

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED )  
PETITION OF INDIANA MICHIGAN POWER )  
COMPANY FOR APPROVAL OF DEMAND )  
SIDE MANAGEMENT (DSM) PLAN, )  
INCLUDING ENERGY EFFICIENCY (EE) )  
PROGRAMS, AND ASSOCIATED ) CAUSE NO.  
ACCOUNTING AND RATEMAKING )  
TREATMENT, INCLUDING TIMELY )  
RECOVERY THROUGH I&M'S DSM/EE )  
PROGRAM COST RIDER OF ASSOCIATED )  
COSTS, INCLUDING PROGRAM )  
OPERATING COSTS, NET LOST REVENUE, )  
AND FINANCIAL INCENTIVES. )

SUBMISSION OF DIRECT TESTIMONY OF  
BRYAN S. OWENS

Applicant, Indiana Michigan Power Company (I&M), by counsel, respectfully submits the direct testimony of Bryan S. Owens in this Cause.



---

Teresa Morton Nyhart (Atty. No. 14044-49)  
Jeffrey M. Peabody (Atty No. 28000-53)  
Barnes & Thornburg LLP  
11 South Meridian Street  
Indianapolis, Indiana 46204  
Nyhart Phone: (317) 231-7716  
Peabody Phone: (317) 231-6465  
Fax: (317) 231-7433  
Email: [tnyhart@btlaw.com](mailto:tnyhart@btlaw.com)  
[jpeabody@btlaw.com](mailto:jpeabody@btlaw.com)

Attorneys for Indiana Michigan Power  
Company

**CERTIFICATE OF SERVICE**

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, or United States Mail, postage prepaid this 26th day of August, 2019 to:

William I. Fine  
Abby R. Gray  
Indiana Office of Utility Consumer Counselor  
Office of Utility Consumer Counselor  
115 West Washington Street  
Suite 1500 South  
Indianapolis, Indiana 46204  
infomgt@oucc.in.gov  
wfine@oucc.in.gov  
agray@oucc.in.gov



---

Jeffrey M. Peabody

Teresa Morton Nyhart (No. 14044-49)  
Jeffrey M. Peabody (No. 28000-53)  
BARNES & THORNBURG LLP  
11 South Meridian Street  
Indianapolis, Indiana 46204  
Nyhart Phone: (317) 231-7716  
Peabody Phone: (317) 231-6465

Attorneys for INDIANA MICHIGAN POWER COMPANY

**INDIANA MICHIGAN POWER COMPANY**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**BRYAN S. OWENS**

**PRE-FILED VERIFIED DIRECT TESTIMONY OF BRYAN S. OWENS  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

1 **Q. Please state your name and business address.**

2 A. My name is Bryan S. Owens and my business address is Indiana Michigan Power  
3 Center, P.O. Box 60, Fort Wayne, Indiana 46801.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Indiana Michigan Power Company (I&M or Company) as a  
6 Regulatory Analysis & Case Manager in the Regulatory Services Department.

7 **Q. Please describe your educational and professional experience.**

8 A. I graduated from the University of Missouri, Kansas City in 1996 with a Bachelor  
9 of Liberal Arts degree and in 1998 with a Bachelor of Science degree in  
10 Accounting. In May 2003, I earned a Certified Public Accountant (CPA) certificate  
11 in Missouri. In July 2010, I obtained a Colorado CPA license (0028436 – Inactive)  
12 and in May 2018, I obtained an Indiana CPA license (CP11800151).

