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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER )  
COMPANY, AN INDIANA CORPORATION, FOR )  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR ELECTRIC UTILITY SERVICE, )  
FOR APPROVAL OF: REVISED DEPRECIATION )  
RATES; ACCOUNTING RELIEF; INCLUSION IN )  
BASIC RATES AND CHARGES OF THE COSTS )  
OF QUALIFIED POLLUTION CONTROL )  
PROPERTY; MODIFICATIONS TO RATE )  
ADJUSTMENT MECHANISMS; AND MAJOR )  
STORM RESERVE; AND FOR APPROVAL OF )  
NEW SCHEDULES OF RATES, RULES AND )  
REGULATIONS. )

CAUSE NO. 44075

APPROVED: MAR 14 2013

ORDER ON RECONSIDERATION

**Presiding Officers:**

**Kari A. E. Bennett, Commissioner**

**Jeffery A. Earl, Administrative Law Judge**

On February 13, 2013, the Commission issued its Final Order in this Cause. On February 27, 2013, Indiana Michigan Power Company (“Petitioner” or “I&M”) filed a Petition for Reconsideration and Immediate Approval of Compliance Tariffs (“I&M Motion”). On March 11, 2013, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its Response to the I&M Motion. On March 5, 2013, the OUCC and Steel Dynamics, Inc. (“SDI”) filed separate petitions for reconsideration (“OUCC Motion” and “SDI Motion”). We address each Motion separately below.

1. **I&M Motion.** I&M asserts that the Final Order in this Cause contains an error in Section 15.E regarding the amount of Open Access Transmission Tariff (“OATT”) offset to include in the calculation of Petitioner’s base rates. I&M notes that Mr. Roush’s rebuttal testimony indicates that the actual adjustment amount will change as a result of any changes to the Company’s case as filed. In support of its argument, I&M attached Exhibits DEH-1 and DMR-1 and Workpaper WP-DMR-16 to the Motion.

Under 170 IAC 1-1.1-22(e)(3)(B), the Commission may modify or clarify a Final Order without further hearing, if the petition for reconsideration is based on the existing record. The OUCC argues that the I&M Motion relies on information outside of the existing record, and therefore, relief under 170 IAC 1-1.1-22(e)(3)(B) is inappropriate. Specifically, the OUCC points out that I&M supported its motion with copies of WP-DMR-16, which was never admitted into evidence in this Cause. While the OUCC is correct that WP-DMR-16 was not admitted into evidence, we required the parties to submit workpapers to support their evidence in this case. WP-DMR-16 was prefiled along with I&M’s case-in-chief on September 23, 2011,

and was served on all parties of record. In addition, Mr. Roush specifically cited the workpaper in his rebuttal testimony, identifying it as the source for the calculation of the proposed OATT adjustment. All parties had access to the workpaper and the opportunity to cross-examine Mr. Roush about it. This is not a case of I&M attempting to improperly supplement the record with new evidence. Therefore, we may address the I&M Motion and need not reopen the record solely for the purpose of admitting the workpaper.

Our substantive finding with regard to the inclusion of an offset for OATT costs says: “We accept Petitioner’s proposal to include the FERC-approved OATT charges in basic rates.” *Ind. Mich. Power Co.*, Cause No. 44075, 2013 Ind. PUC LEXIS 43, at \*404 (IURC Feb. 13, 2013). We accepted the inclusion of an offset for OATT costs, but we did not approve the specific amount of that offset. As Mr. Roush’s direct testimony shows, the amount of the OATT offset is based on the FERC-approved PJM OATT tariff, which is based in part on other substantive findings in our Final Order. In the Final Order, we specifically authorized Petitioner to increase its rates and charges to produce additional operating revenue of \$102,395,208. *Id.*, at \*330. As the table in Paragraph 12 of the Order shows, the OATT costs were included only as an offset to the Commission-approved revenue increase. *Id.*, at \*331. The amount of that offset is not based on a substantive finding because it flows from the FERC-approved PJM OATT tariff. The \$17,408,311 figure was based on the amount proposed by I&M for the offset and it was included in the table only to demonstrate the impact of the offset on the authorized revenue increase.

I&M’s assertion that the amount of OATT offset included in its base rates would change if the Commission made any changes to I&M’s case as filed is based on a single line of Mr. Roush’s rebuttal testimony. I&M provided no detail on how changes to its case as filed would impact the OATT offset amount. Mr. Roush’s rebuttal testimony and the I&M Motion only refer to Exhibit DEH-1 and Workpaper WP-DMR-16 to support the calculation without any further explanation. The version of those two spreadsheets that I&M filed with its motion, contains over 2000 lines of data. The burden falls to I&M – not the Commission’s staff – to fully explain and support the calculations upon which its case relies with sufficient detail that the Commission can recreate and modify the calculations if necessary, especially when the calculation is as complex as this one.

