

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE APPLICATION OF )  
INDIANA MICHIGAN POWER COMPANY FOR )  
APPROVAL OF A FUEL COST ADJUSTMENT )  
FOR ELECTRIC SERVICE APPLICABLE FOR )  
THE BILLING MONTHS OF NOVEMBER 2022 ) CAUSE NO. 38702-FAC 89  
THROUGH APRIL 2023 AND FOR APPROVAL )  
OF RATEMAKING TREATMENT FOR COST OF )  
WIND POWER PURCHASES PURSUANT TO )  
CAUSE NOS. 43328, 43750, 44034, AND 44362 )

SUBMISSION OF DIRECT TESTIMONY OF  
DONA R. SEGER-LAWSON

Petitioner, Indiana Michigan Power Company (I&M), by counsel, respectfully  
submits the direct testimony of Dona R. Seger-Lawson in this Cause.



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## CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, or United States Mail, postage prepaid this 1st day of August, 2022 to:

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**INDIANA MICHIGAN POWER COMPANY**

**38702 FAC-89**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**DONA SEGER-LAWSON**

**DIRECT TESTIMONY OF DONA SEGER-LAWSON  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

**I. Background**

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

My name is Dona R. Seger-Lawson 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 Direct, Regulatory Services.

**Q3. Briefly describe your educational background and professional experience.**

I received a Bachelor of Science degree in Business Administration with majors in Finance and Management from Wright State University in Dayton, Ohio in 1992. I earned a Master's in Business Administration with a Finance Administration concentration also from Wright State University in August 1997.

I was employed by the Dayton Power and Light Company from 1992 to 2018 and held various positions in the Regulatory Operations area, ranging from Rate Analyst to Director of Regulatory Operations. In 2018, I joined American Electric Power (AEP) as the Manager, Regulatory Services with AEP Ohio and accepted my current position with I&M in May 2020.

**Q4. What are your responsibilities as Director, Regulatory Services?**

I am responsible for assisting in the development, analysis, revision, and administration of the Company's tariff schedules, rate designs, and policies.

1 I am also responsible for evaluating regulatory and legislative initiatives and  
2 Indiana Utility Regulatory Commission (IURC or Commission) orders that impact  
3 the Company's retail rates and regulatory policies. I report to I&M's Vice  
4 President, Regulatory and Finance.

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

6 Yes. I have sponsored testimony before the IURC on behalf of I&M in Cause  
7 No. 45285 (DSM Plan), Cause No. 38702 FAC-86 & FAC-87 (Fuel), Cause No  
8 45506 (EDG) and Cause No. 45576 (Base Rate). I have also supported  
9 testimony in several cases before the Public Utilities Regulatory Commission of  
10 Ohio (PUCO) and the Federal Energy Regulatory Commission (FERC).

11 **Q6. Are you sponsoring any attachments?**

12 I am sponsoring Attachment 1-F, which contains recent financial results related  
13 to the operating expense and return tests.

14 **Q7. Were the exhibits, attachment and workpapers that you sponsor prepared**  
15 **by you or under your direction?**

16 Yes.

17 **Q8. What is the purpose of your testimony?**

18 The purpose of my testimony is to demonstrate the Commission should find that  
19 I&M's fuel adjustment clause application complies with the requirements of IC 8-  
20 1-2-42(d)(2) and (3), commonly referred to as the "operating expense" and  
21 "return" tests, respectively, and IC 8-1-2-42.3.

## II. Operating Expense Test

1 **Q9. For the purpose of the “operating expense” test, did the fuel costs I&M**  
2 **experienced for the twelve months ended May 31, 2022 represent an**  
3 **increase over the fuel costs contained in I&M’s rate case Cause No.**  
4 **45235?**

5 Yes, they did. The Indiana jurisdictional fuel costs included in Cause No. 45576  
6 were \$185,803,000. I&M’s Indiana jurisdictional fuel costs for the twelve months  
7 ended May 31, 2022 were \$204,427,000, as shown on Attachment 1-F,  
8 Schedule 1, Column 9, Line 38. The “operating expense” test requires a utility to  
9 demonstrate that any increases in fuel costs are not offset by decreases in other  
10 non-fuel costs. I&M’s fuel costs increased over the authorized amount in its  
11 most recent base rate proceeding. Also I&M’s non-fuel expenses increased  
12 during the period over the amount authorized in the most recent base rate  
13 proceeding. This is shown on Attachment 1-F, Schedule 1, Column 9, Line 37  
14 where non-fuel expenses were \$944,749 and during the twelve months ended  
15 May 31, 2022 were \$1,173,842 (stated in \$1000s). Therefore, the Commission  
16 should find that the "operating expense" test of IC 8-1-2-42(d)(2) is satisfied.

## III. Authorized Net Operating Income (NOI)

17 **Q10. Did you compare I&M's actual return during the twelve months ended**  
18 **May 31, 2022, with the authorized return during the same historical period?**

19 Yes. I&M's actual return for the twelve months ended May 31, 2022, was  
20 \$295,176,000 while the authorized net electric operating income during the  
21 same period was \$274,113,000 as authorized in Cause Nos. 45235 and 45576  
22 adjusted in accordance with Commission Orders in I&M’s various capital  
23 trackers as further discussed.

