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## **I&M infrastructure replacement plan: OUCC recommends partial denial of requested rate recovery**

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending denial of certain elements of Indiana Michigan Power's (I&M's) proposed electric infrastructure replacement plan on the grounds that those elements do not comply with Indiana law. The proposal would incrementally raise electric rates for I&M customers over the next seven years.

The OUCC filed its testimony this week in two cases before the Indiana Utility Regulatory Commission (IURC). Under an Indiana law approved in 2013, I&M is requesting IURC approval of a proposed seven-year infrastructure replacement plan in one case, and approval of its proposed methodology for recovering the costs of that plan through rates in the other case.

In these cases:

- I&M is seeking approval of \$787 million in distribution system improvements.
- The proposed projects, primarily targeting aging infrastructure throughout I&M's Indiana service territory, would be built through 2022.
- Projects would include pole inspections and replacements, overhead circuit and distribution station breaker replacements, underground system replacements, network improvements, and vegetation management.
- I&M requests approval to seek rate increases every six months as provided by the 2013 law to recover 80 percent of the project costs as they are incurred.
- Through the use of a rate adjustment mechanism, or tracker, the increases would range from 0.5 percent to 1.3 percent each year through 2022.
- The remaining 20 percent of project costs would have to be deferred until the utility's next base rate case, which must be filed before the end of the seven-year period.

In testimony filed this week, the OUCC:

- Recommends denial of \$82 million in proposed vegetation management costs as being outside the scope and reach of the infrastructure statute, noting that the utility should seek recovery of these costs through a base rate case rather than in the pending, expedited proceedings.
- Notes that most other projects in the proposed plan are reasonable, but recommends I&M be denied recovery of \$117.3 million for projects that lack the specific details mandated by the statute.
- Opposes I&M's proposal to collect the money from residential customers through a monthly fixed charge. Use of a fixed charge, rather than a traditional volumetric or usage-based charge, may discourage energy efficiency and would affect low-income consumers disproportionately.

**(Continued)**

- Challenges the utility's methodology for allocating costs among customer classes.
- Opposes I&M's proposal which would allow for over-recovery on replaced infrastructure.
- Opposes I&M's proposal which would exclude several hundred million dollars of cost-free capital from the utility's ratemaking mechanism. Exclusion of those costs is inconsistent with standard ratemaking practices and would increase the rate impact on I&M's customers.

“While this office supports utility plans undertaken to provide safe, reliable services to customers, the OUCC, in discharging its statutory responsibility of protecting ratepayers' interests, shall take issue with any utility seeking recovery for expenditures related to items outside the scope and reach of the applicable infrastructure statute,” said Indiana Utility Consumer Counselor David Stippler. “Further, the OUCC shall continue to advocate for well-defined project estimates and adequate supporting data from utilities as required by the statute in order to enable meaningful review and evaluation of such plans seeking IURC approval.”

The new tracker rate increases requested in this case are in addition to I&M's current Indiana base rates, which were approved in 2013, and also in addition to various other trackers through which the utility currently adjusts its rates subject to OUCC review and IURC approval. All Indiana investor-owned electric utilities use trackers, with I&M using them to recover costs for generating fuel, environmental compliance, regional transmission, energy efficiency programs, life cycle management projects at the Cook nuclear plant, and cost variances relating to a capacity pooling agreement with American Electric Power (AEP), I&M's parent/holding corporation.

I&M has until January 30, 2015 to file rebuttal testimony. An IURC evidentiary hearing in these cases is scheduled to start on February 11, 2015 in Indianapolis.

(IURC Cause Nos. 44542, 44543)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC's mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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