complex billing and behind the meter assets, such as calculations for solar panels  
9       and electric vehicle chargers, to be more effectively supported in utility programs  
10      and tariff offerings.<sup>2</sup>

11   **Q:   Why is I&M seeking approval for a new CIS?**

12   A:   I&M's parent company, American Electric Power ("AEP"), uses one system  
13       across all seven of its distribution operating companies. AEP's "Customer-One"  
14       system technology is over 30 years old and has had periodic investments in  
15       auxiliary systems to improve functionality, and increase capabilities (such as for  
16       large power billing, Advanced Metering Infrastructure ("AMI") meter data  
17       management, bill output, and customer programs).<sup>3</sup> While these investments in  
18       peripheral systems extended the useful life of the system, there are limitations to  
19       its effectiveness in an era of the evolving electrical grid, with more complex

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<sup>1</sup> Direct Testimony of Joe Brenner, p. 17, ll. 4-5.

<sup>2</sup> Brenner Direct, p. 17, ll. 1-14.

<sup>3</sup> *Id.*, p. 17, ll. 15-24.

1 regulatory and pricing signals.<sup>4</sup> AEP recognizes the need to replace its CIS due to  
2 increased distributed generation, advancing AMI functionality needs, customer  
3 expectations, and other risks related to using an antiquated technology platform.<sup>5</sup>

4 **Q: Did I&M explain what improvements would be possible with the transition**  
5 **to a newer CIS?**

6 A: Yes. AEP's legacy CIS is built around the customer's premises and a rate that is  
7 applied to create a bill for that site using non-interval data. Modern CIS data  
8 structures are based upon the customer participation in programs, the devices  
9 installed at their home or business, and how customers access the grid. A modern  
10 CIS utilizes a common database that minimizes integration between systems and  
11 is more configurable than the current hard-coded system in place.<sup>6</sup>

12 **Q: Did I&M describe its decision to retire and replace its CIS?**

13 A: Yes. Mr. Brenner testified there were two vendors who offered products fitting  
14 AEP's requirements (i.e., who provide CIS software for multijurisdictional Tier 1  
15 utilities) – Oracle and SAP. Since AEP had an existing relationship with Oracle's  
16 Customer Relationship Management ("CRM"), meter data management systems,  
17 and HR/financial systems (PeopleSoft), Mr. Brenner explained it made sense to  
18 engage Oracle, as AEP would not have to replace a full suite of ancillary software  
19 to integrate the newer CIS.<sup>7</sup>

20 **Q: How does I&M describe the roll out of the newer CIS?**

21 A: To manage risk associated with this enterprise-wide project, I&M plans to deliver  
22 some functions through a phased transition, including automation of manually

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<sup>4</sup> *Id.*, p. 18, ll. 3-7.

<sup>5</sup> *Id.*, p. 18, ll. 24-28.

<sup>6</sup> *Id.*, p. 19, ll. 15-26.

<sup>7</sup> *Id.*, p. 20, ll. 9-17.

intensive industrial customer spreadsheet billing, rather than a full deployment of all functionality.<sup>8</sup> In order to comprehensively understand system requirements, the phased approach will allow use of the CIS before deployment to the first operating company.<sup>9</sup> AEP's CIS implementation also uses a third-party system integrator that specializes in large scale CIS implementations, and AEP has employed a third-party quality assurance/quality control consultant.<sup>10</sup>

**Q: What are the estimated costs and timeline for the roll-out of the new CIS?**

A: The current capital cost estimate for I&M's share of a new CIS and market support tools is approximately \$132 million.<sup>11</sup> I&M also estimates related 2024 operations and maintenance ("O&M") costs of \$0.6 million.<sup>12</sup> During the 2023-2024 capital forecast period, I&M forecasts Major Project Capital Expenditures as presented in Figure KGL-1 below:

Figure KGL-1: Technology Major Projects without AFUDC <sup>13</sup>		
#	Project Title	2023-2024 period (\$000)
1	IMPCo Cap. Software	36,238
2	CIS Project	25,116
3	Security Blanket	17,322
4	ADMS & DERMS	8,362
5	HR Human Capital Management Modernization	6,403
6	Field Mobility Program	5,277
Total		98,718

The \$25.1 million of 2023-2024 capital expenditures and \$0.6 million in 2024

<sup>8</sup> *Id.*, l. 18 - p. 21, l. 6.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*, p. 21, ll. 7-13.