13 I began my professional career in 1998, when I joined the accounting firm of  
14 KPMG, LLP. I was employed at KPMG from August 1998 to July 2001, as a senior  
15 auditor and senior tax specialist performing financial statement audits and  
16 preparing federal and state tax returns for individuals and corporations. From July  
17 2001 to June 2004, I was employed by Overland Consulting, Inc., in Overland  
18 Park, Kansas as a senior consultant performing audits of utility FERC financial  
19 statements as part of general rate case reviews before the California Public Utilities  
20 Commission. From June 2004 to July 2008, I was employed by Aquila, Inc., in

1 Kansas City, Missouri, as a senior regulatory analyst preparing rate case filings  
2 and managing compliance filings for several state jurisdictions including Missouri,  
3 Kansas and Colorado. In July 2008, Aquila, Inc. was acquired by Black Hills  
4 Corporation and Great Plains Energy, Inc. I joined Kansas City Power and Light (a  
5 wholly owned subsidiary of Great Plains Energy, Inc.) before joining Black Hills  
6 Corporation in December 2008. At Black Hills Corporation I was Manager,  
7 Colorado Electric Regulatory Affairs. In that role, I had responsibility for providing  
8 various financial analyses in support of utility operations and managing regulatory  
9 filings for the electric utility operations of Black Hills/Colorado Electric utility  
10 Company, LP.

11 In November 2014, I joined Empire District Electric Company (Empire) as Assistant  
12 Director of Planning and Regulatory where I had responsibility for providing various  
13 financial analyses in support of utility operations and managing regulatory filings  
14 for the electric utility operations of Empire.

15 In May 2017, I joined Indiana Michigan Power Company and assumed my current  
16 position as Regulatory Analysis & Case Manager.

17 **Q. What are your responsibilities as Regulatory Analysis & Case Manager?**

18 A. I am responsible for the preparation of regulatory filings and analyses.

19 **Q. Have you previously testified before any regulatory proceedings?**

20 A. Yes. I have submitted testimony on behalf of I&M before the Indiana Utility  
21 Regulatory Commission ("Commission") in the following matters:

- 22 • 44331 ECR 5 Federal Mandate Rider
- 23 • 45120 SDI Contract Amendment

- 1 • 43827 DSM 8 DSM/EE Program Cost Rider Reconciliation
- 2 • 44871 ECR 3 Environmental Cost Recovery Rider
- 3 • 43827 DSM 9 DSM/EE Program Cost Rider Reconciliation

4

5 In addition, I have testified before the Michigan Public Service Commission in Case

6 No. U-18243 (Renewable Energy and Cost Reconciliation), Case No. U-18263

7 (2018 – 2019 Energy Waste Reduction Plan), Case No. U-18353 (Voluntary Green

8 Pricing Program), Case No. U-20107 (Federal Tax Cuts and Jobs Act of 2017,

9 Determination of Credit A), Case No. U-20316 (Federal Tax Cuts and Jobs Act of

10 2017, Determination of Credit B), Case No. U-20317 (Federal Tax Cuts and Jobs

11 Act of 2017, Determination of Calculation C), Case No. U-20367 (Energy Waste

12 Reduction Reconciliation), Case No. U-20485 (Renewable Energy Portfolio

13 Reconciliation), and Case No. U-20374 (2020 – 2021 Energy Waste Reduction

14 Plan).

15 I have also testified before the Arkansas Public Service Commission, the Colorado

16 Public Utilities Commission, the Kansas Corporation Commission, the Missouri

17 Public Service Commission, and the Oklahoma Corporation Commission.

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

19 A. My testimony discusses the cost recovery, ratemaking and accounting treatment

20 sought by the Company associated with its proposed 2020-2022 DSM Plan (DSM

21 Plan). Company witnesses Walter and Caudill discuss additional relief sought by

22 I&amp;M associated with the DSM Plan.

23 **Q. Please outline the testimony of the other I&M witnesses.**

24 A. I&amp;M's other witnesses include the following:

1        Jon C. Walter, Manager of Consumer & EE Programs, supports the Company's  
2        proposed DSM Plan programs, goals, budgets and costs.

3        G. Scott Fisher, AEP Resource Planning Manager, supports the purpose,  
4        methodology, results and reasonableness of the Company's 2018-19 Integrated  
5        Resource Plan (IRP) as it relates to the DSM Plan.