1 **Q11. Did you prorate the Authorized NOI between the most recent base rate**  
2 **case (45576) and the prior base rate case (45235)?**

3 Yes. During the 12-month period, rates from Cause No. 45235 were in place  
4 until February 22, 2022, then rates from Cause No. 45576 were in effect from  
5 February 23, 2022 until the end of May. I&M prorated the authorized NOI based  
6 on number of days during the period resulting in a pro-rated NOI of \$272,302  
7 (stated in \$1000s).

8 **Q12. Did I&M adjust its authorized net electric operating income in accordance**  
9 **with the Commission's Order in Cause No. 44182 LCM-10?**

10 Yes. The February 3, 2021 Order in Cause No. 44182 LCM 10 authorized I&M  
11 to increase its authorized net operating income for fuel adjustment clause  
12 earnings test to reflect the D.C. Cook Nuclear Plant Life Cycle Management  
13 Project investment. This modification increased I&M's authorized net electric  
14 operating income by \$598,000.

15 **Q13. Did I&M adjust its authorized net electric operating income in accordance**  
16 **with the Commission's Orders in Cause Nos. 45245 and 45245 SPR-1?**

17 Yes. The February 19, 2020 Order in Cause No. 45245 authorized I&M to add  
18 the approved return on its St. Joseph Solar Farm (SJSF) to its net operating  
19 income authorized by the Commission for the purposes of Ind. Code §§ 8-1-2-  
20 42(d)(2) and (d)(3) in all subsequent FAC proceedings.

21 In the March 29, 2021 Order in Cause No. 45245 SPR-1, the Commission  
22 approved, for the purposes of computing authorized net operating income for  
23 Ind. Code §§ 8-1-2-42(d)(2) and (d)(3), the jurisdictional portion of the increased  
24 return to be phased in over the appropriate period of time that I&M's net  
25 operating income is affected by the earnings modification resulting from the  
26 Commission's approval of the adjustment. This modification increased I&M's  
27 authorized net electric operating income by \$1,136,000.

1 **Q14. Were there adjustments to the authorized net electric operating income as**  
2 **a result of I&M's most recent base rate case (Cause No. 45576)?**

3 Yes. The settlement that was approved by the Commission in Cause No. 45576  
4 made certain adjustments to base rates and other riders. Specifically, the new  
5 Tax Credit Rider and the Phase In Rider included return components outside of  
6 base rates and therefore it is appropriate to adjust the authorized return for  
7 these items.

8 **Q15. What was the adjustment to the authorized net electric operating income**  
9 **(NOI) related to the Tax Credit Rider?**

10 The Tax Credit rider is designed to pass back the excess unprotected AFIT. In  
11 I&M's compliance filing in Cause No. 45576 on Tax Rider compliance workbook  
12 it shows that the Tax Credit rider was designed to pass back an earnings impact  
13 as soon as the rate was put in place. The after tax weighted average cost of  
14 capital was applied to the original compliance rate base credit and the  
15 authorized NOI was adjusted by a credit of \$158,000 during this FAC period.

16 **Q16. Please explain the adjustment to authorized NOI related to the Phase In**  
17 **Rider.**

18 Per the settlement in Cause No. 45576, the Phase In Rider includes certain  
19 costs associated with Rockport Unit 2 until the lease expires in December 2022.  
20 Therefore, some return components related to Rockport Unit 2 were included in  
21 the Phase In Rider. These can be found in the Cause No. 45576 Joint Exhibit 1,  
22 Settlement Agreement Attachment 2, page 1. The after-tax weighted average  
23 cost of capital was applied to the fuel and consumables balances. For the  
24 purpose of the adjustment for this FAC period, this amount was pro-rated  
25 starting February 23, 2022 when rates were effective. For a total adjustment to  
26 the authorized NOI of \$234,000.



#### IV. Net Operating Income Adjustments

1 **Q17. Did you update the allocation factors used to jurisdictionalize revenues**  
2 **and expenses?**

3 Yes. The allocation factors were updated to reflect the allocation factors  
4 approved in Cause No. 45576.

5 **Q18. Did the settlement in Cause No. 45576 include sharing of off-system**  
6 **sales?**

7 No. It did not. I&M removed the adjustment related to off-system sales from the  
8 earnings test calculation since there is no longer a sharing of off-system sales.  
9 Any off-system sales are shared at 100% through the PJM OSS rider beginning  
10 with the effective date of the settlement in Cause No. 45576. However, because  
11 there was a unique off-system sharing mechanism as a result of the order in  
12 Cause No. 45235 related to the Indiana and Michigan Municipal Distributors  
13 Association (IMMDA) load, and because the result of that order was in effect for  
14 a portion of the period covered by this earnings test, I&M included a prorated  
15 share of the IMMDA value as an adjustment to revenues.