<sup>11</sup> *Id.*, ll. 16-17.

<sup>12</sup> *Id.*, see also Brenner, p. 22, Fig. JB-5.

<sup>13</sup> Brenner, p. 9, Fig. JB-3.

1 O&M costs<sup>14</sup> were developed by evaluating AEP's existing functionality and  
2 capabilities in its operating environments. As the project continues to progress  
3 through the project management phases for scoping, contracting, schedule  
4 development, and resource identification, the project cost estimates will be further  
5 refined.<sup>15</sup> I&M seeks approval for actual capital expenditures during the test year  
6 to be included in its base rate recovery, while also requesting deferral authority of  
7 post-test year costs incurred related to CIS deployment.<sup>16</sup>

8 **Q: Does I&M elaborate on its proposed recovery schedule for CIS project**  
9 **deployment and recovery?**

10 A: Yes. I&M witness Dona Seger-Lawson states "[t]he new CIS system is expected  
11 to be fully deployed in I&M's service territory by 2026. At that time, I&M  
12 expects the total capital costs to be placed in service and eligible for recovery in  
13 rates."<sup>17</sup> Because this is a large information technology ("IT") investment to be  
14 implemented over several years, I&M intends to capitalize most of the CIS O&M  
15 costs. To the extent I&M does not capitalize CIS project O&M costs, I&M  
16 requests Commission approval to defer these costs for future recovery<sup>18</sup> starting  
17 in 2025.<sup>19</sup>

18 **Q: What is your recommendation regarding I&M's proposal to replace its**  
19 **legacy customer system with the new CIS?**

20 A: My review of I&M's testimony, workpapers, and responses to data requests  
21 supports I&M's position that the majority of its current legacy customer system is

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<sup>14</sup> *Id.*, p. 22, Fig. JB-5.

<sup>15</sup> Brenner, p. 22, l. 12 – p. 23 l. 5.

<sup>16</sup> *Id.*, p. 23, ll. 6-12.

<sup>17</sup> Direct Testimony of Dona Seger-Lawson, p. 38, l. 24 – p. 39, l. 2.

<sup>18</sup> Seger-Lawson, p. 39, ll. 2-7.

<sup>19</sup> *Id.*, p. 39, ll. 20-21.

1 fully depreciated,<sup>20</sup> and I&M has been gradually transitioning to a cloud-based  
2 model in the majority of its operations applications.<sup>21</sup> I&M confirmed the CIS  
3 project overhaul is part of a unilateral move by its parent company, AEP, across  
4 its distribution subsidiaries' platforms,<sup>22</sup> and is not driven or piloted by I&M or  
5 implemented to solely meet I&M's needs. In conjunction with OUCC witness  
6 Gregory Krieger's recommendation that the Commission order I&M to report on  
7 and credit ratepayers with the financial benefits from CIS by offsetting capital  
8 investment and O&M costs, I recommend the Commission approve I&M's  
9 requested actual capital costs to install and implement its CIS.

### III. RESOURCE ADEQUACY RIDER ADJUSTMENTS

10 **Q: How does I&M propose the Commission treat I&M's Resource Adequacy**  
11 **Rider ("RAR")?**

12 **A:** I&M proposes the continuation of the current RA Rider (or "RAR") structure,  
13 tracking non-fuel costs associated with its purchased power agreements, as well as  
14 future Indiana retail share of revenues and costs associated with short-term  
15 capacity purchases and/or sales. I&M proposes to update the embedded base rate  
16 amount to reflect the forecasted test year level of non-fuel-cost purchased power  
17 expenses, purchase power capacity expenses, and capacity sales revenues totaling  
18 \$80,182,133 (Indiana Jurisdictional).<sup>23</sup>

19 **Q: Does I&M support how its test year embedded amount changed during the**  
20 **test year?**

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<sup>20</sup> Att. KGL-1: I&M's response to OUCC DR Set 3, p. 1.

<sup>21</sup> Att. KGL-1: I&M's response to OUCC DR Set 3, p. 2.

<sup>22</sup> Att. KGL-1: I&M's response to OUCC DR Set 3, p. 4; Brenner Direct, p. 17, ll. 15-21 and p. 20, ll. 9-17.

<sup>23</sup> Direct Testimony of Stacie R. Gruca, p. 21, ll. 1-9.