6        Teresa A. Caudill, Regulatory Consultant Staff, discusses the Company's  
7        calculation of the updated DSM Rider factors, explains the method for updating the  
8        DSM Rider factors and provides the resulting rate impacts on both I&M non-opt  
9        out customers and opt out customers.

10    **Q.    Please summarize the cost recovery sought by I&M in this proceeding.**

11    A.    I&M requests Commission approval of associated cost recovery for the DSM Plan  
12    through I&M's existing Demand Side Management (DSM) and Energy Efficiency  
13    (EE) Program Cost Rider (DSM/EE Rider) including recovery of direct and indirect  
14    costs of the DSM/EE programs, Evaluation, Measurement & Verification (EM&V)  
15    costs, reasonable net lost revenue, and a financial incentive referred to herein as  
16    Shared Savings.

17    **Q.    Are you sponsoring any attachments in this proceeding?**

18    A.    No. Support for my testimony will be referenced from Tables BSO-1 through BSO-  
19    3 illustrated below.

20    **Q.    Were these tables prepared or assembled by you or under your direction and  
21    supervision?**

22    A.    Yes.

1 **Q. Are you sponsoring any work papers in this proceeding?**

2 A. I have filed work papers supporting the tables referred to in my testimony in this  
3 proceeding.

4 **ACCOUNTING AND RATEMAKING**

5 **Q. Please summarize I&M's proposed accounting and ratemaking treatment**  
6 **for the DSM Plan.**

7 A. I&M is requesting authority to recover all program costs, as described by  
8 Company witness Walter, including direct and indirect costs of operating the  
9 programs, net lost revenue, Shared Savings, and EM&V costs. This request  
10 includes cost recovery for the Electric Energy Consumption Optimization (EECO)  
11 DSM programs consistent with that approved by the Commission in Cause No.  
12 44841.

13 I&M also requests continued authority to defer the over and under  
14 recovery of DSM/EE program costs through the DSM Rider pending  
15 reconciliation in subsequent rider periods. This request is consistent with current  
16 practice.

17 **Q. Please explain the accounting and ratemaking for the costs of the EECO**  
18 **program.**

19 A. The Company will continue the accounting and ratemaking for the EECO  
20 program that is currently in place and authorized by the Commission in Cause  
21 No. 44841. This ratemaking treatment includes recovery of the carrying costs  
22 and depreciation expense associated with EECO capital expenditures, along with



1 ongoing incremental Operation and Maintenance (O&M) expense, related EM&V  
2 costs, and net lost revenue through the DSM Rider.

3 **Q. How are DSM/EE Rider factors determined and updated?**

4 A. The DSM/EE Rider factors are determined as a sum of two components, (1) the  
5 DSM Rider Plan component and (2) the DSM Rider Reconciliation component.

6 In this filing, the Company is requesting to update the DSM Rider Plan  
7 component. After the Commission issues a final order in this proceeding, the  
8 Company will make a compliance filing to update the DSM/EE Rider factors to  
9 reflect the new DSM Rider Plan component added to the then current DSM Rider  
10 Reconciliation component, creating new DSM/EE Rider factors.

11 **Q. Will DSM Rider factors for the proposed DSM Plan continue to be  
12 reconciled in the future?**

13 A. Yes. Consistent with current practices, each year I&M will make a separate filing  
14 to reconcile actual DSM/EE program expenditures to actual revenue for the  
15 previous calendar year. The resulting over- or under-recovery balance will be  
16 used to establish new factors for the DSM/EE Rider reconciliation component.

17 **Q. How is the revenue requirement for the DSM/EE Rider Plan component  
18 determined?**

19 A. The revenue requirement is the sum of program costs, net lost revenues, Shared  
20 Savings and gross revenue conversion factor costs (GRCF) associated with the  
21 Plan period. Company witness Walter supports the program costs, net lost  
22 revenues and Shared Savings.

