ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner			√

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 THROUGH A PHASE IN RATE ADJUSTMENT; AND FOR APPROVAL OF RELATED RELIEF INCLUDING: (1) REVISED DEPRECIATION RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION OF CAPITAL INVESTMENT; (4) RATE ADJUSTMENT MECHANISM PROPOSALS; (5) CUSTOMER PROGRAMS; (6) WAIVER OR DECLINATION OF JURISDICTION WITH RESPECT TO CERTAIN RULES; AND (7) NEW SCHEDULES OF RATES, RULES, AND REGULATIONS.	)	**CAUSE NO. 45576** **APPROVED: FEB 23 2022**

ORDER OF THE COMMISSION

Presiding Officers:
David L. Ober, Commissioner
Carol Sparks Drake, Senior Administrative Law Judge

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On July 1, 2021, Indiana Michigan Power Company ("I&M" or "Petitioner") filed a Petition with the Indiana Utility Regulatory Commission ("Commission") seeking authority to increase its rates and charges for electric utility service and associated relief.[1] On July 1, 2021, Petitioner also filed its case-in-chief, workpapers, and information required by the minimum standard filing requirements ("MSFRs") set forth at 170 Ind. Admin. Code ("IAC") 1-5-1 *et seq*. I&M's case-in-chief included testimony, attachments, and workpapers from the following witnesses:

- Toby L. Thomas, I&M President and Chief Operating Officer [2]
- Brent E. Auer, I&M Regulatory Analysis and Case Manager in the Regulatory Services Department [3]
- David A. Lucas, I&M Vice President – Regulatory and Finance
- David S. Isaacson, I&M Vice President of Distribution Operations
- Quinton Shane Lies, I&M Site Vice President at Donald. C. Cook Nuclear Plant
- Timothy C. Kerns, American Electric Power Service Corporation's ("AEPSC") Vice President – Generating Assets for I&M and Kentucky Power Company
- Dona Seger-Lawson, I&M Director of Regulatory Services
- Nicolas C. Koehler, Director of East Transmission Planning for AEPSC
- Nancy A. Heimberger, AEPSC Financial Analyst Senior Staff in Corporate Planning and Budgeting [4]
- Andrew J. Williamson, I&M Director of Regulatory Services
- Curtis H. Bech, Senior Manager, Utilities Strategy and Consulting, Accenture PLC
- Jon C. Walter, I&M Consumer and Energy Efficiency Programs Manager
- Jason A. Cash, AEPSC Accounting Senior Manager in Corporate Accounting
- Aaron L. Hill, AEPSC Director of Trusts and Investments
- Roderick W. Knight, Decommissioning Manager, TLG Services, Inc.
- Jessica M. Criss, AEPSC Tax Accounting and Regulatory Support Manager
- Ann E. Bulkley, Senior Vice President, Concentric Energy Advisors, Inc. ("Concentric")
- Franz D. Messner, AEPSC Managing Director of Corporate Finance
- Tyler H. Ross, AEPSC Director of Regulatory Accounting Services
- Chad M. Burnett, AEPSC Director of Economic Forecasting
- Jennifer C. Duncan, AEPSC Regulatory Consultant Staff in the Regulated Pricing and Analysis Department
- Stephen Hornyak, AEPSC Regulatory Consultant Principal in the Regulated Pricing and Analysis Department
- Jenifer L. Fischer, AEPSC Manager, Regulated Pricing and Analysis

[1] On June 1, 2021, I&M provided its notice of intent to file a rate case in accordance with the Commission's General Administrative Order 2013-5.

[2] On October 14, 2021, I&M filed a notice that Steven F. Baker, I&M's current President and Chief Operating Officer, was being substituted for and adopting the prefiled testimony of Toby L. Thomas.

[3] On October 14, 2021, I&M filed a notice that Dona Seger-Lawson, I&M Director of Regulatory Services, was adopting Brent Auer's prefiled testimony.

[4] On October 14, 2021, I&M filed a notice that Shelli A. Sloan, AEPSC Director Financial Support and Special Projects in Corporate Planning and Budgeting, was being substituted for and adopting the prefiled testimony of Nancy A. Heimberger.

- Kurt C. Cooper, I&M Regulatory Consultant Principal in the Regulatory Services Department.[5]

Petitions to Intervene were filed by the I&M Industrial Group,[6] ("IG" or "Industrial Group");[7] The Kroger Company ("Kroger"); Steel Dynamics, Inc. ("SDI"); Walmart, Inc. ("Walmart"); Citizens Action Coalition of Indiana, Inc. ("CAC"); City of Fort Wayne, Indiana, ("Fort Wayne"); City of Marion, Indiana, and Marion Municipal Utilities (collectively, "Marion"); City of South Bend, Indiana ("South Bend" and collectively with Fort Wayne and Marion, the "Joint Municipals"); City of Auburn Electric Department ("Auburn"); Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance ("WVPA"); and City of Muncie, Indiana ("Muncie"). These petitions were granted without objection. The Indiana Office of Utility Consumer Counselor ("OUCC") also participated.

On July 21, 2021, a Docket Entry was issued establishing a procedural schedule and related requirements and approving certain stipulations the parties filed on July 14, 2021.

Public field hearings were held on August 24, 2021, in South Bend, Indiana,[8] and on September 7, 2021, in Fort Wayne, Indiana, the largest municipality in Petitioner's Indiana service area. On October 12, 2021, the OUCC and certain intervenors filed their respective cases-in-chief. For purposes of its case-in-chief, the OUCC prefiled written consumer comments and testimony and attachments from the following witnesses:

- Michael D. Eckert, Assistant Director of the OUCC's Electric Division
- Mark E. Garrett, President of Garrett Group Consulting, Inc.
- David J. Garrett, Managing Member of Resolve Utility Consulting, PLLC
- Anthony A. Alvarez, Utility Analyst in the OUCC's Electric Division
- Peter M. Boerger, PhD, Senior Utility Analyst in the OUCC's Electric Division
- Cynthia M. Armstrong, Senior Utility Analyst in the OUCC's Electric Division [9]
- John E. Haselden, Senior Utility Analyst in the OUCC's Electric Division
- Kaleb G. Lantrip, Utility Analyst in the OUCC's Electric Division
- Caleb R. Loveman, Utility Analyst in the OUCC's Electric Division
- Wes R. Blakley, Senior Utility Analyst in the OUCC's Electric Division
- Glenn A. Watkins, President and Senior Economist of Technical Associates, Inc.

[5] I&M filed additional MSFRs on July 13, 2021, and revisions to testimony on September 2, 2021, including a clarification of Mr. Cash's direct testimony explaining how I&M plans to implement the calculated depreciation rates for the Rockport Plant as a whole.

[6] The I&M Industrial Group is a group of industrial customers located in I&M's service territory and, ultimately, for purposes of this proceeding includes the following: General Motors LLC, I/N Tek L.P., Linde, Inc., Marathon Petroleum Company LP, Messer LLC, and the University of Notre Dame.

[7] General Motors LLC and the University of Notre Dame were added to the Industrial Group on September 30, 2021.

[8] No public comment was received at the South Bend field hearing.

[9] On November 4, 2021, the OUCC submitted a corrected version of Ms. Armstrong's testimony and attachments to remove redactions for information subsequently determined to be public. At the evidentiary hearing, Ms. Armstrong's corrected testimony and attachments were admitted.

The Industrial Group provided testimony and attachments from James R. Dauphinais and Michael P. Gorman, both Consultants and Managing Principals with Brubaker & Associates, Inc.[10]

Kroger prefiled the testimony and attachments of Justin Bieber, Senior Consultant for Energy Strategies, LLC.

Walmart prefiled the testimony and attachments of Steve W. Chriss, Director, Energy Services for Walmart.

CAC prefiled the testimony and attachments of John Howat, Senior Policy Analyst at the National Consumer Law Center.

Muncie prefiled the testimony and attachments of Muncie's Mayor and Chief Executive, Dan Ridenour, and Ryan Stout, National Solar Developer for Performance Services, Inc.

Joint Municipals provided testimony and exhibits from Joseph A. Mancinelli, Director and President Emeritus of NewGen Strategies and Solutions, LLC ("NewGen"), and Constance T. Cannady, Executive Consultant at NewGen.[11]

On November 9, 2021, the OUCC prefiled cross-answering testimony from Glen A. Watkins. That same day, the Industrial Group prefiled cross-answering testimony from James R. Dauphinais.

Also on November 9, 2021, I&M prefiled rebuttal testimony, exhibits, and workpapers for the following witnesses:

- David A. Lucas
- Andrew J. Williamson
- Dona Seger-Lawson
- David S. Isaacson
- Aaron L. Hill
- Jason A. Cash
- Ann E. Bulkley
- Franz D. Messner
- Tyler H. Ross
- Jessica M. Criss.
- Andrew R. Carlin, AEPSC Director of Compensation and Executive Benefits
- Kimberly Kaiser, AEPSC Director of Compensation
- Jon C. Walter
- Jennifer C. Duncan

[10] On October 25, 2021, the Industrial Group submitted a corrected version of Mr. Gorman's testimony and attachments to remove redactions for information subsequently determined to be public. At the evidentiary hearing, Mr. Gorman's corrected testimony and attachments were admitted.

[11] On October 26, 2021, the Joint Municipals submitted a corrected version of Mr. Mancinelli's and Ms. Cannady's testimony and attachments to remove redactions for information subsequently determined to be public. At the evidentiary hearing, the corrected testimony and attachments were admitted.

- Stephen Hornyak
- Jenifer L. Fischer
- Kurt C. Cooper.

On November 16, 2021, I&M, the OUCC, the Industrial Group, CAC, Auburn, Joint Municipals, Muncie, Kroger, WVPA, and Walmart (collectively, the "Settling Parties") filed an Unopposed Joint Motion for Leave to File Settlement Agreement and Request for Settlement Hearing ("Joint Motion"). In the Joint Motion, the Settling Parties advised a settlement had been reached resolving all issues in this proceeding.[12] Attached to the Joint Motion was a copy of the Settling Parties' Stipulation and Settlement Agreement ("Settlement Agreement") dated November 16, 2021, including attachments. That same date, I&M also submitted a Stipulation and Settlement between I&M and Muncie ("Muncie Settlement Agreement") dated November 16, 2021.

By Docket Entry dated November 18, 2021, the procedural schedule was revised to accommodate presentation of the settlement and supporting evidence.

On November 19, 2021, I&M prefiled the settlement testimony, attachments, and workpapers of Andrew J. Williamson supporting both the Settlement Agreement and the Muncie Settlement Agreement. Also on November 19, 2021, the OUCC and the Industrial Group each filed settlement testimony from the following witnesses supporting the Settlement Agreement:

- Michael D. Eckert
- Michael P. Gorman
- James R. Dauphinais.

A request for information was issued by Docket Entry on December 9, 2021, to which Muncie, the OUCC, and I&M responded on December 13 and 14, 2021.

A public settlement hearing was conducted in this Cause commencing at 9:30 a.m. on December 17, 2021, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the Settlement Agreement, Muncie Settlement Agreement, and all of the direct, cross-answering, rebuttal, and settlement testimony and exhibits each party prefiled, as well as the responses to the December 9, 2021 Docket Entry, were offered and admitted without objection. Per the terms of the Settlement Agreement, the parties also waived cross-examination of each other's witnesses.

The Commission, based upon applicable law and the evidence, finds as follows:

1. <u>Notice and Jurisdiction</u>. Legal and timely notice of the public evidentiary hearing originally scheduled to commence in this Cause on December 2, 2021, was given and published as required by law, with this hearing converted by Docket Entry to a settlement hearing to be held on December 17, 2021, consistent with 170 IAC 1-1.1-18(m). I&M is a public utility as defined in

[12] The Joint Motion indicated one remaining party in this case, SDI, was included in the settlement communications but is not a party to the Settlement Agreement. Joint Motion, ¶ 3. The Joint Motion further indicated SDI has no objection to the Settlement Agreement and will be waiving cross-examination. Joint Motion, ¶ 3.

Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-42 and 42.7, the Commission has jurisdiction over I&M's rates and charges for utility service. The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this proceeding.

2. Petitioner's Organization and Business. I&M is a public utility with its principal place of business located at Indiana Michigan Power Center, Fort Wayne, Indiana. I&M renders electric utility service to approximately 470,000 retail customers located in the following Indiana counties: Adams, Allen, Blackford, DeKalb, Delaware, Elkhart, Grant, Hamilton, Henry, Howard, Huntington, Jay, LaPorte, Madison, Marshall, Miami, Noble, Randolph, St. Joseph, Steuben, Tipton, Wabash, Wells, and Whitley. I&M also provides electric service in Michigan to approximately 130,000 retail customers. Additionally, I&M is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") and is a member of PJM Interconnection, L.L.C. ("PJM"), a regional transmission organization operated under the FERC's authority that controls the use of I&M's transmission system and the dispatching of I&M's generating units.

I&M renders electric service by means of electric production, transmission, and distribution plant, as well as general property, equipment, and related facilities, including office buildings, service buildings, and other property that are used in the production, transmission, delivery, and furnishing of electric energy, heat, light, and power. I&M classifies its property in accordance with the Uniform System of Accounts as prescribed by the FERC and approved and adopted by the Commission.

3. Existing Rates. The Commission approved I&M's current base rates and charges on March 11, 2020, in its Order in Cause No. 45235 ("45235 Order") based upon test year operating results for the 12 months ended December 31, 2020. The petition initiating Cause No. 45235 was filed with the Commission on May 14, 2019; consequently, in accordance with Ind. Code § 8-1-2-42(a), it has been more than 15 months since I&M filed its most recent petition for an increase in basic rates and charges and the filing of I&M's petition in this Cause.

4. Test Year and Rate Base Cutoff. As authorized by Ind. Code § 8-1-2-42.7(d)(1) ("Section 42.7"), Petitioner proposed a forward-looking test period using projected data, with the test year used for determining Petitioner's projected operating revenues, expenses, and net operating income being the 12-month period ending December 31, 2022. I&M is utilizing the test year end, December 31, 2022, as the general rate base cutoff date. The historical base period is the 12-month period ending December 31, 2020.

5. I&M's Requested Relief. In its Petition, I&M requested Commission approval of an overall annual increase in revenues of approximately $104 million, or approximately 6.5%. Petition, ¶ 24. I&M proposed to implement the requested revenue increase in two steps through the Phase-In Rate Adjustment ("PRA") process used in Petitioner's two most recent basic rate cases. Under I&M's proposal, in Phase I, revenue will increase by approximately $73 million or 4.55%, with the second step reflecting an increase of $31 million, or approximately 2%, as adjusted for actual test year investments. As detailed in I&M's case-in-chief, Petitioner also requested Commission approval of specific accounting and ratemaking relief, including new depreciation accrual rates, modifications to rate adjustment mechanisms, and I&M's proposed revenue allocation and rate design.

6. Opposition, Rebuttal, and Cross-Answering. The OUCC and intervenors raised numerous challenges to Petitioner's filing, including challenging rate base, rate of return, operation and maintenance ("O&M") expenses, depreciation rates, rider proposals, cost of service allocation, and rate design. The extent to which these parties also disagreed with each other is shown in their cross-answering testimony. The extent to which I&M disagreed or agreed with the OUCC and intervenors was addressed in I&M's rebuttal evidence.

7. Settlement Agreement. Messrs. Williamson, Eckert, Gorman, and Dauphinais presented testimony supporting the Settlement Agreement. They reviewed its terms and stated the Settlement Agreement resolves all issues related to I&M's revenue requirements and rate design. Mr. Williamson testified this agreement settles all the issues among all of the parties in this Cause except SDI, with SDI not joining the settlement but also not opposing the Settlement Agreement. OUCC witness Eckert stated that if approved, the Settlement Agreement will provide certainty regarding critical issues, including revenue requirements, Petitioner's authorized return, and the allocation of I&M's revenue requirement among its rate classes. Mr. Gorman stated that at a high level, the settlement brought the Settling Parties together to negotiate a wide range of contested matters, including I&M's approved return on equity, proposed capital structure, the regulatory treatment of capacity costs previously excluded from retail rates, I&M's position upon the Tax Sharing Agreement and treatment of Net Operating Loss Carryforward ("NOLC"), and the treatment of the costs associated with Rockport Unit 2.

All four witnesses providing settlement testimony testified the Settlement Agreement is a product of intense negotiations, with each party offering compromise to challenging issues. Public's Ex. 15 at p. 2; Petitioner's Ex. 15 at pp. 6-8; Intervenor IG Ex. 4 at pp. 3, 5; Intervenor IG Ex. 5 at pp. 2, 6. Per Mr. Eckert, the nature of compromise includes assessing the litigation risk that the tribunal, in this case the Commission, will find the other side's case more compelling. While the Settlement Agreement balances all interests, given the number of benefits provided to ratepayers under the Settlement Agreement, Mr. Eckert testified the OUCC, as the statutory representative of all ratepayers, believes the Settlement Agreement is a fair resolution, is supported by the evidence, and should be approved. Public's Ex. 15 at p. 2. Mr. Dauphinais added that while no party received the full measure of the positions they took in their respective case-in-chief, the total package balances the parties' competing interests in favor of an overall result that is fair and reasonable. Intervenor IG Ex. 5 at p. 2. These witnesses opined that the Settlement Agreement represents the culmination of the parties' efforts to come together through negotiations to find a result that reflects the purpose of utility regulation — the balancing of interests between the utility and its consumers. Public's Ex. 15 at pp. 2, 8; Intervenor IG Ex. 4 at p. 3; Intervenor IG Ex. 5 at p. 2.

A. Overview. In describing how the Settlement Agreement is organized, Mr. Williamson testified Section I.A. addresses I&M's test year revenue requirement and other matters while Section I.B. sets forth the Settling Parties' agreement regarding revenue allocation, rate design, and certain tariff language changes. He stated Section I.C. addresses the remaining issues — namely, that any matters the Settlement Agreement terms do not address will be adopted as I&M proposed. Mr. Williamson added it is important to recognize the Settlement Agreement is

presented as a complete negotiated package that, taken as a whole, reflects compromise and the give and take of negotiations. Petitioner's Ex. 15 at p. 8.

Mr. Eckert stated the Settlement Agreement addresses the OUCC's concerns about the affordability of I&M's rate request by reducing I&M's requested revenue increase in several ways. Public's Ex. 15 at p. 2. For example, I&M's rate base request is reduced by $26.4 million, consisting of reductions to: (1) forecasted distribution plant investment; (2) Electric Vehicle ("EV") Fast Charging capitalized costs; (3) Flex Pay Program capitalized costs; and (4) unamortized COVID-19 deferred bad debt expense. Public's Ex. 15 at pp. 2-3. He added that ongoing Rockport Unit 2 expenses and rate base related revenue requirements are removed under the Settlement Agreement from customer rates effective December 7, 2022, when the Rockport Unit 2 lease ends, and Unit 2 no longer provides retail energy utility service. Mr. Eckert testified that through December 7, 2022, I&M customers receive the benefit of the Commission's Cause No. 45235 excess capacity adjustment that I&M had proposed to stop applying when Phase I rates are implemented. He testified the Settlement Agreement also reduces O&M expenses by approximately $6.3 million annually beyond the O&M reductions related to Rockport Unit 2. Public's Ex. 15 at p. 3.

