

DIRECT TESTIMONY OF
DAVID M. ROUSH
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 David M. Roush. My business address is 1 Riverside Plaza,
3 Columbus, Ohio 43215.

4 Q. Please indicate by whom you are employed and in what capacity.

5 A. I am employed as a Senior Regulatory Consultant in the Regulated Pricing and
6 Analysis Department for American Electric Power Service Corporation (AEPSC),
7 a wholly owned subsidiary of American Electric Power Company, Inc. (AEP), the
8 parent of Indiana Michigan Power Company (I&M or Company).

9 Q. Please briefly describe your educational background and business experience.

10 A. I graduated from The Ohio State University in 1989 with a Bachelor of Science
11 degree in mathematics with a computer and information science minor. In 1999, I
12 earned a Master of Business Administration degree from The University of
13 Dayton. I have completed both the EEI Electric Rate Fundamentals and
14 Advanced Courses.

15 In 1989 I joined AEPSC as a Rate Assistant. Since that time I have
16 progressed through various positions and was promoted to my current position of
17 Senior Regulatory Consultant in April 2001. My responsibilities include the
18 preparation of cost-of-service and rate design for the AEP System operating
19 companies, and the preparation of special contracts and pricing for retail
20 customers.

1 Q. Have you previously testified in any regulatory proceeding?

2 A. I have submitted testimony before the Public Service Commission of West
3 Virginia and the Public Utilities Commission of Ohio regarding cost-of-service
4 and rate design related issues.

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

6 A. The purpose of my testimony is to support specific portions of Section F of AEP's
7 October 2, 2000 Michigan Restructuring Plan. I sponsor Schedule E1, the
8 Unbundled Class Cost-of-Service Study, and portions of Schedule E6, Revenue
9 Calculations by Rate Schedule. I will also explain the development of functional
10 revenues for the St. Joseph Rate Area including all changes in rates resulting from
11 and since MPSC Case No. U-9656.

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

13 A. Yes. Exhibit A-___ (DMR-1) and Exhibit A-___ (DMR-2), are summaries of the
14 functional revenue for the St. Joseph and Three Rivers Rate Areas, respectively.

15 Q. Were these exhibits prepared by you or under your supervision?

16 A. Yes.

17 Q. Please describe the unbundled class cost-of-service study.

18 A. The unbundled class cost-of-service study is based on the study filed by the
19 Company as Exhibit A-8, Schedule E1-2, in Case No. U-9656 for the St. Joseph
20 Rate Area with additional detail added for this filing to show the generation,
21 transmission, and distribution components, for each class, of the major items in
22 the study. The general methodology used to functionalize these items used the
23 best available information and the allocation basis for each component as the basis

1 for functionalizing each item. If costs had already been assigned to a function in
2 the accounting system, these functional costs were used in the class cost-of-service
3 study. An example of this is electric plant in service, which is assigned to the major
4 functions of generation, transmission and distribution on the books of the Company.
5 Other items, such as general plant, which are not directly assigned to a major
6 function in the accounting system, were functionalized in the cost study on the
7 same basis as the allocation of that item. For example, general plant was
8 functionalized based upon operation and maintenance labor expense because
9 general plant was allocated on this basis.

10 Q. Please describe how the rate increase approved in the Order Approving
11 Settlement Agreement in Case No. U-9656 for the St. Joseph Rate Area was
12 applied to the various functions.

13 A. The rate increase for each class, which was phased-in over two steps, was applied
14 to equalize the rate-of-return by function within each class.

15 Q. How were the unbundled transmission components determined?

16 A. The embedded cost transmission component derived in the unbundled class cost-
17 of-service study was further divided into Open Access Transmission Tariff
18 (OATT) basic transmission and retail transmission components. Company
19 Witness Bethel explains the determination of OATT basic transmission revenues
20 and ancillary service revenues. The retail transmission component is the
21 difference between the embedded cost transmission component and the OATT
22 basic transmission component. The ancillary services revenues, which are part of
23 the generation component in the unbundled class cost-of-service study, were

1 added to OATT basic transmission to arrive at a total OATT transmission
2 component.

3 Q. Were there any changes to the make-up of the customer classes shown in the class
4 cost-of-service study as a result of the Case No. U-9656?

5 A. Yes. The final rate design in Case No. U-9656 resulted in customer
6 reclassifications. Due to changes in availability provisions and rate relationships,
7 customers were reclassified among the SGS, MGS and LGS rate schedules.
8 Additionally, certain Tariff SGS and MGS customers moved to a new rate
9 schedule for irrigation service. The functional revenues from the unbundled class
10 cost-of-service study were adjusted to reflect these reclassifications.

11 Q. Were there any other adjustments made to the functional revenues?

12 A. Yes. The functional revenues were also adjusted to account for specific changes
13 in rates that have occurred since the Order in Case No. U-9656. Two of these
14 adjustments reflect changes in the nuclear decommissioning surcharge and the
15 PSCR that were reviewed in independent filings. Adjustments were also made for
16 the reclassification of pre-1983 Spent Nuclear Fuel from PSCR to base rates, and
17 for implementation of the AEP/CSW Net Merger Savings Reduction Rider.

18 Q. Are these adjustments summarized in the Company's filing?

19 A. Yes. Exhibit A-___ (DMR-1) is a summary of all the adjustments to the
20 unbundled class cost-of-service study to derive current functional revenues. In
21 addition, Schedule E6, Revenue Calculations by Rate Schedule, also summarizes
22 the effects of these adjustments.

23 Q. Please describe Schedule E6.

1 A. Schedule E6 shows for each tariff the billing units and revenues resulting from the
2 Order Approving Settlement Agreement in Case No. U-9656. Using the same
3 billing units, revenues were also calculated using current rates. Those revenues,
4 in total, correspond to the functional revenues after considering the previously
5 discussed adjustments. Company Witness DeLizio discusses how the adjusted
6 functional revenues were used to develop the unbundled current rates as also
7 shown in Schedule E6.

8 Q. Has the Company prepared similar information for the Three Rivers Rate Area?

9 A. Yes. Schedule E6 for the Three Rivers Rate Area shows the changes from and
10 since the Order Approving Settlement in MPSC Case No. U-9205. Schedule E6
11 also calculates unbundled current revenues using the unbundled rates as
12 determined by Company Witness DeLizio. In addition, Exhibit A-___ (DMR-2)
13 is a summary of current functional revenues for the Three Rivers Rate Area.

14 Q. Does this conclude your direct testimony?

15 A. Yes.