1 **Q. Please explain the GRCF used in the calculation of the Revenue**  
2 **Requirement.**

3 A. The GRCF determines the revenue tax expense I&M incurs associated with the  
4 revenue collected from the DSM Program Cost Rider and adjusts revenue to take  
5 into account that I&M will not collect all revenue associated with this Rider, that  
6 are billed to customers. The inclusion of GRCF in the DSM Program Cost Rider  
7 revenue requirement was approved by the Commission in DSM 8. Accordingly,  
8 an updated GRCF is applied using the same calculation method to determine the  
9 DSM Plan revenue requirement, illustrated in Table BSO-2, shown below.

10 **Q. What is the total three-year revenue requirement used in calculating the**  
11 **proposed DSM/EE Rider Plan component factors?**

12 A. The total three-year DSM Rider Plan component revenue requirement, net of  
13 GRCF costs, is \$80,659,305<sup>1</sup> as shown in Table BSO-1 below. The total  
14 revenue requirement that includes GRCF costs, \$82,115,542, is used by  
15 Company witness Caudill to develop the DSM Program Cost Rider factors  
16 proposed for Commission approval in this filing.

---

<sup>1</sup> \$28,446,720 (PY 2020) + \$27,957,028 (PY 2021) + \$24,255,557 (PY 2022) = \$80,659,305

Table BSO - 1

Proposed 2020 - 2022 DSM Plan Annual Revenue Requirement			
Description	2020 PY	2021 PY	2022 PY
<b>Program Costs</b>			
Total Energy Efficiency Programs	\$ 7,406,259	\$ 7,089,286	\$ 6,483,514
Total Demand-Side Management Programs	1,997,762	2,018,074	2,038,809
Indirect Operating Costs	1,620,000	1,220,000	1,220,000
<b>Total Program Costs</b>	<b>\$ 11,024,020</b>	<b>\$ 10,327,360</b>	<b>\$ 9,742,324</b>
<b>Net Lost Revenue</b>			
Legacy (Half-Year 2018; Full-Year 2019)	\$ 13,285,132	\$ 10,039,910	\$ 4,063,169
Half-Year 2020	3,556,994	-	-
Full-Year 2020	-	3,455,886	3,455,886
Half-Year 2021	-	3,607,188	-
Full-Year 2021	-	-	2,974,837
Half-Year 2022	-	-	3,542,192
<b>Total Net Lost Revenue</b>	<b>\$ 16,842,126</b>	<b>\$ 17,102,984</b>	<b>\$ 14,036,084</b>
<b>Shared Savings</b>	580,574	526,685	477,149
<b>Total Revenue Requirement before GRCF</b>	<b>\$ 28,446,720</b>	<b>\$ 27,957,028</b>	<b>\$ 24,255,557</b>
<b>GRCF Rate</b>	0.017734	0.017734	0.017734
<b>Total Revenue Requirement</b>	<b>\$ 28,960,302</b>	<b>\$ 28,461,769</b>	<b>\$ 24,693,471</b>

Table BSO-2: Gross Revenue Conversion Factor (GRCF) Calculation:	
Indiana Utility Receipts Tax	1.4000%
Public Utility Assessment Fee (IURC)	0.1296%
Total Revenue Taxes	1.5296%
Uncollectible Revenue Factor	0.2476%
Discounted Revenue Taxes	1.5258%
Uncollectible Revenue Factor	0.2476%
Gross Revenue Conversion Factor	1.7734%

**TARIFF AND RIDER RATE UPDATES**

1

2 **Q. Please explain how I&M's DSM/EE Rider is updated.**

3 A. As discussed above, the DSM/EE Rider is updated periodically to reflect changes  
4 to rates necessary to reflect ongoing reconciliation and plan updates. Specifically,  
5 the DSM/EE Rider rates represent the sum of two components: (1) the charge  
6 related to the most recent approved plan; and (2) the charge or credit related to  
7 the most recent approved reconciliation.

