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INDIANA UTILITY
REGULATORY COMMISSION

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Cause No. 45235

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

DAVID A. LUCAS

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**PRE-FILED VERIFIED DIRECT TESTIMONY OF DAVID A. LUCAS
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY**

BACKGROUND

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- Q. Please state your name and business address.**
- A. My name is David A. Lucas, and my business address is Indiana Michigan Power Center, P.O. Box 60, Ft. Wayne, Indiana 46801.
- Q. By whom are you employed and what is your position?**
- A. I am employed by Indiana Michigan Power Company (I&M or Company) as Vice President Finance and Customer Experience.
- Q. What are your principal areas of responsibility with I&M?**
- A. I am responsible for managing the integrated financial plan and strategic planning process for all I&M business units – Fossil & Hydro Generation, Nuclear Generation, Transmission, and Utility Operations - which includes distribution, customer services & marketing, regulatory services, energy efficiency and demand side management, and other I&M corporate support groups. I am responsible for managing the business operations, project controls, energy efficiency, and customer service organizations. I also lead strategic efforts across our organization to improve the customer experience.
- Q. Would you please describe your educational and professional background?**
- A. I have a Bachelor Degree in Business Management and a Master of Business Administration from Marshall University. I have completed the Program for Leadership Development at Harvard Business School and the American Electric Power (AEP) Leadership Development Program at The Ohio State University. I am a registered Project Management Professional (PMP). Prior to joining AEP, I

1 worked for more than 12 years in the heavy industrial construction industry. I was
2 an officer and Director of Business Operations for Williams Service Group, Inc. My
3 responsibilities in this position included working with the executive management
4 teams of multiple business units to develop strategic plans and manage the
5 financial functions of the business units. I joined AEP in January 2005 as Manager
6 – Financial Analysis & Budgeting SCR and Environmental. My primary roles since
7 joining AEP have been in the areas of project management, budgeting, and project
8 controls where I have served as Manager- Project Cost Management and Director
9 – Project Controls. I also held the position of Director – Environmental Retrofits
10 from November 2010 – January 2013. In April 2014, I was named Vice President
11 Finance of I&M and in November 2016 was named Vice President Finance and
12 Customer Experience.

PURPOSE OF TESTIMONY

14 **Q. What is the purpose of your testimony in this proceeding?**

15 **A.** The purpose of my testimony is to explain and sponsor:

- 16 1. the forecast approach and methods used to develop the operation and
17 maintenance (O&M) expenses and capital expenditures included in I&M's
18 financial forecast for the forward-looking test year (Test Year or TY);
- 19 2. describe I&M's O&M and capital forecast for the Test Year and
20 assumptions incorporated into the development of the forecast;
- 21 3. support the customer experience, economic development and renewable
22 programs I&M is proposing in this case;

- 1 4. support the customer engagement and education plan related to our AMI
2 deployment in Indiana; and
3 5. related matters outlined in the testimony.

4 **Q. Are you sponsoring or co-sponsoring any exhibits in this proceeding?**

5 A. No.

6 **Q. Are you sponsoring or co-sponsoring any attachments in this proceeding?**

7 A. Yes, I am sponsoring the following attachments:

- 8 • Attachment DAL-1 – Historical and Forecasted O&M Expenses
- 9 • Attachment DAL-2 – Historical and Forecast Capital Expenditures
- 10 • Attachment DAL-3 – Economic Development Pilot Programs
- 11 • Attachment DAL-4 – Customer Assistance Pilot Programs
- 12 • Attachment DAL-5 – Customer Engagement Platform

13 **Q. Did you submit any work papers?**

14 A. Yes. I am supporting the following work papers:

- 15 • WP-DAL-1 – Income Statement O&M Summary
- 16 • WP-DAL-2 – Project Life File
- 17 • WP-DAL-3 – Adjustment RB/O&M-1

18 **Q. Are you sponsoring any of the adjustments included in I&M's Exhibit A?**

19 A. Yes. I sponsor RB/O&M-1 on I&M Exhibits A-5 and A-6, which is an adjustment
20 to reflect AMI Software Plant In-Service and the O&M expenses for customer
21 engagement associated with the AMI program.

1 **Q. Were these attachments, work papers, and adjustments prepared or**
2 **assembled by you or under your supervision?**

3 A. Yes.

4 **O&M AND CAPITAL FORECAST**

5 **Q. What is the purpose of a forecast?**

6 A. A forecast takes the assumptions developed from the Company's management
7 experience, knowledge and judgment and uses those to develop the work plans
8 that become the basis for I&M's forecast. I&M uses the forecasting process as a
9 forum to engage leaders across the Company in creating work plans that seek to
10 maximize reliability, safety, and customer benefit within the context of the
11 Company's financial position. The forecast that is generated as a result of these
12 activities is based on data from the past and present along with analysis of trends
13 to provide an expected future picture to rely upon for planning. Company witness
14 Heimberger explains how the Company's O&M and capital forecasts are used as
15 inputs into the financial forecast she supports.

16 **Q. Will you please describe how the O&M and capital components of the**
17 **financial forecasts are developed?**

18 A. I&M's financial management team coordinates the planned activities necessary to
19 complete the forecasting process with AEP's corporate planning & budgeting
20 (CP&B) group. I&M and CP&B work collaboratively at the start of the forecasting
21 process to establish capital and O&M guardrails for each business unit to utilize as
22 a planning basis when preparing their work plans and forecasts.

23 The O&M and capital forecasts prepared by each business unit are based
24 on work plans that use business objectives to prioritize work activities. In addition

1 to the functional Business Unit forecasts, I&M also incorporates the capital and
2 O&M budgets and long range forecasts from AEP Service Corporation for
3 corporate services including, but not limited to, information technology and shared
4 services.

5 **Q. Could you please identify I&M's business units?**

6 A. I&M is comprised of four business units:

- 7 1. Fossil, Hydro & Solar Generation,
- 8 2. Nuclear Generation,
- 9 3. Transmission, and
- 10 4. Utility Operations.

11 Each of these organizations has management teams and budgeting personnel that
12 are responsible for coordinating the forecasting activities within their groups. Each
13 I&M business unit is responsible for preparing the capital and O&M budgets and
14 long range forecasts for its area of responsibility. I&M management works across
15 the business units to evaluate the drivers behind the components of the work plan
16 and ensure that capital and O&M are prioritized, allocated properly, and are within
17 the available capital and O&M guardrails.

18 **Q. Who are the business unit witnesses supporting the capital and O&M activity**
19 **relied upon for the financial forecast?**

20 A. The following individuals will provide testimony on the underlying work planned by
21 the business units that is incorporated in the financial forecast:

- 22 1. Tim Kerns, Fossil, Hydro & Solar Generation;
- 23 2. Q. Shane Lies, Nuclear Generation;

1 3. Kamran Ali, Transmission; and

2 4. David Isaacson, Distribution, which is part of the Utility Operations business
3 unit.

4 **Q. Please describe how capital is prioritized and allocated across I&M's**
5 **business units.**

6 A. I&M's business units go through an extensive effort to identify a work plan
7 consisting of a list of proposed capital projects for the future. Each business unit
8 uses drivers specific to its area of the business to determine which projects to
9 include and the timing by which the projects need to be completed. Some
10 examples of common business drivers include environmental compliance,
11 regulatory compliance (e.g. Nuclear Regulatory Commission or "NRC"), PJM
12 compliance, public/employee safety, aging infrastructure, reliability improvements,
13 and performance improvements. Once each business unit determines its work
14 plan and associated business drivers, the business unit is required to estimate the
15 costs and schedule durations associated with each individual program or project.
16 A necessary step that occurs during each business unit review is determining the
17 level of capital that is associated with environmental, regulatory, risk mitigation or
18 operational requirements and the amount of capital available for remaining
19 projects. After the highest priority capital projects are approved, I&M business unit
20 leaders work collaboratively with I&M's financial and executive team to prioritize
21 the remaining projects, within the constraint of I&M's overall capital limitations.

1 **Q. Please describe how O&M is prioritized and allocated across I&M's business**
2 **units.**

3 A. Each business unit develops its O&M budget based on the costs necessary to
4 maintain ongoing operations plus incremental O&M needs. Ongoing operations
5 costs typically include labor, fringe benefits, fleet vehicles, insurance, consumable
6 materials and chemicals, right of way maintenance, mandated fees, etc. and are
7 largely non-discretionary within a given year. Each budget is prepared in
8 accordance with Corporate Budgeting Guidelines, which include various
9 assumptions and provide guidance for things such as labor escalation factors.
10 Incremental O&M includes the cost associated with scheduled outages at major
11 generating facilities and major inspection or maintenance programs within
12 distribution and transmission. Once ongoing operations O&M has been approved,
13 proposed business unit incremental needs are evaluated and prioritized by I&M
14 management and the available resources are allocated in order of greatest
15 operational and/or customer benefit.

16 **Q. Please describe how the capital and O&M outside the business units are**
17 **prioritized and allocated.**

18 A. AEP Service Corporation costs for items such as Information Technology (IT) and
19 Shared Services are required to prepare strategic plans and financial forecasts
20 which are presented to the Investment Review Committee (IRC) to obtain approval
21 for capital and O&M allocations. I&M management participates in these
22 discussions to provide input on the allocation of funds and the specific impact and
23 benefits to I&M.

1 **Q. How does I&M manage changes to the plan represented by the forecast?**

2 A. I&M has multiple processes that are used in the ongoing management of capital
3 and O&M throughout the year. I&M updates its budgets annually and makes
4 changes based on the updated needs. I&M also works with each business unit
5 throughout the year to re-forecast capital and O&M expenditures and manage any
6 changes from the budget. These processes provide the platforms for open
7 communication among the business units, I&M, and CP&B to ensure funds are
8 prioritized and allocated effectively throughout the year.

9 **Q. Why are changes to the plan represented by the forecast reasonable and
10 necessary in between forecast cycles?**

11 A. Changes to the plan are reasonable and necessary to address new facts and
12 circumstances that were not known at the time the plan was finalized to establish
13 the forecast. These changes occur as a result of many emerging business needs,
14 including change in timing and scope of existing projects, new operational needs,
15 new customer needs, weather events and new regulatory compliance
16 requirements.