Messrs. Eckert and Williamson also reviewed other customer benefits in the Settlement Agreement. Public's Ex. 15 at p. 5; Petitioner's Ex. 15 at pp. 29-34. These include: (1) continuation of the monthly residential customer charge of $15.00 as opposed to I&M's originally proposed $20.00 charge; (2) no change in I&M's current 9.70% authorized return on equity ("ROE"); (3) limiting I&M's debt to equity ratio in its weighted average cost of capital ("WACC") to no higher than 50.00% equity; (4) an annual PJM Network Integration Transmission Service ("NITS") cost cap for purposes of recovery through the PJM Rider; (5) retention of approximately $159 million in cost free capital that I&M proposed to remove from its capital structure through its NOLC adjustment, pending receipt of a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"); (6) removal of I&M's proposed $69.3 million (Indiana jurisdictional) Other Post-Retirement Employee Benefit ("OPEB") asset from Petitioner's rate base; (7) an agreed limitation on customer deposits to no more than $50.00 for customers identified as Low Income Home Energy Assistance Program ("LIHEAP") participants or LIHEAP-eligible; and (8) additional negotiated benefits. Public's Ex. 15 at pp. 5-6; Petitioner's Ex. 15 at pp. 8-39.

B. <u>Revenue Requirement</u>. If the Settlement Agreement is approved, I&M's base rates will be designed to reflect a lower revenue requirement than I&M proposed in its case-in-chief. The Settling Parties agreed to a Phase I annualized combined basic rate and rider revenue requirement decrease of $4.7 million, which is an approximate $78 million reduction from I&M's requested Phase I increase of $73 million. Public's Ex. 15 at p. 4. Mr. Eckert testified that as shown in Settling Parties' Joint Ex. 1, Settlement Agreement Attachment 1, this reduces the system-wide Phase I revenue increase impact from I&M's original proposal of 4.55% to a Phase I decrease of 0.29%. Public's Ex. 15 at p. 4.

Mr. Eckert stated the Settling Parties agreed to a Phase II annualized combined basic rate and rider revenue requirement decrease of $95 million, representing an approximately $199 million reduction from I&M's requested $104 million increase. As shown in the Settling Parties' Joint Ex. 1, Settlement Agreement Attachment 1, this reduces the system-wide cumulative Phase II

revenue increase impact from I&M's original proposal of 6.5% to a decrease of 5.90%. Public's Ex. 15 at p. 4. Under the Settlement Agreement, the rate impact for all major classes is reduced as compared to what I&M originally proposed. Public's Ex. 15 at p. 4.

C. Return on Equity, Capital Structure, and Rate of Return.[13]

1. ROE and Capital Structure. In its case-in-chief, I&M proposed a 10.00% ROE. Several intervenors, including the OUCC and the Industrial Group, advocated for a considerably lower ROE. The testimony supporting the Settlement Agreement explained that as a result of the negotiations, a compromise was reached upon a 9.70% ROE. This is the same ROE the Commission found to be fair and reasonable under the totality of the circumstances in I&M's last basic rate case. The ROE component of the WACC used in each of I&M's capital riders will be 9.70%. Public's Ex. 15 at p. 6.

Mr. Eckert testified that a ROE lower than what I&M originally sought benefits ratepayers by reducing the return on rate base reflected in rates. He added that from the OUCC's perspective, using a 9.70% ROE for determining I&M's revenue requirement in its base rates and in I&M's ongoing capital riders more accurately reflects I&M's risk profile than Petitioner's proposed 10.00% ROE. Mr. Eckert stated that in addition, the lower ROE reduces the return on capital investment consumers must pay through capital riders between rate cases. Thus, OUCC witness Eckert testified the Settlement Agreement establishes a balanced plan that is in the interest of ratepayers while preserving I&M's financial integrity. Public's Ex. 15 at p. 6.

The Settlement Agreement also addresses Petitioner's capital structure at Section I.A.1.f. The Settling Parties agreed that for purposes of calculating the PRA for Phase I rates, the debt/equity ratio for investor supplied capital will be 50.54%/49.46%. Petitioner's Ex. 15 at pp. 14-15. As discussed by Messrs. Eckert, Gorman, and Williamson, for purposes of the Phase II compliance filing, I&M's debt/equity ratio associated with investor-supplied capital will be adjusted to its December 31, 2022, actual ratio but will not exceed 50.00% equity. Public's Ex. 15 at p. 7; Intervenor IG Ex. 4 at p. 3; Petitioner's Ex. 15 at p. 15. Petitioner's Ex. 15, Attachment AJW-1-S (which updates Exhibit A-7) sets forth the settlement WACC and Cost of Investor Supplied Capital for both Phases I and II.

2. NOLC. Messrs. Eckert, Gorman, and Williamson testified the Settlement Agreement resolves the contested issue regarding I&M's NOLC. Per Mr. Eckert, I&M will retain in its capital structure the approximately $159 million in cost free capital that it proposed to remove through its proposed NOLC adjustment. Public's Ex. 15 at p. 8. Pending receipt of a PLR from the IRS, the Settling Parties agree the Commission should authorize I&M to establish a regulatory asset for the return associated with (1) the inclusion of the proposed NOLC adjustment in the calculation of accumulated deferred federal income taxes ("ADFIT") in I&M's capital structure and (2) for any differences in I&M's requested levels of protected and unprotected excess accumulated deferred income tax ("EADFIT") amortization and the settled levels of amortization. Public's Ex. 15 at p. 8; Petitioner's Ex. 15 at p. 10; Intervenor IG Ex. 4 at p. 4.

[13] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.1.

If the IRS issues a PLR in I&M's favor, i.e., concludes that failure to adopt I&M's position with respect to the NOLC adjustments would constitute a normalization violation, I&M will initiate a limited proceeding to update its Tax Rider to reflect the NOLC adjustments, along with any Commission-approved offsets, in rates on an ongoing basis and to recover the regulatory asset. The Settling Parties reserved the right to take any position in this limited proceeding related to the NOLC and I&M's proposed related ratemaking. Under the Settlement Agreement, if the IRS PLR does not support I&M's proposed adjustment, I&M will write off the regulatory asset, and it will not be recovered from customers. The Settlement Agreement also sets forth a process by which the Settling Parties may participate in the PLR process and details I&M's obligation to confer with the Settling Parties on a neutral description of the facts and the language of the draft PLR request to objectively frame the issue while adhering to IRS guidelines and requirements before the PLR is submitted to the IRS for consideration. Public's Ex. 15 at pp. 8-9; Petitioner's Ex. 15 at p. 11.

Mr. Gorman testified this is a fair resolution as it provides customers the immediate benefit of a higher amount of cost-free capital in I&M's capital structure and provides consumers and I&M a means to obtain a final resolution from the IRS on the issue. Intervenor IG Ex. 4 at p. 4. He added that if the IRS finds a normalization violation would occur, the Settlement Agreement also acknowledges the Settling Parties' right to challenge the continued benefit of I&M remaining in the AEP Tax Sharing Agreement on a going forward basis.

3. Tax Rider. In her direct testimony, Ms. Seger-Lawson proposed implementing a Tax Rider to address the ongoing rate impacts of the Tax Cuts and Jobs Act of 2017 ("TCJA") consistent with the mechanism approved in the 45235 Order (p. 74), and she explained how I&M will use deferral accounting to implement this Rider. Ms. Seger-Lawson also proposed approving use of the Tax Rider for future changes in the federal corporate income tax rate. This proposed expansion of the Tax Rider was challenged.[14]

Messrs. Eckert and Williamson addressed the Settlement Agreement provisions regarding the Tax Rider. Public's Ex. 15 at p. 10; Petitioner's Ex. 15 at pp. 13-14. Mr. Eckert stated I&M originally proposed to expand its Tax Rider to encompass future federal corporate income tax changes, but the Settling Parties agreed to not make this change. Public's Ex. 15 at p. 10. Instead, I&M's Tax Rider will serve two purposes: (1) to credit customers with EADFIT as outlined in the Settlement Agreement, and (2) in the event the IRS issues a PLR in I&M's favor upon its proposed NOLC adjustment, to implement any associated ratemaking changes. Public's Ex. 15 at p. 10; Petitioner's Ex. 15 at pp. 13-14.

More specifically, Mr. Williamson explained that simultaneous with the implementation of new base rates, I&M will implement a Tax Rider to credit customer rates for the remaining benefits associated with unprotected EADFIT. Petitioner's Ex. 15 at p. 14. He stated the Settling Parties agreed to also increase the amount of monthly amortization. This agreement will advance the benefit of this amortization to customers and, as a result, the amortization credit in the Tax Rider is expected to expire before the end of the test year. He added that for purposes of setting rates in this proceeding for the Tax Rider, I&M agreed not to adjust the remaining balance of unprotected EADFIT for any NOLC impact. I&M also agreed to a $14,623,272 (Indiana jurisdictional) unprotected EADFIT credit as Joint Municipals witness Cannady proposed and a

[14] OUCC Ex. 11 at pp. 14-15; Jt. Municipals Ex. 2 at p. 19; *see also* Petitioner's Ex. 31 at pp. 19-22.

seven-month amortization period. Petitioner's Ex. 15 at p. 14. Mr. Williamson explained that the total monthly unprotected EADFIT amount to be credited to customers through the Tax Rider will include a carrying charge on the unamortized balance based on the agreed pre-tax WACC. In addition, the monthly amortization will be grossed up for taxes at a rate of 1.3580 and will include carrying charges on the unamortized balance based on I&M's agreed pre-tax WACC. Petitioner's Ex. 15 at p. 14. Mr. Williamson testified the Settling Parties agreed I&M will reconcile the Tax Rider to reflect its actual unprotected EADFIT amortization and monthly remaining balance.

4. Net Operating Income. As stated by Mr. Williamson, under the Settlement Agreement, I&M's authorized base rate net operating income is $296,733,906. Petitioner's Ex. 15 at pp. 15-16.

D. Rockport Unit 2.[15] Messrs. Eckert, Williamson, and Gorman testified the lower revenue requirement the Settling Parties agreed to reflects, in part, the terms of the separate, then-pending Rockport Settlement Agreement in Cause No. 45546 regarding Rockport Unit 2.[16] Mr. Gorman stated that consistent with the Rockport Settlement Agreement in Cause No. 45546, the Settling Parties reached agreement on how to remove approximately $141 million in Rockport Unit 2 related costs from ongoing retail rates, while still recovering the costs I&M will continue to incur for most of the test year, until the Unit 2 lease expires on December 7, 2022. Intervenor IG Ex. 4 at p. 4. Messrs. Williamson and Gorman testified that the Settling Parties agreed to an efficient process to implement this, explaining that, essentially, the Settling Parties agreed almost all costs related to Rockport Unit 2 will be removed from base rates immediately upon implementation of I&M's new base rates associated with approval of the Settlement Agreement and, instead, recovered either through the riders by which they are already recovered or through a special charge included in the PRA Rider. Intervenor IG Ex. 4 at pp. 4-5; Petitioner's Ex. 15 at p. 17. Mr. Gorman stated that in the case of costs recovered through the PRA, the collection only lasts through the time Unit 2 continues to be used and useful in the provision of service to Indiana retail customers or until the test year costs are fully recovered, whichever occurs first. Intervenor IG Ex. 4 at p. 5.

Mr. Williamson testified that per Section I.A.2. of the Settlement Agreement, the PRA Rockport Unit 2 Charge will include the following:

i. A return on a fixed $15,143,223 (Indiana jurisdictional) level of fuel and consumables inventory through December 7, 2022, at I&M's Phase I WACC grossed up for taxes.

ii. I&M will recover the prorated share of a fixed $1,035,878 (Indiana jurisdictional) annual level of fuel handling and disposal expenses through December 7, 2022.

iii. I&M will recover its Rockport Unit 2 lease expense incurred through the end of calendar year 2022, based on the prorated share of I&M's annual $48,924,630 (Indiana jurisdictional) lease expense. Since the PRA Rockport

[15] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Sections I.A.2. and 3.
[16] The Commission approved the Rockport Settlement Agreement in Cause No. 45546 on December 8, 2021.

Unit 2 Charge will end on December 8, 2022, I&M's Rockport Unit 2 lease expense will be grossed up to recognize the full lease expense in 2022 for purposes of setting the PRA Rockport Unit 2 Charge.

iv. I&M will recover the prorated share of a fixed $13,240,324 (Indiana jurisdictional) annual level of other O&M expense ($12,177,941) and property tax expense ($1,062,383) through December 7, 2022.

v. Revenue requirement for implementing the PRA Rockport Unit 2 Charge will be allocated and retail rates designed based on the Settling Parties' agreement.

Petitioner's Ex. 15 at p. 18. He stated this approach allows the removal of the Rockport Unit 2 costs from I&M's revenue requirement in a reasonable and efficient manner. Among other things, the use of the PRA Rockport Unit 2 Charge avoids the need for I&M to prepare, and all the parties and the Commission to review and process, two complete sets of tariffs and associated compliance support. Petitioner's Ex. 15 at pp. 18-19. He testified it is an efficient and transparent approach for timely removing these costs from base rates while maintaining recovery of these costs during the lease term. Mr. Williamson testified that upon the earlier of I&M determining it has fully recovered the PRA Rockport Unit Charge or December 7, 2022, I&M will submit a compliance tariff to the Commission under Cause No. 45576 to eliminate the PRA Rockport Unit 2 Charge from the PRA factors. He added that since this change will be fully eliminating this component, and the impact to the PRA is limited to the math associated with removing this component of the PRA factors, I&M asks the Commission to expeditiously approve the revision.

Messrs. Gorman and Williamson testified that with respect to other costs that are already primarily recovered through the Environmental Cost Rider ("ECR") and Resource Adequacy Rider ("RAR"), they will continue to be recovered through those riders until the Commission approves filings seeking revisions to those rider rates. Intervenor IG Ex. 4 at p. 5; Petitioner's Ex. 15 at pp. 19-20. Mr. Gorman added that those filings are to be timed by I&M to receive orders from the Commission at the end of 2022/beginning of 2023. Intervenor IG Ex. 4 at p. 5. Mr. Gorman stated that after that, the charges will be removed from those riders.

Mr. Williamson stated the Settling Parties agreed I&M will recover its actual Rockport Unit 2 Fuel Cost Adjustment ("FAC") eligible fuel expenses, consistent with current FAC cases, incurred through December 7, 2022. Petitioner's Ex. 15 at p. 20. I&M's base cost of fuel will include $28,185,922 (total company), $19,608,596 (Indiana jurisdictional), in embedded Rockport Unit 2 fuel costs that will serve as a proxy for replacement purchased power when Rockport Unit 2 is no longer used for retail energy needs. This amount is incorporated into I&M's fuel basing points of 13.110 mills per kWh, which will be reconciled to actual fuel costs in I&M's FAC proceedings. Mr. Williamson stated that continuing to include Rockport Unit 2 fuel expense in I&M's FAC basing point recognizes that at times I&M will have to purchase power from PJM and allows for a basing point that reasonably recognizes the amount of energy I&M may need to serve customers. Petitioner's Ex. 15 at p. 21.

Under Section I.A.3. of the Settlement Agreement, the remaining net book value of I&M's investment in the Rockport Unit 2 Generating Station will be removed from rate base and

recovered on a levelized basis. Mr. Williamson stated that when I&M makes its PRA compliance filing to implement final base rates (i.e., Phase II), I&M will adjust the PRA to reflect the removal of the remaining net book value of Rockport Unit 2 of $77,687,384 (Indiana jurisdictional) from rate base. At that time and going forward through December 31, 2028, I&M will be permitted to recover a total of $95,639,514 (Indiana jurisdictional) associated with the net book value of Rockport Unit 2, on a levelized basis, in I&M's ECR (or alternative rate adjustment mechanism if the ECR is discontinued in the future). Petitioner's Ex. 15 at p. 21. Mr. Williamson testified the final PRA compliance filing made in January 2023 will result in final PRA tariff rates that will be applicable until I&M implements new base rates in its next general rate case. Mr. Gorman testified this is a reasonable means to effectuate the removal of Rockport Unit 2 related costs from retail rates, consistent with the Rockport Settlement Agreement in Cause No. 45546.

Mr. Eckert testified the Settlement Agreement also incorporates other expense reductions consistent with the terms of the Rockport Settlement Agreement. Public's Ex. 15 at p. 5. Mr. Eckert added that it is the OUCC's intention and belief that the Settlement Agreement reasonably implements and does not modify the terms of the Rockport Settlement Agreement. He added that the expiration of the Rockport Unit 2 lease will result in significant reductions in I&M's costs and, therefore, its cost of providing retail energy service to Indiana customers.

E. Jurisdictional Reallocation.[17] As discussed by Mr. Williamson, the prefiled cases-in-chief reflect a dispute regarding the treatment of the excluded capacity from Cause No. 45235. The OUCC, IG, and Joint Municipals took the position that the adjustment the Commission ordered in Cause No. 45235, or some version of that adjustment, should continue at least until the Rockport Unit 2 lease ends on December 7, 2022, at which point I&M will no longer have the excess capacity that supported the Commission's prior decision. Petitioner's Ex. 15 at p. 22. Mr. Williamson's rebuttal testimony explained I&M's need to meet its PJM capacity obligation as of June 1, 2022, at which point the Rockport Unit 2 capacity will be unavailable to I&M to meet its PJM obligation absent acquisition of the unit or a separate agreement making the capacity available through the entirety of the planning year.

Messrs. Gorman and Williamson testified that in their negotiations, the Settling Parties resolved the treatment of capacity related costs the Commission previously excluded from allocation to Indiana's retail customers in Cause No. 45235. Specifically, I&M has agreed to implement a monthly credit from the date rates first take effect through December 7, 2022, when the Rockport Unit 2 lease expires, to effectively remove those capacity-related costs from retail rates. Intervenor IG Ex. 4 at p. 4. Mr. Williamson stated I&M agreed to implement Phase I rates and to simultaneously implement a temporary PRA Excluded Capacity Credit to credit customers for excluded capacity costs consistent with the 45235 Order, with the credit to be eliminated from the PRA on a service-rendered basis effective December 8, 2022. He stated the credit will be developed based on a monthly amount of $4,702,533 offset by the fixed annual level of retained capacity and Off System Sales revenues of $24,926,096, prorated to a monthly level of $2,077,175, for a net monthly credit of $2,625,358. Petitioner's Ex. 15 at p. 23. Mr. Williamson testified that I&M will submit a compliance tariff to the Commission under this Cause to eliminate the PRA Excluded Capacity Credit from the PRA factors. He added that since this change will be fully eliminating this component, and the impact to the PRA is limited to the math associated with

[17] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.4.

removing this component of the PRA factors, I&M asks the Commission to expeditiously approve the revision.

Mr. Gorman opined that this fairly reflects adherence to the 45235 Order during most of the test year and the change that will occur in I&M's capacity position after December 7, 2022, when the Rockport Unit 2 lease expires.

