

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M), AN INDIANA)
CORPORATION, FOR APPROVAL OF A CLEAN)
ENERGY PROJECT AND QUALIFIED POLLUTION)
CONTROL PROPERTY AND FOR ISSUANCE OF)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY FOR USE OF CLEAN COAL)
TECHNOLOGY; FOR ONGOING REVIEW; FOR)
APPROVAL OF ACCOUNTING AND RATEMAKING,)
INCLUDING THE TIMELY RECOVERY OF COSTS)
INCURRED DURING CONSTRUCTION AND)
OPERATION OF SUCH PROJECT THROUGH I&M'S)
CLEAN COAL TECHNOLOGY RIDER; FOR)
APPROVAL OF DEPRECIATION PROPOSAL FOR)
SUCH PROJECT; AND FOR AUTHORITY TO DEFER)
COSTS INCURRED DURING CONSTRUCTION AND)
OPERATION, INCLUDING CARRYING COSTS,)
DEPRECIATION, TAXES, OPERATION AND)
MAINTENANCE AND ALLOCATED COSTS, UNTIL)
SUCH COSTS ARE REFLECTED IN THE CLEAN)
COAL TECHNOLOGY RIDER OR OTHERWISE)
REFLECTED IN I&M'S BASIC RATES AND)
CHARGES.)

CAUSE NO. 44871

OUCC PREFILED TESTIMONY

OF

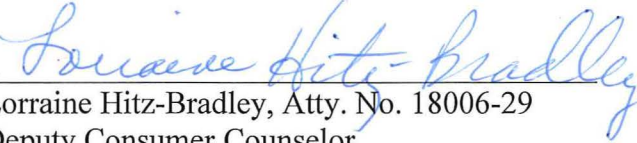
WES R. BLAKLEY – PUBLIC'S EXHIBIT NO. 3

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR


Lorraine Hitz-Bradley, Atty. No. 18006-29
Deputy Consumer Counselor


CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Prefiled Testimony of Wes R. Blakley* has been served upon the following counsel of record in the captioned proceeding by electronic service on February 3, 2017.

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TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 44871
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

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

2 A: My name is Wes R. Blakley and my business address is 115 W.
3 Washington St., Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am a Senior Utility Analyst for the Office of Utility Consumer Counselor
6 (“OUCC”).

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

8 A: The purpose of my testimony is to review and make comments concerning
9 Indiana Michigan Power Company’s (“I&M”) request for accounting and
10 ratemaking treatment of the costs associated with I&M’s Ownership Share
11 of Selective Catalytic Reduction (“SCR”) technology to be installed at
12 Rockport Unit 2. As I&M witness Andrew Williamson explains on page 3
13 of his testimony,

14 The sale leaseback financing arrangement regarding Rockport
15 Unit 2 allows I&M and American Electric Power Generating
16 Company (AEG) to invest in Rockport Unit 2 as necessary to
17 comply with environmental regulations by installing
18 environmental control equipment and systems. I&M and AEG
19 jointly own any modifications made to Rockport Unit 2. The
20 Project costs associated with I&M’s 50% Ownership Share are
21 recognized as plant-in-service by I&M, no different than
22 project costs associated with Rockport 1.

1 I will discuss I&M's request for tracking costs on its 50% ownership
2 interest share of Rockport Unit 2 SCR. Under this request, the accounting
3 and ratemaking treatment sought by I&M for Rockport Unit 2 SCR does
4 not include costs I&M will incur under the Unit Power Agreement
5 ("UPA") related to the project.

6 **Q: Please describe the review and analysis you conducted in order to**
7 **prepare your testimony.**

8 A: I reviewed I&M witnesses' prefiled testimony and exhibits, schedules and
9 work papers in its case-in-chief. I reviewed the Commission's final order
10 in I&M's Cause No. 44523 approved on May 13, 2015, which approved
11 the Rockport pollution control projects. I also discussed issues related to
12 this case with other OUCC employees.

II. COST RECOVERY

13 **Q: Under what statutes and rules has I&M elected to recover costs for its**
14 **ownership share in this Cause?**

15 A: I&M has elected to recover the costs of its ownership share on the
16 Rockport Unit 2 SCR Project in accordance with Ind. Code § 8-1-8.8-11,
17 the ratemaking treatment set forth in I.C. §§ 8-1-2-6.1, 6.7, 6.8 and 8.7,
18 and the rules that govern the recovery of qualified pollution control
19 property ("QPCP") under 170 Ind. Admin. Code 4-6-1.