17 **OPERATIONS AND MAINTENANCE (O&M) EXPENSES**

18 **Q. Have you reviewed the TY level of projected O&M expenses for
19 reasonableness?**

20 A. Yes. I have evaluated the O&M included in the TY and compared this to actual
21 expenses in previous years, including the calendar year 2018 Historical Period. In
22 cases where there are increases or decreases in expenses compared to historical
23 trends I have reviewed the work plans utilized to develop the forecast to determine
24 the underlying cause(s) of the change. I have also considered forecast

1 assumptions, including escalation factors, as a part of my evaluation. Attachment
2 DAL-1 provides a summary of actual O&M expenses for the years 2014 through
3 2018 and the forecasted O&M expenses for the TY. This Attachment also shows
4 the projected growth in O&M by account grouping. Company witnesses Kerns,
5 Lies, and Isaacson provide further detailed support for the projected level of O&M
6 expenses included in the forecast for their respective I&M functional business
7 units. Please see Company witness Nollenberger for a discussion of I&M's
8 proposed ratemaking treatment of transmission-related costs and revenues.

9 **Q. Why have you provided several years of actual data in Attachment DAL-1?**

10 A. Annual O&M expenses are dependent upon many factors including specific work
11 plans and emergent work performed in a particular year. As such, actual and
12 projected O&M expenses may vary significantly from year to year. By comparing
13 the TY level of O&M spending to a variety of recent years' actual data and
14 understanding any specific changes in expenses, I can confirm the TY level of
15 O&M expense is reasonable. I examined not only the differences between the TY
16 and Historical Period expense levels, but also the five-year average and compound
17 annual growth over the last five years. This comparison provides an even longer
18 term view to help evaluate the reasonableness of the TY O&M data. I want to
19 emphasize that the comparisons included in Attachment DAL-1 are dollar-for-
20 dollar comparisons without adjusting for inflation over the five-year period. An
21 inflationary adjustment to historical costs would be necessary to correctly reflect
22 that cost during the TY.

1 **Q. What conclusion did you reach as a result of your comparison?**

2 A. The TY level of Fossil Steam, Nuclear, Hydraulic and Other Generation O&M
3 expenses are reasonable in aggregate as compared to actual expenses. O&M
4 expenses for the Generation function (excluding account 501 fuel, 502 emissions
5 control, and 509 allowances) are forecasted to decrease in relation to all five most
6 recent calendar years (2014 through 2018) by -1.1% on average, not including any
7 inflationary adjustments to historical costs.

8 **Q. What other conclusions did you reach as a result of your comparison of**
9 **Generation O&M data?**

10 A. I concluded that each category of TY Generation O&M expense is reasonable in
11 relation to actual expenses. The compound annual growth in projected Steam
12 Generation O&M expenses is -2.5% on average for the last five calendar years,
13 without any inflationary adjustments to historical costs. It should be noted that the
14 Tanners Creek Plant was decommissioned in May 2015. This is a primary driver
15 in the large reduction in O&M from 2014 to 2015. Excluding 2014 from the
16 analysis, Steam Generation O&M expenses are under 2015 – 2018 historical
17 levels by an average of -1.8%. Company witness Kerns will further discuss the
18 Steam Generation O&M expenses.

19 The level of projected Nuclear Generation O&M expenses (excluding
20 account 518 fuel) in the TY is projected to be flat, in essence, to the average over
21 the five-year historical period, without any inflationary adjustments to historical
22 costs. Company witness Lies will discuss the details of the Nuclear Generation
23 O&M expenses.

1 The compound annual growth in TY Hydro Generation O&M expense is
2 down -3.7% on average for the last five calendar years, without any inflationary
3 adjustments to historical costs. Company witness Kerns will discuss the details of
4 the Hydro Generation O&M expenses.

5 The compound annual growth in TY Other Generation O&M expenses is
6 down -18.3% on average for the last five calendar years, without any inflationary
7 adjustments to historical costs. The decreases for the TY are largely driven by the
8 manner in which the costs are forecasted versus how actual costs are recorded.
9 The costs associated with accounts 556 and 557 are forecasted as a component
10 of the AEP service corporation billing process and a portion resides in purchased
11 power expense. When the actual costs are recorded they are all booked as an
12 O&M expense, thus the historical actual Other Generation O&M is higher than the
13 forecasted amount in the TY.

14 **Q. Who discusses the proposed ratemaking treatment of I&M's transmission-**
15 **related costs and revenues?**

16 A. Company witness Nollenberger discusses I&M's proposed ratemaking treatment
17 of transmission-related costs and revenues.

18 **Q. What conclusions did you reach as a result of your comparison of O&M data**
19 **related to distribution?**

20 A. My review shows the TY Distribution O&M expense is reasonable in relation to
21 historical expenses. The TY level of Distribution O&M expenses reflects a
22 compound annual growth in Distribution O&M expenses of 2.6% on average for
23 the last five calendar years, without any inflationary adjustments to historical costs.

1 The increases in O&M spend are primarily driven by vegetation management
2 related expenditures. Excluding the increase in vegetation management
3 expenses, the remaining Distribution O&M expenses during the TY result in a
4 compound annual growth rate of -1.8% on average compared to the last five
5 calendar years, without any inflationary adjustments to historical costs. Company
6 witness Isaacson will further discuss Distribution O&M expenses.

7 **Q. What conclusions did you reach as a result of your comparison of O&M**
8 **expenses related to customer service and administrative and general?**

9 A. I concluded the TY level of Customer Service and Information expenses and Sales
10 expenses are reasonable compared to the five most recent years. For comparison
11 purposes I exclude the costs which are addressed and recovered in separate rider
12 rate proceedings (e.g. demand side management (DSM) costs). The compound
13 annual growth rate in TY expenses is 6.1% on average over the last five calendar
14 years, without any inflationary adjustments to historical costs. The primary drivers
15 associated with this TY increase in customer service and information expense is a
16 full year implementation of the bill matrix/pay station fees, energy services
17 organization, and economic development consistent with the programs described
18 below.

19 In addition, the TY levels of Administrative and General (A&G) O&M
20 expenses are reasonable compared to actual expenses. The compound annual
21 growth in TY A&G O&M expenses is -0.9% on average for the last five calendar
22 years, without any inflationary adjustments to historical costs.

1 **Q. Are there challenges that the Company must address when developing the**
2 **work force plan and labor forecast?**

3 A. Yes. I&M's operations are increasingly complex due to increasing environmental,
4 regulatory, financial, and operational aspects of our business. As a result, our
5 employees must be more skilled than ever before and capable of adapting to
6 significant changes in technology and the regulatory environment. Our workforce
7 must continue to evolve to attract and retain highly skilled employees who can
8 manage our increasingly complex operation and compliance systems. As a part
9 of the work plan and forecasting discussions with each business unit, projected
10 labor needs, issues relative to work force attrition, and new positions are discussed
11 and approved for incorporation into the forecast.

12 **Q. Is the level of O&M expense included in the TY accurate and reasonable?**

13 A. Yes, the TY level of O&M expense in the forecast, combined with the adjustments
14 proposed in this case, is accurate, reasonable and representative of I&M's cost of
15 providing service. The TY levels are justified by the projected needs of the utility
16 and are not excessive. I&M has demonstrated proactive management that has
17 successfully allowed I&M to maintain O&M, in many cases, with minimal or no
18 increase over the past several years while at the same time absorbing inflationary
19 impacts. As discussed above, I&M's functional witnesses describe the basis for
20 the TY O&M expenses in greater detail.

21 **CAPITAL FORECAST**

22 **Q. Please describe the Capital Forecast Period in this case.**

23 A. The Capital Forecast Period presented in this case is defined as January 2019
24 through December 2020.

1 **Q. Have you reviewed the level of capital costs during the Capital Forecast**
2 **Period for reasonableness?**

3 A. Yes. I have evaluated the capital included in the Capital Forecast Period and
4 compared this to actual capital expenditures in previous years, including the
5 Historical Period. In cases where there are increases or decreases in capital
6 expenditures compared to historical trends I have reviewed the work plans utilized
7 to develop the forecast to determine the underlying cause(s) of the change. I have
8 also considered forecast assumptions, including escalation factors, as a part of my
9 evaluation. Attachment DAL-2 provides a summary of actual capital expenditures
10 for the years 2014 through 2018 and the forecasted capital expenditures for the
11 Capital Forecast Period.

12 **Q. What conclusions did you reach as a result of your comparison?**

13 A. First, I was able to determine that the overall level of forecasted capital
14 expenditures during the Capital Forecast Period is reasonable compared to the
15 last three years of actual capital expenditures. The average annual capital
16 expenditure in 2019–2020 is forecasted to be \$616 million compared to \$585
17 million in 2016-2018, an estimated increase of 5%. Considering inflationary factors
18 and specific capital programs taking place during the Capital Forecast Period the
19 overall amount is reasonable compared to historical actual expenditures.

20 Second, I was able to determine that the allocation of capital across the
21 business units is consistent with I&M business unit work plans and accurately
22 represents our capital investments during this time period.

1 **Q. Can you describe the primary elements of I&M’s capital investments during**
2 **the Capital Forecast Period?**

3 A. I&M capital investment continues to be focused on infrastructure improvements,
4 environmental and regulatory compliance, integrating new technology, and an
5 improved customer experience.

6 I&M has worked with each business unit to develop a work plan specific to
7 their needs and opportunities within the construct of our overall capital
8 investments. These work plans were then reviewed and consolidated company-
9 wide to balance required projects, infrastructure improvements, and strategic
10 opportunities.

11 **Q. Can you summarize the primary generation components of I&M’s capital**
12 **investment during the Capital Forecast Period?**

13 A. During the Capital Forecast Period, I&M continues to prioritize the execution of the
14 remaining sub-projects in the Life Cycle Management (LCM) Project at our Cook
15 Nuclear facility. The capital requirements for Nuclear Generation continue to
16 decline from an average annual spend of \$189 million from 2016-2018 to an
17 average annual spend of \$140 million from 2019–2020 as the LCM project gets
18 closer to completion. The Nuclear capital program includes a combination of
19 technology modernization, regulatory compliance, and infrastructure
20 improvements that are essential to ongoing plant operations. Company witness
21 Lies describes the capital programs at Cook in more detail.

22 I&M is also required to install and place into service the Rockport Unit 2
23 Selective Catalytic Reduction (SCR) project during the Capital Forecast Period.

1 This project is an environmental and regulatory compliance project that is essential
2 and necessary for the ongoing operation of Rockport Unit 2.