F. PJM NITS Costs.[18] As stated by Messrs. Eckert, Dauphinais, and Williamson, the Settling Parties have agreed to place an annual cap on I&M's PJM NITS costs reflected in specific FERC accounts (4561035 and 5650016) that may be recovered through the PJM Rider based on I&M's 2024 forecasted Indiana jurisdictional amount of these costs, plus a 15% buffer. Public's Ex. 15 at pp. 3-4, 9; Intervenor IG Ex. 5 at p. 3; Petitioner's Ex. 15 at p. 24. The witnesses stated annual PJM NITS costs in any year that exceed $381.3 million, together with the associated PJM NITS rider revenue requirement and carrying costs, will be placed in a regulatory asset for recovery in I&M's next base rate case. They clarified that the Settling Parties reserve the right to take any position with respect to the appropriate amortization period and related going forward return on any unamortized balance of any regulatory asset created under this term of the Settlement Agreement. Mr. Eckert testified PJM NITS are a significant expense borne by I&M's customers, and the agreed annual cost cap is an important guardrail to contain this cost in a given period. Public's Ex. 15 at pp. 3-4. He added that the compromise the Settling Parties made with regard to PJM NITS costs provides limitations on I&M's PJM NITS cost recovery. The annual cost cap provides flexibility, allowing I&M to recover costs over or under its annual forecasted amounts, plus an additional 15%. In addition, Mr. Eckert stated the cap limits the PJM NITS cash recovery from ratepayers through the designated period.

G. Base Cost of Fuel. Mr. Eckert stated that for purposes of settling Phase I rates, the Settling Parties accepted I&M's base cost of fuel of 13.110 mills per kWh. Public's Ex. 15 at p. 11.

H. Advanced Metering Infrastructure ("AMI").[19] The testimony supporting the Settlement Agreement also included the Settling Parties' negotiated resolution with respect to AMI. Messrs. Eckert and Williamson testified the Settling Parties: (1) agreed to include I&M's $54.649 million AMI capital 2021-2022 forecast and $4.77 million in related O&M costs in the base rates set in this Cause; and (2) I&M agreed to withdraw its request for an AMI rider. Mr. Williamson stated the Settlement Agreement makes clear that I&M is not prevented from seeking recovery of additional AMI investment and O&M costs in its next base rate case. Petitioner's Ex. 15 at p. 25. He added that the noncompany Settling Parties agreed to not challenge the reasonableness of I&M's decision to transition from AMR meters to AMI meters or the reasonableness of I&M's four-year deployment plan, as presented in this Cause, in any future proceeding. Petitioner's Ex. 15 at p. 25.

As further discussed below, I&M also agreed to notify its customers via bill insert, text, and email about its ability to remotely disconnect/reconnect those with AMI meters. Public's Ex. 15 at p. 12; Petitioner's Ex. 15 at p. 30. Per Mr. Williamson, this notice will identify a customer's

[18] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.5.
[19] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.6.

rights prior to disconnection and provide information on how to contact I&M's customer service department and on how to add an email address and/or mobile phone number to receive notifications from I&M.

I. Rate Base.

1. Prepaid Pension and OPEB Assets.[20] For purposes of reaching an overall settlement, Messrs. Eckert and Williamson stated the Settling Parties agreed I&M's rate base will include the $80.7 million (total company), $58.1 million (Indiana jurisdictional) prepaid pension asset. Public's Ex. 15 at p. 12; Petitioner's Ex. 15 at pp. 25-26. Mr. Eckert noted the Commission has approved inclusion of a prepaid pension asset in I&M's rate base in I&M's three prior rate cases, Cause Nos. 44075, 44967, and 45235. Public's Ex. 15 at p. 12. Under the Settlement Agreement, I&M's proposed $96,252,892 (total company), $69,324,472 (Indiana jurisdictional), OPEB prepayment will not be included in Petitioner's rate base. Public's Ex. 15 at p. 13; Petitioner's Ex. 15 at p. 26.

2. Agreed Rate Base Reductions.[21] Mr. Williamson testified that for purposes of calculating the revenue requirement used to set base rates, I&M agreed to reduce its proposed rate base by $26.4 million, removing the following: (1) $3,783,088 EV Fast Charging costs; (2) $568,770 Flex Pay Program costs; (3) $2,023,141 unamortized COVID-19 deferred bad debt expense; and (4) $20 million of forecasted distribution plant investment. Petitioner's Ex. 15 at p. 26. He stated the Settlement Agreement clarifies that nothing in that agreement precludes I&M from seeking to include the removed items in its cost of service in a future case. Mr. Williamson stated that in I&M's view, this clarification recognizes the need for ongoing distribution system investment while at the same time allowing I&M to reduce the impact new base rates will have on its customers. Mr. Williamson testified the Settlement Agreement also allows I&M the opportunity to revisit the EV Fast Charging and the Flex Pay Program proposals and potentially pursue them in future proceedings. He presented the following summary of I&M's settlement rate base:

Net Plant In-Service	$	4,846,054,499
Fuel Stock	$	29,521,506
Other Materials & Supplies	$	124,206,512
Allowance Inventory	$	17,674,176
Prepaid Pension Expense	$	58,104,811
Regulatory Assets	$	49,998,924
	$	5,125,560,428

J. Depreciation Rates.[22] I&M also seeks approval of revised depreciation rates as presented by Mr. Cash. In describing how his depreciation study compared to the study presented in Cause No. 45235, Mr. Cash explained that in this depreciation study, all of I&M's investment in Rockport Unit 1 and certain leasehold improvements made at Rockport Unit 2 are presented together as the Rockport Plant, and depreciation rates were calculated for each utility

[20] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.7.
[21] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.8.
[22] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.9.a.

account used by the Rockport Plant. Petitioner's Ex. 19 at pp. 14-15. He stated the depreciation rates approved in Cause No. 45235 established depreciation rates for the investment in Rockport Unit 2 through 2028 for the Unit 2 SCR, through 2025 for the Unit 2 DSI, and through 2022 for the other investment at Unit 2. The proposed depreciation rates in this case depreciate the remaining net book value of all Rockport Plant investment through December 31, 2022, through 2028. Mr. Cash testified this allows for all of the remaining Rockport Plant investment in this case to be recovered over the plant's remaining life or through 2028. He stated I&M has not proposed depreciation rates specific to the Rockport Unit 2 leasehold improvements I&M owns and explained how depreciation expense will be calculated for the Rockport Unit 2 leasehold improvements while Rockport Unit 2 remains in service. Petitioner's Ex. 19 at pp. 20-21. More specifically, Mr. Cash stated the proposed depreciation rates were calculated to recover the remaining investment and net salvage of both Unit 1 and Unit 2 using the gross plant balance and remaining life of Unit 1; therefore, the depreciation rates the Commission approves will only be applied to the Unit 1 gross plant investment to determine I&M's depreciation expense for the Rockport Plant as a whole, including Unit 2.

Mr. Cash stated once the Commission approves new depreciation rates in this case and while Unit 2 remains in-service, I&M will apply a depreciation rate of 0% to Rockport Unit 2 for accounting purposes. For accumulated depreciation purposes, while Rockport Unit 2 remains in service, a portion of the depreciation expense on the Rockport Plant will continue to be applied to Rockport Unit 2. Mr. Cash testified that by applying the proposed rates only to Unit 1, I&M will calculate annual depreciation expense associated with the remaining investment and net salvage associated with both Unit 1 and Unit 2. If I&M were to apply a depreciation rate to Unit 2 other than 0%, he testified it would overstate I&M's annual depreciation accrual, exceed the annual depreciation expense included in I&M's proposed rates in this proceeding, and negatively impact I&M's net operating income. Mr. Cash explained this approach was taken to reflect the expiration of the Rockport Unit 2 lease in December 2022, which is also the end of I&M's forecasted test year in this case.

Mr. Williamson testified that under the Settlement Agreement, depreciation expense will be reduced by $10 million. Petitioner's Ex. 15 at p. 27. To implement this, I&M reduced depreciation expense through a combination of expense reductions related to the rate base reductions associated with utility plant investments and revised distribution plant depreciation rates. Mr. Williamson stated the OUCC's pre-filed testimony includes several proposals to adjust I&M's distribution plant depreciation rates, and the revised distribution plant depreciation rates include acceptance of the OUCC's depreciation rate proposals for certain distribution FERC plant accounts[23] (but not the methodology) and a compromise the OUCC and I&M made with respect to certain distribution FERC plant accounts. Mr. Williamson presented the revised depreciation rates in Attachment AJW-2-S. He noted that under the Settlement Agreement any matters not addressed in the Settlement Agreement will be adopted as proposed by I&M.

K. <u>Other Agreed Operating Expense Reductions</u>.[24] Messrs. Williamson and Eckert testified the Settling Parties agreed to the following additional operating expense reductions: $2.0 million in nuclear decommissioning expense; $293,773 deferred COVID-19 bad

[23] FERC plant accounts 365, 366, and 367.
[24] Settling Parties' Joint Ex. 1 (Settlement Agreement) Section I.A.9.b.-d.

debt expense; and $4.0 million decrease in other O&M expense from I&M's test year forecast. Petitioner's Ex. 15 at pp. 27-28; Public's Ex. 15 at p. 13. Mr. Williamson added that the Settling Parties agree I&M may in the future seek to adjust the funding level of the Nuclear Decommissioning Trust based on future analysis of the adequacy of the Nuclear Decommissioning Trust funds to pay for decommissioning. He added that in the Settlement Agreement, the Settling Parties accept OUCC witness Blakley's proposal to reduce the incremental bad debt expense amortization by $293,773, and Mr. Williamson stated that while I&M disagrees with the basis for the OUCC's proposed adjustment, in the context of the overall settlement, Petitioner accepted this proposal as part of the goal of mitigating the impact of this case on customer rates. Mr. Williamson stated the Settlement Agreement recognizes that other aspects of I&M's test year O&M forecast were challenged, and he explained that while I&M stands behind its forecasting process, in the spirit of compromise I&M agreed to reduce forecasted O&M by $4.0 million. Mr. Williamson also clarified that the Settlement Agreement does not preclude I&M from seeking recovery of these type of expenses in a future case.

L. Other Matters.[25] Mr. Williamson testified the Settlement Agreement also addresses issues the OUCC and intervenors raised regarding the OUCC's Report in I&M's FAC, Vegetation Management Reporting, Notice of Disconnection of Service, Solar Power Rider, Flex Pay Program, EV Fast Charging, Low Income Customers, and Indiana Ratepayer Trust. Petitioner's Ex. 15 at pp. 29-34. These provisions are discussed below.

M. Cost of Service and Rate Design.[26] The revenue allocation/rate design provisions of the Settlement Agreement were also addressed in the settlement testimony.

1. Revenue Allocation.[27] Per OUCC witness Eckert, the Settling Parties negotiated a fair and reasonable revenue class allocation to allocate the costs of service among all rate classes. Public's Ex. 15 at p. 13; *see also* Intervenor IG Ex. 5 at pp. 3-4; Petitioner's Ex. 15 at pp. 34-35. As stated in the Settlement Agreement at Section I.B.1., the agreed allocation is without reference to any specific cost allocation methodology and was determined strictly for settlement purposes. Mr. Dauphinais tesified the settlement includes an agreed revenue allocation that is without reference to any specific allocation methodology. Intervenor IG Ex. 5 at p. 2. Given the differing opinions among the Settling Parties on the proper method of cost allocation, he believes this is an important term that reflects the Settling Parties' overall efforts to put aside their differences to arrive at a result that is within the range of outcomes the evidence supports and results in a fair allocation of the overall revenue requirement among I&M's rate classes. Intervenor IG Ex. 5 at p. 2.

Petitioner's Exhibit 15, Attachment AJW-3-S (public), which updates Attachments JLF-2 and JLF-3 to reflect the Settlement Agreement, provides supporting details including the customer class revenue allocation factors and detailed base rate, rider, and total bill increase by class. The confidential version of this attachment is identified as Attachment AJW-3-S-(C) (confidential). Petitioner's Ex. 15 at p. 35.

[25] Settling Parties' Joint Ex. 1 (Settlement Agreement) Section I.A.10.
[26] Settling Parties' Joint Ex. 1 (Settlement Agreement) Section I.B.
[27] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.2.

Mr. Dauphinais also testified the Settling Parties agreed that with respect to the new charge in the PRA Rider associated with the collection of costs related to Rockport Unit 2, the revenue requirement will continue to be allocated on the same energy and demand basis as is used to allocate other rider revenue requirements. This means, effectively, that demand-related costs will still be allocated on a demand basis, and energy-related costs will still be allocated on an energy basis in conformance with basic cost of service principles.

Mr. Eckert added that since the OUCC represents all customer classes, the OUCC views the task of revenue allocation as one of ensuring any cost increases are fairly distributed across rate classes. Public's Ex. 15 at p. 14. He stated that because the Settlement Agreement results in overall rate decreases, the OUCC focused on ensuring the benefits of that overall reduction were fairly distributed.

2. Residential Rate Design.[28] Mr. Eckert confirmed the Settlement Agreement does not increase I&M's current Tariff RS monthly charge. Public's Ex. 15 at p. 14. He testified the OUCC's longstanding position is that a residential customer charge should not reflect more than the direct cost of connecting a customer to the distribution system from the standpoint of economic efficiency and regulatory policy. Mr. Eckert advised that in its case-in-chief, I&M proposed a 33% or $5.00 increase in the residential fixed charge from $15.00 to $20.00. Mr. Williamson testified that while I&M has firmly held positions regarding the application of cost of service and cost recovery principles to residential rate design, Petitioner recognizes the passion around this issue, particularly in the testimony residential consumer advocates offered, with these diverging views making this issue challenging to resolve. Petitioner's Ex. 15 at p. 35. Mr. Eckert stated the monthly customer charge was the subject of deliberate negotiations, and through compromise, the Settling Parties agreed to maintain the monthly customer charge of $15.00 for Rate RS and to increase the fixed Rate RS-TOD and Rate RS-TOD2 monthly charge to $17.00. Mr. Eckert also testified the Settling Parties agreed to limit the customer deposit to no more than $50.00 for customers identified as LIHEAP participants or LIHEAP-eligible.

3. Tariff IP.[29] With respect to Tariff IP, Mr. Dauphinais stated that in his direct testimony, he was concerned I&M was proposing to shift demand-related costs into the first block energy charge as a result of a shift from kVA billing demand to kW billing demand units. He proposed all demand-related costs be removed from the energy charges and placed back into the demand charges. Mr. Dauphinais testified this is essentially what was done in arriving at the rates in the Settlement Agreement. Intervenor IG Ex. 5 at p. 5. Because each sub-class of Tariff IP had a different percentage change in 12 demand units, primarily due to their respective power factors, the Settling Parties agreed to adjust the demand charges by an amount that roughly reflects that change. Mr. Dauphinais added that while this could not be done perfectly for all sub-classes without producing anomalous results that would encourage inefficiencies, the result is much closer to cost-of-service rate design than I&M's initial proposal. Intervenor IG Ex. 5 at p. 5. He testified the agreed rate design does not perfectly move all demand-related costs out of the energy charges for all sub-classes, but it is a fair result that reasonably balances the interests of pure cost-based rates with other factors taken into account in cost of service ratemaking; therefore, the result is consistent with basic principles of cost of service ratemaking. Intervenor IG Ex. 5 at p. 5.

[28] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.1.
[29] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.3.

4. Tariff GS and Tariff LGS.[30] Mr. Williamson testified that I&M agreed to not combine Tariff LGS and Tariff GS base rates. Petitioner's Ex. 15 at p. 36; Settlement Agreement Section I.B.4. I&M will continue to eliminate the kVA demand charge and Power Factor Correction Capacitor adjustment in Tariff LGS. To ease the transition from full kVA billing demands, I&M agreed to implement an excess kVA charge in Tariff LGS. Petitioner's Ex. 15 at p. 36. Mr. Williamson shared the agreed tariff language and stated the rider rates for Tariffs LGS and GS were unified to mitigate some of the concerns that led I&M to initially propose combining the two tariffs.

5. Tariff Term and Condition No. 27.[31] Mr. Williamson stated the Settling Parties agreed I&M may adopt its new proposed Term and Condition No. 27 as modified in the Settlement Agreement. Petitioner's Ex. 15 at pp. 36-37. He testified that although Petitioner does not agree that the concern the Industrial Group raised warrants rejection of I&M's proposed provision, the Settling Parties resolved the dispute over the proposed change with the revised language Mr. Williamson provided. Petitioner's Ex. 15 at p. 37.

Mr. Dauphinais stated his concern was the open-ended nature of the charge to large customers who request a disconnection/reconnection at a transformer, switch, or breaker. Mr. Dauphinais testified the modified language for Term and Condition No. 27 addressed these concerns with respect to the exposure of large customers to a potentially unknown charge without the ability to assess its reasonableness or alternatives to performing the work. Intervenor IG Ex. 5 at p. 4. He stated the Settlement Agreement provides for a "not to exceed" figure of $1,500 to cover costs associated with such requests. Mr. Dauphinais added that for requests that are expected to exceed that amount, I&M has agreed to provide the customer with a binding estimate detailing the work and costs prior to the date work is to commence. Intervenor IG Ex. 5 at p. 4. This addresses his concerns with respect to the exposure of large customers. He noted the binding nature of the estimate also ensures there is some recourse for customers to the extent the cost of a disconnection/reconnection is disputed. Intervenor IG Ex. 5 at p. 4.

6. "Other Sources of Energy" Tariff Language.[32] In his direct testimony, Mr. Dauphinais also raised concerns regarding I&M's proposal to strike language in Tariff IP related to the ability of customers with other sources of energy supply to take standby and backup service under that rate. Intervenor IG Ex. 5 at p. 4. Although I&M clarified in rebuttal its intent in striking the language, I&M agreed to retain this language in its tariffs for rates General Service – Tariff G.S. ("Tariff GS"), Large General Service – Tariff L.G.S. ("Tariff LGS"), Tariff IP, and Water and Sewage Service – Tariff 22 W.S.S. ("Tariff WSS"). He stated this ensures the ability of customers who self-supply power to access standby and backup service under specific rates will not be disputed, provided they qualify for the provision of service under those rates. Intervenor IG Ex. 5 at p. 4; *see also* Petitioner's Ex. 15 at pp. 37-38.3

[30] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.4.
[31] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.5.
[32] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.6.

7. Critical Peak Pricing.[33] With respect to other rate design matters, the Settlement Agreement ensures that approval of the Critical Peak Pricing rate as part of this case does not represent approval to impose that rate on customers on an opt-out basis and that I&M must seek approval prior to any future opt-out rate approach. Mr. Eckert stated the Settlement Agreement also provides that I&M will address excluding holidays from high-rate periods in its next base rate case. Public's Ex. 15 at p. 15. Mr. Williamson stated this provision allows I&M to work through the technical issues associated with this approach.

N. Remaining Issues. Section I.C. of the Settlement Agreement provides that any matters the Settlement Agreement does not address will be as I&M proposed in its direct case.

In his Settlement testimony, Mr. Eckert pointed out that the Settling Parties did not oppose I&M's proposed ratemaking treatment for the Life Cycle Management ("LCM") Rider, explaining that I&M proposed the following: (1) to retire its LCM Rider; (2) to file its next LCM reconciliation (LCM 11) in the third quarter of 2021; (3) to make a compliance filing shortly after the order is received in this Cause; and (4) to address the final reconciliation of the LCM over/under recovery and on-going recovery of property tax expense on LCM investment made in 2022 in a subsequent ECR filing. Public's Ex. 15 at p. 10.[35]

O. Supporting Documentation. As Mr. Williamson explained, the Settlement Agreement includes as attachments a revised I&M Exhibit A-1, a breakdown of the approximately $141 million of Rockport Unit 2 costs to be removed from I&M's proposed base rates, and the customer class allocations of the revenue requirement as agreed in the Settlement Agreement, including the impact of the Settlement Agreement on riders in Phase I and Phase II and the agreed Tariff IP rates. Petitioner's Ex. 15 at pp. 3-4.