8 **Q. Please explain the currently approved DSM/EE Rider.**

9 A. I&M's DSM/EE Rider factors in effect at the time this case is filed were approved  
10 by the Commission on May 22, 2019 in Cause No. 43827 DSM 8. In DSM 8, the  
11 Commission approved the Company's proposal to consolidate into one single  
12 group the Opt Out C&I customer groups who made this election effective prior to  
13 I&M revising its base rates as a result of Cause No. 44967. In Cause No. 44967,  
14 the Commission approved the Company's proposal to consolidate non-Residential  
15 Tariff Class groupings based on small, medium and large customer-basis.  
16 Specifically Tariff Classes GS, IS and EHG were consolidated into one rate class  
17 and Tariff Classes LGS, MS, WSS and SL into a separate rate class. Tariff  
18 Classes IP/IRP and RS remained in separate respective rate classes.

19 **Q. Does the Company seek approval to revise the cost allocation method for  
20 C&I customer classes?**

21 A. Yes. Consistent with the revision requested in Cause No. 43827 DSM-9, in this  
22 proceeding I&M is requesting a revision to the cost allocation method for C&I

1 customer classes as supported by Company witness Caudill.

2 **Q. How are DSM/EE program costs allocated to C&I classes currently?**

3 A. The current effective DSM/EE Rider tariff segregates C&I customers into small,  
4 medium, and large customer groupings. The small C&I Tariff Class grouping  
5 includes GS, IS, and EHG customer classes (Small Tariff Class). The medium C&I  
6 Tariff Class grouping includes LGS, MS, WSS, and SL customer classes (Medium  
7 Tariff Class). The large Tariff Class grouping includes the IP/IRP customer class  
8 (Large Tariff Class). The current cost allocation method for DSM/EE Plan and  
9 Reconciliation costs is based on the ratio of each Tariff Class' number of  
10 customers to the total number of C&I customers. The smaller tariff classes have  
11 significantly more number of customers and, as a result, the Small Tariff Class is  
12 being allocated the majority of the C&I DSM/EE costs compared to the Medium  
13 and Large Tariff Classes.

14 **Q. Why is I&M revising the cost allocation method for C&I customer classes?**

15 A. The current cost allocation method is disproportionately allocating a majority of  
16 I&M's DSM/EE costs to smaller C&I customers while the larger C&I customers are  
17 able to realize the greatest benefits of the DSM/EE programs. For example, the  
18 current effective tariff rate for the Small Tariff Class is 1.9142 cents per kWh, which  
19 represents a large portion of a GS customer's overall bill. This contrasts to the  
20 current effective tariff rate for the Medium and Large Tariff Classes, 0.1181 and  
21 0.0040 cents per kWh, respectively, which represents a much smaller portion of  
22 an LGS or IP customer's overall bill.

1 **Q. What cost allocation method is the Company proposing for C&I customers?**

2 A. As further described by Company witness Caudill, to facilitate a more equitable  
3 distribution of DSM/EE program costs among Tariff Classes, the Company is  
4 proposing to change the cost allocation method for C&I customers to a Demand &  
5 Energy allocation method, which is aligned with cost causation principles and will  
6 facilitate an equitable distribution of DSM/EE costs among the C&I customer  
7 classes.

8 **Q. Does the Company seek approval of updated DSM Rider factors in this**  
9 **proceeding?**

10 A. Yes. In the instant proceeding, I&M requests program cost recovery authority  
11 encompassing the 3 year forecast period of 2020, 2021, and 2022 and authority  
12 to adjust DSM Rider factors based on the revenue requirement associated with  
13 each of the 3 DSM Plan years as illustrated in Table BSO-1 above. Overall, the  
14 rate factors for the DSM rider proposed in the instant proceeding are intended to  
15 recover the level of revenue associated with the cost of the plan for each of the 3  
16 years. Annual future reconciliations will update the plan revenue requirement  
17 with the adjustments required to true up the annual program costs, net lost  
18 revenue and Shared Savings with final annual verified performance and the  
19 respective cumulative historic reconciliation balance.