3 In addition to maintaining our existing generation infrastructure, the Capital
4 Forecast Period contains the capital expenditures associated with a 20MW solar
5 facility planned to be in-service by December 2020. Company witness Kerns
6 describes the capital programs in Fossil, Hydro, and Solar generation in more
7 detail and Company witness Williamson explains that I&M is filing a separate
8 proceeding for approval of the solar facility.

9 **Q. Can you summarize the primary transmission components of I&M's capital
10 investment during the Capital Forecast Period?**

11 A. A significant component of I&M's capital investments since 2016 has been to
12 transition its capital investments into the Transmission and Distribution systems.
13 There are significant needs in the wires side of our business to invest in
14 infrastructure and technological improvements to our system that will result in
15 customer reliability improvements, economic development opportunities, as well
16 as improve the efficiency of our system.

17 From 2016 – 2018 the average actual capital expenditures per year for
18 capital investments in Transmission has been \$88 million. During the Capital
19 Forecast Period, the average capital forecast per year is \$94 million. The projects
20 included in this forecast are primarily focused on physical security and local
21 infrastructure improvement projects.

1 **Q. Can you summarize the primary distribution components of I&M's capital**
2 **investment during the Capital Forecast Period?**

3 A. I&M's capital investments include increased investments in the Distribution
4 system, primarily focused on reliability improvement, grid modernization, and
5 improved customer engagement. The reliability improvement components of the
6 portfolio are based on a prioritized list of projects that are incorporated into the
7 distribution work plan specifically to address the highest risk of customer reliability
8 issues. The grid modernization components of the distribution work plan
9 incorporate technologies such as advanced metering infrastructure (AMI), volt var
10 optimization (VVO), distribution line sensors, distribution automation, and
11 supervisory control and data acquisition (SCADA) systems.

12 In addition to these ongoing programs, I&M's capital investments also
13 include new technologies designed to increase customer engagement and
14 improve the overall customer experience. During the Capital Forecast Period, I&M
15 has included \$36 million (Total Company) in the capital plan for the initial phases
16 of a program to install Advanced Meter Infrastructure (AMI) to all I&M customers
17 (Indiana and Michigan). Company witness Isaacson discusses the Indiana portion
18 of the AMI program from an operational standpoint. My testimony below explains
19 how the AMI technology will provide access to data that I&M will use to inform and
20 empower customers to make better decisions about their electric consumption
21 habits and manage their monthly budgets.

1 **Q. Please summarize the primary corporate/other components of I&M's capital**
2 **investments during the Capital Forecast Period.**

3 A. The capital investments associated with corporate/other investments are primarily
4 focused on information technology (IT) projects necessary to ensure the security
5 of I&M's data, maintain an IT infrastructure that supports the operations of the
6 company, and take advantage of new technologies that improve the efficiency of
7 the business or create customer benefits.

8 **Q. Is the level of capital investments included in the Capital Forecast Period**
9 **accurate and reasonable?**

10 A. Yes, the TY level of capital investments, combined with the adjustments proposed
11 in this case, is reasonable, necessary and representative of I&M's cost of providing
12 service. The Capital Forecast Period levels are justified by the projected needs of
13 the utility and are not excessive. As described above, I&M's functional witnesses
14 describe the basis for the forecasted capital expenditures in greater detail.

15 **ECONOMIC DEVELOPMENT PILOT PROGRAMS**

16 **Q. Please describe I&M's current efforts in economic development.**

17 A. I&M engages in economic development in the communities we serve because of
18 the importance of helping those communities grow and prosper. I&M's economic
19 development team works with local, regional and state economic development
20 groups to identify potential customers and scope out sites that would be conducive
21 to meeting a prospective customer's needs. We also support activities that
22 enhance the quality of life features of a community that are increasingly important
23 to businesses and their talent attraction and retention needs.

1 I&M's economic development efforts, in collaboration with our local
2 economic development partners, have contributed to the creation of over 4,500
3 jobs and nearly \$900 million of capital investment in I&M's Indiana service area
4 over the last five years. I&M is committed to improving Indiana's economy and
5 recognizes that we need to continue to take advantage of opportunities to improve
6 our economic development programs to better retain and attract more economic
7 development opportunities to our Indiana service territory.

8 **Q. What support does I&M receive from AEPSC for economic development?**

9 A. The AEPSC central economic and business development team provides support
10 to the I&M economic and business development staff through customized research
11 and research tools, marketing, GIS mapping, and prospecting and lead generation
12 activities. The AEPSC central economic and business development team also
13 initiates system-wide economic development programs such as industrial site
14 evaluation and certification and continuing education for economic development
15 professionals within the service territory.

16 **Q. Do I&M's customers benefit from economic development?**

17 A. Yes. Economic development results in the creation of new jobs for the citizens of
18 our communities, opportunities for expansions of current businesses, and an
19 increased tax base for our communities. Additionally, the increased load that is a
20 direct result of the capital investment benefits all I&M customers by spreading the
21 fixed costs that are necessary to maintain the electric system, ultimately lowering
22 customer rates.

1 **Q. Has I&M implemented the economic development programs that were**
2 **included in the settlement of Cause No. 44967?**

3 A. Yes. The settlement included three components of the Economic Impact Grant
4 Program (EIG) that have been implemented by I&M. The first component was for
5 I&M to award grants of \$185,000 to be allocated to the members of the Joint
6 Municipal Group and \$35,000 to the 39 North Conservancy District. I&M has
7 distributed all funds associated with this component of the EIG program.

8 The second component of the EIG was for I&M to allocate \$240,000 to
9 support one or more Qualifying Projects from members of the Joint Municipal
10 Group. As of April 2019, I&M has allocated funds for two applications, for a total
11 of \$32,000. There are \$208,000 in funds remaining for this component of the
12 program.

13 The third component was for I&M to allocate \$240,000 to be available for
14 grants to eligible customers including members of the Joint Municipal Group and
15 39 North Conservancy District, to support Qualifying Projects. As of April 2019,
16 I&M has allocated funds for seven applications for a total of \$84,000. There is
17 \$156,000 in funds remaining in this component of the program.

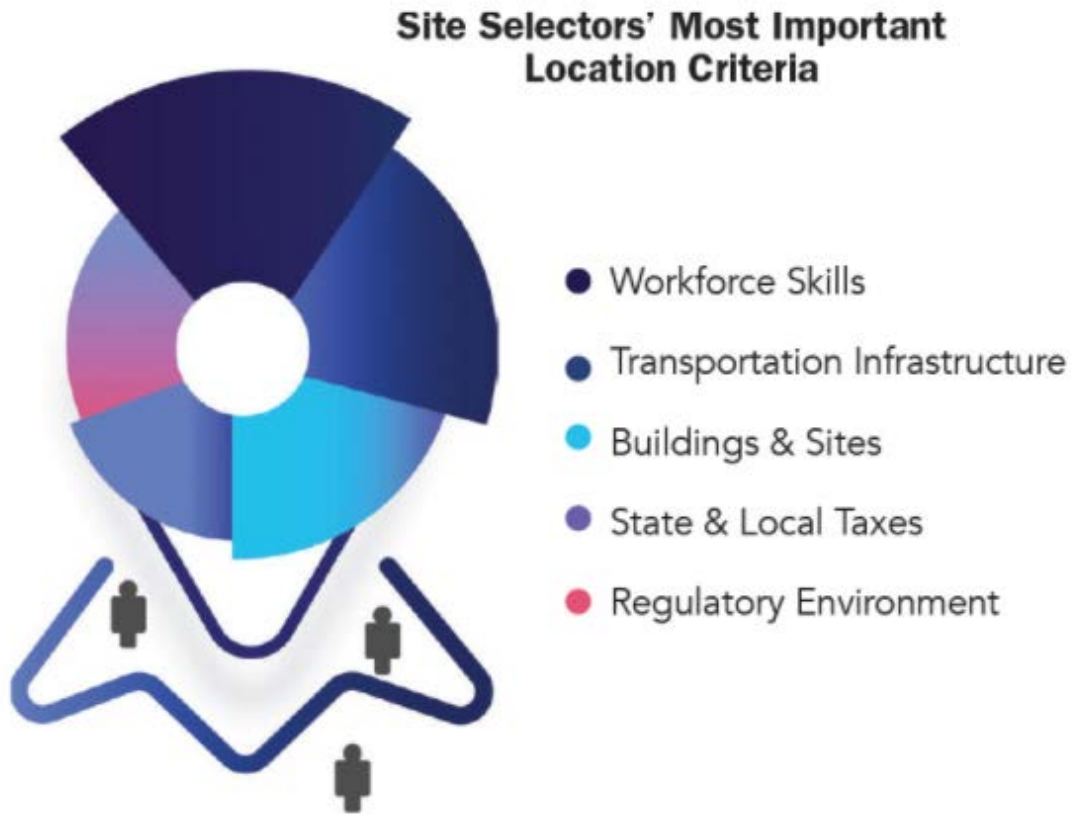
18 I&M will continue to administer the EIG program as described in the
19 settlement agreement. The programs will continue until the earliest of the
20 following: allocation of the \$700,000 fund, which is the sum of all programs;
21 December 31, 2021; or the date rates go into effect in I&M's next base rate case.
22 The unallocated funds identified above are not included in the revenue requirement
23 presented in this case.

1 **Q. Has I&M included any costs in the Test Year associated with the EIG**
2 **programs?**

3 A. Yes. I&M has reflected \$137,500 in the TY revenue requirement to continue the
4 third component of the EIG after rates go into effect in this base rate case. These
5 funds will allow I&M to continue to provide grants to eligible customers, including
6 members of the Joint Municipal Group and 39 North Conservancy District, to
7 support Qualifying Projects.

8 **Q. Does there continue to be challenges to continued economic development**
9 **in I&M's service territory?**

10 A. Yes. According to Site Selection Magazine's January 2019 article "Show Me the
11 Workforce," site selection consultants maintain that the availability of a skilled
12 workforce is the number one driving factor in business expansions and greenfield
13 location decisions. In addition to the availability of a skilled workforce, having an
14 inventory of desirable existing buildings, available for sale or lease, is critical in
15 attracting new businesses to the region. These factors are shown in the graphic
16 below:



1 “Show me the Workforce”, Site Selection magazine, January 2019.