16 **Q19. What adjustments were made to actual net operating income for this FAC**  
17 **period?**

18 I&M made adjustments to the actual net operating income for Open Access  
19 Transmission Tariff (OATT), Shared Savings associated with Demand-side  
20 Management/Energy Efficiency programs, FAC 88 Excess Earnings Credit, and  
21 carrying charges for amortization of regulatory assets that are recorded in  
22 accounts that are below the line.

1 **Q20. Did I&M continue to adjust retail jurisdictional revenue for the OATT**  
2 **charges consistent with the Commission's Order in Cause No. 45235 and**  
3 **45576?**

4 Yes for Cause No. 45235 and no for Cause No. 45576. Similar to what was  
5 approved in FAC87 and FAC88, I&M adjusted retail jurisdictional revenue to  
6 reflect the difference between I&M's transmission cost of service and the related  
7 PJM OATT charges that were approved in Cause No. 45235. The approved  
8 revenue difference was an increase to retail revenues of \$6,725,000. This  
9 adjustment was prorated for the period through February 22, 2022.

10 Consistent with past I&M rate cases, this increment (or decrement) to retail  
11 revenues remains the same until the Commission approves new base rates for  
12 I&M. For earnings test purposes this approved revenue amount is shown as an  
13 adjustment to Indiana retail revenue.

14 This OATT adjustment was not made for Cause No. 45576 because the  
15 authorized net operating income of \$296,735 (stated in \$1000s) already reflects  
16 the OATT revenue adjustment. Therefore, no OATT adjustment is necessary  
17 for earnings periods after February 23, 2022 (the effective date of rates from  
18 Cause No. 45576).

19 **Q21. What adjustment was made for Demand-Side Management/Energy**  
20 **Efficiency shared savings?**

21 As addressed in Cause No 45285, the Demand-Side Management/Energy  
22 Efficiency Program Cost Rider includes shared savings. The shared savings  
23 amount of \$636,398 was excluded from net electric operating income for  
24 purposes of the earnings test.

25 **Q22. Did I&M exclude the FAC reduction amount that was provided in FAC88 in**  
26 **the FAC89 earnings test?**

27 Yes. That reduction was reflected in the retail revenue adjustment in Column 7,  
28 line 2 of Schedule 1-F.

1 **Q23. Please explain the adjustment that was made to the Other Operation**  
2 **excluding PJM and DSM expenses.**

3 An adjustment of \$1,717,000 was made in Column 7, line 19 of Schedule 1-F  
4 that reflects amortization of regulatory assets that are included in rates but are  
5 reflected below the line from a net operating income perspective on the  
6 Company's books. These amortization amounts are reflective of Cook Turbine,  
7 Dry Sorbent Injection, and COVID deferrals that were authorized in Cause No.  
8 45576.

9 **Q24. Please explain the tax adjustments that were made on lines 26 and 27 of**  
10 **Attachment 1-F.**

11 I&M calculated both the state and federal income tax impacts of the adjustments  
12 that are discussed above. Those tax adjustments are shown in Column 7, lines  
13 26 and 27 on Schedule 1 of Attachment 1-F. A 21% rate was applied for federal  
14 income tax, and a 5.2561% rate was applied for state income tax.

15 **Q25. Does this filing include a schedule with a calculation of the sum of the**  
16 **differentials for the relevant period?**

17 Yes, this is shown on Attachment 1-F, Schedule 4. I&M's actual return is more  
18 than its authorized return for the most recent 12-month period and the sum of  
19 the differentials for the relevant period is greater than zero, meaning that the  
20 Commission should find that the "return" test of I.C. 8-1-2-42(d)(3) is not  
21 satisfied. The sum of the differentials for the relevant period, Cause No. 38702-  
22 FAC80 through the current filing FAC89, is \$63,558,000.

23 **Q26. What is the reduction amount that I&M will flow through the FAC?**

24 In accordance with I.C. 8-1-2-42(d)(3) the reduction amount is to be the lower of  
25 the 12-month over earnings or the sum of the differentials for the relevant  
26 period. The difference between the authorized return and the determined return  
27 for the 12-month period was \$21,063,000 and the sum for the differential period

1 is \$63,558,000. For this reason, I&M will base its credit on the 12-month period  
2 amount and divide it in half due to I&M filing semi-annual FAC proceedings. This  
3 results in a total FAC reduction amount of \$10,531,000, or \$14,107,000 grossed  
4 up for taxes.

5 **Q27. Is this FAC reduction amount shown on the schedules you support?**

6 Yes. Attachment I-F, Schedule 5 shows the application of the gross revenue  
7 conversion factor to the reduction amount for the period to determine the FAC  
8 credit of \$14,107,000. This amount was used in the development of the FAC  
9 factors shown on Attachment 1-B that is sponsored by Company witness  
10 Walcutt.

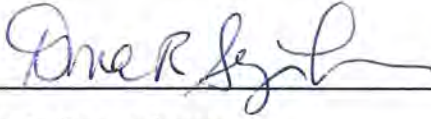
11 **Q28. Does this conclude your pre-filed verified direct testimony?**

12 Yes.

## VERIFICATION

I, Dona Seger-Lawson, Regulatory Director 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: 8-1-22

  
\_\_\_\_\_  
Dona Seger-Lawson