

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 ) CAUSE NO.: 45235  
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 )

**INDIANA OFFICE OF THE UTILITY CONSUMER COUNSELOR'S  
RESPONSE TO DOCKET ENTRY REQUEST OF SEPTEMBER 27, 2019**

Comes now, the Office of Utility Consumer Counselor ("OUCC"), by counsel, and provides this response to the Commission's Docket Entry Request dated September 27, 2019, as follows:

**Question 15:** OUCC witness Alvarez, on page 20 of his testimony, line 2, recommends a \$2.5 million decrease to the forecasted Test Year Major Storm Reserve. Please state whether this amount should be \$1.6 million and the amount the OUCC is proposing be embedded in Major Storm Reserve should be \$2.5 million.

**Response:** The Commission is correct that the amount stated in Mr. Alvarez's testimony should be a \$1.6 million reduction to the forecasted Test Year Major Storm Reserve, for a total of \$2.5 million. OUCC witness Mark Garrett's testimony, Schedule MG-10, line 8 shows the OUCC's total company adjustment to Major Storm Reserve as \$1,574,529. The OUCC will correct Mr. Alvarez's testimony before it is offered at the evidentiary hearing in this Cause.

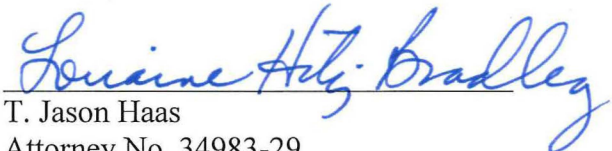
**Question 16:** Please explain fully and with specificity the OUCC's position upon I&M's rebuttal proposal to adjust major storm expense for inflation. If the OUCC disagrees with the proposed inflationary adjustment, please fully explain why.

**Response:** The OUCC does not agree with I&M's rebuttal proposal to adjust major storm expense for inflation for several reasons. First, when the Commission approved I&M's Major Storm Restoration Reserve and the methodology upon which to base this Reserve in Cause No. 44075, the Commission based I&M's Reserve on a 5-year average of major storm damage expenses and did not include an adjustment for inflation. The OUCC is recommending that the Cause No. 44075 methodology continue to be followed and I&M has not provided a sufficient justification as to why the methodology should be changed.

Second, the Reserve amounts in previous years represent actual amounts expended by I&M on storm restoration labor and materials. Adding an inflation adjustment represents an additional amount that was not expended at that time and should not be included in the expense amounts.


Finally, it is inappropriate and unnecessary to increase I&M's Major Storm Restoration Reserve based on an inflationary adjustment because, unlike other operations and maintenance expenses, I&M's Reserve serves as a baseline upon which actual costs incurred above (or below) this level are deferred as a regulatory asset (or regulatory liability) for future cost recovery (or refund). Therefore, even if I&M's Reserve were set at the OUCC's recommended level (\$2,473,000) and I&M's annual actual costs were closer to its recommended level (\$2,675,000), the approved methodology for the Reserve would still provide I&M with recovery of these expenses, if prudently incurred.

Respectfully submitted,

*for*   
T. Jason Haas  
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**CERTIFICATE OF SERVICE**

*Indiana Office of Utility Consumer Counselor's Response to Docket Entry Request of September 27, 2019* has been served upon the following parties of record in the captioned proceeding by electronic service on October 1, 2019.

  
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Deputy Consumer Counselor

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