2 Our economic development experience confirms the importance of these factors.

3 As technology continues to change and the types of skills necessary to be
 4 productive in the work force evolve, robust apprenticeship and training programs
 5 are a necessity. Moreover, the current building inventory in the I&M service
 6 territory is critically low and, as a result, the area has been unable to compete for
 7 some new investments.

8 **Q. What economic development pilot programs does I&M propose to address**
 9 **these challenges?**

10 A. I am sponsoring two new economic development pilot programs in this case aimed
 11 to create significant value for our customers today and into the future. These

1 programs are specifically focused on two of the most significant economic
2 development challenges in our region: availability of a well-trained and skilled
3 workforce and inventory of desirable existing buildings.

4 **Q. Can you please describe the Apprenticeship and Training pilot program?**

5 A. I&M proposes to establish an Apprenticeship and Training pilot program, in
6 collaboration with local Workforce Development organizations, to assist eligible
7 customers in providing established and credible apprenticeship and employee
8 training programs. Under this proposal, I&M would make available \$350,000 per
9 year for two years to support customers in providing qualified and approved
10 training programs. Unused funds, if any, would be made available beyond the
11 second year until all the funds have been used for eligible training. The specifics
12 of the program are outlined in Attachment DAL-3.

13 **Q. Can you explain how this pilot program is designed to address the economic
14 development need for a well-trained and skilled workforce?**

15 A. Advancements in technology and an aging workforce are creating a skills gap
16 employers across the country must solve. The Apprenticeship and Training pilot
17 program is focused on closing that gap for the targeted high-wage and high-growth
18 industries within the I&M service area. This program will aid in retaining existing
19 customers in I&M's service area by providing an increased opportunity for
20 companies to train their workforce on new technologies that will increase the
21 efficiency of the current operations. Additionally, having a well-trained and skilled
22 workforce will also provide a talent pool for companies expanding or seeking new
23 opportunities in I&M's service area. Finally, the employees of companies that

1 provide quality training programs and invest in their employees will also certainly
2 benefit. This will provide these individuals with improved job skills and an ability
3 to grow in careers with targeted industries that have high wages and high growth
4 potential.

5 **Q. Please describe the Building Development pilot program.**

6 A. I&M's proposed Building Development pilot program would provide \$150,000 per
7 year for two years to assist communities with the development of "spec" buildings
8 in the I&M service area. In cooperation with the local unit of government,
9 developer, and local economic development organization, I&M will be able to
10 actively market new spec buildings developed as a result of this program to attract
11 new businesses to the I&M service territory. The specifics of the program are
12 outlined in Attachment DAL-3.

13 **Q. How will I&M engage with local communities and economic development
14 organizations to implement this pilot program?**

15 A. I&M maintains close relationships with the leaders of communities and economic
16 development organizations within its service territory. I&M's economic and
17 business development staff will discuss the benefits of the pilot program with its
18 economic development partners and assist in the recruitment of qualified and
19 experienced industrial building developers.

1 **Q. Are the costs of these pilot programs reasonable?**

2 A. Yes. The costs of these pilot programs are reasonable and necessary in order to
3 make an impact on economic development in I&M's service territory. I&M is
4 proposing an Apprenticeship and Training Pilot program that would provide eligible
5 companies with \$1,000 per employee, up to \$10,000 per year, with an overall
6 program cap of \$350,000 per year. I&M has set the cost reimbursement per
7 employee at a maximum of \$1,000 based on input from our Work Force
8 Development partners in the area, who estimate the average cost of a skills
9 training program to range from \$1,100 to \$4,600 per employee. I&M's program
10 would reimburse employers approximately 30% of the eligible costs on average,
11 with a cap of 50% of training costs. This amount is significant enough to make a
12 positive difference in the decision to provide the employee training program, but
13 also requires the employer to make a significant portion of the investment.
14 Assuming the maximum of \$10,000 per company in a year, this would provide the
15 opportunity for at least thirty-five employers to participate. Given the demand that
16 has been experienced in other state sponsored programs described later in my
17 testimony, it is I&M's expectation that this program will be fully utilized and result
18 in positive changes for the workforce in I&M's service area.

19 For the Building Development Pilot program, the costs associated with due
20 diligence, environmental analyses, and preparing a primary development plan can
21 vary widely based upon the size, location, and nature of the site. I&M's program
22 limits the total reimbursement for one site at \$100,000, with a total program cap of
23 \$150,000. Utilizing the program parameters, I&M has designed the program to

1 support multiple projects per year. Being able to potentially market multiple spec
2 buildings in I&M's service area that are suitable for the strategic growth industries
3 that provide good jobs with comparatively higher wages will have a significant
4 positive impact on bringing new economic development to I&M's service area and
5 benefiting all customers by spreading the fixed costs of the I&M system across
6 increased load.

7 **Q. How will I&M assess the performance of the Apprenticeship and Training and**
8 **Building Development pilot programs?**

9 A. I&M will track the number of applications received on both programs to track the
10 effectiveness of the outreach and education on the availability of the programs.
11 I&M will also track the number of applications approved, as well as the time to
12 approval, to evaluate the effectiveness of the application process. Participants
13 receiving Apprenticeship and Training program funds will be required to report on
14 the qualifying employee's substantial completion of the training or apprenticeship
15 program to receive reimbursement. The participating customer must also
16 demonstrate the qualifying employee is compliant with the "Eligibility" section in
17 Attachment DAL-3. I&M will track the number of employees trained and the
18 increase in wages that result from the training and apprenticeship program.

19 In the Building Development pilot, I&M will track the number of spec
20 buildings enrolled in the program and the status of each spec building during
21 engineering, procurement, and construction phases.

1 **Q. How do these two economic development pilot programs fit within state and**
2 **local economic development efforts?**

3 A. In 2017, Indiana launched the Next Level Jobs initiative making available \$10
4 million and up to \$50,000 per employer to an Indiana employer training employees
5 for in-demand occupations, which quickly was depleted of funding. In 2018,
6 Indiana's Skills Enhancement Fund (SEF) awarded \$16.8 million to support
7 training for 12,661 individuals at new or expanding companies across Indiana. The
8 SEF program was exhausted of funding in mid-2018 awaiting the 2019 Indiana
9 General Assembly's bi-annual budget approval. I&M's pilot apprenticeship and
10 training program will build on and complement existing programs by filling a
11 funding gap. The primary differentiator with I&M's program is its requirement that
12 the employee must receive a pay increase.

13 With respect to the Building Development pilot program, communities are
14 seeking developers to build spec buildings but may not have the seed funding
15 necessary to incentivize the development. With the pilot building development
16 program, I&M will only seek to partner with communities and developers that are
17 capable of bringing the building project to completion and market it to an end user
18 that will bring jobs and additional capital investment.

19 **Q. How will these economic development pilot programs benefit I&M's**
20 **customers?**

21 A. Economic development is the engine that drives the economies of the communities
22 in I&M's service territory. Through the collaborative work that I&M does with
23 workforce development agencies, local economic development organizations,

1 local units of governments, and private developers we are creating jobs,
2 diversifying our economy, providing existing business with tools to compete and
3 grow, and increasing the tax base for our local communities.

4 A vibrant, growing economy helps all customers by increasing the customer
5 base over which the fixed costs of I&M's operations can be spread. A flat economy
6 with stagnant load growth does not allow I&M to absorb cost increases that are
7 occurring in a rising-cost environment.

8 The two pilot programs that I&M is proposing in this case go directly to two
9 of the primary economic development challenges that exist today in I&M's service
10 area. To be able attract new businesses and support existing businesses in being
11 able to compete in an increasingly global economy it is essential that we invest in
12 our most valuable resource – our people. In an increasingly global economy with
13 changing technology and the need for new job skills, the Apprenticeship and
14 Training pilot program is essential to be able to continue to retain and attract
15 economic development opportunities.

16 In addition to having a skilled workforce, it is also critically important that we
17 equip the economic development teams in I&M's service area with an inventory of
18 spec buildings to compete for business expansions or new businesses. I&M
19 currently works with many of our local economic development organizations and
20 local communities to aggressively pursue business opportunities for the I&M
21 service area, but not having an adequate inventory of available building locations
22 can be a competitive disadvantage when competing for some opportunities.
23 Utilizing the proposed programs in this case to incentivize local governments and

1 developers to invest in our communities will result in new jobs for our customers,
2 increased investments in our local communities, and an expanded customer base
3 to share in I&M's fixed costs.

4 **CUSTOMER ASSISTANCE PROGRAMS**

5 **Q. Can you please describe the customer assistance programs that I&M is**
6 **proposing to continue in this case?**

7 A. As outlined in the settlement agreement in Cause No. 44967, I&M worked with a
8 number of stakeholders in 2018 to establish four specific customer assistance
9 programs:

- 10 1. Energy Share Pilot Program
- 11 2. Low Income Weatherization
- 12 3. Neighbor to Neighbor Pilot Program
- 13 4. Low Income Arrearage Forgiveness Pilot Program

14 Each of the programs were established as two-year pilots and will be implemented
15 at different times starting in 2018 or 2019. I&M is proposing in this case that each
16 of these pilot programs continue through 2020 as currently defined through the
17 collaborative process with stakeholders. I&M is proposing to modify the funding
18 levels of certain specific programs as outlined below.

19 **Q. Can you please describe the status of the Energy Share Pilot Program?**

20 A. Yes. A signed Program Letter of Agreement between I&M and the Indiana
21 Community Action Association (IN-CAA) for 2018-2020 was executed in the fall of
22 2018. In this agreement, I&M agreed to make a contribution to IN-CAA of \$250,000
23 in order to provide electric bill assistance to LIHEAP qualified I&M customers. The

1 agreement outlines that 75% of the funds should be used for heating assistance
2 and 25% for cooling assistance.

3 The funding for this program will be split evenly between program years
4 October 2018 through September 2019 and October 2019 through September
5 2020. The first distribution of \$125,000 was made in October 2018. As of March
6 2019, over 400 people have received assistance from Energy Share in the amount
7 of \$75,540.

8 **Q. Has I&M included any funding for the Energy Share Program in the Test**
9 **Year?**

10 A. Yes. Based on the response to the program and working with the community
11 action agencies in our service area, I&M is proposing to increase the funding for
12 the Energy Share program to \$250,000 per year starting in the fall of 2020. I&M
13 continues to hear from customers that this program is very valuable and that
14 providing electric bill assistance during periods of peak usage helps customers
15 manage their overall budgets. As the awareness of the program continues to
16 expand, I&M expects the number of customers requesting assistance will increase
17 and the additional funding will be utilized.

