

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION	:	
of	:	
INDIANA MICHIGAN POWER COMPANY	:	Cause No. 45418
	:	
for all necessary authority in connection with a \$800,000,000	:	
financing program involving the issuance of unsecured promissory	:	
notes of one or more new series and/or preferred stock	:	

SUBMITTAL OF PETITIONER'S REBUTTAL TESTIMONY

Petitioner Indiana Michigan Power Company, an Indiana Corporation ("Petitioner") respectfully submits the rebuttal testimony of Franz D. Messner, Managing Director of Corporate Finance for American Electric Power.

Respectfully submitted,



Kay E. Pashos
Counsel for Indiana Michigan Power Company

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CERTIFICATE OF SERVICE

The undersigned, one of the attorneys for Indiana Michigan Power Company, hereby certifies that the foregoing was served via Electronic Mail this 26th day of October, 2020, to the following:

Jeffrey Reed
Indiana Office of Utility Consumer Counselor
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**PREFILED VERIFIED REBUTTAL TESTIMONY
OF
FRANZ D. MESSNER
ON BEHALF OF INDIANA MICHIGAN POWER COMPANY**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Franz D. Messner. My business address is 1 Riverside Plaza, Columbus, Ohio.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Electric Power Service Corporation as Managing Director of Corporate Finance.

Q. ARE YOU THE SAME FRANZ D. MESSNER WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is to both clarify one aspect of my direct testimony and to respond to the testimony of Office of Utility Consumer Counselor (OUCC) witness Caleb Loveman with respect to that same issue.

Q. WHAT ASPECT OF YOUR DIRECT TESTIMONY DO YOU WANT TO CLARIFY?

A. On pages 3 to 4 of my direct testimony, I stated: “Based on recent transactions, the yield to maturity of [the new] Notes should not exceed by more than 500 basis points the yield to maturity on United States Treasury bonds of comparable maturity at the time of pricing. We do not expect to exceed that difference. If we agree to a fluctuating rate of interest on Notes, it will not exceed 8% at the time of issuance.”

Q. WHAT ISSUE IN MR. LOVEMAN'S TESTIMONY DO YOU WANT TO RESPOND TO?

A. At page 4 of Mr. Loveman's testimony, in discussing interest rate methodology, he quotes my direct testimony quoted above. And at page 6 of his testimony, one of his recommendations to the Commission is that: "b) Interest rates should meet the following criteria: credit spread associated with new fixed debt should not exceed by more than 5% the yield to maturity on U.S. Treasury bonds of comparable maturity at the time of pricing and 8% all-in rate for new variable debt."

Q. WHAT DO YOU WANT TO CLARIFY?

A. I would like to clarify that instead of referring to 5%, that recommendation should refer to 500 basis points. I believe the OUCC's language is probably based on the fact that we used to refer to 5% and 500 basis points interchangeably, for simplicity's sake. However, 500 basis points is more accurate than 5%, in that if the underlying U.S. Treasury bond rate is 1%, using 5% instead of 500 basis points would mean that the new notes could not exceed 1.05%; whereas, using 500 basis points would mean that the new notes could not exceed 6%. This may not make a difference in most cases, but it could become relevant when credit spreads become large during periods of distress, as they did in March of this year.

Q. HAS I&M DISCUSSED THIS CLARIFICATION WITH THE OUCC?

A. It is my understanding that counsel for I&M and counsel for the OUCC communicated about this, and that the OUCC is agreeable to this clarification.

Q. DOES THIS CONCLUDE YOUR PREFILED VERIFIED REBUTTAL TESTIMONY?

A. Yes, it does.

VERIFICATION

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Date: 10/26/2020 | 3:07 PM EDT

DocuSigned by:
Franz D. Messner
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Franz D. Messner

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