

SUPPLEMENTAL DIRECT TESTIMONY OF
KENT D. CURRY
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY
IN MPSC CASE NO. U-12652

1 Q. Please state your name and business address.

2 A. My name is Kent D. Curry. My business address is One Summit Square, P.O.
3 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), d/b/a
6 American Electric Power (AEP), as its Director of Regulatory Services.

7 Q. Have you previously filed direct testimony in this proceeding?

8 A. Yes. I filed testimony in this proceeding sponsoring I&M's February 20, 2001
9 progress report regarding its development of terms and conditions of service and
10 unbundled tariffs designed to give I&M's jurisdictional customers the opportunity
11 to request and receive energy services from a qualified Alternative Electric
12 Supplier (AES).

13 Q. What is the purpose of your supplemental direct testimony?

14 A. The purpose of my supplemental direct testimony is to provide a synopsis of
15 I&M's filing and to support certain sections of I&M's Restructuring Implementation
16 Plan (Plan) as filed on October 2, 2000. Specifically, I am supporting the
17 following sections of the Plan:

18 A. Overview

19 D. Projects Supporting Awareness and Education

20 1. Employee Education

21 3. Customer Awareness and Education

22 4. Disclosure Standards

- 1 F. Customer Rate Unbundling
- 2 4. d. Power Supply Cost Recovery (PSCR)
- 3 H. Related Projects
- 4 1. T&D Service Quality / Reliability Standards
- 5 2. Code of Conduct - Affiliate Transactions
- 6 4. Projects to Increase Transmission System Capability
- 7 J. Projected Costs
- 8 1. a. Restructuring Plan Filing Expenses
- 9 1. c. Transmission System Capacity Expansion Plan Costs
- 10 1. d. Code of Conduct Costs
- 11 1. e. Corporate Separation Plan Costs
- 12 1. f. Employee Transition Costs
- 13 2. Customer CHOICE Education Costs
- 14 3. Nuclear Decommissioning
- 15 4. Stranded Costs
- 16 6. Excess Capital Expenditures
- 17 K. Cost Recovery / Required Accounting Authority
- 18 1. a. Nuclear Decommissioning
- 19 1. b. Transition Charges
- 20 2. Requested Accounting Authority
- 21 L. Conclusion
- 22 Q. Are you sponsoring any exhibits with your testimony?
- 23 A. Yes. I am sponsoring Exhibits A-____ (KDC-S1) and A-____ (KDC-S2).

1 Q. Were these exhibits prepared by you or under your direction?

2 A. Yes.

3 Q. Are there any changes that you would like to identify to the information
4 contained in these sections of the October 2, 2000 Plan (Exhibit A-____ (KDC-
5 S1))?

6 A. Yes. I will identify any changes in the brief discussion of each of these
7 sections provided later in my testimony.

8 Q. Please provide a brief synopsis of I&M's instant filing.

9 A. On June 19, 2000, in Case No. U-12464, the Commission ordered each
10 investor-owned electric utility, other than Consumers Energy Company and
11 The Detroit Edison Company, to file a restructuring plan in compliance with
12 2000 PA 141 that permits all of its retail customers to choose an AES no later
13 than January 1, 2002. I&M is an investor-owned electric utility subject to the
14 filing requirements of the Commission's June 19, 2000 Order and I&M's Plan
15 was filed with the Commission on October 2, 2000.

16 With the instant filing, I&M provides testimony to support the various
17 elements of the October 2, 2000 Plan, provides any information that was not
18 yet available at the time of the October 2, 2000 filing, and identifies any
19 required modifications to information contained in the Plan. Exhibit A-____
20 (KDC-S2) provides the Table of Contents of the I&M October 2, 2000 Plan and
21 identifies the supporting witness for each element of the Plan.

22 Q. Are any specific modifications necessary to the Overview section of the
23 October 2, 2000 Plan?

1 A. No. However my supplemental direct testimony and the direct testimonies of
2 the other I&M witnesses will provide additional details regarding I&M's
3 restructuring implementation generally described in the Plan Overview.