18 **Q. Can you please describe the status of the Low Income Weatherization**
19 **Program?**

20 A. Yes. A signed Program Letter of Agreement between I&M and IN-CAA for 2018-
21 2019 was executed in the fall of 2018. Under this agreement, I&M made a
22 contribution of \$150,000 to IN-CAA to provide funding and services to LIHEAP
23 qualified I&M customers through the installation of home weatherization. This

1 agreement provides for reimbursement to agencies for installation of measures in
2 the homes of income qualified I&M customers.

3 To date, none of the agencies have accessed the funds that I&M has
4 provided for this program. This is due to the Department of Energy (DOE)
5 weatherization funding cycle. Agencies typically use the DOE funding early in the
6 year for their weatherization programs. I&M anticipates that agencies will start
7 utilizing the funds from this program starting in the second quarter of 2019.

8 **Q. Has I&M included any funding for the Low Income Weatherization Program**
9 **in the Test Year?**

10 A. Yes. I&M is proposing to provide \$50,000 per year, beginning in 2020, to continue
11 the Low Income Weatherization program. Performing home audits, increasing
12 customer education and awareness, and installing measures that improve the
13 efficiency of low income customers' homes are essential to achieving positive
14 sustainable impacts for this customer segment. I&M will continue to collaborate
15 with the community action program network of IN-CAA to ensure the funds are
16 utilized in an efficient manner for the benefit of I&M's customers.

17 **Q. Can you please describe the status of the Neighbor to Neighbor Pilot**
18 **Program?**

19 A. I&M is implementing the Neighbor to Neighbor Pilot Program, on a two-year pilot
20 basis, under which I&M's customers will be given an opportunity to voluntarily
21 contribute when paying their electric bills to a fund that will be used to offset the
22 bills of eligible LIHEAP participants and LIHEAP qualified applicants. I&M

1 convened a collaborative with regulatory stakeholders and met three times in 2018
2 to design the program.

3 Currently, I&M customers have the option of donating to the fund by
4 checking the box on a paper bill and sending in a payment. I&M is also pursuing
5 options for customers to round-up their bill, establish a recurring monthly amount
6 option, and online options for donating. I&M has provided \$50,000 of seed money
7 to start the fund.

8 I&M has entered into a contract with Dollar Energy to administer the
9 program for I&M. A soft launch of the program started on April 8, 2019 to ensure
10 the processes work smoothly. Agencies that I&M is partnering with on this
11 program include: Brightpoint, Interlocal Community Action Program, Muncie
12 Mission, and North Central Community Action Agencies.

13 **Q. Has I&M included any funding for the Neighbor to Neighbor Program in the**
14 **Test Year?**

15 A. Yes. I&M is proposing to continue to administer the Neighbor to Neighbor program
16 in 2020 and beyond. I&M has provided \$50,000 per year to continue the Neighbor
17 to Neighbor program.

18 **Q. Can you describe the status of the Low Income Arrearage Forgiveness Pilot**
19 **Program?**

20 A. I&M is in the process of implementing a two-year Low Income Arrearage
21 Forgiveness Pilot Program that will provide an opportunity for low income
22 customers to catch up on their electric bills. To be eligible to participate, a

1 customer must be a LIHEAP participant or a LIHEAP qualified applicant who
2 carries an overdue balance.

3 I&M convened a collaborative with regulatory stakeholders and met three
4 times in 2018 to design the program. The final program design is based on the
5 input from regulatory stakeholders and best practices from other utilities that have
6 similar programs.

7 Once enrolled in the program, an eligible customer is protected from
8 disconnection and is put on a budget plan that takes an average of the previous
9 twelve months of usage. Once the average is set, a 10% discount is applied and,
10 if eligible, other forms of assistance could be applied. Each time the customer
11 pays their discounted monthly amount, 1/12 of the arrearage would be written off.

12 During the twelve-month program, the customer would also participate in
13 energy efficiency education and could receive a home weatherization audit with
14 the installation of measures.

15 **Q. Has I&M included any funding for the Low Income Arrearage Forgiveness
16 Pilot Program in the Test Year?**

17 A. No. I&M is currently working to make the necessary internal changes to the billing
18 system, design a new bill for the program, identify a program implementer, and
19 create a customer outreach plan. This program is not expected to start enrolling
20 customers until the fourth quarter of 2019. I&M will start the two-year pilot program
21 when customer enrollments begin. I&M will allocate up to \$500,000 over the two-
22 year period as set forth in the settlement agreement. These funds are not included
23 in the revenue requirement presented in this case.

1 **Q. Is I&M proposing any new customer assistance programs in this case?**

2 A. Yes. For both I&M and our partner Community Action Agencies (CAAs), an
3 essential component of programs to assist income qualified (IQ) customers with
4 energy costs is the completion of an energy audit. Through these audits,
5 opportunities for major energy saving measure are identified and customers are
6 made aware of how they can reduce their energy bills through improvements in
7 their home.

8 A significant issue that continues to impact I&M and our partner CAAs in
9 completing energy audits are health and safety issues that are identified at the
10 house. For some of our partner CAAs, they are forced to walk away from up to
11 70% of the houses in need of an energy audit due to safety and health concerns.

12 To help address this issue and increase the number of homes that are able
13 to receive an energy audit, I&M is proposing to establish an “Income Qualified
14 Safety & Health Pilot Program.” Under the pilot program, I&M will provide
15 \$100,000 per year beginning in 2020 and continuing until I&M’s next base rate
16 case. This pilot will address safety and health issues that prevent the completion
17 of an IQ energy audit and the installation of major energy savings measures. The
18 details of this program are described in Attachment DAL-4.

19 **Q. Is I&M taking any additional steps to provide assistance to IQ customers in
20 managing their energy costs?**

21 A. Yes. In addition to the programs discussed above, I&M has allocated \$25,000 to
22 conduct workshops throughout our service area to provide educational material
23 and increase awareness of the programs that are available. I&M understands that

1 utility costs are a significant expense for many of our income qualified customers
2 and plans to use the customer assistance programs, our energy efficiency
3 programs, new technology, and customer education workshops to provide
4 customers with the tools to optimize their energy costs.

5 **RENEWABLE ENERGY PROGRAM**

6 **Q. What changes is the Company proposing to its current renewable energy**
7 **programs?**

8 A. The Company is proposing to consolidate its Green Power Rider (GPR) and
9 Renewable Energy Option (REO) offerings into a single revised voluntary
10 renewable program called IM Green that will offer customers the ability to purchase
11 renewable energy through a combination of wind and solar Renewable Energy
12 Certificates (RECs). IM Green will allow all customers to purchase RECs as a
13 percentage of their monthly kWh usage. The charge for participating customers
14 will be based on an indexed market rate for RECs, and will be updated semi-
15 annually through a 30-day filing. Company witness Cooper is sponsoring the IM
16 Green tariff and will provide additional details for the program.

17 **Q. Will large commercial and industrial customers be able to participate in the**
18 **IM Green program?**

19 A. Yes. They can participate under the basic terms of the IM Green program or
20 through a second option which will allow eligible commercial and industrial
21 customers to participate through a written service agreement tailored to their
22 specific business objectives and renewable energy needs. These customer-
23 specific service agreements under the IM Green program will be priced based on
24 the S&P Global Energy Credit Index for the New Jersey Class 1 Renewable

1 Energy Certificate plus a negotiated administrative fee to cover certain customer-
2 specific costs.

3 For some customers, making a commitment to sustainability may go beyond
4 receiving RECs to include things such as signage, public announcements,
5 marketing literature, education and research, and/or conducting site tours.
6 Partnering with customers in these types of activities will not only benefit the
7 customer, but will also benefit the entire community in continuing to learn about
8 renewable resources and a sustainable energy future.

9 **Q. How will the RECs associated with program participation be handled?**

10 A. The Company will retire RECs on behalf of the customers participating in this
11 program, whether participating under the tariff or through a tailored service
12 agreement.

13 **Q. Why is the Company proposing these changes to its renewable energy tariff
14 offerings?**

15 A. Many of I&M's customers have an interest in renewable energy, whether it be the
16 residential customer that has an interest in protecting the environment or the
17 industrial customer that has formal sustainability targets. I&M's existing GPR and
18 REO tariffs were intended to help meet our customers' interests in renewable
19 energy, and I&M seeks to expand its offerings in this area. The IM Green combines
20 and refines our existing renewable energy tariffs and provides the opportunity for
21 all customers to participate with the flexibility of tailoring a solution that meets the
22 needs of our larger commercial and industrial customers.

1 As a trusted energy advisor for our customers, we are driven, and uniquely
2 positioned, to help our customers receive service according to their desires. The
3 renewable landscape is very diverse and continues to change and it necessitates
4 our service offerings changing as well. Our goal is to have the flexibility to meet
5 as many of our customer needs as possible to not only support them, but to benefit
6 all of our customers through a more efficient use of Company resources and
7 generating incremental revenues to offset all customers' costs. The IM Green
8 program provides flexible options for all customers and is structured in a way that
9 supports competitive pricing and ensures that participation reduces the fuel costs
10 reflected in the cost of service for all customers.

11 The changes in the voluntary green power offering combines wind and solar
12 resources into one comprehensive REC purchase plan that will serve the needs of
13 large and small customers alike. Recognizing that customers can go out to the
14 market to purchase RECs, the revised green power offering provides a market-
15 based cost of RECs to customers that are interested in this type of voluntary REC
16 purchase program. Larger commercial and industrial customers could take
17 advantage of this program to meet their companies' renewable energy
18 commitments.

19 **Q. Will the proposed IM Green program benefit both participating and non-**
20 **participating customers?**

21 A. Yes. Participating customers will benefit from the ability to attribute some or all of
22 their service to renewable generation sources at a reasonable, market-based rate.
23 In addition, all proceeds of the IM Green program, net of any negotiated

1 administrative fees associated with tailored commercial and industrial
2 arrangements, will be used to offset the cost of the Fuel Cost Adjustment Rider for
3 all customers. This ensures that all customers will benefit from participation the
4 program.