The settlement testimony also includes Attachments AJW-1-S (updates to capital structure); AJW-2-S (depreciation rates); AJW-3-S (customer class revenue allocation factors, detailed base rate, rider, and total bill increase by class); AJW-4-S (typical bill comparison); AJW-5-S (forecasted test year end net plant balance used to calculate the Phase II rates); AJW-6-S (gross revenue conversion factor); AJW-7-S (updates Exhibit A-9 (Effective Federal Income Tax Rate)); AJW-8-S (Appendix G from IRS Internal Revenue Bulletin No. 2021-1); AJW-9-S (updated tariff book Table of Contents and Terms and Conditions of Service); and AJW-10-S (updated tariff book – tariffs and riders sections). Petitioner's Ex. 15 at pp. 4-5, 40. Workpapers updating the relevant cost of service and rate design were also provided.

P. Phase-In Rate Adjustment and Compliance Filing. In explaining the rate design associated with the proposed PRA factors under the Settlement Agreement, Mr. Williamson stated the Net Plant Credit was designed consistent with I&M's proposal in this filing and the calculation methodology utilized in prior I&M rate cases. He stated the rates for the other three components of the PRA were designed consistent with the methodology used for virtually all I&M riders, where costs were identified as either demand or energy-related and allocated to each class on demand or energy, respectively. Petitioner's Ex. 15 at p. 39. For each class, demand costs were

[33] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.7.
[34] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.C.; *see also* Petitioner's Ex. 15 at p. 39.
[35] *See* Petitioner's Ex. 1, Attachment TLT-1 (Petition) and attached Ex. A for a list of I&M's original proposals.

generally collected through demand charges where possible (Tariffs IP, LGS, GS, and Electric Heating General) and otherwise through energy charges, and in all cases, energy costs were collected through energy charges. Mr. Williamson also reviewed what I&M anticipates filing as a compliance filing if the Settlement Agreement is approved. Petitioner's Ex. 15 at p. 41.

Q. Typical Bill Comparison. Mr. Williamson presented an updated typical bill comparison. For a typical residential customer using 1,000 kWh, the Phase I rates reflect a total monthly bill decrease of $1.48 or 0.9%. For Phase II, the Settlement Agreement reflects an additional monthly bill decrease of $7.95 or 5.1% at the end of the test year.

R. Public Interest. Mr. Williamson testified settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced, but the complexity of a rate case proceeding can make settlement challenging to achieve. He stated that in this case, the Presiding Officers set forth expectations in the procedural schedule that prompted the parties to commence settlement discussions in earnest so any settlement agreement and supporting testimony could be timely provided to allow the Commission sufficient opportunity for review. Mr. Williamson relayed that the Presiding Officers made themselves available on short notice so the parties could keep them informed and receive guidance upon settlement procedural matters. He stated this support as the parties worked to reach a global settlement was helpful and appreciated. Petitioner's Ex. 15 at p. 43.

Mr. Williamson opined that the Settlement Agreement is in the public interest and is supported by and within the scope of the evidence the Settling Parties presented. Taken as a whole, he stated the Settlement Agreement reasonably addresses the parties' concerns and provides a balanced, cooperative outcome upon the issues. He added the separate Muncie Settlement Agreement reasonably addresses the concerns Muncie raised and is also the product of arm's-length negotiations.

Mr. Eckert similarly testified that the Settlement Agreement balances the interests of I&M and ratepayers and will provide certainty regarding critical issues, including revenue requirements, authorized return, and the allocation of I&M's revenue requirement among its rate classes. Public's Ex. 15 at p. 2. He echoed that the Settlement Agreement is the product of intense negotiations, with each party offering compromise to challenging issues. While the Settlement Agreement balances all interests, Mr. Eckert testified that given the benefits provided to ratepayers under the Settlement Agreement, the OUCC believes the Settlement Agreement is a fair resolution, supported by the evidence, and should be approved. Public's Ex. 15 at p. 2.

Mr. Dauphinais testified the process of negotiating the Settlement Ageement brought I&M, the OUCC, the Industrial Group, and other intervenors together to reach compromise on a wide range of disputed issues. This required the parties to evaluate their positions and find common ground. While no party received the full measure of the positions espoused in their case-in-chief, he stated the total package represents a balancing of the parties' competing interests in favor of an overall result that is fair and reasonable. In his view, the Settlement Agreement represents the culmination of the parties' efforts to come together and through negotiations, reach a result that reflects the purpose of utility regulation — the balancing of interests between the utility and its consumers.

Both Messrs. Dauphinais and Gorman emphasized that the Settlement Agreement is the result of extensive effort by all the parties and their representatives to reach a reasonable final result. They testified the Settling Parties were able to negotiate compromises on complex issues in a collaborative fashion, and they opined that the resolution reflected in the Settlement Agreement will result in just and reasonable rates for I&M and consumers and that approval of the Settlement Agreement is in the public interest.

8. Muncie Settlement Agreement. Mr. Williamson summarized the concerns Muncie raised regarding its effort to develop a City-owned solar generating facility to be located on the former General Motors brownfield site in southwest Muncie, referred to in testimony as the "Chevy Plant". Petitioner's Ex. 15 at p. 42. He noted I&M witness Lucas in rebuttal apologized for the apparent confusion, clarified certain FERC requirements, and committed to I&M working with Muncie on this project and to providing clear information to help this project move forward. Petitioner's Ex. 15 at p. 42. Mr. Williamson attached the Muncie Settlement Agreement to his settlement testimony as Attachment AJW-11-S.

Mr. Williamson testified the Muncie Settlement Agreement memorializes I&M's commitment in substantial detail to assuage Muncie's concerns and to clarify Petitioner's role. He opined that the Muncie Settlement Agreement is in the public interest as it reasonably addresses the concerns Muncie raised and is the product of arm's-length negotiations. Mr. Williamson noted the other parties to this proceeding are taking no position with respect to the issues addressed in the Muncie Settlement Agreement as the Muncie Settlement Agreement has no rate impact and does not affect any issues raised or presented in the Settlement Agreement. In their respective responses to Docket Entry questions posed on December 9, 2021, I&M and Muncie further address why the Muncie Settlement Agreement is in the public interest. Petitioner's Ex. 45; Intervenor Muncie Ex. 3.

In its Docket Entry response, Muncie stated it has raised unique issues under the Commission's broad authority provided under Ind. Code §§ 8-1-2-4 and 8-1-2.5-5 that are reasonably addressed in the Muncie Settlement Agreement. In his direct testimony, Mayor Ridenour testified the reason for Muncie's participation in this matter was, in part, to provide details to the Commission so it could better understand how communities like Muncie depend upon and need a good, supportive relationship with their electric provider. He further explained how I&M is a necessary partner in Muncie's ongoing challenge to retain and attract business and industry and the corresponding jobs that businesses provide. Intervenor Muncie Ex. 1 at p. 3. Mayor Ridenour noted that fundamental to Muncie's efforts to retain and attract business and industry is continuing to make the proper investments and upgrades to electric infrastructure. He testified regarding the revitalization efforts Muncie is pursuing for the former Chevy Plant site to help jump-start growth, and he opined that these will benefit all of I&M's customers and Muncie. For these reasons, Muncie stated in its Docket Entry response that the Muncie Settlement Agreement and the commitments and processes it memorializes are in the public interest. Intervenor Muncie Ex. 3 at p. 3.

In its Docket Entry response, I&M states that while I&M and Muncie agreed to support Commission approval of the Muncie Settlement Agreement, in I&M's view the Commission could

accept the parties' agreed resolution and find either: (a) that the Muncie Settlement Agreement reasonably addresses and resolves their disputed issue or (b) that there is no remaining contested issue the Commission needs to address.

9. Commission Discussion and Findings. Settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced. The Settlement Agreement represents the Settling Parties' proposed resolution of the issues in this Cause. The Muncie Settlement Agreement represents I&M and Muncie's resolution of certain matters of concern to Muncie. As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co*., 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id*. (quoting *Citizens Action Coal. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406.

Any Commission decision, ruling, or order, including approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum,* 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require settlements to be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement or the Muncie Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that these agreements are reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that such agreements serve the public interest.

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement Agreement, including the Settling Parties' agreement on Petitioner's rate base, methodology to be used in determining Petitioner's rate decrease, agreed allocation of the decrease, agreed rate design, agreement on ROE and capital structure, and the other terms of the Settlement Agreement, all of which the Commission finds are supported by the settlement testimony and the additional Docket Entry responses. The Settlement Agreement is further supported by the Settlement Agreement attachments and the settlement schedules and workpapers. The Commission finds we have substantive information from which to discern the basis for the components of the decrease in I&M's base rates and charges and its reasonableness.

The Settlement Agreement resolves all the issues presented by I&M's Petition. To put this in context, I&M, in its initial case-in-chief filed in July 2021, supported a revenue deficiency of $104 million, reflective of an overall 6.5% revenue increase. In contrast, as shown by Settlement Agreement Attachment 1, ln. 17, the Settling Parties agreed to a total revenue decrease of $94.705 million, which is a 5.90% revenue decrease; however, I&M's case-in-chief increase did not include the removal of Rockport Unit 2 costs agreed upon in Cause No. 45546 that was recognized in arriving at the revenue decrease.

OUCC witness Eckert, in supporting approval of the Settlement Agreement, testified the consumer benefits from the Settlement Agreement include: (1) continuing the monthly residential customer charge of $15.00; (2) no increase to I&M's current 9.70% ROE; (3) limiting I&M's debt

to equity ratio in its WACC to no higher than 50.00% equity; (4) an annual PJM NITS cost cap; (5) retention of approximately $159 million in cost free capital that I&M proposed to remove from its capital structure through its NOLC adjustment, pending receipt of a PLR from the IRS; (6) removal of I&M's proposed $69.3 million (Indiana jurisdictional) OPEB asset from I&M's rate base; (7) an agreed limitation on customer deposits to no more than $50.00 for customers identified as LIHEAP participants or LIHEAP-eligible; and (8) additional benefits the Settling Parties negotated. Public's Ex. 15 at pp. 5-6. As further discussed below, the Commission concurs that the Settlement Agreement, in balancing all interests, fairly resolves this proceeding, is supported by the evidence, and should be approved.

The evidence before the Commission supporting the Muncie Settlement Agreement is, as discussed below, significantly less substantial and was primarily elicited from Petitioner and Muncie via Docket Entry responses. Muncie filed no settlement testimony supporting this agreement although 170 IAC 1-1.1-17(d) states, "The settlement must be supported by probative evidence."

A. Revenue Requirement.

1. Return on Equity, Capital Structure, and Rate of Return.[36]

a. Return on Equity. The record reflects the agreed 9.70% ROE is within the range of evidence the Settling Parties presented and is the same ROE the Commission found to be fair and reasonable under the totality of the circumstances in I&M's last base rate case, Cause No. 45235 which was contested. The OUCC supported the agreed ROE as reasonable and in ratepayers' interest, noting the agreed ROE benefits ratepayers by reducing the return on rate base reflected in customers' rates as compared to I&M's proposal. The Commission finds that as part of the Settlement Agreement, the agreed ROE balances the consumer parties' concerns while preserving Petitioner's financial integrity and should, therefore, be approved.

b. Capital Structure. The Settling Parties agreed that for purposes of calculating the Phase-In Rate Adjustment for Phase I rates, the debt/equity ratio will be 50.54%/49.46% through the close of the test year. For purposes of Petitioner's Phase II compliance filing, they agreed the debt/equity ratio will be adjusted to the December 31, 2022, actual ratio based on shareholder contributions of debt and equity but will be no higher than a 50.00% equity ratio. Settlement Agreement Section I.A.1.f. Mr. Williamson testified this agreement resolves a concern Mr. Gorman raised when challenging the forecasted change in the ratio. Mr. Eckert testified there are ratepayer benefits associated with the agreed capital structure. Public's Ex. 15 at p. 7. The Commission finds the negotiated agreement regarding I&M's capital structure is reasonable, is within the range of outcomes the parties presented, resolves concerns the Industrial Group raised, and should be approved.

c. NOLC. As Mr. Williamson explained, the NOLC affects the calculation of ADFIT which is included as cost free capital in the capital structure. Petitioner's Ex. 15 at p. 9. I&M's understanding is that the NOLC needs to be accounted for in the ADFIT balance as a deferred tax asset ("DTA") to comply with the IRS normalization rules. Petitioner's Ex. 15 at

[36] Joint Ex. 1 (Settlement Agreement) at Section I.A.1.a.

p. 9; therefore, Petitioner's filing included the NOLC DTA as part of the ADFIT to correct what I&M believes is an inconsistency to avoid a violation of the IRS normalization rules. Petitioner's Ex. 15 at p. 9. Mr. Williamson testified this approach has the effect of reducing the amount of cost free capital included in the capital structure. Some of the intervening consumer parties, however, contested I&M's conclusion regarding the normalization rules.

To resolve this issue, the Settling Parties agreed I&M will retain the approximately $159 million in cost free capital that Petitioner proposed be removed per I&M's proposed NOLC adjustment pending receipt of a PLR from the IRS. Petitioner's Ex. 15 at p. 10. Mr. Williamson stated to avoid a normalization violation if the IRS agrees with I&M's position, it is important the contested amounts be preserved and Petitioner have the ability to timely recognize the impact in rates if the PLR confirms I&M's position; therefore, pending receipt of an IRS PLR, the Settling Parties agreed the Commission should authorize I&M to establish a regulatory asset for the return associated with including the proposed NOLC adjustment in the calculation of ADFIT in I&M's capital structure. Settlement Agreement Section I.A.1.b.i.; Petitioner's Ex. 15 at p. 10. The regulatory asset will also be established for the amount of any differences in I&M's requested levels of protected and unprotected EADFIT amortization (*see* Settlement Agreement Sections I.A.1.d. and I.A.1.e.) and the settled levels of amortization. Petitioner's Ex. 15 at p. 10. Mr. Williamson stated the accrual of this regulatory asset will have an effective date equal to the effective date of the rates being implemented in this proceeding. If the IRS PLR determines that failure to reinstate the proposed NOLC ADFIT in calculating I&M's capital structure constitutes a normalization violation, I&M will initiate a limited proceeding to update I&M's Tax Rider to reflect the NOLC adjustments, along with any Commission-approved offsets, in rates on an ongoing basis and to recover the regulatory asset. I&M expects to implement this through a Tax Rider filing. Settlement Agreement Section I.A.1.b.ii. Mr. Williamson testified that if the IRS PLR determines there is no normalization violation created by not reinstating the NOLC ADFIT, the Settlement Agreement provides that the regulatory asset will be written-off and will not be recovered in rates. Settlement Agreement Section I.A.1.b.iii.; Petitioner's Ex. 15 at p. 11.

The Commission finds that with respect to NOLC, the Settling Parties have proposed a fair resolution as it provides customers the immediate benefit of a higher amount of cost-free capital in I&M's capital structure, while if the IRS finds a normalization violation would occur, the Settlement Agreement acknowledges the Settling Parties' right to challenge the continued benefit of I&M remaining in the AEP Tax Sharing Agreement on a going forward basis. *See* Intervenor IG Ex. 4 at p. 4; Petitioner's Ex. 15 at p. 11.

According to Mr. Williamson, during Petitioner's preparation of this case I&M discovered what I&M and its outside advisors believe is a normalization inconsistency which if not remedied will constitute a normalization violation. He stated that under the Internal Revenue Code ("IRC") safe harbor rules, this case is the "Next Available Opportunity" to correct this issue and avoid a potential normalization penalty. Petitioner's Ex. 15 at p. 9. The OUCC, IG, and the Joint Municipals do not agree a normalization issue exists. Public's Ex. 2 at p. 6; IG Ex. 1 at p. 37; Joint Municipal Ex. 2 at p. 4. The resolution proposed in the Settlement Agreement recognizes the IRS PLR process exists to allow the IRS to rule on matters regarding its tax rules; consequently, the Commission finds the Settlement Agreement provides a reasonable path forward to maintain an

unadjusted amount of zero cost capital pending potential clarification from the IRS regarding its normalization rules.

Accordingly, the Commission finds Section I.A.1. of the Settlement Agreement sets out a reasonable path for resolving the parties' differing perspectives upon the treatment of I&M's NOLC; therefore, the Commission approves the agreed NOLC treatment and grants I&M such accounting authority as necessary to implement the Settling Parties' related agreements.

d. Private Letter Ruling. As Messrs. Williamson and Eckert discussed, the Settling Parties negotiated a process that will allow the Settling Parties to have an opportunity to review the PLR request before it is submitted to the IRS and to be notified of any IRS requests for further information. Settlement Agreement Section I.A.1.c.; Petitioner's Ex. 15 at p. 11; Public's Ex. 15 at pp. 8-9. More specifically, under the Settlement Agreement the Settling Parties agree the IRS rules regarding normalization PLR requests contained in Appendix G of Internal Revenue Bulletin 2021-01 provide regulatory commissions and other interested parties certain participation rights in the PLR process. Per the Settlement Agreement, by agreeing to the terms of the settlement, the Settling Parties do not intend to limit the rights of the Commission, other interested parties, or noncompany Settling Parties from participating in the PLR process to the extent allowed under the IRS rules. Petitioner's Ex. 15 at pp. 11-12.

The record reflects American Electric Power ("AEP") has already initiated the PLR process for affiliates in other states. Petitioner's Ex. 15 at p. 12. If an AEP affiliate receives a PLR on this issue before I&M, I&M has agreed to provide the Settling Parties with a copy of the affiliate PLR, subject to a non-disclosure agreement, within ten business days. Petitioner's Ex. 15 at p. 12. Before I&M's PLR request is submitted to the IRS, I&M will provide a confidential draft of this PLR to the noncompany Settling Parties and will confer on a neutral description of the facts and Settling Parties' positions in the PLR request to objectively frame the issue while adhering to IRS guidelines and requirements. Under the Settlement Agreement, the noncompany Settling Parties will provide feedback to I&M on the draft PLR within five business days after receiving the PLR draft, and I&M will convene a virtual meeting to discuss this feedback on the sixth business day following transmittal to the noncompany Settling Parties.

The Settling Parties' negotiated process recognizes that as the signatory to the PLR, I&M will make the final determination upon the PLR contents but will also make good faith efforts to incorporate timely, reasonable feedback from the noncompany Settling Parties. Petitioner's Ex. 15 at p. 12. Meanwhile, the Settling Parties each retain their respective right to communicate with the IRS regarding the PLR as set forth in Internal Revenue Bulletin 2021-01 at page 103. Petitioner's Ex. 15 at p. 12; Attachment AJW-8-S (page 103). If the IRS requests additional information related to the PLR request, under the Settlement Agreement I&M will provide the noncompany Settling Parties with timely, meaningful notice of this IRS request before a response is due and provide a copy of I&M's response once made. Petitioner's Ex. 15 at p. 12. The Settlement Agreement also provides that Petitioner will file notice of the results of the ruling with the Commission and notify the Settling Parties within ten business days of receiving the PLR. Settlement Agreement Section I.A.1.c.iv.

