

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER COMPANY,)
AN INDIANA CORPORATION, FOR AUTHORITY TO)
INCREASE ITS RATES AND CHARGES FOR ELECTRIC)
UTILITY SERVICE THROUGH A PHASE IN RATE)
ADJUSTMENT; AND FOR APPROVAL OF RELATED)
RELIEF INCLUDING: (1) REVISED DEPRECIATION)
RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION IN)
RATE BASE OF QUALIFIED POLLUTION CONTROL)
PROPERTY AND CLEAN ENERGY PROJECT; (4))
ENHANCEMENTS TO THE DRY SORBENT INJECTION)
SYSTEM; (5) ADVANCED METERING)
INFRASTRUCTURE; (6) RATE ADJUSTMENT)
MECHANISM PROPOSALS; AND (7) NEW SCHEDULES)
OF RATES, RULES AND REGULATIONS.)

CAUSE NO. 45235

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

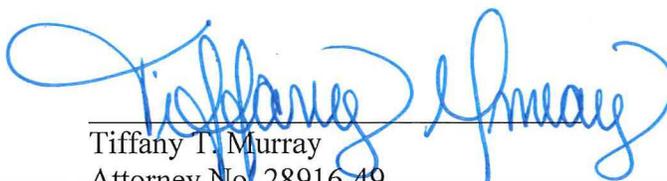
PUBLIC'S EXHIBIT NO. 9

TESTIMONY OF OUCC WITNESS

CYNTHIA M. ARMSTRONG

August 20, 2019

Respectfully submitted,



Tiffany T. Murray
Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS CYNTHIA M. ARMSTRONG
CAUSE NO. 45235
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

1 **Q: Please state your name, business address and employment capacity.**

2 A: My name is Cynthia M. Armstrong, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, IN, 46204. I am employed as a Senior Utility
4 Analyst in the Electric Division for the Indiana Office of Utility Consumer
5 Counselor ("OUCC"). A summary of my qualifications can be found in Appendix
6 A.

7 **Q: What is the purpose of your testimony in this proceeding?**

8 A: The purpose of my testimony is to recommend the Indiana Utility Regulatory
9 Commission ("Commission") deny Indiana Michigan Power Company's ("I&M")
10 request to include enhancements to the Dry Sorbent Injection ("DSI") systems on
11 Rockport Units 1 and 2 in rate base and deny associated operation and maintenance
12 ("O&M") expenses. I provide background on how litigation between I&M and
13 Rockport Unit 2's investors led to the resulting modification to the Consent Decree
14 between American Electric Power Company ("AEP") and the U.S. Environmental
15 Protection Agency ("EPA"). The nature of this litigation impacts, in my opinion,
16 the legitimacy of I&M's alleged need for the DSI enhancements. My testimony
17 supplements OUCC Witness Lauren M. Aguilar's testimony, and adjustments
18 made by OUCC witnesses Wes R. Blakley and Mark E. Garrett.

1 **Q: What did you do to prepare your testimony?**

2 A: I reviewed I&M's Verified Petition, Direct Testimony, Exhibits, and Data
3 Responses submitted in this Cause. I researched other causes in which I&M
4 received approval for costs associated with its obligations under the Consent
5 Decree.

6 **Q: To the extent you do not address a specific item or adjustment, should that be**
7 **construed to mean you agree with I&M's proposal?**

8 A: No. Excluding any specific adjustments or amounts proposed by I&M from my
9 testimony does not indicate my approval of those adjustments or amounts, but
10 rather that the scope of my testimony is limited to the specific items addressed
11 herein.

II. CONSENT DECREE IMPACT

12 **Q: Please describe the events leading up to the Consent Decree.**

13 A: In November 1999, the EPA issued Notices of Violation ("NOVs") to AEP, stating
14 several generating facilities, including I&M's Tanners Creek facility in Indiana,
15 violated the New Source Review ("NSR") provisions of the Clean Air Act
16 ("CAA"). The NOVs were based on AEP's decision to construct major generation
17 projects without first receiving an appropriate pre-construction permit, resulting in
18 significant net emissions increases. Simultaneously, the U.S. Department of Justice
19 ("DOJ") filed civil suits on the EPA's behalf seeking injunctive relief and civil
20 penalties for these violations. Several other states and citizen groups joined in the
21 lawsuit.¹ Over time, EPA and the DOJ amended the original complaint to reduce

¹ <https://www.epa.gov/enforcement/american-electric-power-service-corporation#violations>.