5 **AMI CUSTOMER ENGAGEMENT AND EDUCATION**

6 **Q. Please describe the purpose of your testimony related to I&M's AMI**
7 **deployment.**

8 A. My testimony supports the following:

- 9 • Our customer engagement strategy as AMI is deployed throughout our
10 service territory;
- 11 • The technology that will enable customers to access data made available
12 by AMI; and
- 13 • How AMI will equip customers with additional resources and options that
14 will allow them to better manage their electric usage and further customize
15 the service they receive from I&M.

16 **Q. What is I&M's plan for notifying customers of the AMI deployment?**

17 A. I&M recognizes that a critical component of rolling out any new technology to
18 customers is education and awareness. Prior to the implementation of the AMI
19 meters, I&M will provide customers with a variety of opportunities to learn about
20 the AMI technology and explain the benefits that AMI meters bring to customers.
21 I&M will also provide directions on how customers can opt-out of receiving an AMI
22 meter if they so choose. Witness Cooper discusses I&M's proposed opt out tariff
23 and associated charges in his testimony.

1 **Q. How does I&M propose to notify customers regarding the installation of AMI**
2 **meters?**

3 A. I&M has developed a thorough customer engagement and communication process
4 for its AMI deployment, including utilizing the experience of I&M's sister companies
5 during their AMI deployments. This process focuses on providing customers with
6 the information necessary to understand the benefits they receive from AMI and
7 make informed decisions about the use of AMI technology. The customer
8 engagement and communication process includes the following components:

- 9 • Post Card and E-Mail Notifications – At least sixty days prior to AMI
10 meter installation, all customers will receive a post card notifying
11 customers of the AMI deployment, providing a high level overview of the
12 benefits of the technology, and providing customers with a link to the
13 page on I&M's website specifically addressing the AMI deployment, as
14 well as a phone number to the call center to answer any questions
15 customers may have. In addition to the post card, I&M will also send an
16 e-mail containing similar information to customers with an e-mail
17 address on file.
- 18 • I&M Website – I&M will establish a specific landing page on its website
19 to address all matters related to AMI deployment. This webpage will
20 explain the details of the program, provide a map of I&M's service area
21 that identifies scheduled installation dates, include a list of Frequently
22 Asked Questions (FAQs), provide links to information about AMI meters

- 1 from other credible sources, and provide a link for customers to opt-out
2 of receiving an AMI meter.
- 3 • Customer Phone Call – At least ten days prior to AMI meter installation,
4 all customers will receive a phone call from I&M to notify them of a date
5 range they will be receiving their new AMI meter and providing them with
6 a phone number to call if they have any questions or concerns.
 - 7 • Door Hanger – At the time of meter installation, all customers will be left
8 with a door hanger notifying them that either the meter has been
9 successfully installed or that I&M was unable to gain access to install
10 the AMI meter. If the AMI meter could not be installed, the door hanger
11 will include a phone number for the customer to call to schedule an
12 appointment.
 - 13 • Follow Up Phone Call – If the initial AMI meter installation was
14 unsuccessful and I&M has not received a phone call from the customer
15 to schedule an appointment within ten days of the door hanger being
16 left, I&M will call the customer to schedule an appointment. If I&M is
17 unable to make a connection with the customer to schedule an
18 appointment after thirty days of the door hanger being left, I&M will follow
19 its standard notification process for an inability to access situation. This
20 process includes multiple notifications to contact the customer to either
21 gain access to install the AMI meter or confirm the customer wishes to
22 opt-out of the program. In the rare instances that I&M is unable to
23 contact the customer after multiple notifications and/or a known

1 hazardous situation exists, I&M will take action to disconnect the
2 customer.

- 3 • Customer Engagement Platform – Between thirty and sixty days after a
4 customer receives a new AMI meter, they will receive a letter and e-mail
5 (if available) welcoming them to the new Customer Engagement
6 Platform. This letter and e-mail will highlight the benefits customers can
7 receive by using the customer engagement platform, the ways to enroll,
8 and provide them with a website address and phone number to call to
9 enroll or ask questions. On the website, I&M will also provide a list of
10 customer workshops taking place throughout I&M's service territory and
11 provide an opportunity for customers to register for the workshops. I&M
12 will provide facilitators in these workshops that will walk customers
13 through the enrollment process, provide them with a step-by-step
14 approach to access their customer data, and be available to answer any
15 questions customers may have.

16 **Q. What information will customers be provided with regarding AMI**
17 **technology?**

18 A. On the I&M website, a landing page will be developed that will provide customers
19 with a number of different resources to assist in the education and awareness of
20 AMI technology. I&M will utilize a Frequently Asked Questions (FAQs) format to
21 provide customers with answers to many of the questions that have surfaced from
22 other utilities that have implemented AMI technology. The following are examples
23 of the types of topics that I&M will include on the website.

- 1 • How AMI technology works
- 2 • Customer benefits
- 3 • Accuracy of AMI meters
- 4 • Public safety
- 5 • Privacy of information
- 6 • Notification process
- 7 • AMI opt-out process

8 In the answers I&M provides to the FAQs, I&M will provide links to credible,
9 independent, and third party resources to support I&M's responses. For those
10 customers that request additional information, I&M's call center will forward those
11 customers to our customer service professionals that will be available to answer
12 those questions.

13 **Q. Will customers have an opportunity to opt-out of having a standard AMI**
14 **meter installed prior to its installation?**

15 A. Yes. Customers that do not want an AMI meter installed will be provided with an
16 opportunity to opt-out prior to installation. This option will be available on the I&M
17 website and customers can also call the I&M call center to opt-out of the AMI
18 program. Company witness Cooper provides additional detail regarding the AMI
19 opt-out tariff.

20 **Q. Will opt out customers have the ability to “opt in” at a later date?**

21 A. Yes. Customers will be the ability to “opt-in” at a later date by calling the I&M call
22 center and requesting an AMI meter be installed at their location.

1 **Q. Are you sponsoring an adjustment to the forecast for customer engagement**
2 **and education?**

3 A. Yes. I am sponsoring Adjustment RB/O&M-1 on Exhibit A-5 and A-6, which
4 increases capital by \$4,346,079 and O&M by \$629,054 associated with providing
5 a customer engagement platform and customer education program associated
6 with I&M's AMI deployment. Additional information about this adjustment is also
7 shown on WP-DAL-3.

8 **Q. Please explain the need for a customer engagement platform and customer**
9 **education program.**

10 A. Company witness Isaacson discusses the many operational benefits of AMI
11 deployment. An additional, significant benefit associated with the AMI technology
12 after it is deployed is the opportunity for customers to have access to better
13 information to make informed decisions about their energy consumption. AMI
14 metering provides granular and timely data that I&M and its customers can use to
15 better understand their energy usage and behaviors. The Customer Engagement
16 Platform and Education Adjustment reflects the capital and O&M expenditures
17 necessary to develop a multi-channel platform for residential and commercial
18 customers to access insights specific to their home or business on energy usage,
19 energy costs, and energy savings tips.

20 **Q. Can you describe the customer engagement platform in more detail?**

21 A. Yes. I&M intends fully utilize the data generated from the AMI to develop a robust
22 platform that provides customers access to information on the energy usage and
23 costs that they do not have access to today. The new customer engagement

1 platform will transform the I&M customer experience by providing access to daily
2 information on the amount of energy used and the costs for electric service.
3 Having access to this information daily will provide customers with a much better
4 ability to take action during the month to manage their energy costs. This is a very
5 significant, positive change that will impact all customers, but particularly income
6 qualified customers or fixed income customers that are managing within a monthly
7 budget amount.

8 To deliver this type of functionality, I&M is partnering with a technology firm
9 that specializes in Home Energy Management and the development and
10 maintenance of a customer engagement platform. The technology firm is working
11 with I&M and AEPSC IT and data management teams to identify the appropriate
12 data and system integrations that are required. This includes integrating with I&M
13 and AEPSC's billing systems, meter data management systems, energy efficiency
14 program management databases, and potentially other systems. The technology
15 firm is responsible for accepting and integrating I&M customer data with its own
16 data models to provide customer specific data by account.

17 The technology firm is also responsible for developing a multi-channel
18 engagement platform that customers will be able to use to access their specific
19 usage data.

20 **Q. What information will customers be able to access through the customer
21 engagement platform?**

22 A. The customer engagement platform will give customers access to a variety of
23 information about their energy usage, including billing history, current amount due,

1 energy usage information, comparative analysis of energy usage and billings
2 versus prior periods, modeled disaggregation of energy usage, and customized
3 energy efficiency tips. Additionally, the customer will be able to set alerts and push
4 notifications that will allow customers to receive notifications when their usage or
5 costs exceeds pre-set amounts. As an example, if a customer were to set a budget
6 of \$150 for the month and would like to be notified when they have spent 50% of
7 their monthly budget, they can set this in their mobile app and receive an alert
8 when they have passed the 50% threshold. This will allow customers to make
9 better decisions about their electric consumption habits and better manage their
10 monthly budgets.

11 **Q. How will customers be able to access this data?**

12 A. I&M has placed an intense strategic focus over the past two years on increasing
13 the number of communication channels available to customers and improving the
14 content and ease of use in each channel. I&M now has a newly designed website,
15 a mobile App, and recently rolled out a voice channel for customers. I&M
16 understands that different customers have different preferences in how they
17 interact with their utility and our goal is to provide our customers with choices so
18 they can choose what fits their lifestyle.

19 For the information derived from the AMI data, customers will be able to
20 access this information through an enhanced web based portal linked to their
21 online account, the mobile App, and select information will be made available in
22 the voice channel. Over time, I&M will continue to optimize the experience in all
23 channels to provide customers the information they want when they want it.

1 **Q. Will I&M engage in customer outreach activities to support this platform?**

2 A. Yes. Adjustment RB/O&M-1 on Exhibit A-6 includes the costs for a four-person
3 customer outreach staff. I&M will work with our technology partners to roll-out a
4 comprehensive education and awareness campaign. This will include customer
5 workshops at locations through our service area, video messaging, e-mails,
6 educational materials, marketing, and direct mail. The goal of these workshops
7 and communications will be to inform customers on the benefits of AMI technology;
8 the customer engagement platform; provide video and live demos of the customer
9 engagement platform; and how to effectively use the new information to manage
10 their energy usage and costs. This comprehensive customer outreach campaign
11 will begin in 2020 and will continue throughout the AMI deployment process.

12 **Q. Has I&M developed a budget for the customer engagement platform?**

13 A. Yes. The cost estimates and details associated with the customer engagement
14 and education adjustment are provided in Attachment DAL – 5.