1 A: Yes. There are increased purchase power expenses due to Rockport Unit 2's  
2 capacity contract and some other bilateral contracts which affect the forecasted  
3 test year.<sup>24</sup> I&M witness Stacie Gruca states I&M's wholesale power agreements  
4 in the RAR are subject to FERC-approved tariffs, are significant in amount, and  
5 can vary due to factors outside of I&M's direct control.<sup>25</sup>

6 **Q: What is your recommendation regarding I&M's proposal to revise its**  
7 **embedded RAR costs in base rates?**

8 A: I recommend the Commission approve I&M's proposal to revise its embedded  
9 base rate amount of RAR costs to \$80.1 million of Indiana Jurisdictional costs.  
10 The Commission has previously granted approval for RAR adjustments and  
11 I&M's rider adjustments have been consistent with I&M's embedded costs. The  
12 exception was in Cause No. 45576, as shown in Figure KGL-2, below:

Figure KGL-2: Historical RAR Bill Impacts

	\$/1,000 kWh	Difference
RA-4	\$ 2.80	\$ 0.75
RA-3	\$ 2.05	\$ (4.86)
45576 Compliance	\$ 6.91	\$ 7.16
RA-2	\$ (0.25)	\$ (0.14)
45235 Compliance	\$ (0.11)	\$ (0.95)
RA-1	\$ 0.83	\$ 1.66
RA-0	\$ (0.82)	\$ -

#### IV. PJM AND RTO TRANSMISSION PROJECTS

13 **Q: What Regional Transmission Organization ("RTO") covers I&M's service**  
14 **territory?**

15 A: I&M's service territory is covered by PJM, as compared to the rest of Indiana's

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<sup>24</sup> Gruca, p. 7, Fig. SRG-1.

<sup>25</sup> Gruca, p. 21, ll. 15-18.

1 IOUs, all of which are located in the Midcontinent Independent System Operator  
2 ("MISO") footprint.

3 **Q: What types of projects are included in PJM's Regional Transmission**  
4 **Expansion Planning ("RTEP") process?**

5 A: There are three types of projects included in PJM's RTEP process.

6 **Baseline projects:** As I&M witness Nicolas C. Koehler describes, baseline  
7 projects are required to achieve compliance with PJM's system reliability,  
8 operational performance, state policy requirements, or market efficiency  
9 requirements, as determined by PJM's Office of the Interconnection.<sup>26</sup> The  
10 projects are typically in a high voltage range of 345 Kv to 500 Kv.

11 **Network Upgrades:** Network Upgrades result from customer requests for  
12 generator interconnection, merchant transmission additions, and long-term  
13 transmission service.<sup>27</sup>

14 **Supplemental projects:** Mr. Koehler refers to supplemental projects as "owner  
15 projects." Supplemental projects address regulatory requirements, modernization  
16 and hardening of the grid, replacement of failed equipment, proactive replacement  
17 of deteriorating assets prior to failure, and improved operational efficiency and  
18 performance.<sup>28</sup>

19 **Q: What is the review process for "owner" or "supplemental projects"?**

20 A: The review process for such "owner" or "supplemental" projects is a PJM process  
21 known as the "M-3 Supplemental Process" or "M-3 Process", which derives its  
22 name from its source, which is Attachment M-3 of PJM's Open Access

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<sup>26</sup> Direct Testimony of Nicolas C. Koehler, p. 12, l. 8 – p. 13, l. 2.

<sup>27</sup> Koehler Direct, p. 13, l. 16 – p. 14, l. 9.

<sup>28</sup> Koehler Direct, p. 13, ll. 10-15.

1 Transmission Tariff. The M-3 Process enables transmission owners to vet local  
2 projects that do not meet the criteria of baseline or network projects, and therefore  
3 are not included in PJM's project planning or approval process. Projects in the M-  
4 3 Process are tested for potential negative impact on the network and, if they  
5 present no threat, or "do no harm" to the grid, they are allowed to proceed through  
6 the M-3 process. PJM does not ultimately approve M-3 Supplemental projects  
7 because these projects are expressly excluded from consideration by the PJM  
8 Board pursuant to PJM's Operating Agreement.<sup>29</sup>

9 **Q: Are cost estimate or prudence reviews of supplemental/owner projects**  
10 **performed by any other regulatory entity?**

11 **A:** No, not in Indiana. The OUCC has been concerned about the lack of oversight of  
12 these projects and filed testimony requesting the Commission review such costs in  
13 the past.<sup>30</sup> However, I&M has for many years filed for and received Commission  
14 approval of cost recovery for supplemental projects, which are recovered in  
15 I&M's NITS tracker.