Per the Settlement Agreement, no Settling Party will have waived any position in a subsequent case with respect to whether I&M may recover its costs associated with the PLR Request. Settlement Agreement Section I.A.1.c.v.; Petitioner's Ex. 15 at p. 13. To permit the Commission to make the necessary findings consistent with the terms of the Settlement Agreement, I&M has waived confidential treatment of: (1) the fact of its request for a PLR and (2) the overall results of the PLR. Settlement Agreement Section I.A.1.c.vi.; Petitioner's Ex. 15 at p. 13.

Based upon the settlement testimony, the Commission finds the Settlement Agreement provides a means to obtain a final resolution from the IRS on this issue while limiting Petitioner's financial risk if the IRS ultimately determines an adjustment to the treatment of ADFIT is necessary to avoid a normalization violation. Accordingly, the Commission finds the Settling Parties' negotiated process by which I&M will seek an IRS PLR is reasonable and should be approved; provided, I&M is directed to expeditiously initiate and complete the PLR filing process and confirm via a compliance filing under this Cause, within 14 days of this Order, the anticipated timeline associated with making this filing. Additionally, within ten business days of receiving the PLR, I&M is directed to file notice in this Cause of the results of the ruling and notify the Settling Parties consistent with the Settlement Agreement.

e. Tax Rider. Mr. Williamson testified the Commission's order in I&M's last rate case authorized I&M to implement the Tax Rider to address the ongoing rate impacts of TCJA. In this matter, I&M proposed to also use the Tax Rider to address any future changes in corporate federal income tax rates. This was opposed by multiple parties. The Settlement Agreement provides that the Tax Rider will serve only two purposes: (1) to credit customer rates for the remaining benefits associated with unprotected EADFIT as defined in the Settlement Agreement and (2) to implement ratemaking adjustments associated with an IRS PLR that requires I&M to make its proposed NOLC adjustment. Settlement Agreement Section I.A.1.d.; *see* Petitioner's Ex. 15 at pp. 13-14.

As explained by Mr. Williamson, simultaneous with implementing its new base rates, I&M will implement a Tax Rider to credit customer rates for the remaining benefits associated with unprotected EADFIT. Petitioner's Ex. 15 at p. 14. The Settling Parties also agreed to increase the amount of monthly amortization, Petitioner's Ex. 15 at p. 14, advancing the benefit of this amortization to customers. As a result, the amortization credit in the Tax Rider is expected to expire before the end of the test year. Petitioner's Ex. 15 at p. 14.

The Settlement Agreement further provides that for purposes of setting rates in this proceeding for the Tax Rider, I&M agrees not to adjust the remaining balance of unprotected EADFIT for any NOLC impact and agrees to a $14,623,272 (Indiana jurisdictional) EADFIT credit as Joint Municipals witness Cannady proposed and a seven-month amortization period. Settlement Agreement Section I.A.1.d.; *see* Petitioner's Ex. 15 at p. 14. The total monthly EADFIT amortization to be credited to customers will be grossed up for taxes at a rate of 1.3580 and will include a carrying charge on the unamortized balance based on the pre-tax WACC approved in this proceeding. Per the Settlement Agreement, I&M will reconcile the Tax Rider to reflect its actual unprotected EADFIT amortization and the monthly remaining balance. Settlement Agreement Section I.A.1.d.; *see* Petitioner's Ex. 15 at p. 14.

The Commission finds the Settling Parties' agreement upon the scope of the Tax Rider and its implementation is reasonable and should be approved.

f. Net Operating Income. The Settling Parties agree I&M's authorized base rate net operating income will be $296,733,906, calculated as follows:

Income Requirement	$ 296,288,136
Remove Transmission Owner Costs, Revenues	$ 605,355
Gross Revenue Conversion Factor	1.3580
After Tax	$ 445,770
Total Base Rate Net Operating Income	$ 296,733,906

Settlement Agreement Section I.A.1.g.; *see* Petitioner's Ex. 15 at pp. 15-16, Figure AJW-2. The Commission finds the agreed net operating income is reasonable and should be approved.

2. Rockport Unit 2 Costs.[37] Subsequent to I&M filing its case-in-chief, I&M and the other parties in Cause No. 45546 entered into a settlement agreement regarding the treatment of the Rockport Unit 2 costs after the lease ends. This agreement was approved by the Commission on December 8, 2021. Consistent with the Cause No. 45546 settlement agreement, the Settling Parties in this proceeding agreed to remove lease costs and all other costs and expenses associated with Rockport Unit 2 from rates.

As discussed by Mr. Williamson, the Settlement Agreement sets forth a process to efficiently achieve the agreed removal of Rockport Unit 2 costs. Petitioner's Ex. 15 at pp. 16-17. Under the Settlement Agreement, removal of Rockport Unit 2 costs from rates is achieved via the relevant tracking mechanisms. Petitioner's Ex. 15 at p. 17. Essentially, the Settling Parties agreed almost all costs related to Rockport Unit 2 will be removed from base rates immediately upon implementation of the new base rates associated with approval of the Settlement Agreement and recovered either through the riders by which they are already recovered or through a special charge included in the PRA Rider. Intervenor IG Ex. 4 at pp. 4-5. The direct costs of owning and operating Rockport Unit 2 will not be the responsibility of I&M's retail customers after the lease ends on December 7, 2022, per the settlement approved in Cause No. 45546. Prospectively, Unit 2 will be used to fulfill a small share of I&M's capacity needs through May 2024, but compensation for that service will be paid based upon PJM capacity market prices. Public's Ex. 15 at p. 7.

a. Phase I Base Rates. I&M agreed to remove from its base rates the revenue requirement of approximately $141 million of Rockport Unit 2 costs, as identified in Settlement Agreement Attachment 2, at the time new base rates are implemented (Phase I). Settlement Agreement Section I.A.2.a.; *see* Petitioner's Ex. 15 at p. 16.

b. Phase-In Rate Adjustment. The Settling Parties agreed that upon implementation of new Phase I base rates, I&M will simultaneously implement a temporary

[37] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.2.

charge through its PRA (*i.e.*, the "PRA Rockport Unit 2 Charge"), by which I&M will continue to recover the costs and expenses associated with Rockport Unit 2 that will not be tracked in other riders. Petitioner's Ex. 15 at p. 17. More specifically, when I&M implements new base rates (Phase I) it will simultaneously implement the PRA, which will be computed based on two credits and one charge. Petitioner's Ex. 15 at p. 17. The charge is to continue recovering Rockport Unit 2 related costs through the end of the lease or December 7, 2022; provided, that if I&M determines the PRA Rockport Unit 2 Charge has resulted in full recovery of Rockport Unit 2 costs before December 8, 2022, Petitioner shall cease collecting this charge. The PRA will be adjusted during the test year to remove the PRA Excluded Capacity Credit and PRA Rockport Unit 2 Charge according to the terms of the Settlement Agreement.

Per Section I.A.2.b. of the Settlement Agreement, the PRA Rockport Unit 2 Charge will include the following:

i. A return on a fixed $15,143,223 (Indiana jurisdictional) level of fuel and consumables inventory through December 7, 2022, at I&M's Phase I WACC grossed up for taxes.

ii. I&M's recovery of the prorated share of a fixed $1,035,878 (Indiana jurisdictional) annual level of fuel handling and disposal expenses through December 7, 2022.

iii. I&M's recovery of its Rockport Unit 2 lease expense incurred through the end of calendar year 2022, based on the prorated share of I&M's annual $48,924,630 (Indiana jurisdictional) lease expense. Since the PRA Rockport Unit 2 Charge will end on December 8, 2022, I&M's Rockport Unit 2 lease expense will be grossed up to recognize the full annual lease expense for calendar year 2022 for purposes of setting the PRA Rockport Unit 2 Charge.

iv. I&M's recovery of the prorated share of a fixed $13,240,324 (Indiana jurisdictional) annual level of other O&M expense ($12,177,941) and property tax expense ($1,062,383) through December 7, 2022.

v. The revenue requirement for implementing the PRA Rockport Unit 2 Charge will be allocated and retail rates will be designed consistent with the Settling Parties' agreed allocation methodology for demand and energy costs used in I&M riders to arrive at the agreed rider revenue allocation shown in Settlement Attachment 3.

Settlement Agreement Section I.A.2.b.; *see* Petitioner's Ex. 15 at p. 18. Mr. Williamson testified this approach allows for the removal of the Rockport Unit 2 costs from the revenue requirement in a reasonable and efficient manner.

c. ECR and RAR. Section I.A.2.c. of the Settlement Agreement provides that upon the implementation of new Phase I base rates, I&M will simultaneously implement new ECR and RAR rates to continue recovering the Rockport Unit 2 costs and expenses currently recovered through those riders through the term of the lease. *See* Petitioner's Ex. 15 at p. 19. I&M will make a filing in 2022 to revise its ECR and RAR rates to be effective with the first billing cycle in January 2023 to exclude the Rockport Unit 2 ECR and RAR costs that are no longer

recoverable after the end of the lease. The Settlement Agreement clarifies the Rockport Unit 2 related cost components of the ECR and RAR factors and how those costs will be treated in the future for ratemaking purposes.

Thus, the Settling Parties identified the costs that will be removed from base rates while maintaining recovery of these costs during the term of the Rockport Unit 2 lease and agreed upon an efficient process for implementing their agreement. Petitioner's Ex. 15 at p. 20. The Commission finds the negotiated settlement reasonably resolves the issues regarding these Riders.

d. Fuel. Section I.A.2.d. of the Settlement Agreement addresses the treatment of Rockport Unit 2 costs in I&M's FAC proceedings and sets out the base cost of fuel. The Settling Parties agree I&M will recover its actual Rockport Unit 2 FAC eligible fuel expenses incurred through December 7, 2022. I&M's base cost of fuel will include $28,185,922 (total company), $19,608,596 (Indiana jurisdictional), in embedded Rockport Unit 2 fuel costs that will serve as a proxy for I&M's replacement purchased power when Rockport Unit 2 is no longer used for retail energy needs. This amount is incorporated into I&M's fuel basing points of 13.110 mills per kWh, which will be reconciled to actual fuel costs in I&M's FAC proceedings. Petitioner's Ex. 15 at p. 21. Continuing to include Rockport Unit 2 fuel expense in I&M's FAC basing point recognizes that at times I&M will have to purchase power from PJM and allows for a basing point that reasonably recognizes the amount of energy that may be needed to serve I&M's Indiana customers. Petitioner's Ex. 15 at p. 21.

The Commission finds the agreed process provides for the removal of the Rockport Unit 2 costs from base rates in a reasonable and efficient manner. Among other things, the use of the PRA Rockport Unit 2 Charge avoids the need for I&M to prepare, and all the parties and the Commission to review, two sets of tariffs and associated compliance support. It provides an efficient and transparent approach for timely removal of these costs from base rates while maintaining recovery of these costs during the lease term. Accordingly, the Commission finds this provision of the Settlement Agreement is reasonable.

3. Remaining Rockport Unit 2 Net Book Value at December 7, 2022.[38] In Section I.A.3. of the Settlement Agreement, the Settling Parties resolve their differing views on I&M's recovery of the remaining Rockport Unit 2 net book value at the end of the lease by identifying the negotiated amount that will be recoverable and agreeing such recovery will occur on a levelized basis. When I&M makes its PRA compliance filing to implement final base rates (*i.e.*, Phase II), I&M will adjust the PRA to remove the remaining net book value of Rockport Unit 2 of $77,687,384 (Indiana jurisdictional) from rate base. At that time and going forward through December 31, 2028, I&M will be permitted to recover a total of $95,639,514 (Indiana jurisdictional) associated with the net book value of Rockport Unit 2, on a levelized basis, in I&M's ECR (or alternative rate adjustment mechanism if the ECR is discontinued). The final PRA compliance filing, to be made in January 2023, will result in final PRA tariff rates that will be applicable until I&M implements new base rates in its next general rate case. Petitioner's Ex. 15 at p. 22. The Commission finds this is a reasonable means to effectuate the recovery of the remaining Rockport Unit 2 net book value at the end of the lease.

[38] Joint Ex. 1 (Settlement Agreement) at Section I.A.3.

4. Jurisdictional Reallocation.[39] The OUCC, IG, and Joint Municipals took the position that the excluded capacity adjustment the Commission ordered in Cause No. 45235, or some version of that adjustment, should continue at least until the Rockport Unit 2 lease ends on December 7, 2022, at which point I&M will no longer have the excess capacity that supported the Commission's prior decision. In its rebuttal, I&M contested this position, contending Petitioner needs to meet its PJM capacity obligation as of June 1, 2022, and that is the time I&M will be short the capacity necessary to meet that obligation, absent other arrangements. Petitioner's Ex. 14 at p. 16.

The negotiated settlement resolves this issue by I&M agreeing to temporarily reflect in ratemaking the effect of the excluded capacity from Cause No. 45235, beginning with the implementation of new base rates (Phase I) in this Cause through December 7, 2022, via the proposed PRA Excluded Capacity Credit. Settlement Agreement Section I.A.4. Per Mr. Williamson, I&M will implement Phase I rates and simultaneously implement a temporary PRA Excluded Capacity Credit to credit customers for excluded capacity costs consistent with the 45235 Order, with the credit eliminated from the PRA on a service-rendered basis effective December 8, 2022. Petitioner's Ex. 15 at p. 23. The credit will be developed based on a monthly amount of $4,702,533 offset by the fixed annual level of retained capacity and Off System Sales revenues of $24,926,096, prorated to a monthly level of $2,077,175, for a net monthly credit of $2,625,358. Petitioner's Ex. 15 at p. 23. I&M will revise the PRA to remove the PRA Excluded Capacity Credit by submitting a compliance tariff to the Commission in this Cause. Since this change will fully eliminate this component, and the impact to the PRA is limited to the calculations associated with removing this component of the PRA factors, I&M asks the Commission to expeditiously approve the revision. Petitioner's Ex. 15 at p. 23.

IG witness Gorman testified Section I.A.4. of the Settlement Agreement fairly reflects adherence to the 45235 Order during most of the test year and the change that will occur in I&M's capacity position after December 7, 2022, when the Rockport Unit 2 lease expires. Intervenor IG Ex. 4 at p. 4.

The Commission finds the negotiated agreement regarding the treatment of the excluded capacity reasonably resolves this issue. The Commission further finds I&M's proposal to submit a compliance tariff in this docket (Cause No. 45576) to eliminate the PRA Excluded Capacity credit from the PRA factors is acceptable.

5. PJM NITS Costs.[40] Section I.A.5. of the Settlement Agreement balances I&M's need for timely cost recovery of PJM NITS costs with the Industrial Group's interest in understanding the investments underlying the PJM rate adjustment mechanism. Petitioner's Ex. 15 at p. 24. The Commission finds the negotiated compromise establishes a defined cap on increases between general rate cases. Under the Settlement Agreement, I&M will provide the same annual presentation to noncompany Settling Parties on a going forward basis that has previously been provided to the Michigan Public Service Commission. This will provide additional detail regarding supplemental projects consistent with the information provided through the PJM stakeholder process. Settlement Agreement Section I.A.5.

[39] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.4.
[40] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.5.

As agreed by the Settling Parties, an annual cap will be placed on the PJM NITS costs recorded to FERC accounts 4561035 and 5650016 and recovered through the Off System Sales/PJM ("OSS/PJM") Rider at I&M's Indiana jurisdictional amount forecasted for 2024, plus 15%, which totals $381.3 million (Indiana jurisdictional). Settlement Agreement Section I.A.5. These are the same FERC accounts that were reflected in the settlement agreement approved in Cause No. 44967. Petitioner's Ex. 15 at p. 24. If annual NITS costs recorded to FERC accounts 4561035 and 5650016 exceed $381.3 million in any year, I&M will defer to a regulatory asset the revenue requirement associated with the excess amount, including ongoing carrying costs at the pre-tax WACC, for recovery in I&M's next base rate case. The remaining NITS costs up to the annual cap level will continue to be recovered through I&M's OSS/PJM Rider, and all other costs and revenue credits will be included in the OSS/PJM Rider as I&M proposed. Petitioner's Ex. 15 at p. 24.

The record reflects PJM NITS are a significant expense borne by I&M's customers. As Mr. Dauphinais observed, PJM NITS costs are forecasted to continue to increase; consequently, an annual cap helps ensure customers face a limit on these increases in any given year. Intervenor IG Ex. 5 at p. 3. The Commission finds the agreed annual cost cap provides flexibility, allowing I&M to recover costs over or under its annual forecasted amounts, plus an additional 15%, while limiting the PJM NITS cost recovery from ratepayers through the PJM Rider during the designated period. For I&M, the creation of a regulatory asset including carrying costs reduces uncertainty regarding future cost recovery of amounts in excess of the annual cap and recognizes the time value of money impact of the delayed recovery. Based on the settlement testimony, the Commission finds the Settling Parties' agreement with respect to the treatment of PJM NITS costs is a reasonable compromise and within the range of outcomes the evidence supports.

6. AMI.[41] In its case-in-chief I&M included an AMI in-service investment through the end of the test year in rate base and sought approval of the AMI deployment and authority to implement an AMI Rider to track post test year investment.[42] Other parties opposed the AMI Rider.[43] In the Settlement Agreement, the Settling Parties agreed to include I&M's capital forecast period (2021-2022) AMI capital of $54.649 million and O&M costs of $4.77 million in the base rates set in this Cause. Settlement Agreement Section I.A.6. I&M agreed to withdraw its request for an AMI rider. Under the Settlement Agreement I&M is not prevented from seeking recovery of additional AMI investment and O&M costs in its next base rate case(s), and the noncompany Settling Parties agree to not challenge the reasonableness of I&M's transition from AMR meters to AMI meters or the reasonableness of I&M's four-year deployment plan, as presented in this Cause, in a future proceeding. Settlement Agreement Section I.A.6. I&M also agreed to notify its customers about Petitioner's ability to remotely disconnect customers with AMI meters. Public's Ex. 15 at p. 12. The Commission finds this agreement resolves the AMI deployment question, provides a reasonable level of ratemaking support and assurance with respect to I&M's proposed AMI program, and is generally consistent with our approval in I&M's last rate case.

[41] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.6.
[42] Petitioner's Ex. 2 at pp. 36-40; Petitioner's Ex. 7 at pp. 34-41.
[43] Public's Ex. 5 at pp. 4-10; Public's Ex. 11 at pp. 9-11, Jt. Municipals Ex. 2 at pp. 23-26.

7. Rate Base.[44] In its case-in-chief, I&M's proposed rate base was identified in Petitioner's Ex. 43 (Financial Exhibit A), Exhibit A-6. Other parties challenged including the prepaid pension and OPEB assets in rate base, as well as certain aspects of I&M's distribution investment plan.[45] The Settlement Agreement provides for reductions to I&M's test year rate base. As discussed below, the Commission finds the agreed provisions reasonably resolve the contested issues while recognizing ongoing capital investment is necessary to maintain safe, reliable, efficient, and environmentally compliant service.

a. Pre-Paid Pension and OPEB Assets. The prefiled testimony demonstrates the dispute regarding the OPEB and Pre-Paid Pension Assets. Mr. Williamson and OUCC witness Eckert testified that in the Settlement Agreement, the Settling Parties agree rate base will include the pre-paid pension asset in the amount of $80.7 million (total company), $58.1 million (Indiana jurisdictional), and to the removal of $96,252,892 (total company), $69,324,472 (Indiana jurisdictional) OPEB prepayment asset from rate base. Petitioner's Ex. 15 at p. 26; Public's Ex. 15 at pp. 12-13.