15 **Q. How will I&M evaluate the effectiveness of the customer engagement
16 platform?**

17 A. I&M intends to implement project management best practices to initiate, plan,
18 execute, monitor, and close the project. The project management plan will define
19 the different metrics to evaluate the effectiveness of the customer engagement
20 platform throughout the program. During the initial stages of the program, I&M will
21 monitor data such as number of workshops conducted, number of customers
22 attending the workshops, number of “opens” on e-mail messages, number of views

1 on video messages, and customer feedback on the quality and content of the
2 various communication methods.

3 With respect to the enrollment and engagement phase, I&M will be tracking
4 the number of customers that have enrolled in the mobile App, the number of
5 people that access the web portal, and the amount of customer activity in each of
6 the channels.

7 I&M will also be using various methods to obtain customer feedback on the
8 program throughout the process, including customer surveys, social media posts,
9 and through call center activity.

10 **Q. How will the customer engagement platform benefit I&M's customers?**

11 A. From a customer perspective, the customer engagement platform is the vehicle
12 that unlocks the power of having access to the data that AMI provides. The level
13 of integration required to provide this platform is very extensive and requires a
14 significant upfront investment to build out, but the benefit to customers of being
15 able to use this information to make better decisions about their electric
16 consumption habits and manage to their monthly budgets will be recognized for
17 many years into the future.

18 **Q. Are the costs associated with the customer engagement platform are
19 reasonable?**

20 A. Yes. I&M has leveraged the experience of its sister companies that have
21 implemented similar platforms with AMI implementations, as well as some recent
22 pricing for components of the platform to develop its cost estimates for the
23 program. The primary costs associated with this program are for building the

1 integrations between I&M and AEPSC data and the technology firm data. Utilizing
2 a combination of actual costs from similar integrations and market based cost
3 estimates, the costs included in the adjustment are reasonable.

4 **CONCLUSION**

5 **Q. Are the projected values that you have provided for the TY reasonable,**
6 **accurate and representative of the operations and maintenance costs and**
7 **capital investment activity likely to occur during that period?**

8 A. Yes. The levels of expense and investment included in the forecast I have
9 presented, combined with the adjustments proposed in this case, are reasonable
10 and necessary in the provision of service to I&M's customers and are justified by
11 I&M's projected needs as supported by myself and I&M's other witnesses.

12 **Q. Are the programs that you have sponsored for Economic Development,**
13 **Customer Assistance, IM Green and the Customer Engagement platform**
14 **reasonable and necessary?**

15 A. Yes. Each of the programs that I have presented are reasonable and necessary,
16 and will provide substantial benefits to I&M customers as described in this
17 testimony.


18 **Q. Does this conclude your pre-filed verified direct testimony?**

19 A. Yes.

VERIFICATION

I, David A. Lucas, Vice President Finance and Customer Experience of Indiana Michigan Power Company (I&M or the Company), affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: May 7, 2019



David A. Lucas

**Indiana Michigan Power Company
Historic and Forecasted O&M Expenses
(\$000)**

		Operations and Maintenance Expense					
Line	Item	2014	2015	2016	2017	2018	TY 2020
1	Steam Generation	\$ 131,258	\$ 112,257	\$ 95,104	\$ 97,137	\$ 104,990	\$ 96,238
2	Nuclear Generation	\$ 251,533	\$ 258,134	\$ 252,159	\$ 244,149	\$ 257,277	\$ 252,526
3	Hydro Generation	\$ 3,099	\$ 3,506	\$ 3,583	\$ 4,134	\$ 5,018	\$ 3,553
4	Other Generation	\$ 6,315	\$ 5,976	\$ 6,706	\$ 6,590	\$ 6,938	\$ 3,244
5	All Generation	\$ 392,206	\$ 379,873	\$ 357,553	\$ 352,010	\$ 374,222	\$ 355,560
6	Transmission	\$ 87,340	\$ 90,988	\$ 102,325	\$ 145,829	\$ 125,182	\$ 213,902
7	Distribution	\$ 64,522	\$ 56,683	\$ 67,671	\$ 67,239	\$ 81,401	\$ 76,349
8	Customer and Information	\$ 38,271	\$ 43,635	\$ 44,404	\$ 47,076	\$ 52,365	\$ 60,753
9	Sales	\$ 212	\$ 314	\$ 66	\$ 211	\$ 215	\$ 373
10	Administrative and General	\$ 126,248	\$ 115,453	\$ 114,698	\$ 107,631	\$ 95,144	\$ 103,990
11	Total O&M Expense	\$ 708,799	\$ 686,946	\$ 686,717	\$ 719,997	\$ 728,528	\$ 810,928

		2018 Growth over Prior Years					
Item	2014	2015	2016	2017	2018	Average	
12	Steam Generation	-5.0%	-3.0%	0.3%	-0.3%	-4.3%	-2.5%
13	Nuclear Generation	0.1%	-0.4%	0.0%	1.1%	-0.9%	0.0%
14	Hydro Generation	2.3%	0.3%	-0.2%	-4.9%	-15.9%	-3.7%
15	Other Generation	-10.5%	-11.5%	-16.6%	-21.0%	-31.6%	-18.3%
16	All Generation	-1.6%	-1.3%	-0.1%	0.3%	-2.5%	-1.1%
17	Transmission	16.1%	18.6%	20.2%	13.6%	30.7%	19.9%
18	Distribution	2.8%	6.1%	3.1%	4.3%	-3.2%	2.6%
19	Customer and Information	8.0%	6.8%	8.2%	8.9%	7.7%	7.9%
20	Sales	9.9%	3.5%	54.4%	20.9%	31.6%	24.1%
21	Administrative and General	-3.2%	-2.1%	-2.4%	-1.1%	4.5%	-0.9%
22	Total O&M Expense	2.3%	3.4%	4.2%	4.0%	5.5%	3.9%

		Transmission O&M					
Item	2014	2015	2016	2017	2018	TY 2020	
23	Enhancement and Other PJM Costs	\$ 23,592	\$ 28,615	\$ 32,423	\$ 48,817	\$ 6,790	\$ 38,550
24	PJM NITS Costs	\$ 36,293	\$ 32,473	\$ 43,332	\$ 80,083	\$ 91,507	\$ 154,200
25	Other Transmission O&M	\$ 24,486	\$ 26,626	\$ 23,152	\$ 16,928	\$ 26,884	\$ 21,152
26	Total Transmission Expense	\$ 87,340	\$ 90,988	\$ 102,325	\$ 145,829	\$ 125,182	\$ 213,902

		2018 Transmission Growth over Prior Years					
Item	2014	2015	2016	2017	2018	Average	
27	Enhancement and Other PJM Costs	8.5%	6.1%	4.4%	-7.6%	138.3%	30.0%
28	PJM NITS Costs	27.3%	36.6%	37.3%	24.4%	29.8%	31.1%
29	Other Transmission O&M	-2.4%	-4.5%	-2.2%	7.7%	-11.3%	-2.5%
30	Total Transmission Expense	16.1%	18.6%	20.2%	13.6%	30.7%	19.9%

		Distribution O&M					
Item	2014	2015	2016	2017	2018	TY 2020	
31	Vegetation Management Program Expense	\$ 14,036	\$ 9,206	\$ 17,110	\$ 19,940	\$ 28,852	\$ 29,458
32	Other Distribution O&M	\$ 50,486	\$ 47,477	\$ 50,561	\$ 47,299	\$ 52,549	\$ 46,891
33	Total Distribution Expense	\$ 64,522	\$ 56,683	\$ 67,671	\$ 67,239	\$ 81,401	\$ 76,349

		2018 Distribution Growth over Prior Years					
Item	2014	2015	2016	2017	2018	Average	
34	Vegetation Management Program Expense	13.2%	26.2%	14.5%	13.9%	1.0%	13.8%
35	Other Distribution O&M	-1.2%	-0.2%	-1.9%	-0.3%	-5.5%	-1.8%
36	Total Distribution Expense	2.8%	6.1%	3.1%	4.3%	-3.2%	2.6%

		Customer and Information O&M					
Item	2014	2015	2016	2017	2018	TY 2020	
37	DSM Expense	\$ 9,593	\$ 14,191	\$ 14,959	\$ 19,164	\$ 20,756	\$ 24,388
38	Other Customer and Information O&M	\$ 28,678	\$ 29,444	\$ 29,445	\$ 27,911	\$ 31,609	\$ 36,365
39	Total Customer and Information Expense	\$ 38,271	\$ 43,635	\$ 44,404	\$ 47,076	\$ 52,365	\$ 60,753

		2018 Customer and Information Growth over Prior Years					
Item	2014	2015	2016	2017	2018	Average	
40	DSM Expense	16.8%	11.4%	13.0%	8.4%	8.4%	11.6%
41	Other Customer and Information O&M	4.0%	4.3%	5.4%	9.2%	7.3%	6.1%
42	Total Customer and Information Expense	8.0%	6.8%	8.2%	8.9%	7.7%	7.9%

**Indiana Michigan Power Company
 Historic and Forecasted Capital Expenditures
 Excluding AFUDC
 (\$000)**

Fully Functionalized View	Actual					Forecast	
	2014	2015	2016	2017	2018	2019	2020
Nuclear Generation	209,182	201,806	217,533	174,567	174,855	165,022	115,617
Other Generation	10,282	19,822	14,955	19,252	8,763	10,933	11,274
Environmental Generation	49,722	44,970	64,242	41,339	30,784	69,254	34,976
New Generation	-	13,902	22,391	5,162	3	313	29,266
Transmission	67,102	69,319	93,196	91,680	80,314	100,129	88,617
Distribution	98,333	105,492	156,312	213,349	205,988	226,799	253,083
Corporate/Other	20,050	26,194	27,676	61,869	51,247	62,115	64,664
Total Capital Expense	454,671	481,504	596,305	607,218	551,955	634,565	597,497



Indiana Michigan Power Apprenticeship & Training Pilot Program

Program Summary:

This program is designed to encourage and support the development of apprenticeship and employee training programs that will develop the workforce of the future in northeast Indiana. Today, many employers struggle to find funding within their current budgets to support needed training programs to equip their workforce with the skills needed to compete and expand their business opportunities. Through this program, I&M will work collaboratively with local businesses and workforce development organizations to provide access to funding for qualified training programs that will help prepare northeast Indiana's businesses for future growth.