1 the number of alleged NSR violations at Tanners Creek.² The DOJ and EPA
2 complaint made no claims of NSR violations against Rockport.³

3 Litigation continued through a liability trial; however, AEP, the EPA, and
4 all other parties reached settlement before a judicial determination was made for
5 AEP's units.⁴ Although Rockport and several other larger AEP units were not a
6 part of the litigation, the settlement required AEP and its subsidiaries to undertake
7 major investments in pollution controls on these facilities.

8 **Q: Please describe the Consent Decree and its purpose.**

9 A: The resulting Consent Decree was an agreement between AEP, the EPA, eight
10 states, and 13 citizen groups, originally signed in October 2007, which has been
11 modified five times since. At the time of its 2007 announcement, the EPA stated
12 the Consent Decree was the largest environmental enforcement settlement in
13 history, requiring AEP to spend \$4.6 billion on pollution controls at its generating
14 facilities, pay a \$15 million civil penalty, and to complete \$60 million in
15 environmental mitigation projects.⁵

16 Specific to I&M, the Consent Decree required I&M to install and
17 continuously operate Flue Gas Desulfurization ("FGD") systems and Selective
18 Catalytic Reduction ("SCR") systems on Rockport Unit 1 by December 31, 2017,
19 and on Rockport Unit 2 by December 31, 2019. The Consent Decree also required
20 Tanners Creek Units 1-3 to continuously operate low NOx burners ("LNB");

² Cause No. 43992 S1, OUCC Witness Cynthia Armstrong's Direct testimony, OUCC Attachment CMA-3.

³ *Id.*

⁴ Cause No. 43992 S1, I&M Witness John McManus' Direct testimony at p. 6 [5-8].

⁵ <https://www.epa.gov/enforcement/reference-news-release-us-announces-largest-single-environmental-settlement-history>.

1 Tanners Creek Unit 4 to continuously operate its Overfire Air (“OFA”) System; all
2 Tanners Creek units to limit the sulfur content of coal burned; and out of a group
3 of units totaling 2,430 MW, subjected Tanners Creek Units 1-3 to potential re-
4 powering, retrofitting, or retirement by December 31, 2018. All I&M coal-fired
5 units were also subject to the AEP Eastern-wide caps on NO_x, which began in 2009
6 and decreased over time until the permanent cap in 2016, and SO₂, which began in
7 2010 and decreased over time until the permanent cap in 2019.⁶ I&M was also
8 responsible for its portion of the total AEP Eastern System costs for environmental
9 mitigation projects, civil penalties, and excess allowance surrenders.⁷

10 Specific to the Rockport requirements, AEP requested the third
11 modification of the Consent Decree, which was approved on May 11, 2013, to delay
12 the required installation of FGD systems for Rockport Units 1 and 2. Under the
13 third modification, AEP was required to install and continuously operate DSI
14 systems on Rockport Units 1 and 2 by April 16, 2015. The third modification also
15 required one Rockport unit to retrofit with an FGD, re-power to natural gas, or retire
16 by December 31, 2025, and the second unit was also required to retrofit, re-power,
17 or retire by December 31, 2028. Tanners Creek Unit 4 was required to retire or
18 refuel by June 1, 2015. In addition to reducing the AEP Eastern System SO₂ caps,
19 the modified Consent Decree placed plant-wide annual caps on SO₂ emissions from
20 Rockport beginning in 2016 and decreasing over time until the permanent cap in
21 2029. Under the third modification, I&M was specifically required to secure an

⁶ https://www.epa.gov/sites/production/files/documents/americanelectricpower-cd_1.pdf.

⁷ Cause No. 43306, I&M Witness John McManus Direct at 18 [17-23].

