

DIRECT TESTIMONY OF  
LAURA J. THOMAS  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY  
IN MPSC CASE NO. U-12652

1 Q. Please state your name.

2 A. My name is Laura J. Thomas.

3 Q. Did you previously submit testimony in this proceeding?

4 A. Yes. On March 27, 2001, I submitted rebuttal testimony on behalf of Indiana  
5 Michigan Power Company (I&M or Company) addressing certain of the Staff's  
6 proposed modifications to the Company's Open Access Distribution and Supplier  
7 Terms and Conditions of Service and unbundled tariffs as filed in the Company's  
8 February 20, 2001 Progress Report.

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

10 A. The purpose of my testimony is to sponsor the overall approach that I and other  
11 company witnesses used to prepare the Company's proposed terms and conditions  
12 of service and rate schedules; to outline specific portions of Section F of the  
13 Company's October 2, 2000 Michigan Restructuring Plan; to sponsor portions of  
14 the proposed terms and conditions of service contained in Schedule E9, Proposed  
15 Tariff Sheets; and to support the minimum stay provision and the proposed  
16 switching charge.

17 Q. Do other Company witnesses sponsor portions of the proposed terms and  
18 conditions of service, rate schedules and cost-of-service?

19 A. Yes. Company Witness Ringenbach supports those portions of the proposed  
20 terms and conditions of service which are process and implementation-related  
21 with regards to customer choice of an alternative supplier of competitive energy

1 (Alternative Electric Supplier). Company Witness DeLizio supports the  
 2 unbundling of the specific rates and charges, as well as the language in the  
 3 various rate schedules. Company Witness Roush supports the unbundled class  
 4 cost-of-service information and applicable billing determinants.

5 Q. Are you sponsoring any exhibits in this proceeding?

6 A. No.

7 Q. Have the proposed terms and conditions of service changed from those filed in the  
 8 February 20, 2001 Progress Report?

9 A. Yes. Company Witness Ringenbach discusses certain changes that have been  
 10 made to the proposed terms and conditions of service. Only minimal other  
 11 changes have been made to the draft language filed on February 20, 2001 and all  
 12 of the values, rates and charges that were not included in the Progress Report have  
 13 been provided.

14 Q. Please describe the Company's overall approach to the development of terms and  
 15 conditions of service and rate schedules.

16 A. In order to comply with the unbundling criteria and other Commission  
 17 requirements, and to present clear and understandable documents for use by both  
 18 customers and other customer choice participants, the Company has taken a two-  
 19 tariff approach. The first tariff applies to those customers who do not choose an  
 20 Alternative Electric Supplier and continue to take energy-related services from the  
 21 Company. The first tariff will be referred to as the Standard Tariff.

22 The second tariff applies to those customers who choose an Alternative  
 23 Electric Supplier and will be referred to as the Open Access Distribution Tariff.  
 24 While many of the provisions are the same regardless of whether the Company or

1 an Alternative Electric Supplier provides the customer with energy, some  
2 differentiation is necessary. The two-tariff approach makes it clear as to which  
3 provisions actually apply to the customer.

4 Q. Please describe the Standard Tariff filed by the Company.

5 A. The Standard Tariff consists of Terms and Conditions of Service, rate schedules,  
6 and riders which are generally comparable to those in effect today. The rate  
7 schedules detail the generation, Open Access Transmission Tariff (OATT)  
8 transmission, retail transmission, and distribution components of existing rates  
9 and include various riders. The rate schedules and riders are supported by  
10 Company Witness DeLizio and items related to the OATT are supported by  
11 Company Witness Bethel.

12 Q. What cost information did the Company use to unbundle the Standard Tariffs?

13 A. The basis for the unbundled rates is the class cost-of-service study filed in MPSC  
14 Case No. U-9656 adjusted for settlement. Since current rates for the St. Joseph  
15 Rate Area are based on this study, it is the most appropriate basis for the  
16 unbundling of current rates. Company Witnesses DeLizio and Roush discuss how  
17 the Company has accounted for the settlement and other rate changes since Case  
18 No. U-9656, and explain how this study was functionalized and used to unbundle  
19 all of the Company's current rates.

20 Q. Are there any more recent class cost-of-service studies which could have been  
21 used to unbundle current rates?

22 A. No. The Company has utilized its most recent class cost-of-service study for the  
23 Michigan retail jurisdiction as the basis for unbundling current rates.

1 Q. Please describe the second, or Open Access Distribution Tariff filed by the  
2 Company.

3 A. The Open Access Distribution Tariff contains the Terms and Conditions of Open  
4 Access Distribution Service, Supplier Terms and Conditions of Service and open  
5 access distribution rate schedules and applicable riders. All of these documents  
6 are denoted by “D” in the page number and are contained in the Company’s  
7 filing. If a customer chooses an Alternative Electric Supplier, then the Company  
8 provides only distribution-related services to that customer and the open access  
9 distribution rate schedules provide for such service. However, details are also  
10 required which relate to the provision of competitive services. These details are  
11 set forth for customers in the Terms and Conditions of Open Access Distribution  
12 Service. The details are also set forth for suppliers of competitive services in the  
13 Supplier Terms and Conditions of Service.