4 Q. Please generally describe I&M's plans for educating employees regarding the
5 customer choice program.

6 A. As further discussed in Section D. 1. of the Plan, the purpose of the I&M
7 employee education process is to ensure employees are prepared to provide
8 the necessary information and assist customers with participation in the
9 customer choice program. The education process will raise awareness and
10 educate employees about the changing electric marketplace and provide
11 customer contact employees with information, education, and support to
12 enable customer choice transactions. I&M will utilize an array of existing
13 Company communication systems to support employee awareness and
14 education, including an employee-accessible AEP intranet web site, and will
15 conduct education classes and workshops for employees who have customer
16 contact responsibility. The costs of the employee education program are
17 included in the operational implementation costs sponsored by Witness
18 Ringenbach.

19 Q. Please generally describe I&M's plans for providing awareness and education
20 to its customers regarding the choice program.

21 A. As further discussed in Section D. 3. of the Plan, as a member of the Michigan
22 CHOICE Council, I&M is participating with the Staff and other interested parties
23 in the development of a statewide customer awareness and education

1 program. I&M plans to abide by the Commission's final directives in Case No.
2 U-12133 pertaining to that program. Section D. 3. of the Plan also described
3 certain additional steps that I&M may take to educate its customers regarding
4 the choice program.

5 Q. Please briefly discuss Section D. 4. Disclosure Standards of the Plan.

6 A. Section D. 4. concerns the disclosure to customers of certain marketing and
7 sales information and fuel source and environmental data addressed in 2000
8 Public Act (PA) 141 and under consideration by the Commission in Case No.
9 U-12487. I&M is participating in that case and plans to abide by the
10 Commission's final directives in that proceeding.

11 Q. Are any modifications necessary to Section F. 4. d. of the Plan regarding
12 PSCR?

13 A. No.

14 Q. Please briefly discuss Section H. 1. T&D Service Quality / Reliability
15 Standards.

16 A. In the Settlement Agreement approved by the Commission on December 16,
17 1999, in Case No. U-12204 regarding the merger of AEP Company, Inc. and
18 Central and South West Corporation, I&M agreed to maintain or enhance the
19 adequacy and reliability of retail electric service and to annually provide to the
20 Commission information regarding the quality of its electric service in Michigan.
21 In compliance with that Settlement Agreement, I&M filed with the Commission
22 on May 31, 2001 its first report regarding quality of service performance.

1 In addition I&M is participating in Case No. U-12270 initiated on the
2 Commission's own motion on January 3, 2000, to investigate methods to
3 improve the reliability of electric service in Michigan and plans to abide by the
4 Commission's final directives in that proceeding.

5 Q. Are any modifications necessary to Section H. 2. Code of Conduct / Affiliate
6 Transactions?

7 A. Yes. In Section H. 2. of the October 2, 2000 Plan I&M described its request
8 filed in Case No. U-12529 for a waiver from the generic Affiliate Guidelines
9 approved by the Commission in Case No. U-11916. Subsequent to the
10 October 2, 2000 filing I&M withdrew its waiver request and filed on May 3, 2001
11 its first annual Affiliate Transactions Report in accordance with the MPSC
12 Order in Case No. U-11916.

13 It was also stated in Section H. 2. of the October 2, 2000 Plan that I&M
14 was a participant in Case No. U-12134 initiated to consider modifications to
15 provisional codes of conduct approved for Consumers Energy Company and
16 The Detroit Edison Company. I&M indicated in Section H. 2. that it would plan
17 to abide by the Commission's final directives in that proceeding to the extent
18 that any final directives apply to I&M. Subsequent to the October 2, 2000 filing
19 the Commission approved a code of conduct in Case No. U-12134; however, it
20 is my understanding that the Commission's Order in that proceeding is the
21 subject of requests for rehearing. I&M is not a participant in those requests for
22 rehearing.