1 additional 200 MW of wind capacity from Indiana or Michigan sources if certain
2 tax credits were in place, and to fund an additional \$2.5 million in environmental
3 mitigation projects for the citizen plaintiffs. AEP was also required to fund an
4 additional \$6 million in environmental mitigation projects for the plaintiff states in
5 2013.⁸

6 Soon after the third modification, the investor group owners of Rockport
7 Unit 2 sued AEP for breaching the lease agreement. The owners claimed that by
8 entering into the modified Consent Decree, AEP imposed an impermissible lien on
9 the Unit and adversely impacted its economic useful life. While the district court
10 initially dismissed the owners' claims, the appellate court ruled in their favor.⁹ As
11 a result of this litigation, AEP once again was forced to seek a modification of the
12 Consent Decree. All parties to the Consent Decree agreed to the modifications, and
13 the Fifth Modification to the Consent Decree was approved by the court on July 17,
14 2019. In addition to numerous retirements at other AEP facilities, Rockport Unit 1
15 must now install an enhanced DSI system by December 31, 2020, and Unit 2 must
16 now install an enhanced DSI system by June 1, 2020. Both units must meet more
17 stringent emission rates beginning in 2021. While Rockport Unit 1 must still retrofit
18 with an FGD, repower, or retire by December 31, 2028, Unit 2 is no longer required
19 to install an FGD to continue operation beyond 2025.¹⁰

20 **Q: How does the Fifth Modification to the Consent Decree impact I&M's request**
21 **in this case?**

⁸ <https://www.epa.gov/sites/production/files/2015-01/documents/aep-cdmod3.pdf>.

⁹ *Wilmington Trust Co. v. AEP Generating Co.*, 859 F.3d 365 (6th Cir. 2017).

¹⁰ AEP's Fifth Modification to the Consent Decree, <https://www.epa.gov/sites/production/files/2013-08/documents/fifthmotiva-amendedcd.pdf>.

1 A: I&M includes a capital adjustment of \$13.315 million, including AFUDC, to rate
2 base for the Rockport DSI Enhancements during the test year.¹¹ Additionally, while
3 I&M intends to track consumables, the DSI Enhancements appear to add \$8.080
4 million in annual O&M expense during the test year, \$7,955,332 of which are
5 consumables.¹²

6 **Q: Is I&M required to install the DSI enhancements under any other**
7 **environmental requirement?**

8 A: No. Rockport was able to meet the Mercury and Air Toxics Standards (“MATS”)
9 with the existing DSI and Activated Carbon Injection (“ACI”) systems.
10 Additionally, revisions to National Ambient Air Quality Standards (“NAAQS”) for
11 fine particulate matter (PM_{2.5}) and sulfur dioxide may also have driven Rockport
12 to further control SO₂ with DSI enhancements. However, Spencer County, Indiana,
13 where Rockport is located, is either in attainment or unclassifiable for PM and SO₂
14 NAAQS.¹³ Thus, existing environmental laws do not require Rockport to enhance
15 the DSIs. The Fifth Modification to the Consent Decree is the only
16 environmentally-related mandate driving these investments.

17 **Q: Absent the Consent Decree, is there an economic reason to install the DSI**
18 **enhancements?**

19 A: Not at this time. While the DSI enhancements could decrease the need for SO₂
20 allowances, the capital and ongoing operational costs are more than the reduced
21 consumption cost of allowances.¹⁴ The only way a customer benefit to the DSI

¹¹ I&M witness Timothy Kerns’s testimony, p. 15, lines 20-22, and Figure TCK-6, p. 12.

¹² I&M witness Timothy Kerns’s testimony, Figure TCK-9, p. 31, and workpapers, WP-TCK-2.

¹³ https://www.in.gov/idem/airquality/files/nonattainment_areas_map.pdf.

¹⁴ Kerns’s testimony at p. 21, Figure TCK-7, shows forecasted test year allowance expense to be \$1.161 million, significantly less than the annual cost of the DSI Enhancements.

1 enhancement is realized is if the Rockport Unit 2 lease is extended, allowing the
2 Unit to serve ratepayers beyond 2022. In theory, Rockport Unit 2 could operate
3 once it has the DSI enhancement beyond its current estimated retirement date of
4 2028 since the Unit no longer has the obligation to install the FGD.