20 **Q. How does I&M plan on implementing the proposed DSM Plan Rider rates?**

21 A. I&M requests Commission preapproval for three sets of rates. The Company will  
22 implement Plan Year 2020 DSM/EE Rider rates, based on the related revenue

1 requirement, with the first full billing cycle following the Commission's order in the  
2 instant proceeding. Plan Year 2021 DSM/EE Rider rates will be implemented  
3 with the first billing cycle January 2021, based on the related revenue  
4 requirement. Finally, Plan Year 2022 DSM/EE Rider rates will be implemented  
5 with the first billing cycle January 2022, based on the related revenue  
6 requirement.

7 **Q. Why is the Company requesting approval for three sets of rates, as**  
8 **described above?**

9 A. To mitigate volatility in the annual over/under reconciliation of recovered costs  
10 associated with each plan year, the Company is proposing separate rates for  
11 each plan year so that DSM/EE Plan Rider revenues received are aligned with  
12 the associated forecast costs.

13 **Q. Does the Company have a pending case to revise base rates?**

14 A. Yes. The Company is requesting to revise base rates in Cause No. 45235,  
15 based on a 2020 test year.

16 **Q. Will the Company make a compliance filing to revise DSM/EE Rider rates**  
17 **when the Company updates its base rates as a result of Cause No. 45235?**

18 A. Yes. As described in the direct testimony of Company witness Williamson in  
19 Cause No. 45235, I&M will file revised DSM/EE Rider rates, as described above,  
20 concurrent with the effective date of new base rates authorized by the  
21 Commission in Cause No. 45235.

1 **Q. When new base rates are implemented as a result of Cause No. 45235, how**  
2 **will the recovery of costs in the DSM/EE Rider change?**

3 A. Consistent with Cause No. 44967, the Company will revise DSM/EE Rider rates  
4 requested in the instant proceeding to modify the DSM/EE Rider revenue  
5 requirement to reflect the reset of net lost revenues to \$0 for the base case test  
6 year period (2020) and remove EECO related costs that are recovered through  
7 the new base rates.

8 **Q. Does I&M's DSM Plan in this proceeding include new incremental capital**  
9 **investment not proposed for recovery through base rates?**

10 A. No.

11 **Q. Has the Company included details in this proceeding how the DSM/EE Plan**  
12 **revenue requirement proposed in this case would be revised to reflect new**  
13 **base rates?**

14 A. Yes. Table BSO-3 adjusts the DSM/EE Plan revenue requirement proposed in  
15 this case to remove capital related costs that are expected to be moved into base  
16 rates in Cause No. 45235 and adjust net lost revenues to reflect revised base  
17 rates using a 2020 test year.



Table BSO - 3

Proposed 2020 - 2022 DSM Plan Annual Revenue Requirement			
Description	2020 PY	2021 PY	2022 PY
<b>Program Costs</b>			
Total Energy Efficiency Programs	\$ 7,406,259	\$ 7,089,286	\$ 6,483,514
Total Demand-Side Management Programs	\$ 1,376,120	\$ 1,409,812	\$ 1,443,921
Indirect Operating Costs	1,620,000	1,220,000	1,220,000
<b>Total Program Costs</b>	<b>\$ 10,402,378</b>	<b>\$ 9,719,098</b>	<b>\$ 9,147,436</b>
<b>Net Lost Revenue</b>			
Legacy (Half-Year 2018; Full-Year 2019)	\$ -	\$ -	\$ -
Half-Year 2020	-	1,727,943	1,727,943
Full-Year 2020	-	-	-
Half-Year 2021	-	1,803,594	-
Full-Year 2021	-	-	1,487,419
Half-Year 2022	-	-	1,771,096
<b>Total Net Lost Revenue</b>	<b>\$ -</b>	<b>\$ 3,531,537</b>	<b>\$ 4,986,458</b>
<b>Shared Savings</b>	580,574	526,685	477,149
<b>Total Revenue Requirement before GRCF</b>	<b>\$ 10,982,952</b>	<b>\$ 13,777,319</b>	<b>\$ 14,611,042</b>
<b>GRCF Rate</b>	0.017734	0.017734	0.017734
<b>Total Revenue Requirement</b>	<b>\$ 11,181,240</b>	<b>\$ 14,026,058</b>	<b>\$ 14,874,832</b>