16 **Q: What happens after the M-3 supplemental process is completed?**

17 **A:** The cost is ultimately included in the AEP East zonal transmission rate formula in  
18 the PJM Tariff and allocated to the various AEP transmission operating  
19 companies (and their customers).

20 **Q: Has there been a formal complaint regarding this process filed before**  
21 **FERC?**

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<sup>29</sup> Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. Schedule 6, section 1.5.6(n).

<sup>30</sup> See, Petition of I&M, Cause No. 44967, Direct Testimony of OUCC Witness Peter M. Boerger, Ph.D., Public's Ex. 10, p. 14, l. 9 – p. 15, l. 3, p. 16, ll. 5-13 (filed Nov. 7. 2017).

1 A: Yes. On September 28, 2023, the Ohio Consumers' Counsel filed a complaint  
2 with FERC against PJM, AEP Ohio Transmission Company, and the additional  
3 large transmission owners operating in Ohio. The case is assigned as FERC Cause  
4 No. EL23-105-000.

5 **Q: What effect did I&M's NITS expenses have on its PJM Open Access**  
6 **Transmission Tariff ("OATT") expenses in 2022?**

7 A: I&M's PJM OATT expenses for 2022 were \$382 million and are expected to  
8 grow to \$443 million in 2024, primarily due to NITS expenses reflecting the  
9 projected growth in PJM transmission investments.<sup>31</sup> There is a second category  
10 for net transmission expenses, which are the transmission-related revenues and  
11 expenses, Transmission Owner revenues and transmission O&M expenses,  
12 traditional embedded costs for I&M to operate and maintain its own transmission  
13 assets. This category is removed from I&M's cost of Service, discussed by I&M  
14 witness Jenifer L. Fischer.<sup>32</sup>

## **V. PJM RIDER ADJUSTMENTS**

15 **Q: Please describe I&M's current PJM Rider.**

16 A: The PJM/Off-System Sales ("OSS") Rider tracks 100% of OSS margins and  
17 shares them with customers, netting them against the PJM NITS charges as fully  
18 recovered through the rider, with no OSS or NITS amounts embedded in base  
19 rates. There are other PJM charges, categorized as "Non-NITS," which have an

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<sup>31</sup> Direct Testimony of Shelli A. Sloan, p. 16, ll. 8-15.

<sup>32</sup> Sloan Direct, p. 16, ll. 16-20.

1 embedded amount in base rates; the rider is authorized to track the over/under  
2 variance.<sup>33</sup>

3 **Q: What is I&M requesting regarding its PJM Rider?**

4 A: I&M proposes to maintain its current PJM Rider and update the embedded base  
5 rate amounts for its non-NITS transmission expenses to an Indiana Jurisdictional  
6 amount of \$67,547,190, and track any variance from this embedded level through  
7 the PJM rider.<sup>34</sup> Additionally, I&M proposes to continue excluding PJM NITS  
8 charges from I&M's cost of service as an embedded cost in base rates, as shown  
9 in Adjustment RIDER-2, and instead continue to track and recover them  
10 exclusively through the PJM Rider.<sup>35</sup> I&M's position is that "PJM NITS costs are  
11 significant, variable, and largely outside I&M's control."<sup>36</sup> I&M states they are  
12 also "reasonable and necessary costs incurred to provide service to customers. If  
13 such costs were not included for recovery, then I&M would not be accurately  
14 reflecting its cost of service."<sup>37</sup>

15 **Q: Did I&M provide a reason why it is requesting not to embed these NITS and**  
16 **OSS costs?**

17 A: As Ms. Gruca states, "[i]f I&M were unable to track these costs, the Company  
18 would need to file base rate cases as often as possible to avoid significant  
19 financial harm."<sup>38</sup> This is consistent with I&M's last two base rate cases.<sup>39</sup> In  
20 2018, I&M witness Marc Lewis testified:

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<sup>33</sup> Gruca Direct, p. 10, ll. 7-16.

<sup>34</sup> *Id.*, p. 11, ll. 16-20.

<sup>35</sup> *Id.*, p. 10, l. 21 - p. 11, l. 3.

<sup>36</sup> *Id.*, p. 11, ll. 6-7.

<sup>37</sup> *Id.*, p. 11, ll. 7-10.

<sup>38</sup> Gruca Direct, p. 12, ll. 7-9.