5 **Q: What are the OUCC's concerns regarding this issue?**

6 A: Consistent with its longstanding position, the OUCC opposes burdening ratepayers
7 with the Consent Decree's costs. I&M is again asking ratepayers to fund the
8 consequences of AEP's questionable management decisions. AEP chose how to
9 manage its non-Rockport generating facilities. AEP decided to enter into the
10 Consent Decree, which weighed down the Rockport Units with unnecessary
11 environmental compliance costs. AEP failed to communicate and obtain approval
12 from the Rockport investors prior to signing the Consent Decree. A review of past
13 cases shows ratepayers have already shouldered significant costs due to the Consent
14 Decree.¹⁵

15 I&M characterized the Consent Decree as a beneficial deal for ratepayers in
16 the past by arguing it allowed generating facilities to continue operation while
17 avoiding the continued costs of litigation. But Rockport was never named as having
18 violated NSR. Instead, AEP offered to construct the pollution control projects on
19 Rockport as a way to reach agreement in the Consent Decree to the benefit of other
20 AEP generating facilities and subsidiaries. In other words, AEP management chose
21 to offer up Rockport as a way to benefit other AEP facilities that were alleged to
22 have violated federal environmental law. AEP also failed to obtain consent from

¹⁵ OUCC Attachment CMA-1.

1 the Unit 2 investors prior to entering into the Consent Decree and encumbered the
2 Unit with significant environmental requirements, which will ultimately render its
3 continued operation beyond 2025 uneconomic.

4 I&M should bear some of the risk of its management decisions. Offering
5 to encumber the Rockport Units with pollution control equipment those units did
6 not need in order to comply with environmental laws impacted the operating lives
7 of both Units. Not only have the Consent Decree's requirements to install an FGD
8 on Rockport Unit 1 in 2028 reduced its operational life, but now I&M must install
9 more pollution controls with high O&M costs on both units. The additional O&M
10 cost associated with the DSI enhancements will likely impact the dispatch of these
11 units and may decrease the revenues customers see from off-system power sales.

12 I&M has claimed in the past that the Consent Decree avoided the costs and
13 uncertainty associated with continued litigation.¹⁶ While the Consent Decree
14 resulted in AEP and I&M avoiding litigation costs, it is speculative as to whether
15 the Commission would have approved passing those litigation costs onto
16 customers. AEP's questionable management decisions were made without input
17 from ratepayers and Unit 2 investors. Ratepayers were never given the opportunity
18 to accept or reject the Consent Decree prior to AEP (and I&M) signing it.
19 Furthermore, AEP did not consult with and obtain approval from the Rockport Unit
20 2 investors prior to entering into the Consent Decree, which is genesis for the
21 litigation still pending in federal court in Ohio.¹⁷

¹⁶ Cause No. 44871, Direct Testimony of John Hendricks, p. 8, lines 1-5.

¹⁷ *Wilmington Trust Co. v. AEP Generating Co.*, Cause No. 2:2013cv01213-EAS-CMV (S.D. Ohio).
Litigation was stayed pending the outcome of AEP seeking the modification to the Consent Decree.

1 **Q: What does the OUCC recommend?**

2 A: The OUCC recommends the Commission deny recovery of the proposed DSI
3 enhancements for both Rockport units. Based on this recommendation, Mr. Garrett
4 reflects a \$13.315 million (total company) reduction to rate base and a \$124,668
5 (total company) reduction of test year fixed O&M associated with the Enhanced
6 DSI project. The points made in my testimony further bolster Ms. Aguilar's and
7 Mr. Blakley's recommendations to deny I&M's request to track consumables, they
8 recommend a decrease of \$7,955,332 (total company) to test year O&M to account
9 for the additional consumable expense related to the DSI enhancements.

10 **Q: Are there additional reasons why the DSI enhancements should be rejected by**
11 **the Commission?**

12 A: Yes. I&M states the Rockport Unit 2 lease expires in December 2022.¹⁸ I&M also
13 states the lease will not be renewed and I&M has not taken steps to renew the
14 lease.¹⁹ Therefore, only a short period of time exists between I&M's proposed
15 schedule for installing the Enhanced DSI equipment and the Unit 2 lease expiration.
16 I&M failed to establish that investing in Rockport Unit 2 provides a benefit to
17 ratepayers during the short period of time over which these assets would be utilized.

18 Additionally, I&M failed to include the Enhanced DSI project costs in its
19 2018 Integrated Resource Plan ("IRP"). In response to the OUCC's discovery,
20 I&M stated:

21 [t]he IRP does contain the DSI Projects approved in Cause No.
22 44331, however the modeling for the IRP to be submitted on July 1,

¹⁸ Verified Direct Testimony of Toby L. Thomas, page 32, lines 6 to 7.

¹⁹ Attachment CMA-2, I&M Response to OUCC DR 21-25.