The Commission has previously approved inclusion of a prepaid pension asset in I&M's rate base in Cause Nos. 44075, 44967, and 45235. The Commission finds the Settlement Agreement compromise reasonably resolves the parties' differing views upon the treatment of the Pre-Paid Pension and OPEB Assets.

b. Non-Rockport Unit 2 Miscellaneous Rate Base Adjustments. Section I.A.8. of the Settlement Agreement reflects that for purposes of calculating the revenue requirement used to set base rates, I&M will reduce its proposed rate base by $26.4 million. This reduction consists of: (1) $3,783,088 in EV Fast Charging costs; (2) $568,770 Flex Pay Program costs; (3) $2,023,141 unamortized COVID-19 deferred bad debt expense; and (4) $20 million of forecasted distribution plant investment. The Settlement Agreement provides that nothing in the agreement precludes I&M from seeking to include the removed items in its cost of service in a future case. Settlement Agreement Section I.A.8. The Commission finds the negotiated agreement regarding miscellaneous rate base adjustments reasonably resolves the related concerns raised in this proceeding.

8. Depreciation Rates.[46] The Settlement Agreement provides for a $10 million reduction in depreciation expense but otherwise does not change I&M's proposals regarding depreciation, including the proposal to determine I&M's depreciation expense for the Rockport Plant as a whole. Settlement Agreement Sections I.A.9.a. and I.C. Proposed depreciation rates that implement the agreed $10 million expense reduction were provided in Petitioner's Ex. 15, Attachment AJW-2-S. The Commission finds the Settling Parties' agreements upon depreciation expenses are reasonable, including I&M's proposal to determine its depreciation expense for the Rockport Plant as a whole, and should be approved.

[44] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.7. and 8.
[45] Public's Ex. 2 at pp. 52-62; Intervenor IG Ex. 2 at pp. 24-31.
[46] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.9.a.

9. Other Operating Expense Adjustments As Messrs. Williamson and Eckert testified, the Settling Parties also agreed to adjustments to test year expenses. Petitioner's Ex. 15 at p. 28; Public's Ex. 15 at p. 13. This agreement does not, however, preclude I&M from seeking recovery of these types of expenses in a future case. Settlement Agreement Section I.A.9. These adjustments reduce I&M's revenue deficiency and provide savings to customers. As discussed below, the Commission finds these terms of the Settlement Agreement are within the range of the evidence and reasonably resolve the contested issues related to these expenses.

a. Nuclear Decommissioning. The parties contested whether nuclear decommissioning funding should remain at its current level as I&M originally proposed or be reduced to zero as the OUCC proposed.[48] The Settlement Agreement provides for a $2 million decrease in nuclear decommissioning expense. Settlement Agreement Section I.A.9.b. The Settling Parties agree that I&M may seek to adjust the funding level of the Nuclear Decommissioning Trust based on future analysis of its adequacy to pay for decommissioning. The Commission finds this reasonably balances the consumer party concerns that the Nuclear Decommissioning Trust Fund is already adequately funded with I&M's concern regarding the potential for a shortfall.

b. Deferred COVID-19 Bad Debt Expense. The Settling Parties accepted OUCC witness Blakley's proposal to reduce the incremental COVID-19 bad debt expense amortization by $293,773. Settlement Agreement Section I.A.9.c.; *see* Petitioner's Ex. 15 at p. 28, Public's Ex. 15 at p. 13. Mr. Williamson stated that while I&M disagrees with the basis for the OUCC's proposed adjustment, in the context of the overall settlement, Petitioner accepted this proposal as part of the goal of mitigating the impact of this case on customer rates. Petitioner's Ex. 15 at p. 28. The Commission finds this compromise reasonably resolves this contested issue.

c. Other Test Year O&M. The Settlement Agreement provides for an additional $4 million reduction in test year O&M. Settlement Agreement Section I.A.9.d. This provision recognizes that other aspects of I&M's test year O&M forecast were challenged. Mr. Williamson testified Petitioner stands behind its forecasting process, but in the spirit of compromise, I&M agreed to reduce forecasted O&M by $4 million. Petitioner's Ex. 15 at p. 28. The Commission finds this reasonably resolves the issue regarding test year O&M and is within the scope of the evidence the parties presented.

10. Other Provisions.[49] Additional provisions of the Settlement Agreement are addressed below.

A. OUCC Report in FAC. As discussed by Messrs. Williamson and Eckert, I&M agreed to the OUCC prospectively having a 35-day review period in Petitioner's FAC proceedings, starting with Cause No. 38702 FAC 89, which I&M expects to file in late July 2022 or early August 2022. Settlement Agreement Section I.A.10.a.; Petitioner's Ex. 15 at p. 29; Public's Ex. 15 at p. 10. While I&M has historically disputed the need for this lengthened review, the OUCC has raised the issue before, and per Mr. Eckert, the OUCC believes a 35-day review

[47] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.9.b-d.
[48] Petitioner's Ex. 21 at pp. 4-24; OUCC Ex. 1 at pp. 11-14.
[49] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.10.

period is necessary to provide the OUCC adequate time to review I&M's six-month FAC filing and issue appropriate discovery to evaluate and address any issues. Public's Ex. 15 at p. 10. The Commission finds the Settling Parties' agreement upon this 35-day review period is reasonable and should be approved.

B. Vegetation Management. I&M agreed to include vegetation management reliability statistics in its Cause No. 44967 performance metrics report. Settlement Agreement Section I.A.10.b. As discussed in the rebuttal testimony of I&M witness Isaacson, Petitioner already reports its annual level of vegetation management investment and SAIDI statistics from tree-related outages in this report. Petitioner's Ex. 8 at p. 3; Petitioner's Ex. 15 at p. 30. The Settlement Agreement accepts OUCC witness Eckert's recommendation that I&M add to this report System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI") statistics for tree-related outages. Petitioner's Ex. 15 at p. 30. The Commission finds this additional information will assist the Commission and interested stakeholders in monitoring I&M's vegetation management program, and SAIFI and CAIDI statistics for tree-related outages should, therefore, be added to I&M's reporting as agreed. We note that while I&M demonstrated a 30% decrease in SAIDI outages, continued improvement from this program is important, and these additional reliability statistics should aid in analyzing this progress.

C. Notification of Disconnection of Service. As part of the Settlement Agreement, I&M agreed to notify its customers via bill insert, text, and email of I&M's ability to remotely disconnect/reconnect. Settlement Agreement Section I.A.10.c. This notice shall identify a customer's rights prior to disconnection, including a description of the process I&M will use when attempting to contact its customers before a remote disconnection, and provide information on how to contact I&M's customer service department and LIHEAP. The notice will also provide information on how to add an email address and/or mobile phone number to receive Petitioner's notifications. The record shows the OUCC did not oppose I&M's remote disconnect/reconnect rule waiver request, subject to the OUCC's recommendation regarding customer notification. Petitioner's Ex. 4 at pp. 35-36. The Commission finds the negotiated compromise in the Settlement Agreement reasonably balances the consumer parties' interest in affording customers additional notice with the need for such communications to be issued effectively and efficiently.

D. Solar Power Rider. As part of the Settlement Agreement, I&M agreed to withdraw its request to change the name of the Solar Power Rider and to not make related tariff language modifications. Settlement Agreement Section I.A.10.d. This resolves the concern the Joint Municipals raised as to the purpose of I&M's original name change proposal. This agreement is without prejudice to seek a name change and related tariff language modifications in a future proceeding. The Commission finds these agreements reasonably mitigate controversy in this rate case while preserving I&M's option to make this proposal in the future.

E. Flex Pay Program. As part of the negotiated settlement, I&M agreed to withdraw its request to implement the Flex Pay Program without prejudice to seek approval of such a program in the future. Settlement Agreement Section I.A.10.e. If I&M pursues such a prepaid program in the future, I&M agreed its proposal will reflect that Petitioner will (i) not market to customers facing disconnection for non-payment or customers concerned about the

deposit amount required by I&M; (ii) market the program as a voluntary service; and (iii) ensure customers can purchase service credits 24 hours per day, seven days per week via phone or internet with no transaction fees. Settlement Agreement Section I.A.10.e. I&M also agreed to meet with interested stakeholders, including CAC, prior to again filing for this program to receive input on the development of the program, including concerns related to the winter disconnection moratorium under Ind. Code § 8-1-2-121. Petitioner's Ex. 15 at pp. 31-32. The Commission finds this resolution reasonably affords I&M the opportunity to gather stakeholder input that may reduce or avoid controversy in a future proceeding.

F. Electric Vehicle Fast Charging Program. As part of the Settlement Agreement, I&M agreed to withdraw its request to implement the EV Fast Charging program, without prejudice to seek approval for such a program in the future. Settlement Agreement Section I.A.10.f. The Commission finds this will enable I&M to gather and further consider stakeholder input in designing this program, Petitioner's Ex. 15 at p. 32, and reasonably resolves this issue.

G. I&M-funded Customer Benefits. In Section I.A.10. of the Settlement Agreement, I&M agreed to make certain contributions to various customer programs that are excluded from I&M's cost of service used to determine rates. Public's Ex. 15 at p. 11; Petitioner's Ex. 15 at pp. 32-34. More specifically, I&M agreed to fund $175,000 per year in 2022 and 2023 to continue the low-income arrearage forgiveness program currently in place as a result of the settlement agreement in Cause No. 44967 and to exclude these costs from I&M's cost of service. Settlement Agreement Section I.A.10.g. This funding is responsive to CAC witness Howat's proposal for low-income customer assistance, including an arrearage management component. CAC Ex. 1 at p. 15; Petitioner's Ex. 15 at pp. 32-33.

I&M also agreed that customer deposits for customers identified as LIHEAP participants or LIHEAP-eligible will not exceed $50.00. Settlement Agreement Section I.A.10.h. This is responsive to the recommendation Mr. Howat made based on his view that a large deposit for new or restored service can be extremely burdensome for income qualified customers. CAC Ex. 1 at p. 23; Petitioner's Ex. 15 at p. 33. According to Mr. Williamson, this commitment will allow I&M to gain insight regarding how to help customers who are challenged to pay their electricity bill. In its docket entry responses, I&M stated that to the extent the deposit for LIHEAP customers is capped at $50.00, this may also mitigate the cost of collection, bad debt expense, and the associated cost of customer support, benefitting all customers going forward because such costs are reflected in the retail revenue requirement used to establish rates. In addition, because all consumers are at risk of financial hardship, I&M averred that the proposed deposit cap is a reasonable additional means of facilitating and exploring home energy security.

I&M will also provide a $150,000 contribution to the community action program network of the Indiana Community Action Association to facilitate low-income weatherization in I&M's service territory including, but not limited to, using funds to address health and safety issues preventing weatherization and to assist in bill payment and deposit assistance for I&M LIHEAP eligible households. Settlement Agreement Section I.A.10.i. I&M's cost of service in this Cause is not being adjusted to include the incremental costs of this contribution. Settlement Agreement Section I.A.10.i. Additionally, I&M agreed to contribute $100,000 to the Indiana Utility Ratepayer Trust. Settlement Agreement Section I.A.10.j. Petitioner's cost of service in this Cause is also not

being adjusted to include the incremental cost of this contribution. The Commission finds the contributions and programs agreed upon in the Settlement Agreement were shown to provide benefits for I&M and/or its customers and are reasonable as part of the negotiated settlement.

11. Cost of Service and Rate Design.[50]

A. Revenue Allocation.[51] Section I.B.2 of the Settlement Agreement sets forth the Settling Parties' agreement that rates be designed to allocate the revenue requirement to and among I&M's customer classes in a fair and reasonable manner. The Settlement Agreement Attachment 3 specifies the revenue allocation the Settling Parties agreed to. Petitioner's Ex. 15 at p. 35. Per the Settlement Agreement, this revenue allocation is strictly for settlement purposes and is without reference to any specific cost allocation methodology. Mr. Williamson's Attachment AJW-3-S (Public) updates Attachments JLF-2 and JLF-3 to reflect the Settlement Agreement and provides supporting details, including the customer class revenue allocation factors and detailed base rate, rider, and total bill increase by class.

Mr. Eckert testified the Settling Parties negotiated a fair and reasonable revenue class allocation to allocate the costs of service among all rate classes, Public's Ex. 15 at p. 13, with the OUCC concluding it is a fair compromise. Mr. Dauphinais testified the Settlement Agreement includes an agreed revenue allocation that is without reference to any specific allocation methodology and, therefore, the Commission is not being asked to make findings upon any specific allocation methodology. He stated that given the difference of opinions among the Settling Parties on the proper method of cost allocation, he believes this is an important term that reflects the Settling Parties' overall efforts to put aside their differences to arrive at a result that is within the range of outcomes presented in the evidence and is a fair allocation of the overall revenue requirement among the various rate classes.

The record reflects the Settling Parties negotiated and resolved their differences with respect to the method of cost allocation through the Settlement Agreement. Settlement Agreement Section I.B.2. The Commission finds the Settling Parties' agreement with respect to the revenue allocation is within the range of outcomes the evidence supports and is reasonable.

B. Residential Rate Design.[52] Mr. Williamson testified that while I&M has firmly held positions regarding the application of cost of service and cost recovery principles to residential rate design, I&M also recognizes the passion this issue evokes. He stated the divergence of views made this issue challenging to resolve. Ultimately, the Settling Parties agreed to small changes to the rate design the Commission approved in I&M's last basic rate case. More specifically, Mr. Williamson stated the Settling Parties agreed to keep I&M's fixed monthly charge for Residential Electric Service - Tariff R.S. ("Tariff R.S.") at $15.00. Settlement Agreement Section I.B.1; Petitioner's Ex. 15 at p. 35. The Settling Parties also agreed the fixed monthly charge for Residential Time-of-Day Service (Tariff R.S.-TOD and Tariff R.S.-TOD2) will increase to $17.00. Settlement Agreement Section I.B.1; Petitioner's Ex. 15 at p. 35.

[50] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.
[51] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.2.
[52] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.1.

Mr. Eckert testified the OUCC's longstanding position is that a residential customer charge should not reflect more than the direct cost of connecting a customer to the distribution system from the standpoint of economic efficiency and regulatory policy. Public's Ex. 15 at p. 14. He noted that in its direct case, I&M proposed a 33% or $5.00 increase in the residential fixed charge from $15.00 to $20.00, but through compromise, the Settling Parties agreed to maintain the monthly customer charge of $15.00 for Rate RS.

The record demonstrates residential rate design issues were the subject of much testimony and that the monthly customer charge was the subject of deliberate negotiations. Petitioner's Ex. 15 at p. 34; Public's Ex. 15 at p. 14. Under the Settlement Agreement, I&M's Tariff R.S. residential customer charge will remain at $15.00 per month, and the fixed monthly customer charge for residential Time-of-Day Service will increase to $17.00. Settlement Agreement Section I.B.1. This more gradual movement in the fixed charge for residential Time-of-Day Service and maintenance of the current fixed charge for most residential customers are supported by the evidence and resolve these disputed issues. The Commission, therefore, finds the negotiated compromise upon the residential rate design is reasonable.

C. Commercial and Industrial Rate Design.

1. Tariff IP Design.[53] The Settling Parties agreed to a Tariff IP rate design that produces agreed energy and demand charges as set out in Settlement Attachment 3. Settlement Agreement Section I.B.3. To correspond with acceptance of I&M's proposed change in Tariff IP billing demands from kVA to kW, the settlement demand charges were increased to reflect the approximate average power factor (kW per kVA) for each voltage level of Tariff IP. Consistent with this change, the reduced amount of residual demand-related costs includes the first 410 kWh per kW energy block. *See* Petitioner's Ex. 15 at p. 36.

In supporting the settlement, Mr. Dauphinais testified that in his direct testimony he raised concerns with I&M's proposed design for Tariff IP. He was concerned that I&M proposed to shift demand-related costs into the first block energy charge as a result of a shift from kVA billing demand to kW billing demand units, a shift that resulted, due to the conversion factor, in a reduction of billing determinants from which to collect demand-related charges. Mr. Dauphinais proposed that all demand-related costs be removed from the energy charges and placed back into the demand charges. He stated this is essentially what was done in arriving at the rates included in the settlement. Because each sub-class of Tariff IP had a different percentage change in demand units, primarily due to their respective power factors, the Settling Parties agreed to adjust the demand charges by an amount that roughly reflected that change. While this could not be done perfectly for all sub-classes without producing anomalous results that would encourage inefficiencies, he testified the result is much closer to cost-of-service rate design than I&M's initial proposal. Intervenor IG Ex. 5 at p. 5. Mr. Dauphinais added that while the design does not perfectly move all demand-related costs out of the energy charges for all sub-classes, it is a fair result that reasonably balances the interests of pure cost-based rates with other factors that are considered in cost-of-service ratemaking.

[53] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.3.

The Commission finds the agreed change in rate design for Tariff IP is a reasonable alignment of the change in billing units with the change in rates and should be approved.

2. Tariff GS and Tariff LGS.[54] In its case-in-chief, I&M proposed to consolidate Tariff GS and Tariff LGS into one tariff to provide flexibility to address changes in general service customer load without requiring customers to move back and forth between tariffs. Petitioner's Ex. 37 at p. 21. In the Settlement Agreement, I&M agreed not to combine Tariff GS and Tariff LGS, but Petitioner will eliminate the kVA demand charge and Power Factor Correction Capacitor adjustment in Tariff LGS. Settlement Agreement Section I.B.4. To ease the transition from full kVA billing demands, I&M agreed to implement an excess kVA charge in Tariff LGS. The specific language of the Excess kVA provision is as follows:

> The monthly KVA demand shall be determined by dividing the maximum metered KW demand by the average monthly power factor. The excess KVA demand, if any shall be the amount by which the monthly KVA demand exceeds the greater of (a) 101% of the maximum metered KW demand or (b) 60 KVA. The Metered Voltage adjustment, as set forth below, shall apply to the customer's excess KVA demand.

Petitioner's Ex. 15 at p. 36. In addition, the rider rates for Tariffs GS and LGS were unified to mitigate some of I&M's concerns that prompted its initial proposal to combine Tariff GS and Tariff LGS.

The Commission finds the Settling Parties' negotiated compromise regarding the rate design for Tariffs GS and LGS reasonably resolves these matters.

3. Tariff Term and Condition No. 27.[55] The Settling Parties agreed I&M may adopt a new provision in its Terms and Conditions as set forth below:

> 27. Customer Requested Disconnection / Reconnection at Station Transformer. Whenever, at the customer's request, the Company is required to perform a disconnection and / or reconnection at a customer or Company owned station transformer, switch or breaker, the customer shall reimburse the Company for the entire cost incurred in making such connections which shall include all labor costs, transportation and equipment costs and any materials used not to exceed $1,500. In the event that such costs are expected to exceed $1,500, the Company shall provide the Customer with a binding estimate detailing the scope of work and associated costs to perform such work prior to the date on which the work is scheduled to commence.

Settlement Agreement Section I.B.5; Petitioner's Ex. 15 at pp. 36-37. Mr. Williamson testified that although I&M does not agree the concern the Industrial Group raised warranted rejection of I&M's proposed provision, the Settling Parties resolved these matters through the above revised language. Petitioner's Ex. 15 at p. 37.