1 The ability to timely recover the PJM Network Integration  
2 Transmission Services ("NITS") costs incurred by the Company  
3 under the FERC-approved Open Access Transmission tariff was a  
4 prime reason for initiating this general rate proceeding. The  
5 ratemaking treatment of these costs was a contested issue in this  
6 case which the settling parties resolved through the negotiation  
7 process.<sup>40</sup>

8 **Q: How was the contested issue resolved in the Cause No. 44967 settlement**  
9 **agreement?**

10 **A:** The Cause No. 44967 settlement permitted I&M to recover 100% of its Indiana  
11 Jurisdictional NITS charges through its annual PJM Rider. In exchange, I&M  
12 agreed to an annual dollar cap for the forecasted period of July 2018 through  
13 December 2021. This cap provision was of a rolling, cumulative nature that  
14 recognized that costs in any of the 3.5 years may be over or under the annual  
15 cumulative cap. Costs exceeding the cumulative cap for any particular year could  
16 be recovered in subsequent years so long as the total amount recovered did not  
17 exceed the cumulative total through that cumulative period. Additionally, the  
18 tracking of PJM costs and the cumulative cap restriction were agreed to sunset at  
19 the earlier date of December 31, 2021, or the date rates went into effect in I&M's  
20 next base rate case. This "sunset" provision did not preclude I&M from proposing  
21 to continue PJM cost tracking in I&M's next base rate case or other proceeding.<sup>41</sup>

22 **Q: Prior to I&M's Cause No. 44967 base rate case, when was I&M's last base**  
23 **rate petition?**

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<sup>39</sup> Direct Testimony of Dona Seger-Lawson, Cause No. 45576, p. 31, ll. 1-3 (filed Jul. 1, 2021), Final Order (Ind. Util. Regul. Comm'n Feb. 23, 2022); see also Direct Testimony of Andrew J. Williamson, Cause No. 45235, p. 52, ll. 7-9, and 13-14 (filed May 14, 2019), Final Order (Ind. Util. Regul. Comm'n Mar. 11, 2020).

<sup>40</sup> See Attachment KGL-2: Cause No. 44967, Settlement Testimony of Marc E. Lewis, p. 13, ll. 13-17.

<sup>41</sup> Cause No. 44967 Settlement Agreement, section 3: Transmission Costs. Filed on February 14, 2018.

1 A: I&M's previous rate case petition was in Cause No. 44075, filed on September  
2 23, 2011, which received a final order on February 13, 2013. There was an  
3 approximately 5-year gap between the final order in that cause and the final order  
4 in Cause No. 44967 on May 30, 2018.

5 **Q: How many rate cases has I&M filed in the past five-year period?**

6 A: Three cases - Cause Nos. 45235, 45576, and this Cause (45933).

7 **Q: Did I&M comply with the Cause No. 44967 settlement agreement provision**  
8 **regarding PJM costs and cumulative cap?**

9 A: Yes. The cumulative cap provision was ended with the sunset provision after two  
10 years with the approval of new rates in Cause No. 45235 on March 11, 2020,  
11 while the tracking of PJM NITS costs through the rider was approved to continue.  
12 In I&M's previous base rate case, Cause No. 45576, there was a settlement  
13 provision to, once again, cap the recovery of NITS costs through the PJM Rider at  
14 the I&M's Indiana jurisdictional amount forecasted for the year 2024 plus 15%,  
15 which totaled \$381.3 million.<sup>42</sup>

16 **Q: Did I&M comply with the Cause No. 45576 settlement agreement to have a**  
17 **recovery cap on NITS charges collected through the PJM Rider?**

18 A: Yes. Ms. Gruca indicates that I&M has not exceeded the recovery cap, based  
19 upon its last base rate case's 2024 forecasted NITS charges, in its rider filings.<sup>43</sup>

20 **Q: What adjustment is I&M proposing for its PJM Rider?**

21 A: I&M is proposing to use Adjustment RIDER-2 to remove Total Company OSS  
22 margins and PJM NITS expenses to instead be recovered through the PJM Rider.

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<sup>42</sup> Cause No. 45576 Settlement Agreement, Section 5(b).

<sup>43</sup> Gruca Direct, p. 10, ll. 17-20.

