

Molly Wingrove

From: Mike G O'Brien <mgobrien@aep.com>
Sent: Wednesday, October 25, 2023 2:23 PM
To: Molly Wingrove
Subject: I&M Power Company Letter of Concern to Members of House Energy Committee regarding HB 5216

Members of the House Energy & Technology Committee

Indiana Michigan Power Company (I&M) hereby submits this letter of concern regarding HB 5216.

I&M is an investor-owned energy company serving more than 600,000 customers in northern Indiana and southwestern Michigan. Our objective is to provide all of our customers, including our approximately 130,000 customers in southwestern Michigan with safe, reliable, affordable and clean resources to power their homes and businesses 24/7.

I&M, as a multi-jurisdictional energy company is familiar with Performance Based Rates (PBR) through our combined legislative and regulatory efforts in the 11 states currently served by the other corporate family members of our parent company, American Electric Power (AEP).

As our focus remains on serving our customers, we fully accept accountability for our performance and understand that performance-based ratemaking only works properly to benefit our customers if it fairly recognizes good performance and not just punishes poor performance.

To elaborate we have strong concern with incentives/penalties without some assurances of investment level approvals that will maintain/improve the reliability of the system. We strongly believe incentives/penalties should be accompanied by a multi-year distribution regulatory mechanism (e.g., an extension of the MI 5-year distribution plan) that provides the utility with some certainty around a sustained level of investment.

HB 5216 also requires the Commission to establish incentives and penalties for distribution reliability performance in a proceeding beginning by 1/1/25. It also requires the Commission to study multiyear rate plans that would among other things, extend the duration between rate filings. Multiyear rate plans that make rate reviews less frequent calls into question whether customers are better off with rates gradually increasing or with rates potential increasing in large steps. The better public policy may be to recognize that it is easier on customers to experience small increases gradually rather than a large increase shockingly.

Mandatory PBR for distribution service begs the question of whether the incentives and penalties will be asymmetric and whether the costs of meeting those standards will be recognized for recovery in the cost of service.

Additionally, in terms of the bill's proposed reliability metrics, we fully support the need for measures that we use to ensure the continued reliable nature of our service.

We disagree with a one statewide standard for reliability metrics that does not take into effect all factors impacting a region and a utility. We believe each utility should be evaluated based on their own unique circumstances. Given our location in southwest Michigan and small customer population, we are differently situated than some of the other utilities in Michigan.

Furthermore, we believe that there should be some carve outs for certain unusual events (e.g., once in a decade) that are clearly outside the norm. The way the metrics are established may be able to be crafted in a manner to address this issue.

In conclusion, I&M believes we should be held accountable to strong reliability for our customer in Michigan, but strongly encourages the legislature to consider mechanisms to encourage and support long term distribution investments rather than penalties to improve system reliability in Michigan.

Sincerely,

Mike



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