Program Details:

Program funds will be awarded to new and existing I&M commercial and industrial customers meeting eligibility criteria to support established and credible apprenticeship and employee training programs. Validity of the customer's apprenticeship and training programs will be determined in partnership with the applicable workforce development organization for the region in which the customer is located.

Eligible apprenticeship and employee training programs offer a career pathway for an individual to learn an employer-defined skillset through a combination of on-the-job training and structured learning. The end result is a transferrable credential or certification and a long-term employment opportunity or job promotion with that employer.

Eligibility:

Indiana Michigan Power retail customers on Tariffs GS, LGS, and, IP, whose primary industry classification includes the following are eligible to apply:

- 31-33 – Manufacturing
- 51 - Information & Computer Technology
- 524 – 525 – Insurance
- 54 – Professional, Scientific and Technical Services
- 62 – Healthcare

These industries align with the target industries for the greatest development potential of the communities served by I&M.

Customer must be current on billing and in good standing with the Company at time of application to be considered for program funding.



Eligible Types of Training Programs:

Apprenticeship

An eligible apprenticeship training plan must include:

- 1 year or longer structured on-the-job training curriculum; **AND**
- Enrollment in a related technical education program (online, on-site or through education institution); **AND**
- A framework for making an offer of permanent employment to the apprentice; **OR**
- Be recognized as a Registered Apprenticeship Program through the US Dept. of Labor.

Employee Training

An eligible training plan must:

- Identify a pathway for career advancement and result in a minimum \$2.00 per hour base pay increase at the completion of training; **AND**
- Result in a transferrable certification or credential; **AND**
- Include at least 80 hours of identified training.

I&M training and apprenticeship funds **may not** be used for general employee onboarding and OSHA required training.

Application:

A customer may make an application to I&M's Economic & Business Development group. Funding is available on a first come, first served basis until funding is exhausted. Customers wishing to apply for program funds will submit a completed application provided by I&M and include supporting documentation and training plans, as necessary. The application will be reviewed by I&M's Economic & Business Development staff and a representative of the appropriate Regional Workforce Development organization. Funding will be treated as a reimbursement for associated costs but must be pre-approved prior to the commencement of the training or apprenticeship program. Reimbursement will be paid upon demonstration of substantial completion of the training or apprenticeship program with documentation supporting the eligibility criteria included.

Budget:

Qualified customers will be eligible for up to \$10,000 per customer/company or \$1,000 per full-time employee. The reimbursement of expenses under this program shall not exceed 50% of the costs of the training or apprentice program. \$350,000 will be made available in Indiana per year for two years.

Option A Companies selected to receive program funding will submit an invoice and W-9 to be reimbursed via direct deposit

Option B Companies selected to receive program funding will submit an invoice and be reimbursed via bill credit.



Indiana Michigan Power Building Development Pilot Program

Program Summary:

In order for northeast Indiana to be able to compete for strategic economic development opportunities seeking readily available sites, it is essential that the current state of low inventory of available buildings be addressed. I&M's Building Development Program will provide funds to assist communities with the development of spec buildings in the I&M service area. In cooperation with the local unit of government, developer, and local economic development organization, the program incentivizes new spec building development by minimizing the community's financial risk.

Program Details:

For eligible projects, I&M may reimburse expenses involved in the development of concept and design drawings, site plans, site due diligence and required environmental analyses, surveys and engineering plans necessary for primary development plan approval, and ongoing marketing of the property for sale/lease to a creditworthy employer.

Eligibility Requirements:

To be eligible for this program, the **applicant** must:

- Be the owner or developer of an appropriate site served by I&M and endorsed by the local economic development organization; **OR**
- Be the local economic development organization; **AND**
- Be willing to actively market the building to prospects.

To be eligible for this program, the **project** must:

- Receive permanent electric service from I&M;
- Receive the endorsement of the local economic development organization or principal development authority for the community;
- Be suitable for use by one of the following growth industries:
 - Manufacturing, including food or beverage processing
 - Data storage and/or data processing centers
 - Warehouse/Distribution
 - Corporate Headquarters/Offices
- Be a minimum of 50,000 square feet with clear ceiling heights greater than 24 feet;
- Provide a fully executed contract for the construction of the spec building; **AND**
- At project conclusion, show evidence of project completion and certification by the local building or planning department.

Application:

Eligible developers, communities, and economic development organizations must submit an application to I&M's Economic and Business Development staff prior to commencement of the building project.



Ongoing Management:

Program funding and parameters are established annually by I&M. Grants are available until all funding is expended. Funding is released to a grant recipient only after the recipient has met all conditions of the program. In *all* circumstances, funding should be viewed by the applicant as a reimbursement for work completed following grant approval in the form of a memorandum of understanding (MOU) between I&M and all development partners. The MOU will establish expectations for the location, size, key attributes, and intended end user. I&M will retain ownership of all documents, studies, and plans which are generated as a result of this funding.

Priority will be given to projects that demonstrate the ability to secure all necessary financing beyond I&M's grant and to those applicants who have demonstrated the ability to successfully execute an aggressive marketing plan to attract new business.

Budget:

Individual grant amounts will not exceed \$100,000 or 75% of the total cost of the applicable project costs as listed above. Total funding will be limited to \$150,000 per year for two years.



**Indiana Michigan Power
Income Qualified Safety & Health Fund Pilot Program**

Program Summary:

The purpose of this pilot is to create a program to address the health and safety issues that prevent the completion of an income-qualified (IQ) weatherization audit and the installation of major energy saving measures. This pilot would also help address the health and safety issues that the weatherization programs in I&M and our Community Action Agencies (CAAs) face that force a deferral. This program should assist participating IQ customer in fixing a hazard in the home and enable the installation of energy savings measures that will reduce the customer's energy usage and possibly lower their energy costs.

Program Details:

I&M will establish a fund that will be available to address safety and health issues that prevent an IQ weatherization audit from being completed. There are two different potential paths that could result in funds from this program being accessed:

- 1) I&M auditors discover a safety and health issue that prevents the performance of the audit and the installation of subsequent measures. I&M will contact the partner CAA in that area and advise that a customer has been identified as having a safety and health issue in the home. The CAA will contact the customer and make arrangements to have a contractor come to the home to provide an estimate for the remediation of the safety and health issue. The CAA will provide I&M a copy of the cost estimate and request approval to access the funds from this program to complete the remediation activities. I&M will have the discretion to approve or deny the funding request. If I&M agrees to authorize the funds, they will disburse funds directly to the CAA based on the contractor estimate, plus a 15% administrative fee. The CAA will utilize their contractor network to complete the remediation work. Once the work is completed the CAA will pay the contractor and inform I&M that the work is complete and the home is now ready for a weatherization audit and installation of major measures.
- 2) CAA auditors discover a safety and health issue that prevents the performance of the audit and the installation of subsequent measures. CAA will contact I&M and advise that a customer has been identified as having a safety and health issue in the home. The CAA will contact the customer and make arrangements to have a contractor come to the home to provide an estimate for the remediation of the safety and health issue. The CAA will provide I&M a copy of the cost estimate and request approval to access the funds from this program to complete the remediation activities. I&M will have the discretion to approve or deny the funding request. If I&M agrees to authorize the funds, they will disburse funds directly to the CAA based on the contractor estimate, plus a 15% administrative fee. The CAA will utilize their contractor network to complete the remediation work. Once the work is completed the CAA will pay the contractor and inform I&M that the work is complete. I&M and the CAA will collaborate on the weatherization audit and installation of major measures.



Eligibility:

- 1) I&M residential customer in good standing or in compliance with terms of an established payment agreement;
- 2) Home may be gas or electric;
- 3) Customer must be 200% of Federal Poverty Level or below; and
- 4) The correction of the safety and health issue must lead to the installation of major energy saving measures in the home.

Eligible Types of Safety and Health Remediation Activities:

The funds for this pilot program will be used to remediate the following types of common safety and health issues that prevent an IQ weatherization audit:

- Roof repair or replacement
- Plumbing
- Mold remediation
- Lead-based paint
- Asbestos
- Pest Control
- Replacement of faulty electrical wiring
- And other health and safety issues as identified

Funding:

Qualified customers will be eligible for up to \$4,000 per home for remediation activities. Safety and health remediation estimates that are over the \$4,000 cap, will be reviewed on a case by case basis. The overall pilot program will have an annual cap of \$100,000 per year for the two-year pilot period.

Requirements:

- 1) I&M and the CAA must be working together to assist the customer.
- 2) I&M receives first right on the installation of direct install measures; first choice on which major measures to fund; and will capture all the savings for that measure.
- 3) I&M will establish a priority list of major measures.
- 4) CAA must regularly update I&M on the status of the repair. Ideally, I&M must be able to fund the safety and health repair and fund the major measure within 90 days.
- 5) CAA will receive a 15% administration fee to oversee the contracted work on the safety and health repair.

**Indiana Michigan Power Company
Customer Engagement and Education Adjustment
For the Test Year Ended December 31, 2020**

RESIDENTIAL	Cost Type	2020	2021	2022
Term License Fee Payment	Capital	\$ 1,844,815		
Maintenance, Support, and Hosting	O&M	\$ 92,241	\$ 92,241	\$ 184,482
One Time Set Up Fee	Capital	\$ 112,500		
COMMERCIAL & INDUSTRIAL				
Term License Fee Payment	Capital	\$ 1,928,394		
Maintenance, Support, and Hosting	O&M	\$ 96,420	\$ 96,420	\$ 192,839
One Time Set Up Fee	Capital	\$ 112,500		
CUSTOMER ENGAGEMENT				
Term License Fee Payment	Capital	\$ 347,870		
Maintenance, Support, and Hosting	O&M	\$ 17,393	\$ 17,393	\$ 34,787

Total Cost of Customer Engagement Platform	Capital	\$ 4,346,079	\$ -	\$ -
	O&M	\$ 206,054	\$ 206,054	\$ 412,108

CUSTOMER EDUCATION				
Customer Outreach Staff	O&M	\$ 300,000	\$ 309,000	\$ 318,270
Travel Expenses	O&M	\$ 48,000	\$ 48,000	\$ 48,000
Materials and Supplies	O&M	\$ 75,000	\$ 50,000	\$ 50,000
Total Cost of Customer Education	O&M	\$ 423,000	\$ 407,000	\$ 416,270