1        Additionally, this adjustment removes the corresponding revenues received  
2        through PJM distribution and OSS margins from the test year.<sup>44</sup>

3        **Q: Does I&M propose other adjustments to address the effect of PJM NITS**  
4        **charges?**

5        A: Yes. Mr. Fischer sponsors Adjustment O&M-8, addressing the addition of  
6        wholesale load on the Test Year PJM NITS on Other Electric Revenues (a  
7        decrease of \$1,266,668), and Transmission Operating Expense (increase of  
8        \$2,183,370).

9        **Q: What is your recommendation regarding I&M's proposals for its PJM**  
10       **Rider?**

11       A: I generally recommend the Commission approve I&M's proposed continuation of  
12       PJM NITS, Non-NITS, and OSS recovery through the Cause No. 43774 filing.  
13       However, the ongoing escalation of NITS costs on customer bills in a rider,  
14       outside of a base rate case, raises continuing concerns with affordability.<sup>45</sup> For a  
15       residential customer using 1,000 kWh per month, I&M's pending PJM-14 rider  
16       filing requests an increase of \$0.63 to the current factor charge of \$28.04,  
17       resulting in a total PJM rider charge of \$28.67 on top of I&M's base rate.<sup>46</sup>

## **VI. PROPOSED TDSIC FILING**

18       **Q: How does I&M address the cost of transmission services in its base rate**  
19       **cases?**

20       A: As Ms. Fischer states, "I&M's entire traditional embedded cost of transmission,  
21       as well as the revenues the Company receives from PJM as a Transmission

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<sup>44</sup> Gruca Direct, p. 14, ll. 1-11.

<sup>45</sup> See also the Testimony of OUCC witness Michael D. Eckert, who discusses affordability more generally.

<sup>46</sup> Cause No. 43774 PJM 14, Testimony of John W. Morgan, Att. JWM-3, RS (residential) class rate of \$0.028672 per kWh multiplied by 1,000.



1 Owner, have been excluded from the Company's class cost of service study."<sup>47</sup>

2 As a result, these costs and revenues have been removed from I&M's revenue  
3 requirement in this proceeding, as shown in Exhibit A-1. The company's entire  
4 traditional embedded cost of transmission includes I&M's transmission  
5 investment, I&M's transmission O&M expense, and all other I&M-specific  
6 transmission related costs.<sup>48</sup>

7 **Q: How does I&M address the cost of distribution services in setting base rates?**

8 A: According to the I&M direct testimony of Ms. Jenifer L. Fischer, I&M recovers a  
9 portion of its fixed distribution costs through a combination of the proposed  
10 monthly fixed charge and first block of energy charge to residential customers.  
11 I&M's stated support for this practice is that it better aligns the collection of those  
12 costs with the local, fixed nature of those costs.<sup>49</sup> In I&M's ideal arrangement,  
13 secondary distribution charges would be recovered from these residential  
14 customers through demand charges, but until demand metering is in place for all  
15 residential customers it is not feasible to do so. Therefore, Ms. Fischer  
16 recommends a collection of these costs through a combination of a monthly  
17 service charge and first block energy charge as more reasonable than through an  
18 all-kWh energy charge.<sup>50</sup>

19 **Q: What is the Petitioner requesting regarding a TDSIC plan in this filing?**

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<sup>47</sup> Fischer, p. 7, ll. 12-20.

<sup>48</sup> *Id.*, p. 7, l. 24 – p. 8, l. 1.

<sup>49</sup> *Id.*, p. 18, ll. 9-15.

<sup>50</sup> *Id.*, p. 18, ll. 18-23.

1 A: I&M is requesting approval of allocation factors for a future TDSIC plan filing.<sup>51</sup>  
2 The proposed factors are attached to Ms. Fischer's testimony as Attachment JLF-  
3 6.

4 **Q: Did I&M disclose when it would plan to file its proposed TDSIC plan?**

5 A: No, not specifically. According to Ms. Fischer, the TDSIC firm load customer  
6 class revenue allocation factors that I&M proposes are included in Attachment  
7 JLF-6. However, Ms. Fischer refers only generally to "a future . . . [TDSIC]  
8 proceeding following this basic rate case."<sup>52</sup>

9 **Q: What do you recommend regarding I&M's Attachment JLF-6 and its**  
10 **intention to file a TDSIC plan?**

11 A: I&M's request for approval of proposed transmission and distribution class  
12 factors in this cause runs contrary to the language of I.C. § 8-1-39-9(a), which  
13 states that the allocation factors for a TDSIC are those from the utility's most  
14 recent base rate case. It appears that I&M is trying to establish a different TDSIC  
15 allocation factor for firm load through its request, instead of the general allocation  
16 factors to be established in this case. Therefore, I recommend the Commission  
17 reject I&M's requested approval of separate TDSIC transmission and distribution  
18 allocation factors as part of its general rate case.