1 I&M also mentioned in Section H. 2. of the October 2, 2000 filing the
2 AEP System's preliminary plans for corporate separation. Those plans as they
3 have been further developed do not at this time involve the separation of the
4 I&M operating company and this matter is not considered to be applicable to
5 the instant proceeding concerning the unbundling of current rates and the
6 provision of choice to jurisdictional customers.

7 Q. Are any modifications necessary to Section H. 4. Projects to Increase
8 Transmission System Capability?

9 A. Yes. This matter is presently the subject of a separate proceeding initiated by
10 the Commission subsequent to the filing of the October 2, 2000 Plan and is not
11 considered to be applicable to the instant proceeding concerning the
12 unbundling of current rates and the implementation of choice to jurisdictional
13 customers.

14 Q. Has anything come to your attention that would cause a modification to Plan
15 Section J. 1. a. concerning the level of projected implementation costs related
16 to Restructuring Plan Filing Expenses?

17 A. No.

18 Q. Are any modifications necessary to Section J. 1. c. concerning projected
19 implementation costs related to the Transmission System Capacity Expansion
20 Plan?

21 A. Yes. As previously indicated this matter is presently the subject of a separate
22 proceeding initiated by the Commission subsequent to the filing of the October
23 2, 2000 Plan. Until the matter is resolved by final Order of the Commission in

1 that proceeding it is not possible to indicate with complete assurance that cost
2 recovery through an implementation cost surcharge rider established pursuant
3 to this instant proceeding will not be necessary. However, at this time I&M has
4 not included a projection of costs related to the transmission system capacity
5 expansion plan in its development of an initial implementation cost surcharge
6 rider factor.

7 Q. In its development of an initial implementation cost surcharge rider factor has
8 I&M included projected costs for implementing the code of conduct, corporate
9 separation, and employee transition elements of the Plan as described in
10 Sections J. 1. d., J. 1. e., and J. 1. f., respectively?

11 A. No.

12 Q. Are any modifications necessary to Section J. 2. concerning projected
13 implementation costs related to customer choice education?

14 A. Yes. Regarding the Michigan CHOICE awareness and education proposal a
15 settlement agreement pending before the Commission would appear to resolve
16 the issue of cost recovery for the statewide program. As such I&M's projected
17 share of the CHOICE program cost has not at this time been included in its
18 development of an initial implementation cost surcharge rider factor.

19 Regarding the implementation of certain additional steps that I&M may
20 take on its own accord to educate its customers regarding the choice program,
21 projected costs of \$37,000 have been included in the development of the initial
22 implementation cost surcharge rider factor. These costs relate to, among other

1 things, development activities for electronic customer newsletters, bill inserts,
2 and customer forums.

3 Q. Are any modifications necessary to Section J. 3. of the October 2, 2000 Plan
4 regarding Nuclear Decommissioning?

5 A. Only to state that the referenced November 1, 2000 review of nuclear
6 decommissioning costs was filed as scheduled.

7 Q. Are any modifications necessary to Section J. 4. of the Plan regarding
8 Stranded Costs?

9 A. No.

10 Q. Are any modifications necessary to Section J. 6. of the October 2, 2000 Plan
11 regarding Excess Capital Expenditures?

12 A. Yes. In Section J. 6. of the Plan I&M discussed Section 10d. (3) of 2000 PA
13 141 and the potential benefits that would accrue to the Company and its
14 customers if ratemaking and accounting treatment comparable to that afforded
15 other utilities by Section 10d. (3) were to be provided to I&M if requested by the
16 Company and approved by the Commission. Notwithstanding these potential
17 benefits I&M has elected not to pursue this matter at this time.

18 Q. Are any modifications necessary to Section K. 1. a. of the October 2, 2000 Plan
19 regarding the cost recovery of Nuclear Decommissioning?

20 A. No.

21 Q. Would modification be appropriate with respect to Section K. 1. b. Transition
22 Charges?

1 A. Yes, with respect to the October 2, 2000 estimates of regulatory assets and
2 implementation costs, to the extent updated through my supplemental direct
3 testimony or the direct testimony of other I&M witnesses in this filing. As also
4 indicated in this testimony I&M has not estimated its costs related to certain
5 implementation activities. Certain other implementation activities and costs
6 discussed in I&M's October 2, 2000 Plan are at this time expected to be
7 addressed through other proceedings before the Commission.

