

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

Commissioner	Yes	No	Not Participating
Huston	✓		
Bennett	✓		
Freeman	✓		
Veleta	✓		
Ziegner	✓		

VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M), AN INDIANA)
CORPORATION, FOR APPROVAL OF AN)
ADJUSTMENT TO ITS RATES THROUGH ITS) CAUSE NO. 44871 ECR 7
ENVIRONMENTAL COST RIDER (ECR))
PURSUANT TO THE ONGOING REVIEW) APPROVED: SEP 27 2023
PROCESS APPROVED BY THE COMMISSION'S)
ORDER IN CAUSE NOS. 44871 AND 45235.)

ORDER OF THE COMMISSION

Presiding Officers:

James F. Huston, Chair

Ann Pagonis, Administrative Law Judge

On May 1, 2023, Indiana Michigan Power Company ("I&M") filed a Verified Petition initiating this Cause. On the same day, I&M filed direct testimony, attachments, and workpapers of Stacie R. Gruca, I&M Regulatory Analysis and Case Manager, and Michael S. Small, Regulatory Consultant Senior for American Electric Power Service Corporation.

The Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Brittany L. Baker, a Utility Analyst for the OUCC, on July 31, 2023.

On August 14, 2023, I&M submitted the rebuttal testimony and attachments of Stacie R. Gruca and supporting workpapers.

The Indiana Utility Regulatory Commission ("Commission") set this matter for an Evidentiary Hearing for 1:30 p.m. on August 29, 2023, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. I&M and the OUCC participated in the Evidentiary Hearing by counsel. The testimony and exhibits of I&M and the OUCC were admitted without objection.

Based on the applicable law and the evidence presented the Commission finds:

1. Notice and Jurisdiction. Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. I&M is a public utility under Ind. Code § 8-1-2-1(a) and an "eligible business" as defined in Ind. Code § 8-1-8.8-6. The Commission's March 26, 2018, Order in Cause No. 44871 (the "44871 Order") granted I&M a certificate of public convenience and necessity ("CPCN") under Ind. Code ch. 8-1-8.7 ("Chapter 8.7") for I&M to construct, install and operate Selective Catalytic Reduction clean coal technology ("Project") on Rockport Unit 2. The Commission also determined that the Project constituted a clean energy project under Ind. Code ch. 8-1-8.8 and authorized timely recovery of costs and expenses. The Commission's March 11, 2020 Order in Cause No. 45235 (the "45235 Order") authorized I&M to

track and recover through its Environmental Cost Rider (“ECR”), on an annual basis, costs related to I&M’s consumables and allowances expense. Pursuant to the Commission’s February 23, 2022, Order in Cause No. 45576 (the “45576 Order”), the Commission approved new basic rates and changes. Additionally, the Commission authorized I&M to track and recover through the ECR, on an annual basis, costs related to I&M’s consumables and allowances expense. Accordingly, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. I&M’s Organization and Business. I&M is a wholly owned subsidiary of American Electric Power Company, Inc. organized and existing under the laws of the State of Indiana, with its principal offices at Indiana Michigan Power Center, Fort Wayne, Indiana. I&M renders electric utility service in the States of Indiana and Michigan. I&M owns, operates, manages, and controls plant and equipment within the States of Indiana and Michigan that are used and useful in the generation, transmission, distribution and furnishing of electric service to the public.

3. Relief Requested. I&M requests the Commission approve an adjustment to the ECR factors to reflect: (a) the April 1, 2022 through March 31, 2023 reconciliation and 2024 forecast of I&M’s actual consumables and allowances expense against the amounts included in I&M’s base rates; (b) Rockport Unit 2 amortization expense; (c) amortization of SO₂ allowances; (d) Life Cycle Management (“LCM”) property tax; (e) LCM Independent Monitor costs for January 2023 through March 2023; (f) the final LCM variance; and (g) Gross Revenue Conversion Factor revenue requirement calculation.

4. I&M’s Direct Evidence. Ms. Stacie R. Gruca, Regulatory Analysis and Case Manager in I&M’s Regulatory Services Department, testified the ECR is a part of I&M’s Indiana retail tariff. I&M’s Indiana retail tariff recovers from or returns to customers the difference between the expenses approved by the Commission to be tracked in the ECR and the amount of those expenses embedded in Indiana base rates. She said I&M reconciles ECR revenues and expenses annually and proposes new factors based on forecast expenses and past variances. She stated I&M currently tracks the incremental costs of consumables and emission allowances related to the operation of Rockport above and below the \$4.9 million embedded base rate amount approved in the 45576 Order. Ms. Gruca stated that per the settlement agreement approved in the 45576 Order, I&M is also authorized to: (a) amortize (over six years) \$95.6 million associated with the levelized recovery of Rockport Unit 2 net book value; (b) amortize (over six years) a stipulated non-current SO₂ allowance inventory of \$17.8 million; (c) recover accrued property tax expense on net LCM investment placed in service in 2022; and (d) include recovery of the final LCM variance in its ECR. She noted that, per the settlement agreements approved in the Order issued by the Commission on December 8, 2021 in Cause No. 45546 and the 45576 Order, effective December 8, 2022, I&M no longer recovers Rockport Unit 2 consumables and allowances costs.

Ms. Gruca discussed the monthly variances between net ECR revenue and net ECR expense for the reconciliation period, showed the calculation of LCM property tax expense accrued January through March 2023 for LCM property placed in service in 2022, and showed how forecast property tax expense accruable in 2024 on net LCM plant placed in service in 2022 was calculated. Ms. Gruca also provided I&M’s forecasted revenue requirement, which totaled \$28,223,997. She

testified the forecast expenses are reasonable and based on the most recent financial forecast for I&M at the time this filing was prepared.