14 Q. Please describe the provisions of the Terms and Conditions of Open Access  
15 Distribution Service.

16 A. The Terms and Conditions of Open Access Distribution Service are generally  
17 comparable to the existing Terms and Conditions of Service and relate to  
18 regulated distribution service provided by the Company. However, provisions  
19 and information for customers electing alternative service providers have been  
20 added. These relate to initially choosing an Alternative Electric Supplier,  
21 switching between Alternative Electric Suppliers, transmission service, losses,  
22 and metering and load profiling.

23 Q. What provisions are contained in the Supplier Terms and Conditions of Service?

1     A.     The Supplier Terms and Conditions of Service contain provisions which relate to  
2           the suppliers of competitive services. While including a reference to a  
3           Commission licensing process for Alternative Electric Suppliers, provisions for  
4           registration with the Company are also included. Suppliers must also be aware of  
5           the Company's processes regarding choice of Alternative Electric Supplier,  
6           obligations for obtaining transmission service, and other information required by  
7           the Company.

8     Q.     Will customers be allowed to choose an Alternative Electric Supplier and then  
9           return to the Standard Tariff?

10    A.     Customers who receive service from an Alternative Electric Supplier may return  
11          to the Standard Tariff. However, once returning to such service, the customer is  
12          required to remain on that service for twelve months. This minimum stay  
13          requirement is necessary to prevent gaming by electric suppliers and customers.

14    Q.     Please further explain the issue of gaming.

15    A.     The generation rates contained in the Standard Tariff are historical average annual  
16          generation rates and therefore do not reflect any seasonal or monthly differences  
17          in the cost to serve a customer who may take service for only a portion of a year.  
18          Therefore, gaming would occur if a supplier provides service to a customer only  
19          in months of low cost. It would neither be equitable nor appropriate for a supplier  
20          to serve a customer for only low cost months and then require the Company to  
21          serve the customer in the high cost months at annual average rates. The Standard  
22          Tariff is intended to provide an option for customers who choose to wait before  
23          selecting an Alternative Electric Supplier.

24    Q.     Please provide an example of such gaming.

1 A. If a supplier provides a customer with a 9-month contract for the months of  
2 September through May, the Company would be required to serve the customer at  
3 average rates during the remaining high cost months of June, July and August.  
4 The Standard Tariff should not be used to subsidize suppliers. Without revenue in  
5 the lower cost months, the revenue received by the Company will be insufficient  
6 to cover the cost of serving the customer during the high cost months. Therefore,  
7 it is necessary to require customers to remain on the Standard Tariff for 12  
8 months.

9 Q. If a customer is permitted to switch back and forth between a supplier and the  
10 Company's Standard Tariff without limitation, what effect would this have?

11 A. If a customer is permitted to switch back and forth between an Alternative  
12 Electric Supplier and the Company's Standard Tariff without limitation, the  
13 Company would be unable to plan for the load that it must serve. For example,  
14 assume that a 10 MW customer elects service from an Alternative Electric  
15 Supplier during a period of low cost. If the supplier raises its rates during a  
16 period of high cost, then the customer has the option to return to the Company's  
17 Standard Tariff. If the customer is then free to switch back and forth repeatedly,  
18 the Company would be unable to determine whether or not it must plan to serve  
19 that 10 MW customer for the next month or year. This inability to plan for the  
20 load it must serve will cause the Company to incur additional costs while  
21 providing benefits to suppliers. The problem expands when a supplier serves a  
22 group of customers and those customers are free to return to the utility for service  
23 at average rates during the high cost months.

1 Q. Does the proposed requirement limit the customer in choosing an Alternative  
2 Electric Supplier?

3 A. No. It merely requires a customer, who chooses an Alternative Electric Supplier  
4 and then returns to the Company's Standard Tariff, to take the Standard Tariff for  
5 12 months. A customer may move between Alternative Electric Suppliers as  
6 frequently as specified in their specific contract with the supplier. A customer  
7 may initially select an Alternative Electric Supplier at any time during the year.

8 Q. Will the Company charge a switching fee for customers who choose an  
9 Alternative Electric Supplier?

10 A. Yes. The Company agrees with Staff Witness Paul A. Carlson that a \$5.00  
11 switching fee is appropriate for each transaction in which a customer authorizes a  
12 change in one or more competitive service providers. The \$5.00 represents the  
13 Company's costs for each customer switch not otherwise collected through the  
14 Implementation Costs Rider. Company Witness Ringenbach supports the costs  
15 that are recovered through the Implementation Costs Rider. Additionally, the  
16 Company has proposed that there will not be a charge for a customer's initial  
17 switch from the standard tariff to an Alternative Electric Supplier.

18 Q. Does this conclude your direct testimony?

19 A. Yes.