[54] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.4.
[55] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.5.

Mr. Dauphinais testified the Settlement Agreement resolves his concerns with respect to the exposure of large customers to a potentially unknown charge without the ability to assess its reasonableness or alternatives to performing the work. He stated the binding nature of the estimate also ensures there is some recourse for customers to the extent the cost of a disconnection/reconnection is disputed. Intervenor IG Ex. 5 at p. 4.

The Commission finds the Settlement Agreement provision regarding Tariff Term and Condition No. 27 reasonably resolves the concerns raised.

4. "Other Sources of Energy" Tariff Language.[56] In his direct testimony, Mr. Dauphinais questioned I&M's proposal to strike language in Tariff IP related to the ability of customers with other sources of energy supply to take standby and backup service under that rate. Although I&M clarified in rebuttal its intent in striking this language, Petitioner agreed in the Settlement Agreement to retain that language in Tariffs GS, LGS, IP, and WSS. Settlement Agreement Section I.B.6. Mr. Dauphinais testified this ensures the ability of customers who self-supply power to access standby and backup service under specific rates will not be disputed, provided they qualify for service under those rates.

Mr. Williamson testified a copy of the revised language is included in the Special Terms and Conditions provision of each of the identified tariffs in Attachment AJW-10-S. Petitioner's Ex. 15 at p. 37. He stated this change clarifies I&M's intent with respect to the language change. Petitioner's Ex. 15 at pp. 37-38.

The Commission finds this provision of the Settlement Agreement is a reasonable resolution of the concerns raised.

5. Critical Peak Pricing.[57] I&M witness Walter explained in his rebuttal testimony why I&M disagreed with the OUCC's proposal related to I&M's proposed Critical Peak Pricing program. Petitioner's Ex. 18 at pp. 20-21. After discussing this issue further, as part of the Settlement Agreement I&M agreed to propose provisions in its next base rate case addressing the exclusion of holidays from the days for which Critical Peak Events may be called. Settlement Agreement Section I.B.7. This allows I&M to work through the technical issues associated with this approach. In addition, Settlement Agreement Section I.B.7. sets forth the Settling Parties' agreement that I&M is not receiving authorization for Tariff R.S. – Critical Peak Pricing as an opt-out rate in this proceeding and must obtain Commission approval for any opt out rate provisions prior to implementation. Petitioner's Ex. 15 at p. 38. The Commission finds this reasonably resolves the concern OUCC witness Boerger raised.

D. Remaining Issues. Under Section I.C. of the Settlement Agreement, any matters not addressed by the Settlement Agreement will be adopted as proposed by I&M. This type of provision is common in settlement agreements before the Commission to help assure all matters are addressed. While the Commission will not review with specificity the totality of what this provision covers, we note this will maintain the I&M Major Storm Damage Reserve, accepts

[56] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.6.
[57] Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.B.7.

I&M's proposal to wind down the LCM Rider in an efficient manner, and includes the PJM Capacity Performance Insurance expense in the cost of service.[58] Under this provision, I&M's request for authority to accelerate recovery of noncurrent SO_2 allowances is also, effectively, accepted.[59] The Commission finds Section I.C. of the Settlement Agreement is reasonable; therefore, the Commission grants I&M's request for authority to accelerate recovery of noncurrent SO_2 allowances as well as ongoing accounting authority to continue to implement the Major Storm Damage Reserve.

12. Conclusion. The testimony supporting the Settlement Agreement addresses why the Settlement Agreement is reasonable and in the public interest. Based upon our review of the record, particularly the Settlement Agreement terms and supporting testimony and exhibits, the Commission finds the Settlement Agreement is within the range of potential outcomes and represents a just and reasonable resolution of the issues.

Consistent with the foregoing findings and the Commission's conclusion with respect to the Settlement Agreement, the Commission finds the test year end net original cost rate base (Indiana jurisdictional) for I&M is $5,125,560,428 and is calculated as follows:

Net Plant In-Service	$ 4,846,054,499
Fuel Stock	$ 29,521,506
Other Materials & Supplies	$ 124,206,512
Allowance Inventory	$ 17,674,176
Prepaid Pension Expense	$ 58,104,811
Regulatory Assets	$ 49,998,924
	$ 5,125,560,428

Settlement Agreement Attachment 1, ln. 1; Petitioner's Ex. 15 at p. 27, Figure AJW-3.

As discussed above, the Settlement Agreement provides that for purposes of calculating the Phase-In Rate Adjustment for Phase I rates, the debt/equity ratio for investor-supplied capital will be 50.54%/49.46%. Settlement Agreement Section I.A.1.f. After giving effect to this Settlement Agreement term, the Commission finds I&M's Phase I ratemaking capital structure (after tax) and weighted cost of capital are as follows:

Phase I Capital Structure and Weighted Cost of Capital

Description	Total Company Capitalization $	Percent of Total	Cost Rate	Weighted Average Cost of Capital
Long-Term Debt	2,822,302,210	41.42%	4.44%	1.84%
Common Equity	2,762,126,699	40.54%	9.70%	3.93%
Customer Deposits	41,698,455	0.61%	2.00%	0.01%

[58] Petitioner's Ex. 2 at pp. 25-27, 34-36; Petitioner's Ex. 3 at pp. 9-11; Petitioner's Ex. 13 at pp. 5-8.
[59] Petitioner's Ex. 2 at p. 35; *see also* Public's Ex. 7 at p. 3 and Petitioner's Ex. 4 at pp. 24-26.

Acc. Def. FIT	1,170,202,985	17.17%	0.00%	0.00%
Acc. Def. JDITC	17,469,705	0.26%	7.04%	0.02%
Total	6,813,800,053	100.00%		5.80%

Pet. Ex. 15, Attachment AJW-1-S, page 1.

For purposes of the Phase II compliance filing, the Settlement Agreement provides the debt/equity ratio for investor-supplied capital will be adjusted to the December 31, 2022, actual ratio but no higher than a 50.00% equity ratio. Settlement Agreement Section I.A.1.f. After giving effect to this Settlement Agreement term, the Commission finds I&M's Phase II ratemaking capital structure (after tax) and weighted cost of capital are as follows:

Phase II Capital Structure and Weighted Cost of Capital[60]

Description	Total Company Capitalization $	Percent of Total	Cost Rate	Weighted Average Cost of Capital
Long-Term Debt	2,873,862,352	40.70%	4.44%	1.81%
Common Equity	2,873,862,352	40.70%	9.70%	3.95%
Customer Deposits	41,698,455	0.59%	2.00%	0.01%
Acc. Def. FIT	1,257,846,893	17.81%	0.00%	0.00%
Acc. Def. JDITC	13,678,705	0.19%	7.07%	0.01%
Total	7,060,948,756	100.00%		5.78%

Petitioner's Ex. 15 at p. 15, Figure AJW-1; Attachment AJW-1-S, page 2.

Based on the evidence presented, the Commission finds Petitioner should be authorized to adjust its base rates and charges to reduce its annual operating revenue by $94,704,680 (Settlement Attachment 1, line 16), resulting in Phase II total annual operating revenues of $1,510,837,325 (Pet. Ex. 15, Attachment AJW-3-S, p. 6). This revenue is reasonably estimated to afford I&M the opportunity to earn net operating income of $296,733,906 as shown in Figure AJW-2 of Mr. Williamson's settlement testimony.

The Commission approves the phase-in of I&M's rates as proposed by I&M and modified by the Settlement Agreement. More specifically, when I&M's new base rates are first effective, they will include I&M's Phase-in Rate Adjustment as set forth in Section I.A.2.b. of the Settlement Agreement (the "Phase I" rates). The PRA Rockport Unit 2 Charge will expire on December 8, 2022, on a service-rendered basis and will not be subject to true-up or further reconciliation. In the

[60] This table reflects a 50.00% equity ratio. I&M's compliance filing shall use the December 31, 2022, actual ratio, but no higher than a 50.00% equity ratio. Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.1.f.

event I&M determines the PRA Rockport Unit 2 Charge has resulted in full recovery of the Rockport Unit 2 costs before December 8, 2022, I&M shall cease collection of the PRA Rockport Unit 2 Charge. As part of Phase I, I&M shall also implement a temporary PRA Excluded Capacity Credit to credit customers for excluded capacity costs consistent with the 45235 Order. The credit shall be eliminated from the PRA on a service-rendered basis effective December 8, 2022.

The Commission further finds that I&M shall certify to the Commission its net plant as of December 31, 2022, and thereafter calculate the resulting Phase II rates consistent with the Settlement Agreement. For purposes of the Phase II certification, I&M shall use the forecasted test year end net plant shown on Attachment AJW-5-S, line 8. The Phase II rates shall go into effect on the date I&M certifies its test year end net plant, or January 1, 2023, whichever is later. The net plant for Phase II rates shall not exceed the lesser of (a) I&M's forecasted test year end net plant as modified by the Settlement Agreement or (b) I&M's certified test year end net plant. I&M shall serve all Settling Parties with its certification. The OUCC and intervenors shall have 60 days from the date of certification to state objections to I&M's certified test year end net plant. If there are objections, a hearing shall be held to determine I&M's actual test year end net plant, and rates will be trued-up (with carrying charges) retroactive to January 1, 2023, notwithstanding when Phase II rates go into effect.

In addition, the Commission finds and concludes the Settlement Agreement is reasonable, supported by substantial evidence, and in the public interest. Accordingly, the Settlement Agreement is approved.

13. <u>Muncie Settlement Agreement</u>. The concerns Muncie raised are specific to that City. Petitioner's Ex. 15 at p. 2. The Muncie Settlement Agreement has no rate impact or impact on the Settlement Agreement. Petitioner's Ex. 15 at p. 2; *see also* Petitioner's Ex. 45 and Muncie Ex. 3 (Responses to December 9, 2021, Docket Entry). As noted above, however, under the Commission's Rules, all settlements must be supported by probative evidence. 170 IAC 1-1.1-17(d). In this instance Muncie prefiled no settlement testimony explaining or supporting the Muncie Settlement Agreement, and Mr. Williamson simply advised that this agreement memorializes I&M's commitment to continue to work with Muncie on the City's prospective solar generating facility in detail to assuage Muncie's concerns and clarify I&M's role. Petitioner's Ex. 15 at p. 42. No party explained the need for the Muncie Settlement Agreement, given Mr. Lucas' rebuttal testimony, or why this agreement is reasonable or in the public interest, prompting the Presiding Officers to issue a Docket Entry on December 9, 2021, eliciting evidentiary support from Muncie and I&M. The responsibility for providing adequate evidentiary support for settlements, however, rests with the parties seeking approval.

> [N]o settlement agreement presented to this Commission can or does speak for itself; as noted above, settlement agreements must be supported by probative evidence to gain Commission approval. We addressed a similar issue in our Order on Less than All of the Issues in *Indiana Michigan Power Company*, Cause No. 44033 (IURC, February 22, 2012). In that Order, we reminded the parties 'that their success in obtaining approval of any Settlement Agreement … is dependent upon the provision of adequate evidence and support for the agreement.' *Id*. at 6. In similar fashion in this proceeding, the Presiding Officers had to issue a Docket

> Entry to prompt the Parties to submit sufficient evidence to support the Settlement Agreement. The Commission is concerned about the repeated need to remind the Parties of their responsibilities concerning evidentiary support for settlement agreements.

Indiana Michigan Power Company, Cause Nos.43992 S1 and 43992 ECCR 1 (May 23, 2012) at p. 25.

In Muncie's Docket Entry responses filed with the Commission on December 13, 2021, Muncie acknowledges the Muncie Settlement Agreement relates solely to unique matters that are important to Muncie, i.e., Muncie's prospective development of a solar photovoltaic project, and these have no rate impact. Accordingly, the other noncompany Settling Parties did not join in or take a position upon the Muncie Settlement Agreement. Per its Docket Entry responses, Muncie "leave[s] it to the Commission to decide whether it is necessary and appropriate to specifically approve the Muncie Settlement Agreement or, alternatively, accept it as the resolution" between its signatories of particular concerns Muncie raised. Muncie Ex. 3 at p. 3.

Both Muncie and I&M state in their respective Docket Entry responses that the Commission could accept the agreed resolution and find this separate agreement reasonably resolves a disputed issue or find there is no remaining contested issue the Commission needs to address. Muncie Ex. 3 at p. 3; Petitioner's Ex. 45 at p. 7. The Commission opts to take the latter alternative since the Muncie Settlement Agreement resolves matters unique to a prospective solar facility that fall outside the rate related issues this case presents; consequently, as opposed to expressly approving the separate Muncie Settlement Agreement, the Commission finds that in light of this agreement, there is no contested issue before the Commission to be addressed with respect to the concerns Muncie raised about I&M working with the City on a prospective solar project.

14. Effect of Settlement Agreement. Consistent with the terms of the Settlement Agreement, the Settlement Agreement is not to be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms; consequently, with regard to future citation of the Settlement Agreement or of this Order, the Commission finds our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at 7-8 (IURC March 19, 1997).

15. Confidentiality. Petitioner filed motions for protection and nondisclosure confidential and proprietary information on July 1 and October 22, 2021, both of which were supported by affidavits showing the documents to be submitted contain trade secrets within the scope of Ind. Code §§ 5-14-3-4(a)(4) and (9) and 24-2-3-2. Motions for confidential treatment were also filed by the Industrial Group on October 12 and October 14, 2021, to protect portions of Mr. Gorman's prefiled testimony, attachments, and workpapers. On October 25, 2021, the Industrial Group partially withdrew its October 12, 2021, motion for confidential treatment, explaining that I&M had subsequently determined portions of Mr. Gorman's testimony and attachments previously marked as confidential could be made public; thus, the Industrial Group no longer sought confidential treatment of that information. Docket Entries were issued on July 19

and November 1, 2021, finding the information that was the subject of I&M's and the Industrial Group's motions to be preliminarily confidential, after which the information was submitted to the Commission under seal. The Commission finds all such information is confidential pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2 and is exempt from public access and disclosure by the Commission.

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

1. The Settlement Agreement, a copy of which is attached to this Order, is approved in its entirety.

2. I&M is authorized to adjust and reduce its rates and charges for electric utility service to produce a decrease in total operating revenues of approximately 5.90% in accordance with the findings above, which rates and charges shall be designed to produce forecasted Phase II total annual operating revenues of $1,510,837,325, that are expected to produce annual net operating income of $296,733,906.

3. I&M is authorized to place into effect Phase I rates and charges in accordance with the findings above for retail electric service. Such rates shall be effective on and after the date of this Order, subject to the Energy Division's review and agreement with the amounts reflected.

4. I&M shall file new schedules of rates and charges along with its revised tariff under this Cause consistent with the Settlement Agreement and the rates and charges approved above.

5. I&M shall certify its net plant as of December 31, 2022, and calculate the resulting Phase II rates and charges, which shall be made effective in accordance with the findings above, subject to being contested and trued-up consistent with Finding No. 12.

6. I&M is authorized to file updated factors for its rate adjustment mechanisms in accordance with this Order, and such changes shall be effective simultaneously with approval of I&M's new basic rates.

7. I&M is authorized to implement the Tax Rider in accordance with the Settlement Agreement.

8. I&M is granted a waiver of 170 IAC 4-1-16(f) as to the disconnection process, subject to providing notification of Petitioner's ability to remotely disconnect and/or reconnect service consistent with the Settlement Agreement and Finding No. 10.C. above.

9. I&M is granted accounting authority to implement the Settlement Agreement.

10. I&M is authorized to place into effect for accrual accounting purposes revised depreciation accrual rates as provided in the Settlement Agreement.

11. I&M shall timely file in this docket all information required by the Settlement Agreement and shall make the compliance filing containing the timeline for its PLR filing per Finding No. 9.A.1.d. above.

12. The time period for the OUCC's review of I&M's FAC filings is prospectively extended to 35 days consistent with Finding No. 10.A. above, commencing with Cause No. 38702 FAC 89.

13. I&M shall add SAIFI and CAIDI statistics for tree-related outages to the vegetation management performance metrics report filed in Cause No. 44967 consistent with Finding No. 10.B. above.

14. The information filed in this Cause pursuant to I&M's and the Industrial Group's motions for protection and nondisclosure of confidential and proprietary information and preliminarily deemed confidential, as set forth in Finding No. 14 above, is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

15. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, AND OBER CONCUR; ZIEGNER ABSENT:

APPROVED: FEB 23 2022

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

Dana Kosco
Digitally signed by Dana Kosco
Date: 2022.02.23 10:11:19 -05'00'

Dana Kosco
Secretary of the Commission

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 THROUGH A PHASE IN RATE ADJUSTMENT; AND FOR APPROVAL OF RELATED RELIEF INCLUDING: (1) REVISED DEPRECIATION RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION OF CAPITAL INVESTMENT; (4) RATE ADJUSTMENT MECHANISM PROPOSALS; (5) CUSTOMER PROGRAMS: (6) WAIVER OR DECLINATION OF JURISDICTION WITH RESPECT TO CERTAIN RULES; AND (7) NEW SCHEDULES OF RATES, RULES AND REGULATIONS.	)	**CAUSE NO. 45576**

STIPULATION AND SETTLEMENT AGREEMENT

Indiana Michigan Power Company ("I&M"), the Indiana Office of Utility Consumer Counselor ("OUCC"), I&M Industrial Group, Citizens Action Coalition of Indiana, Inc. ("CAC"), the City of Auburn Electric Department, the City of Muncie, Indiana, Joint Municipals (collectively the City of Ft. Wayne, the City of Marion, Marion Municipal Utilities, and the City of South Bend), the Kroger Company, Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance ("Wabash Valley"), and Walmart Inc. (collectively the "Settling Parties" and individually "Settling Party"), solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission ("IURC" or "Commission") into a final, non-appealable order ("Final Order")[1] without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement ("Settlement Agreement"), in its entirety, the

[1]"Final Order" as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

A. Revenue Requirement[2]

1. Return on Equity, Capital Structure and Rate of Return:

a. The Settling Parties agree to a Commission authorized return on equity ("ROE") of 9.70%.

b. For purposes of setting base rates in this proceeding, I&M will retain the approximately $159 million in cost free capital that is proposed to be removed per I&M's proposed Net Operating Loss Carryforward ("NOLC") adjustment pending receipt of a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS"), made in accordance with Section I.A.1.c below, that determines whether or not I&M's proposed NOLC adjustment must be made in order to avoid a tax normalization violation.

i. Pending receipt of an IRS PLR, the Settling Parties agree that the Commission should authorize I&M to establish a regulatory asset for the return that would be associated with the inclusion of the proposed NOLC adjustment in the calculation of accumulated deferred federal income taxes ("ADFIT") in I&M's capital structure. The regulatory asset would also be established for the amount of any differences in I&M's requested levels of protected and unprotected excess ADFIT ("EADFIT") amortization (see I.A.1.d and I.A.1.e) and the settled levels of amortization. The accrual of this regulatory asset will have an effective date equal to the effective date of the rates being implemented in this proceeding.

ii. If the IRS PLR determines that failure to reinstate the proposed NOLC ADFIT in the calculation of I&M's capital structure constitutes a normalization violation, I&M will initiate a limited proceeding to update I&M's Tax Rider to reflect the NOLC adjustments, along with any Commission-approved offsets, in rates on an ongoing basis and to recover the regulatory asset. The Settling Parties reserve rights to take any position in the limited proceeding related to the NOLC and the Company's proposed ratemaking related thereto. All parties reserve all rights to take any position regarding the Company's continued participation in the Tax

[2] Settlement Attachment 1 updates I&M Exhibit A-1 to reflect the Settlement Agreement.