1 **Q. Please describe the proposed revisions reflected in the DSM Plan revenue**  
2 **requirement illustrated in Table BSO-3.**

3 A. Table BSO-3 reflects the proposed DSM Plan revenue requirement the Company  
4 is requesting to be implemented concurrent with the effective date of new base  
5 rates in Cause No. 45235. The revisions to the DSM Plan revenue requirement  
6 proposed in the instant proceeding and reflected in Table BSO-3 include the  
7 removal of the return on and of EECO capital costs, since these costs are  
8 proposed to be recovered through base rates in Cause No. 45235. EECO

1 related O&M remain in the DSM Plan cost recovery request. In addition, the  
2 revised DSM Plan revenue requirement reflected in Table BSO-3 reflects the  
3 removal of net lost revenue associated all measures installed prior to 2020 and  
4 the impact during 2020 of Plan Year 2020 measures, since the adjusted Total  
5 Operating Revenues included in the Company's base case in Cause No. 45235  
6 includes the impact on revenues of the reductions resulting from measures as  
7 they are installed during 2020 and all pre-2020 measures. Finally, the revised  
8 DSM Plan revenue requirement reflected in Table BSO-3 reflects half-year 2020  
9 and half-year 2021 net lost revenue measures for Plan Year 2021; and half-year  
10 2020, full-year 2021, and half-year 2022 net lost revenue measures for Plan Year  
11 2022.

### NET LOST REVENUE

12  
13 **Q. Please describe the terms of the Settlement Agreement, with respect to net**  
14 **lost revenues, from the Company's previous DSM Plan filing in Cause No.**  
15 **44841.**

16 A. Under the terms of the Settlement Agreement in Cause No. 44841, "I&M is  
17 limited to recovery of lost revenues for measures installed during 2017-2019 to  
18 the earlier of: (1) three years; (2) the life of the measure; or (3) until new rates are  
19 implemented following the conclusion of I&M's next base rate case. In addition,  
20 in I&M's next base rate proceeding, all net lost revenue recovery for measures  
21 installed prior to the test year and 50% of net lost revenue recovery for measures

1 installed during the test year will be eliminated from the DSM Rider.”<sup>2</sup>

2 **Q. Has I&M complied with the terms of the Settlement Agreement, with respect**  
3 **to net lost revenues, from the Company’s previous DSM Plan filing in**  
4 **Cause No. 44841?**

5 A. Yes. As discussed by Company witness Walter, he has limited lost revenue  
6 recovery to the shorter of measure life or 3 years for all measures installed  
7 associated with the 2017-2019 DSM Plan. In addition, as illustrated in Table  
8 BSO-3 above and as described in the direct testimony of Company witness  
9 Williamson in Cause No. 45235, 50% of net lost revenue recovery for measures  
10 forecasted to be installed during the 2020 test year, have been eliminated from  
11 the requested DSM Rider cost recovery.