## **VII. OUCC RECOMMENDATIONS**

19 **Q: Please summarize your recommendations to the Commission in this cause.**

20 A: I recommend that the Commission:

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<sup>51</sup> *Id.*, p. 3, ll. 19-20 and p. 25 ll. 7-11.

<sup>52</sup> *Id.*, p. 25, ll. 7-11.

- 1           1. Approve I&M's proposal to replace its legacy CIS investment as part of
- 2           AEP's company-wide transition;
- 3           2. Approve I&M's proposal to embed \$80.1 million of resource adequacy costs
- 4           in base rates and continue to use its RA Rider filing to track incremental
- 5           amounts above and below this base rate amount;
- 6           3. Approve I&M's proposal to continue tracking its PJM NITS costs through
- 7           Cause No. 43774; and
- 8           4. Reject I&M's proposed separate transmission and distribution factor
- 9           allocations.

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

11   **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  
9       Depreciation Professionals ("SDP") conference held in Philadelphia and the  
10      Basics of Depreciation course. In April 2022 and 2023, I attended the 53<sup>rd</sup> and  
11      54<sup>th</sup> Society of Utility Regulatory and Financial Analyst ("SURFA") Forums,  
12      both held in 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  
17      Utility Regulatory Commission. My scope of review is typically focuses on  
18      accounting and utility ratemaking issues. This involves reading testimonies of  
19      petitioners and intervenors, previous orders issued by the Commission, and any  
20      appellate opinions to inform my analyses. I prepare and present testimony based  
21      on these analyses and make recommendations to the Commission on behalf of  
22      Indiana utility consumers.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC Set 3  
IURC CAUSE NO. 45933-IN Base Case 2024 TY

DATA REQUEST NO OUCC 3-3

REQUEST

Regarding the testimony of Joe Brenner, page 3, lines 18-21. What is the approximate remaining unrecovered cost on I&M's legacy CIS investment?

RESPONSE

I&M objects to the request on the grounds and to the extent the request seeks an analysis, compilation, calculation, or study that I&M has not performed and to which I&M objects to performing. I&M also objects to the request on the grounds and to the extent the request is vague and ambiguous; the Company interprets the request to be seeking the undepreciated balance of the Company's existing billing system. Subject to and without waiver of the foregoing objections, I&M provides the following response. With the exception of certain recent immaterial investments within the last five years, the vast majority (if not all) of I&M's legacy CIS investment is fully depreciated.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC Set 3  
IURC CAUSE NO. 45933-IN Base Case 2024 TY

DATA REQUEST NO OUCC 3-7

REQUEST

Regarding the testimony of Joe Brenner, page 6, can I&M quantify the difference in annual costs from the historical capital investment model of depreciation compared to the proposed subscription model of cloud based technologies? If the answer is "yes", please provide a spreadsheet support of this. If the answer is "no", please explain why I&M has not performed this comparison.

RESPONSE

I&M objects to the request on the grounds and to the extent the request seeks an analysis, calculation, compilation, or study that I&M has not performed and to which I&M objects to performing. I&M also objects to the request on the grounds and to the extent the request is vague and ambiguous. Subject to and without waiver of the foregoing objection, I&M provides the following response.

No. Many of the applications that are included in the Company's cost of service use cloud-based technologies and can no longer be treated as historical capital investments. This is because the technology is no longer able to be entirely supported on the Company's servers and systems. Additionally, more of the software the company uses is also being hosted on cloud-based platforms. This means that each piece of software requires a more individualized and contextual approach to implementation.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC Set 3  
IURC CAUSE NO. 45933-IN Base Case 2024 TY

DATA REQUEST NO OUCC 3-8

REQUEST

Regarding the testimony of Joe Brenner, page 13, lines 11-16, how long has I&M been aware of this potential platform from its vendor, ARCOS? What factors or events spurred this proposed move in platforms?

RESPONSE

AEP became aware of additional ARCOS application offerings in 2020 after considering the custom development of a damage assessment module with similar functionality to ARCOS' Mobile Workbench. Prior to 2020, ARCOS did not have a mature solution. Existing applications already licensed by AEP were being renewed for a term beginning in 2021, and additional purchases were proposed by the vendor as part of a combined offer.