After reviewing the I&M Motion and the attached exhibits and workpapers, we agree with I&M that our Final Order did not accurately demonstrate the amount of the OATT offset. The table in Paragraph 12 should have reflected an offset of \$10,506,854 for OATT costs, which changes the calculation of the adjusted net annual increase in revenues to \$91,888,354. Having reviewed the I&M Motion and reconsidered our Final Order, we uphold the substantive findings in the Final Order in this Cause. However, we GRANT the I&M Motion to the extent necessary to modify the Final Order to reflect the corrected amount of the OATT offset of \$10,506,854, as described in the ordering paragraphs below.

**2. OUC Motion.** The OUC’s Motion raises two arguments. First, the OUC asks that we reconsider our findings “with respect to Petitioner’s overall weighted cost of capital and find that the December 31, 2011 capital structure be used in conjunction with the December 31, 2011 rate base.” Second, the OUC asks that we reconsider our findings “with respect to Materials & Supplies and find that a thirteen-month average shall be used.”

170 IAC 1-1.1-22(e) allows a party to file a petition for rehearing and reconsideration within twenty days after the entry of a final order. 170 IAC 1-1.1-22(e)(3) lists the possible actions that we may take in deciding a Petition for Reconsideration, including upholding our original order, modifying our original order based on the existing record without further hearing, reopening the evidentiary record, or reversing our original order. The OUCC Motion does not seek to reopen the record in this Cause or to introduce new evidence. Rather, the OUCC asks us to reconsider our findings and conclusions regarding the appropriate date for the capital structure and the calculation of Materials & Supplies included in rate base. The OUCC reiterates the same arguments that it made in its case-in-chief and that we considered in reaching our decision in this Cause. The OUCC has not offered any new argument that causes us to change our initial decision.

Having reviewed the OUCC Motion and reconsidered our Final Order, we uphold our Final Order in this Cause without further modification. Therefore, we DENY the OUCC Motion.

**3. SDI Motion.** SDI asks us to reconsider our finding with respect to its case-in-chief request for a voltage differentiated FAC.

170 IAC 1-1.1-22(e) allows a party to file a petition for rehearing and reconsideration within twenty days after the entry of a final order. 170 IAC 1-1.1-22(e)(3) lists the possible actions that we may take in deciding a Petition for Reconsideration, including upholding our original order, modifying our original order based on the existing record without further hearing, reopening the evidentiary record, or reversing our original order. The SDI Motion does not seek to reopen the record in this Cause or to introduce new evidence. Rather, SDI asks us to reconsider our findings and conclusions regarding the use of a voltage differentiated FAC. SDI reiterates the same arguments that it made in its case-in-chief and that we considered in reaching our decision in this Cause. SDI has not offered any new argument that causes us to change our initial decision.

Having reviewed the SDI Motion and reconsidered our Final Order, we uphold our Final Order in this Cause without further modification. Therefore, we DENY the SDI Motion.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. In the Final Order of this Cause, Paragraph 12 – Authorized Revenue Requirement, the sentence “After accounting for offsets and decreases in the rate adjustment mechanisms, this results in a net annual increase in revenues of \$84,986,897 over adjusted test year operating revenues.” shall read: “After accounting for offsets and decreases in the rate adjustment mechanisms, this results in a net annual increase in revenues of \$91,888,354 over adjusted test year operating revenues.”

2. The table below shall replace the table in Paragraph 12 – Authorized Revenue Requirement.

Operating Revenues	\$ 1,420,015,206
Less: O&M Expenses	\$ 1,007,306,250
Depreciation/Amortization	\$ 116,950,608
Other Taxes	\$ 54,861,257
State Income Tax	\$ 10,794,971
Federal Income Tax	\$ 62,904,316
Total Operating Expenses	\$ 1,252,817,401
Net Operating Income ("NOI")	\$ 167,197,805
Less: NOI at Present Rates	\$ 105,718,389
Increase Required	\$ 61,479,416
Times: Revenue Conversion Factor	1.6655
Jurisdictional Revenue Deficiency	\$ 102,395,208
Less: OATT Cost Credit	\$ (10,506,854)
Authorized Increase in Revenue	\$ 91,888,354

3. In Ordering Paragraph 1 of the Final Order in this Cause, the sentence "Petitioner is authorized to adjust and increase its rates and charges for electric utility service to produce an increase in total operating revenues of approximately \$85 million in accordance with the finding herein." shall read: "Petitioner is authorized to adjust and increase its rates and charges for electric utility service to produce an increase in total operating revenues of approximately \$92 million in accordance with the finding herein."

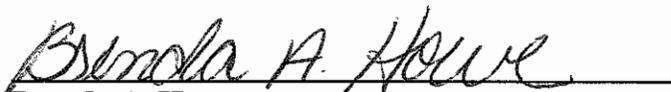
4. The OUCC's Petition for Reconsideration is denied.

5. SDI's Petition for Reconsideration is denied.

**ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:**

APPROVED: MAR 14 2013

I hereby certify that the above is a true and correct copy of the Order as approved.



Brenda A. Howe  
Secretary to the Commission