1 2019, was completed prior to the release of the revised consent
2 decree language that requires enhancements to the DSI equipment.²⁰

3 Although exact language of the Fifth Modification to the Consent Decree may not
4 have been available at the time, I&M was aware of the possible Consent Decree
5 modification. I&M sought three (3) extensions to its IRP deadline;²¹ the first, on
6 July 26, 2018, was sought because of the pending Fifth Modification. The request
7 for extension stated, in part:

8 As I&M has previously informed the Commission, on January 8,
9 2018, I&M and other AEP companies filed a Supplemental Motion
10 and Memorandum in Support of Fifth Modification of Consent
11 Decree (“Motion”) in the Court. The Motion has not yet been ruled
12 on by the Court. If granted, the Motion would change the Consent
13 Decree provision applicable to the Rockport Plant, and therefore,
14 may substantially impact I&M’s resource plans.²²

15 Further, because I&M did not include the Enhanced DSI project in its IRP,
16 I&M’s IRP model did not show a cost-benefit analysis or otherwise demonstrate
17 any value such an investment would have on a unit retiring from service in such a
18 short period of time.²³ In response to OUCC discovery, I&M supplied an analysis
19 it claims “demonstrates these investments, including the enhanced DSI project,
20 continue to be more economic than terminating the lease early.”²⁴ However, it is
21 unclear to what extent, if any, the DSI was included in this analysis.

22 Denying only the Rockport Unit 2 DSI enhancement would result in a
23 \$6,657,500 (total company) reduction to rate base and a \$62,334 (total company)

²⁰ Attachment CMA-3, I&M Response to OUCC DR 10-01.

²¹ Attachment CMA-4, I&M Response to OUCC DR 28-07.

²² *Id.* at Attachment IM IRP 1st Ext. of Time (emphasis added).

²³ I&M’s 2018-2019 Integrated Resource Plan, filed July 1, 2019, pg. 45.

²⁴ Attachment CMA-3.

1 reduction in test year annual O&M. Denying the Rockport Unit 2 DSI
2 enhancements would also increase the OUCC's recommended embedded amount
3 of consumables by \$3,977,666.

4 **Q: If I&M were to negotiate an extension of the Unit 2, would that have an effect**
5 **on your recommendation to deny cost recovery for the DSI enhancements?**

6 A: Possibly, but it is premature to determine at this time. If Unit 2's lease were
7 extended, it may be possible the project could be economical for ratepayers to fund
8 the DSI Enhancements if those assets are necessary for environmental compliance
9 and therefore preserve Unit 2's ability to serve I&M customers' needs for a
10 meaningful period of time beyond 2022. However, the OUCC stands by its position
11 that I&M ratepayers should not bear the costs of pollution control equipment that
12 are only necessary due to the Consent Decree and not required by any other
13 environmental regulation. By I&M's next rate case, the Unit 2 lease will have more
14 certainty and I&M should be able to quantify the value of the service customers
15 received from that Unit through 2022 or inform the Commission that the lease has
16 been extended. It is at that time, not now, that the parties can make an informed
17 judgment about whether cost recovery for the DSI is appropriate.

18 **Q: Are you recommending I&M not install the DSI enhancements, and instead**
19 **retire Rockport?**

20 A: No. I&M should still take action to keep Rockport operational, and the OUCC is
21 not recommending I&M terminate the Unit 2 lease early. However, for the
22 purposes of the DSI enhancements, these costs should be borne by I&M's
23 shareholders, as they receive the benefits of the Consent Decree modification.

24 **Q: Are you recommending that all costs related to the Consent Decree in this**
25 **Cause be denied?**

1 A: No. Many of these costs, such as the Rockport Unit 2 SCR, have already been
2 approved by the Commission, and the OUCC has supported some of the projects
3 for compliance with other environmental laws.

III. CONCLUSION AND RECOMMENDATIONS

4 **Q: Please summarize your recommendations:**

5 A: For the reasons described in my testimony, I recommend the Commission:

- 6 1. Deny recovery of all costs related to the Rockport Unit 1 and 2 DSI
7 Enhancements; or in the alternative,
- 8 2. If the Commission finds Indiana ratepayers should bear the costs of the DSI
9 Enhancements, deny cost recovery related to the Rockport Unit 2 DSI
10 enhancement.