Based on AEP's assessment of the overall benefits of the integrated solution with ARCOS, as discussed by Company witness Isaacson on pages 39-40 of his direct testimony and witness Brenner on page 13-14 of his direct testimony, AEP determined that implementing the ARCOS platform would be more appropriate and cost effective than developing custom solutions.

INDIANA MICHIGAN POWER COMPANY  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST SET NO. OUCC Set 3  
IURC CAUSE NO. 45933-IN Base Case 2024 TY

DATA REQUEST NO OUCC 3-10

REQUEST

Regarding Joe Brenner's testimony, page 17, lines 15-24. Is AEP planning to change its CIS across the 6 other companies as well? Or will I&M be departing from its parent's policy here?

RESPONSE

The new CIS system will be deployed across all AEP operating companies.



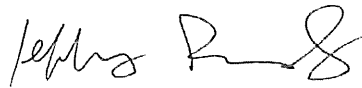
STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER )  
COMPANY, AN INDIANA CORPORATION, FOR )  
(1) AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR ELECTRIC UTILITY SERVICE )  
THROUGH A PHASE IN RATE ADJUSTMENT; (2) )  
APPROVAL OF: REVISED DEPRECIATION )  
RATES; ACCOUNTING RELIEF; INCLUSION IN )  
BASIC RATES AND CHARGES OF QUALIFIED )  
POLLUTION CONTROL PROPERTY, CLEAN ) CAUSE NO. 44967  
ENERGY PROJECTS AND COST OF BRINGING )  
I&M'S SYSTEM TO ITS PRESENT STATE OF )  
EFFICIENCY; RATE ADJUSTMENT MECHANISM )  
PROPOSALS; COST DEFERRALS; MAJOR )  
STORM DAMAGE RESTORATION RESERVE )  
AND DISTRIBUTION VEGETATION )  
MANAGEMENT PROGRAM RESERVE; AND )  
AMORTIZATIONS; AND (3) FOR APPROVAL OF )  
NEW SCHEDULES OF RATES, RULES AND )  
REGULATIONS. )

SUBMISSION OF SETTLEMENT TESTIMONY OF  
MARC E. LEWIS

Petitioner, Indiana Michigan Power Company (I&M), by counsel, respectfully  
submits the settlement testimony, attachments and workpapers of Marc E. Lewis in this  
Cause.



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Attorneys for Indiana Michigan Power  
Company

1 Agreement provides that the cost rate of customer deposits in the capital  
2 structure used for ratemaking purposes will be adjusted to reflect 2%.

3 **Q. Has the Company calculated the WACC to be used in establishing basic**  
4 **rates under the Settlement Agreement?**

5 A. Yes, the WACC at the beginning of the Test Year and the end of the Test Year is  
6 set forth in Attachment MEL-3-S.

7 **Q. What authorized net operating income results from the Settlement**  
8 **Agreement?**

9 A. As shown on Settlement Agreement Attachment A, Line 3 (Income Requirement)  
10 the authorized net operating income is \$231,786,040.

11 **Q. Please discuss Section I.A.3 (Transmission Costs) of the Settlement**  
12 **Agreement.**

13 A. The ability to timely recover the PJM Network Integration Transmission Services  
14 (NITS) costs incurred by the Company under the FERC-approved Open Access  
15 Transmission Tariff was a prime reason for initiating this general rate proceeding.  
16 The ratemaking treatment of these costs was a contested issue in this case  
17 which the Settling Parties resolved through the negotiation process.

18 Section I.A.3 sets forth terms for the ongoing recovery of 100% of I&M  
19 Indiana jurisdictional NITS costs through the Company's OSS/PJM Rider.<sup>2</sup> This  
20 agreement provides a rolling cumulative cap on NITS cost recovery based on  
21 I&M's forecasted NITS expense through December 31, 2021. The Settlement

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<sup>2</sup> The Settlement Agreement approves I&M's request to combine the Company's existing Off-System Sales Margin Sharing Rider (OSS Rider) with the PJM Cost Rider (PJM Rider) into one singular OSS/PJM Rider.

**AFFIRMATION**

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

Kaleb G. Lantrip

Kaleb G. Lantrip  
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. 4 Testimony of Kaleb G. Lantrip* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 15, 2023.

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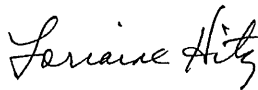
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