8 Q. Why is explicit recovery of generation-related regulatory assets and
9 implementation costs necessary and appropriate?

10 A. Regulatory assets are effectively "receivables" recorded on the Company's
11 books for future recovery from customers. With the ability afforded customers
12 by 2000 PA 141 to choose an alternative generation supplier, absent explicit
13 recovery of generation-related regulatory assets by way of a surcharge rider,
14 I&M will not have assurance regarding the recovery of these receivables. A
15 Regulatory Assets Rider commencing on the date of customer choice, subject
16 to annual true up, would provide assurance of recovery of these costs and
17 would allow I&M and its customers to avoid base rate filings seeking the
18 recovery of stranded generation-related regulatory assets from remaining
19 customers. Witness Krawec in his direct testimony in this proceeding further
20 discusses the consequences I&M would incur without this assurance.

21 Implementation costs represent expenditures that would not have been
22 incurred absent the enactment of 2000 PA 141. As identified in this filing,
23 I&M's implementation costs are generally limited at this time to expenditures

1 related to the filing and processing of the Plan and the systems, procedures,
2 and information required to provide customers the opportunity to choose an
3 alternative supplier. Recovery of implementation costs from all customers is
4 necessary and appropriate as the activities represented by these costs provide
5 all customers the opportunity to pursue the benefits made available to them as
6 the result of the enactment of 2000 PA 141. As further discussed by Witness
7 Krawec, absent assurance as to the amount and timing of recovery, I&M would
8 be required to record these costs as current period expense.

9 As further described in Section K. 1. b. of the October 2, 2000 Plan, I&M
10 proposes to recover generation-related regulatory assets and implementation
11 costs through surcharge riders first effective on the date of customer choice
12 and applicable to all I&M Michigan jurisdictional customers. Witness DeLizio
13 calculates the initial Regulatory Assets Rider and Implementation Costs Rider
14 factors that I&M proposes be billed to all I&M Michigan jurisdictional customers
15 commencing on the date of customer choice. As further shown in Witness
16 DeLizio's Exhibit A-___ (GAD-1) it is proposed that the Regulatory Assets
17 Rider factor would be slightly different for customers choosing an alternative
18 supplier as those customers would no longer be subject to the PSCR clause
19 and therefore no longer be compensating I&M for certain generation-related
20 regulatory assets reflected in that clause. I&M further proposes annual true-up
21 adjustments to account for changes in cost levels and customer load or to
22 recommend the cessation of a rider. I&M suggests annual filings on April 30 to
23 true up the prior calendar year.

1 Q. Generally in what form do you envision these annual true ups of regulatory
2 asset and implementation cost recoveries?

3 A. In general I would envision the annual true ups of regulatory asset and
4 implementation cost recoveries as being reconciliations of estimated
5 "receivables" and implementation cost balances and projected kilowatt hour
6 sales to actual amounts. As previously indicated in this testimony and the
7 October 2, 2000 Plan, I&M is not seeking in this proceeding recovery of any net
8 stranded costs that could be dependent on market prices or other potentially
9 complicating variables. As such the annual true ups of I&M's regulatory asset
10 and implementation cost recoveries I would envision as being fairly straight
11 forward calculations.

12 Q. Do you have any comments regarding Section K. 2. Requested Accounting
13 Authority and Section L. Conclusion of the October 2, 2000 Plan?

14 A. Yes. Both sections made reference to an Application that I&M would possibly
15 file to request approval of new schedules of electric service rates and related
16 terms and conditions of service and authority to treat certain costs as
17 regulatory assets for future recovery through regulated rates. That Application
18 referenced in the October 2, 2000 Plan is provided with this filing.

19 Q. Does this complete your supplemental direct testimony?

20 A. Yes.