11 Based on my recommendations, OUCC Witness Mark Garrett incorporates a
12 \$13.315 million (total company) reduction to rate base and a \$124,668 (total
13 company) reduction of test year O&M associated with the Enhanced DSI project.
14 Ms. Aguilar and Mr. Blakley recommend embedding \$13,830,135 of consumable
15 expense in base rates, which reflects a decrease of \$7,955,332 in forecasted
16 consumables expense associated with the DSI Enhancement projects.

17 **Q: Does this conclude your testimony?**

18 A: Yes.

APPENDIX A

1 **Q: Please summarize your professional background and experience.**

2 A: I graduated from the University of Evansville in 2004 with a Bachelor of Science
3 degree in Environmental Administration. I graduated from Indiana University,
4 Bloomington in May 2007 with a Master of Public Affairs degree and a Master of
5 Science degree in Environmental Science. I also completed internships with
6 Vectren's Environmental Affairs Department in the spring of 2004, with the U.S.
7 Environmental Protection Agency in the summer of 2005, and with the U.S.
8 Department of the Interior in the summer of 2006. I obtained my OSHA Hazardous
9 Operations and Emergency Response (HAZWOPER) Certification. I have been
10 employed by the OUCC since May 2007. As part of my continuing education at the
11 OUCC, I have attended both weeks of the National Association of Regulatory
12 Utility Commissioners' ("NARUC") seminar in East Lansing, Michigan,
13 completed annual 8-hour OSHA HAZWOPER refresher courses to maintain my
14 certification, and attended the Indiana Chamber of Commerce's Environmental
15 Permitting Conference. In April 2018, I became certified to conduct EPA Method
16 9 tests for visible opacity and was re-certified in October 2018 and April 2019.

17 **Q: Please describe some of your duties at the OUCC.**

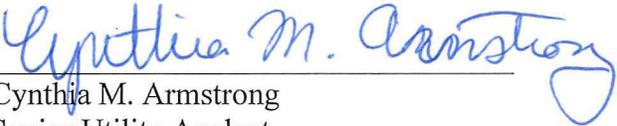
18 A: I review and analyze utilities' requests and file recommendations on behalf of
19 consumers in utility proceedings. Depending on the case at hand, my duties may
20 also include analyzing state and federal regulations, evaluating rate design and
21 tariffs, examining books and records, inspecting facilities, and preparing various
22 studies. Since my expertise lies in environmental science and policy, I assist in
23 many cases where environmental compliance is an issue.

1 **Q: Have you previously provided testimony to the Commission?**

2 A: Yes. I have testified in numerous cases during my employment at the OUCC,
3 including several I&M cases involving the Consent Decree (Cause Nos. 43306,
4 43992, 43992 S1, 44075, 44331, 44871, and 44967).

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Cynthia M. Armstrong
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

Cause No. 45235
Indiana Michigan Power Company



Date

Summary of Approved AEP NSR Consent Decree Costs

Cause No.	Project Cost Description	Cost Approved	Additional Notes
43306	Environmental Mitigation Projects	\$2,815,814 (amortized over 3 years), \$938,604 annual revenue requirement	Result of a settlement between I&M, the OUCC and other parties. (Cause No. 43306, Settlement Agreement at p. 11). I&M originally requested \$11.5 million (total company) over a 5-year period. (Cause No. 43306, McManus Direct at p. 18)
43992 ECCR-S1 ECCR-1 ECCR-2	Emission allowance surrender costs	\$63,417 (Total Company), \$41,343 (Indiana Jurisdictional)	Result of a settlement between I&M and the OUCC in Cause Nos. 43992 S1 and ECCR 1. Allowed recovery of 50% of surrender costs in S1 and ECCR 1, and 20% of future surrender costs. (Cause No. 43992 ECCR S1 and ECCR 1 Settlement Agreement at 2, ECCR 2, SMK-1, lines 6 and 7.
44331	Dry Sorbent Injection (DSI) Systems on Rockport Units 1 and 2, Project development costs for Flue Gas Desulfurization	\$258.052 million (Total Project, Excluding AFUDC, includes FGD pre-construction costs), \$129.026 million (I&M Ownership Share)	Result of a settlement between I&M and the OUCC. I&M could pass 80% of project costs through the Federally Mandated Requirements (FMR) tracker, and would defer the remaining 20% of project costs to be recovered in the next rate case.
44523	Selective Catalytic Reduction (SCR) on Rockport Unit 1	\$234 million (total project, \$117 million (I&M's Ownership Share); Total Project cost increased to \$257.8 million (ECR-2), \$128.9 million (I&M Ownership)	Settlement Agreement between I&M and OUCC allowed I&M's ownership costs (50%) to pass through the Clean Coal Technology Rider (CCTR). I&M agreed to not recover its allocated share of AEG costs (35%) related to the SCR costs through the CCTR but through another case filed after Jan. 1, 2016.
44362	Renewable Energy Purchase Agreement (REPA) for 200 MW of wind from Headwaters Wind Farm	Approval of purchased power costs and reasonable and necessary associated costs (wind forecasting and REC registry costs).	OUCC did not oppose REPA or passing its associated costs through the FAC. REPA is for a 20-year period.
44871	SCR on Rockport Unit 2	\$274.2 million (total project), \$137.1 (I&M ownership share)	
44967	Accelerated Depreciation for Rockport Units 1 and 2	Rockport Unit 1 increased depreciation to reflect a retirement date of 2028. Rockport Unit 2 continued to depreciate through 2022 and Unit 2 DSI continued to depreciate through 2025.	Result of settlement between I&M, OUCC, and other parties. If Rockport 2 lease is not extended, then the Rockport 2 DSI would be depreciated through 2028. The depreciation annual accrual for Rockport Unit 1 increased by \$45,527,915 (OUCC witness Edward Rutter's direct testimony at p. 5).