20 **Q: What is your overall understanding of I&M's requested cost recovery**
21 **for I&M's ownership share of the Rockport Unit 2 SCR?**

22 A: I&M witness Andrew Williamson states in his testimony that I&M seeks
23 timely cost recovery of the following costs relating to I&M's Ownership

1 share through its existing clean coal technology rider ("CCTR"):

- 2 • Carrying Costs, including all applicable federal and state
3 income taxes;
- 4
- 5 • Depreciation;
- 6 • Associated operations and maintenance ("O&M") expense
7 (including consumable expense); and
- 8 • Associated property tax expense.

9 I&M also requests authority to:

- 10 • Depreciate I&M's Ownership Share over 10 years once the
11 assets are in-service;
- 12
- 13 • Defer and record as a regulatory asset the associated
14 depreciation, carrying costs, O&M, consumable and
15 property tax expenses until such time as these costs receive
16 ratemaking treatment through the CCTR or are otherwise
17 reflected in basic rates; and
- 18

19 Via the CCTR use traditional over/under recovery
20 accounting for the annual true-up of rider revenues to
21 actual costs consistent with I&M's CCTR tracker
22 reconciliations.

23 **Q: Is this the same treatment that I&M was granted in Cause No. 44523**
24 **relating to its 50% ownership of Rockport Unit 1?**

25 A: Yes, I&M is requesting the same treatment that was approved for its 50%
26 ownership share of Rockport Unit 1 SCR as was approved in Cause No.
27 44523.

28 **Q: I&M testifies about its ratemaking expectations if the project is retired**
29 **prior to being fully depreciated. Do you have any concerns over its**

1 **explanation?**

2 A: Yes. I&M witness Andrew Williamson states that if the asset is under-
3 depreciated after retirement, “[a]ny remaining balance, which is
4 represented as a reduction (or debit) to FERC Account 108, will be
5 included in future I&M filings until it has been fully recovered through the
6 ratemaking process.”¹ The OUCC does not agree with I&M’s proposed
7 ratemaking treatment for any under-depreciated asset that may happen as a
8 result of early lease termination. Any decision regarding recovery of the
9 value of under-depreciated plant should be fully investigated in a base rate
10 case, not in a tracker or other abbreviated proceeding.

11 **Q: Is I&M’s accounting and rate making treatment request for its**
12 **Rockport Unit 2 SCR in conformity with applicable rules and statutes?**

13 A: Yes. I&M’s request is consistent with the Commission’s QPCP rules in
14 IAC 170 4-6-1 and the Clean Coal Technology (“CCT”) statutes under
15 Indiana Code Section 8. These are the same statutes and rules I&M applies
16 to its current ECR tracker for its Rockport Unit 1 SCR.

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

18 A: Yes.

19

¹ I&M Cause No. 44871 Testimony of Andrew Williamson page 14, line 4.

1

APPENDIX A

2

Q: Please describe your educational background and experience.

3

A: I received a Bachelor of Science Degree in Business with a major in

4

Accounting from Eastern Illinois University in 1987 and worked for

5

Illinois Consolidated Telephone Company until joining the OUCC in

6

April 1991 as a staff accountant. Since that time I have reviewed and

7

testified in hundreds of tracker, rate cases and other proceedings before the

8

Commission. I have attended the Annual Regulatory Studies Program

9

sponsored by NARUC at Michigan State University in East Lansing,

10

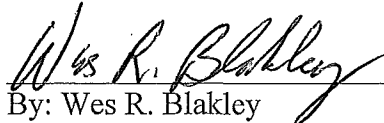
Michigan as well as the Wisconsin Public Utility Institute at the

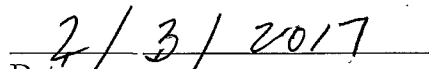
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University of Wisconsin-Madison Energy Basics Program

AFFIRMATION

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


By: Wes R. Blakley
Indiana Office of
Utility Consumer Counselor


Date: 2/3/2017