12 **Q. In the instant proceeding, please describe the Company’s proposal for net**  
13 **lost revenue recovery?**

14 A. The Company is requesting to recover net lost revenues associated with the lost  
15 fixed cost recovery over the full life of measures installed. The energy savings  
16 associated with the 2020-2022 DSM/EE Plan will result in lost recovery of fixed  
17 costs previously approved as reasonable and necessary to provide service to  
18 customers. Recovery of net lost revenues as requested will ensure I&M  
19 continues to be provided an opportunity to earn a reasonable return associated  
20 with the base rates and charges previously approved by the Commission. This  
21 proposal also ensures DSM/EE opportunities are not disadvantaged over supply-

---

<sup>2</sup> IURC, Cause No. 44841, September 27, 2017 Order of the Commission, pg. 30.

1 side options. Consistent with current practices, the energy savings will be  
2 verified through independent EM&V results. As discussed by Company witness  
3 Walter, the DSM Plan is reasonable and consistent with the Company's IRP and  
4 the state energy analysis developed by the Commission, as required under IC 8-  
5 1-8.5-10(j).

### 6 **SHARED SAVINGS**

7 **Q. Is the Company's proposed Shared Savings incentive reasonable and**  
8 **necessary?**

9 A. Yes. As further discussed by Company witness Walter, I&M's forecasted Shared  
10 Savings is reasonable and necessary to provide a fair solution to the Company's  
11 lost opportunity to earn a fair return on a commensurate level of supply-side  
12 resources that have been otherwise substituted by DSM/EE resources. In other  
13 words, if the Commission approves a supply-side investment in a new generation  
14 unit, the Company is allowed to earn return "of" and "on" that investment through  
15 rates. Shared Savings is a reasonable and necessary component of the overall  
16 ratemaking package associated with DSM/EE programs to ensure the DSM/EE  
17 programs are not disincented when compared to supply-side options.

### 18 **LARGE CUSTOMER OPT OUT**

19 **Q. Please describe the segregation of new Opt Out customers subsequent to**  
20 **2018?**

21 A. As approved by the Commission in DSM-8, beginning in 2019, until new rates  
22 are implemented in I&M's next base rate case, new opt out groups are created

1 for each vintage year of customers who choose to opt out or opt in. This practice  
2 allows for differentiating the ongoing cost responsibilities of each group based on  
3 when they opt out or opt in, consistent with past practice. Upon I&M's next base  
4 rate reset, I&M will again collapse all opt out groups into one group and any opt  
5 in groups with all other customers. This cycle of collapsing existing vintage  
6 option groups (i.e. opt out and / or opt in) and creating new vintage options  
7 groups subsequent to the effective date of new base rates will continue with and  
8 between each base rate case proceeding, as approved by the Commission in  
9 DSM-8.

10 **Q. Did any additional customers apply and qualify for opt out effective**  
11 **January 1, 2019?**

12 A. No. There have been no new additional qualifying opt out or opt in customers  
13 effective January 1, 2019 and no new additional qualifying opt out or opt in  
14 customers as of the date of this filing, that would be effective January 1, 2020.

15 **Q. How does I&M propose to incorporate DSM Program Cost Rider opt out /**  
16 **opt in cost responsibilities for those customers who apply and qualify for**  
17 **opt out / opt in effective January 1, 2020?**

18 A. Consistent with the Final order in Case No. 43827 DSM-8, if any additional  
19 customers apply and qualify for opt out effective January 1, 2020, I&M will perform  
20 the necessary cost responsibility reassignments after the customers are known to  
21 be qualified for opt out and file a supplemental DSM Rider compliance filing under  
22 the instant Cause.

1 **Summary**

2 **Q. What effective date does the Company propose for the requested DSM/EE**  
3 **Rider changes in this filing?**

4 A. The Company proposes the revisions requested to the DSM/EE Rider in this filing  
5 be effective with the first full billing cycle following a Commission order.

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

7 A. Yes.

## VERIFICATION

I, Bryan S. Owens, Regulatory Analysis & Case Manager for Indiana Michigan Power Company (I&M), affirms under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Date: 8-26-2019

  
Bryan S. Owens