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. OUCC DR 21
IURC CAUSE NO. 45235

DATA REQUEST NO OUCC 21-25

REQUEST

Page 32, lines 10-11, Mr. Thomas states: "While we continue to assess options regarding the [Rockport Unit 2] Lease...." Please respond to the following:

- a. Please explain what Mr. Thomas means by "options"? Please provide any documentation Mr. Thomas relied upon to support his understanding of these options.
- b. Has I&M performed any analysis as to the cost and benefits of extending the Lease for Rockport Unit 2? If yes, please provide all documents.
- c. Has I&M made any attempts to negotiate the Lease for Rockport Unit 2? If yes, please state the current status of said negotiation and provide all documentation pertinent to the negotiation.
- d. If I&M has not made any attempt to negotiate renewal of the Rockport Unit 2 lease, please explain why.
- e. Who at I&M is responsible for determining if attempts will be made to renew the Lease for Rockport Unit 2?
- f. When does I&M expect to make a decision regarding the renewal of the Lease for Rockport Unit 2?

RESPONSE

I&M objects to the request on the grounds and to the extent the Request is addressed to matters outside the scope of this general rate case. In support of this objection, I&M states that the Rockport Unit 2 lease is in effect until December 2022, which is well beyond the test year in this case. I&M further objects to the extent this question seeks information that is confidential, proprietary, competitively sensitive and/or trade secret. I&M further objects to the request on the grounds and to the extent the request is overly broad and unduly burdensome, particularly to the extent the request seeks "all documentation". I&M also objects to the request to the extent the request calls for speculation. The Company further objects to this request to the extent it calls for disclosure of legal strategy and requires I&M to speculate about resource decisions or potential regulatory filings that have not been made and that depend on future circumstances that are unknown at this time. Subject to and without waiver of the foregoing objections, I&M provides the following response.

a. Please see Cause No. 44841, the Prefiled Verified Direct Testimony of Paul Chodak, beginning at page 9 wherein Mr. Chodak sets forth the options available to I&M at the end of the Rockport Unit 2 lease.

b-f. See objection. I&M has not proposed anything in this case that reflects an extension of the lease.

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. OUCC DR 10
IURC CAUSE NO. 45235

DATA REQUEST NO OUCC 10-01

REQUEST

Refer to Witness Thomas' testimony at pages 15 and 16 in which Mr. Thomas explains I&M's request for approval of a \$13.3 million Enhanced DSI Project at the Rockport Plant. Please respond to the following:

- a. Has I&M included an assumption in the most recent IRP, as of the May 23, 2019, stakeholder engagement meeting, that the Rockport Unit 2 lease will expire in 2022?
- b. Does I&M's latest IRP include modeling for the installation of a FGD system at Rockport Unit 1 at a price of \$2.365 billion?
- c. In its latest IRP, did I&M model the Enhanced DSI Project it has proposed to construct in this Cause, as explained by Witness Thomas at pages 15 and 16? If not, please explain why.
- d. If I&M receives approval of the Enhanced DSI Project at the Rockport Plant, does it anticipate retiring Unit 2 in 2022? Please explain why.
- e. Without the Enhanced DSI Project at the Rockport Plant, can I&M continue to operate Rockport Unit 2 and remain in compliance with applicable environmental rules? Please explain.