Finally, Ms. Gruca testified regarding the final reconciliation of the LCM Rider and stated I&M is also requesting recovery of actual LCM Independent Monitor costs for January 2023 through March 2023. She stated these costs were incurred to comply with the Commission's Cause No. 44182 Order, to maintain transparency through the expiration of the LCM Rider and included a final progress report and associated testimony addressing the results of this report in I&M's LCM-12 filing. She said any additional costs associated with the Independent Monitor will be addressed in the ECR-8 proceeding.

Mr. Michael S. Small, Regulatory Consultant Senior in the Regulated Pricing and Analysis Department of American Electric Power service Corporation also testified for I&M. He explained how I&M's jurisdictional ECR revenue requirement was allocated to the rate classes and how the proposed ECR factors were calculated. He stated the jurisdictional costs from Attachment MSS-1 were allocated to the classes based on demand and energy allocation methods the Commission approved in the 45576 Final Order. He said the ECR rates are reflected in Petitioner's Exhibit 3, Attachment MSS-1 and sponsored I&M's proposed ECR tariff sheets as Petitioner's Exhibit 3, Attachment MSS-2. Mr. Small also provided the estimated rate impact on I&M's Indiana customers.

5. OUCC's Evidence. Ms. Brittany L. Baker, Utility Analyst in the Electric Division of the OUCC, testified regarding her review and analysis of I&M's proposed cost recovery and ECR factors. She explained how the Commission's Orders in Cause Nos. 45546 and 45576 impact ECR-7. She testified that I&M calculated the presented amounts correctly, but I&M did not use the new IURC fee that went into effect on July 1, 2023 in the revenue calculation for the forecast period. She further noted that while I&M discussed the recovery of the final LCM reconciliation variance in this ECR filing, the Commission has not yet issued a final order in Cause No. 44182 LCM-12. Accordingly, she calculated the ECR-7 factor excluding the final LCM variance and recommended the Commission approve the lower factor unless the Commission issues the LCM-12 Order before the final order in this Cause.

6. I&M's Rebuttal Evidence. Ms. Gruca testified that I&M and the OUCC met to discuss the OUCC's recommendations in this case and came to a resolution on the issues raised by the OUCC. Ms. Gruca stated I&M agrees to recalculate the ECR-7 revenue requirement using the updated 2023-2024 Public Utility Fee, which was not available at the time I&M filed its case-in-chief.

With respect to recovery of the final LCM variance, Ms. Gruca testified that I&M did not include the final variance in its original ECR calculation. She said I&M and the OUCC agreed that the final LCM reconciliation variance should only be included in ECR-7 if the Commission issues an Order in LCM-12 approving the final LCM reconciliation variance prior to I&M making a compliance filing in this current ECR-7 proceeding.

Ms. Gruca presented a revised Revenue Requirement table in Petitioner's Exhibit 2, Attachment SRG-1 (Revised) to reflect the Public Utility Fee effective July 1, 2023 while leaving all other assumptions the same as supported in her direct testimony, updating I&M's forecasted

revenue requirement to \$28,232,596. She said should the Commission issue an Order in LCM-12 approving I&M's final LCM variance prior to the conclusion of ECR-7, I&M will include the final LCM reconciliation variance in the ECR-7 compliance filing. She said otherwise the final LCM reconciliation variance will be included in the ECR-8 filing.

7. Commission Discussion and Findings.

A. Revenue Requirement. The evidence shows that, based on I&M's rebuttal, there is no disagreement between the parties as to I&M's updated calculation of the revenue requirement. Petitioner's Exhibit 2, Attachment SRG-1 (Revised), shows the forecast jurisdictional revenue requirement of \$28,232,596 for the period of January 1, 2024, through December 31, 2024. We accept I&M's calculation and further approve the inclusion of the gross revenue conversion factor in the calculation of the revenue requirement. Accordingly, we approve I&M's revised revenue requirement of \$28,232,596. We note this approved revenue requirement does not include the final LCM variance. Should the Commission approve I&M's final LCM variance pursuant to an Order in Cause No. 44182 LCM-12 prior to I&M's submission of its compliance filing in this proceeding, I&M is directed to include the LCM variance in the calculation of the revenue requirement and resulting ECR-7 factors presented in its ECR-7 compliance filing.

B. Rockport Plant Consumables and Environmental Emissions Allowances. I&M's base rates include an embedded expense for consumables and environmental allowances. We accept I&M's forecast and reconciliation of the Rockport Plant consumables and environmental emission allowances and approve the inclusion of the variance from the amount embedded in I&M's base rates in the calculation of the revenue requirement.

Based on the evidence presented and our discussion above, we find that the proposed ECR factors are properly calculated. Therefore, we approve the ECR factors contained in Petitioner's Exhibit 2, Attachment MSS-1 (Revised) as set forth above. Using currently effective rates, a residential customer using 1,000 kWh of electricity per month will experience a rate increase of \$0.66 or 0.4%.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. I&M's proposed Environmental Cost Rider factors as set out in Petitioner Exhibit 2, Attachment MSS-1 (Revised), are approved.
2. Prior to implementing the authorized rates, I&M shall file the applicable rate Schedules under this Cause for approval by the Commission's Energy Division. The ECR factors approved herein shall go into effect upon approval by the Commission's Energy Division for all bills rendered after the effective date of this Order.
3. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: SEP 27 2023

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

**Dana Kosco
Secretary of the Commission**