RESPONSE

I&M objects to the extent this question seeks information that is confidential, proprietary, competitively sensitive and/or trade secret. Without waiving this objection, I&M will provide the confidential information pursuant to the July 6, 2006 Standard Form Nondisclosure Agreement between I&M and the OUCC.

- a. Yes
- b. I&M's 2015 IRP included an option to install an FGD system on Rockport Unit 1 in 2025 for the cost of approximately \$1.35 billion. The IRP being prepared by I&M to be submitted on July 1, 2019 includes a scenario where an FGD system is installed on Rockport Unit 1 by December 2028 for approximately \$1.4 billion.
- c. The IRP does contain the DSI Projects approved in Cause No. 44331, however the modeling for the IRP to be submitted on July 1, 2019 was completed prior to the release of the revised consent decree language that requires enhancements to the DSI equipment. Nonetheless, I&M has conducted an analysis of plant investments on Rockport Unit 2 that demonstrates these investments, including the enhanced DSI project, continue to be more economic than terminating the lease early. Please see the following documents:
 - OUCC 10-01 CONFIDENTIAL 2019 RP2 SCR Analysis - Results Summary.xlsx
 - OUCC 10-01 CONFIDENTIAL 2019 RP2 SCR Analysis - Results Summary.xlsx

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. OUCG DR 10
IURC CAUSE NO. 45235

- OUCG 10-01 CONFIDENTIAL WP IM 2-Page Summary - Base Band -061919 PM - NO RP2 SCR with ICAP.xlsx

d. Company witness Thomas at p. 32 discusses the Status of the Rockport Unit 2 lease. Please note that Rockport Unit 2 is not owned by I&M.

e.No. Without the Enhanced DSI project, I&M would not be able to continue to operate the units at the Rockport Plant and meet the environmental obligations set forth in the Fifth Joint Modification to the Consent Decree. Completing this project provides all the environmental benefits currently required by the Consent Decree earlier and at a substantially lower cost to customers.

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. OUCC DR 28
IURC CAUSE NO. 45235

DATA REQUEST NO OUCC 28-07

REQUEST

Regarding Petitioner's Integrated Resource Plan ("IRP"), submitted to the Commission on July 1, 2019, please respond to the following:

- a. What was the original submission deadline for the above reference IRP?
- b. Did Petitioner request and receive an extension to the original deadline? If yes, until what date?
- c. Did Petitioner request and receive any additional deadline extensions for the IRP submission? If yes, how many extensions and until what date(s)?
- d. Please provide all documentation to support Petitioner's requested extensions, including when Petitioner made the decision to request an extension, when the extension was requested, when the extension was granted.

RESPONSE

I&M objects to the request on the grounds and to the extent the request seeks information that exceeds the scope of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiver of the foregoing objection, I&M provides the following response.

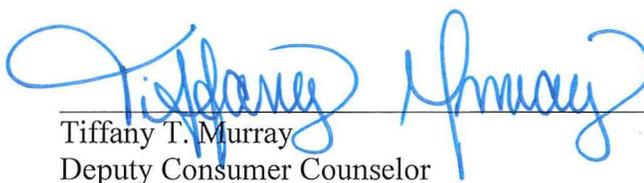
- a. November 1, 2018.
- b. Yes. On July 26, 2018, I&M requested an extension of time up to and including February 1, 2019. I&M's request was granted by the IURC on July 27, 2018.
- c. Yes. On October 26, 2018, I&M requested a second extension of time up to and including May 1, 2019. I&M's request was approved on October 29, 2018. A third extension, requested on March 18, 2019, moved I&M's IRP filing date from May 1 to July 1, 2019.

Please see the following documents:

- a. OUCC 28-07 IM IRP 1st Ex of Time.pdf
- b. OUCC 28-07 IM IRP 2nd Ex of Time.pdf
- c. OUCC 28-07 IM IRP 3rd Ex of Time.pdf

CERTIFICATE OF SERVICE

Indiana Office of Utility Consumer Counselor Public's Exhibit No. 9 Testimony of OUCC Witness Cynthia M. Armstrong has been served upon the following parties of record in the captioned proceeding by electronic service on August 20, 2019.


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