Sharing Agreement on a going forward basis in the Company's next general rate case.

iii. If the IRS PLR determines there is no normalization violation created by the failure to reinstate the NOLC ADFIT, the regulatory asset will be written-off and will not be recovered from customers.

c. The Settling Parties agree that the Company will seek a PLR from the IRS as follows:

i. The Settling Parties agree that the IRS rules regarding PLR requests contained in Revenue Procedure 2021-01, Appendix G, provide regulatory commissions and other interested parties certain participation rights in the PLR process. By agreeing to the terms of this Settlement the Settling Parties do not intend to limit the rights of the IURC, other interested parties or other noncompany Settling Parties from participating, to the extent allowed under the IRS rules.

ii. The Settling Parties recognize that the American Electric Power Company ("AEP") affiliates have already submitted or are concurrently submitting PLR requests for affiliated entities on this issue. In the event that one or more AEP affiliates receive a PLR from the IRS prior to I&M, within ten (10) business days, I&M will notify the Settling Parties and provide a copy of the affiliate PLR to the Settling Parties pursuant to a non-disclosure agreement. I&M will provide a confidential draft of the I&M PLR to the noncompany Settling Parties and will confer on a neutral description of the facts and Settling Parties' positions in the PLR request to objectively frame the issue while adhering to IRS guidelines and requirements (Rev. Proc. 2021-01) before the PLR request is submitted to the IRS for resolution. The noncompany Settling Parties shall provide feedback to I&M on the draft PLR no later than five (5) business days after receiving the PLR draft. I&M will convene a virtual meeting to discuss the feedback on the sixth business day following transmittal to the other Settling Parties. As the signatory to the PLR, I&M shall make the final determination of the contents of the PLR and will also make good faith efforts to incorporate timely, reasonable feedback from the noncompany Settling Parties. The Settling Parties retain their rights to communicate with the IRS regarding the PLR as set forth in IRS Internal Revenue Bulletin No. 2021-1, page 103.

iii. If the IRS requests additional information related to the PLR request, the Company shall provide the noncompany Settling Parties with timely, meaningful notice of the IRS request for additional information before a response is due, and provide a copy of the Company's response once it has been made.

iv. The Company will file notice of the results of the ruling with the Commission and notify the Settling Parties within ten (10) business days of receipt of the PLR.

v. No Settling Party shall be deemed to have waived any position in a subsequent case as to whether I&M may recover the costs it incurs associated with the PLR Request.

vi. For purposes of permitting the Commission to make the necessary findings consistent with the terms of this stipulation, I&M will waive confidential treatment of: (1) the fact of its request for a PLR; and (2) the overall results of the PLR.

d. The Settling Parties agree that the Tax Rider, as approved in this case, will serve only two purposes: (1) to credit customer rates for the remaining benefits associated with unprotected EADFIT as defined in this Settlement Agreement and (2) to implement ratemaking adjustments associated with an IRS PLR that requires I&M to make its proposed NOLC adjustment. For purposes of setting rates in this proceeding for the Tax Rider, I&M agrees not to adjust the remaining balance of unprotected EADFIT for any NOLC impact. I&M agrees to a $14,623,272 (Indiana Jurisdictional) EADFIT credit as proposed by Joint Municipal witness Cannady and a seven (7) month amortization period. The total monthly EADFIT amortization to be credited to customers will be grossed up for taxes at a rate of 1.3580 and will include a carrying charge on the unamortized balance based on the pre-tax Weighted Average Cost of Capital ("WACC") approved in this proceeding. The Settling Parties agree that I&M will reconcile the Tax Rider to reflect its actual unprotected EADFIT amortization and the monthly remaining balance.

e. The base rate revenue requirement will be reduced by $5,914,719 (Total Company), $3,327,861 (Indiana Jurisdictional), to reflect the protected EADFIT impact to deferred tax expense for the NOLC.

f. For purposes of calculating the Phase-In Rate Adjustment for Phase I rates, the Debt/Equity ratio will be 50.54%/49.46% through close of Test Year. For purposes of the Phase II compliance filing, the Debt/Equity ratio will be adjusted to the December 31, 2022, actual ratio based on shareholder contributions of debt and equity, but will be no higher than a 50.00% equity ratio.

g. The authorized base rate net operating income will be $296,733,905.

2. **Rockport Unit 2 Costs.** Consistent with the Cause No. 45546 Settlement Agreement, the Parties agree to removal of lease costs and all other costs and expenses associated with Rockport Unit 2 from rates:

a. **Phase I Base Rates.** I&M agrees to remove from I&M's proposed base rates the revenue requirement of approximately $141 million of Rockport Unit 2 costs, as identified in Settlement Attachment 2, at the time new base rates are implemented (Phase I).

b. **Phase-In Rate Adjustment ("PRA").** Upon implementation of new Phase I base rates, I&M will simultaneously implement a temporary charge to be collected through its PRA, by which I&M will continue to recover the costs and expenses associated with Rockport Unit 2 that are not currently tracked in other riders (the "PRA Rockport Charge"). The PRA Rockport Charge will expire on December 8, 2022 on a service-rendered basis and will not be subject to true-up or further reconciliation. In the event I&M determines that the PRA Rockport Charge has resulted in full recovery of the Rockport Unit 2 costs identified by type and amount below before December 8, 2022, it agrees to cease collection of the PRA Rockport Charge. The PRA Rockport Charge will include the following:

   i. A return on a fixed $15,143,223 (Indiana Jurisdictional) level of fuel and consumables inventory through December 7, 2022, at I&M's Phase I WACC grossed up for taxes.

   ii. I&M will recover the prorated share of a fixed $1,035,878 (Indiana Jurisdictional) annual level of fuel handling and disposal expenses through 12/7/2022.

   iii. I&M will recover its Rockport Unit 2 lease expense incurred through the end of calendar year 2022, based on the prorated share of I&M's annual $48,924,630 (Indiana Jurisdictional) lease expense. Since the PRA Rockport Charge will end on December 8, 2022, for purposes of setting the PRA Rockport Charge, I&M's Rockport Unit 2 Lease expense will be grossed up to recognize the full annual lease expense for calendar year 2022.

   iv. I&M will recover the prorated share of a fixed $13,240,324 (Indiana Jurisdictional) annual level of other operations and maintenance ("O&M") expense ($12,177,941) and property tax expense ($1,062,383) through December 7, 2022.

   v. The revenue requirement for the PRA Rockport Charge will be allocated, and retail rates designed, consistent with the agreed allocation methodology for demand and energy costs used in I&M riders to arrive at the agreed rider revenue allocation shown in Settlement Attachment 3.

c. **Environmental Cost Rider ("ECR") and Resource Adequacy Rider ("RAR").** Upon implementation of new Phase I base rates, I&M will simultaneously implement new ECR and RAR rates to continue recovering the Rockport Unit 2 costs and expenses currently recovered through those riders through the term of the Rockport Unit 2 lease. I&M will make a filing in 2022 to revise its ECR and RAR rates effective with the first billing cycle in January 2023 to exclude the Rockport Unit 2 ECR and RAR costs that are no longer recoverable after the end of the lease. The timing of the 2023 ECR and RAR rate changes will be dependent upon a Commission order allowing new rider rates to be implemented.

i. The ECR rates that are implemented at the time new Phase I base rates are implemented will include I&M's estimated Consumables Expense and Allowances Expense shown on Settlement Attachment 1. The ECR will be reconciled to actuals consistent with current ECR practices such that I&M will only recover its actual Rockport Unit 2 consumables and allowances costs incurred through December 7, 2022.

ii. The RAR rates that are implemented at the time new Phase I base rates are implemented will include I&M's estimated AEG UPA – Non-Fuel Expenses shown on Settlement Attachment 1. The RAR will be reconciled to actuals consistent with current RAR practices such that I&M will only recover its actual Rockport Unit 2 AEG bill expenses incurred through December 7, 2022. This provision allows for full recovery of AEG's actual remaining Rockport Unit 2 lease expense incurred through the end of calendar year 2022.

d. **Fuel.** I&M will recover its actual Rockport Unit 2 FAC- eligible fuel expenses, consistent with current FAC cases, incurred through December 7, 2022. I&M's base cost of fuel will include $28,185,922 (Total Company), $19,608,596 (Indiana Jurisdictional), in embedded fuel costs, which will serve as a proxy for I&M's expected amount of purchased power following the termination of the Rockport Unit 2 lease. This amount is incorporated into I&M's fuel basing points of 13.110 mills per kWh, which will be reconciled in I&M's FAC proceedings.

3. **Remaining Rockport Unit 2 Net Book Value at December 7, 2022.** When I&M makes its PRA compliance filing to implement final base rates (*i.e.* Phase II) I&M will adjust the PRA to reflect the removal of the remaining Net Book Value ("NBV") of Rockport Unit 2 of $77,687,384 (Indiana Jurisdictional) from rate base. At that time and going forward through December 31, 2028, I&M will be permitted to recover a total of $95,639,514 (Indiana Jurisdictional) associated with the NBV of Rockport Unit 2 on a levelized basis in I&M's ECR (or alternative rate adjustment mechanism if the ECR is discontinued in the future).

4. **Jurisdictional Reallocation.** I&M agrees to reflect in ratemaking the effect of the excluded capacity from Cause No. 45235 for the period beginning with the implementation of new base rates (Phase I) in this Cause through December 7, 2022 through the proposed PRA ("PRA Excluded Capacity Credit") as follows: I&M agrees to implement Phase I rates and simultaneously implement a temporary credit to exclude capacity costs consistent with the Commission's Final Order in Cause No. 45235; the credit will be eliminated on a service rendered basis effective December 8, 2022. The credit will be developed based on a monthly amount of $4,702,533 offset by the fixed annual level of retained capacity and Off System Sales revenues of $24,926,096, prorated to a monthly level of $2,077,175, for a net monthly credit of $2,625,358.

5. **PJM NITS Costs:**

   a. I&M will provide the same annual presentation to Settling Parties on a going-forward basis that it currently provides to the Michigan Public Service Commission in order to provide additional detail regarding supplemental projects consistent with the information provided through the PJM stakeholder process.

   b. An annual cap will be placed on the PJM NITS costs reflected in FERC accounts 4561035 and 5650016 recovered through the PJM rider at I&M's Indiana Jurisdictional amount forecasted for 2024 plus 15%, which totals $381.3 million (Indiana Jurisdictional). Annual NITS costs in any year that exceed $381.3 million, together with the associated NITS rider revenue requirement and carrying costs, will be placed in a regulatory asset for recovery in I&M's next base rate case. The Settling Parties reserve their rights to take any position with respect to the appropriate amortization period and related going-forward return on any unamortized balance of any regulatory asset created pursuant to this term of this Settlement Agreement.

6. **AMI:**

   a. The Parties agree to include I&M's capital forecast period (2021-2022) AMI capital ($54.649 million) and O&M costs ($4.77 million) in base rates set in this Cause.

   b. I&M agrees to withdraw its request for an AMI rider.

   c. I&M is not prevented from seeking recovery of additional AMI investment and operating and maintenance costs in its next base rate case(s).

   d. Settling Parties agree not to challenge the reasonableness of I&M's decision to transition from AMR meters to AMI meters or the reasonableness of I&M's plan to deploy AMI meters over a four-year period, as presented in this Cause, in any future proceeding.

7. **OPEB/Pre-Paid Pension Assets:**

   a. The Parties agree that rate base shall include the pre-paid pension asset in the amount of $80.7 million (Total Company), $58.1 million (Indiana Jurisdictional).

   b. The Parties agree to the removal of the $96,252,892 (Total Company), $69,324,472 (Indiana Jurisdictional), OPEB prepayment asset from rate base.

8. **Non-Rockport Unit 2 Miscellaneous Rate Base Adjustments:**

   For the purpose of calculating revenue requirements in this case, I&M will reduce its proposed rate base by $26.4 million as follows. Nothing in this agreement precludes I&M from seeking to include the removed items in its cost of service in a future case.

   a. Remove $3,783,088 EV Fast Charging costs;

   b. Remove $568,770 Flex Pay Program costs;

   c. Remove $2,023,141 unamortized COVID-19 deferred bad debt expense; and

   d. Remove $20 million of forecasted Distribution plant investment.

9. Expense Adjustments:

For the purpose of calculating revenue requirements in this case, I&M will reduce its proposed O&M expenses as follows. Nothing in this agreement precludes I&M from seeking recovery of these type of expenses in a future case.

a. $10 million decrease in depreciation expense;

b. $2.0 million decrease in nuclear decommissioning expense. The Settling Parties agree that I&M may seek an adjustment to the funding level of the Nuclear Decommissioning Trust based on future analysis of the adequacy of the Nuclear Decommissioning Trust funds to pay for decommissioning;

c. $293,773 deferred COVID-19 bad debt expense; and

d. $4.0 million decrease in other O&M expense from I&M's Test Year forecast.

10. Other Provisions:

a. I&M agrees to provide the OUCC with a 35-day review period in its FAC proceeding, starting with Cause No. 38702 FAC-89, which is expected to be filed by I&M late July 2022 or early August 2022.

b. I&M agrees to include vegetation management reliability statistics in its Cause No. 44967 performance metrics report.

c. I&M agrees to notify its customers of its ability to remotely disconnect/reconnect via bill insert, text, and email. This notice shall identify a customer's rights prior to disconnection, including a description of the process I&M will use when attempting to contact its customers before a remote disconnection, information on how to contact I&M's customer service department and Low Income Home Energy Assistance Program ("LIHEAP"), and information on how to add an email address and/or mobile phone number to receive notifications from the utility.

d. I&M agrees to withdraw its request to change the name of the Solar Power Rider, and to not make related tariff language modifications, without prejudice to seek such a name change and related tariff language modifications in a future proceeding.

e. I&M agrees to withdraw its request to implement the Flex Pay Program without prejudice to seek approval for such a program in a future proceeding. Should I&M pursue a prepaid program such as this in the future, I&M agrees that its proposal will reflect that it will (i) not market to customers facing disconnection for non-payment or customers concerned about the deposit amount required by I&M; (ii) market the program as a voluntary service; and (iii) ensure customers can purchase service credits 24 hours per day, seven-days per week via phone or internet with no transaction fees. I&M agrees to meet with interested stakeholders, including CAC, prior to filing the program to receive input on the development of the program, including concerns related to the winter disconnection moratorium as defined in Ind. Code Section 8-1-2-121.

f. I&M agrees to withdraw its request to implement the Electric Vehicle ("EV") Fast Charging program without prejudice to seek approval for such a program in a future proceeding.

g. Without ratepayer contribution, I&M agrees to fund $175,000 per year in 2022 and 2023 to continue the Low Income Arrearage Forgiveness program currently in place as a result of the settlement agreement in Cause No. 44967.

h. I&M agrees to limit the customer deposit to no more than $50 for customers identified as LIHEAP participants or LIHEAP-eligible.

i. I&M will provide a $150,000 contribution to the community action program network of Indiana Community Action Association to facilitate low-income weatherization in I&M's service territory, including but not limited to using funds to address health and safety issues preventing weatherization, and to assist in bill payment and deposit assistance for I&M LIHEAP eligible households. I&M's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution.

j. I&M will provide a $100,000 contribution to the Indiana Utility Ratepayer Trust. I&M's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution.

B. Cost of Service and Rate Design

1. Settling Parties agree that I&M's fixed monthly Rate RS charge will remain at $15 per month. The Settling Parties agree the fixed monthly charge for Rate RS-TOD and Rate RS-TOD2 will increase to $17 per month.

2. The Settling Parties agree that rates should be designed in order to allocate the revenue requirement to and among I&M's customer classes in a fair and reasonable manner. For settlement purposes, the Settling Parties agree that Settlement Attachment 3 specifies the revenue allocation agreed to by all Settling Parties. This revenue allocation is determined strictly for settlement purposes and is without reference to any particular, specific cost allocation methodology.

3. The Settling Parties agree to a Tariff I.P. rate design that produces the agreed upon energy and demand charges for each sub-class as set out in Settlement Attachment 3. As further described in the I&M and Industrial Group testimony in support of the Settlement Agreement, Rate IP demand charges by sub-class were increased to reflect the approximate average power factor by sub-class and any remaining demand related costs were then left in the first block energy charge.

4. I&M agrees not to combine Tariff G.S. and Tariff L.G.S. base rates and instead will (a) implement an excess kVa charge in tariff L.G.S. and (b) unify aspects of Tariff G.S. and Tariff L.G.S. rider rates. A copy of the revised tariff language will be included with I&M's testimony in support of the Settlement Agreement.

5. The Settling Parties agree that I&M may adopt its proposed new provision number 27 in its Terms and Conditions as modified below:

27. Customer Requested Disconnection / Reconnection at Station Transformer. Whenever, at the customer's request, the Company is required to perform a disconnection and / or reconnection at a customer or Company owned station transformer, switch or breaker, the customer shall reimburse the Company for the entire cost incurred in making such connections which shall include all labor costs, transportation and equipment costs and any materials used not to exceed $1,500. In the event that such costs are expected to exceed $1,500, the Company shall provide the Customer with a binding estimate detailing the scope of work and associated costs to perform such work prior to the date on which the work is schedule to commence.

6. I&M agrees to retain language it had proposed to strike from Tariffs G.S., L.G.S., I.P. and W.S.S. stating that each tariff remains available to customers having other sources of energy supply who purchase standby or backup electric service from the Company, the applicable maximum and minimum demands for which such customers must contract, the Company's service obligation, and references to the applicable minimum charge. As proposed in its case in chief, I&M agrees to strike from each of these tariffs the sentence which reads: "*Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods.*" A copy of the revised tariff language will be included with I&M's testimony in support of the Settlement Agreement.

7. With respect to the Company's Tariff R.S. – CPP, I&M agrees to propose in its next base rate case provisions addressing the exclusion of holidays from the days for which Critical Peak Events may be called. The Settling Parties further agree that I&M is not receiving authorization for Tariff R.S. – CPP as an "opt-out" rate in this proceeding, and that I&M must obtain Commission approval for any opt-out rate provisions prior to implementation.

C. Remaining Issues

1. Any matters not addressed by this Settlement Agreement will be adopted as proposed by I&M in its direct case.

2. The Settling Parties agree to seek Commission approval, as described in Part II below, so that the Commission can issue a final order consistent with IC 8-1-2-42.7(f).

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

A. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement.

B. I&M will, and each of the other Settling Parties may, file testimony specifically supporting the Settlement Agreement. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement and to consider the input of the other Settling Parties. Such evidence, together with the evidence previously

prefiled in this Cause will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or approves it with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear this with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

C. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

III. EFFECT AND USE OF SETTLEMENT AGREEMENT.

A. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except to the extent necessary to implement and enforce its terms. It is also understood that each and every term of this Settlement Agreement is in consideration and support of each and every other term.

B. Neither the making of this Settlement Agreement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of this Settlement Agreement), nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

C. This Settlement Agreement shall not constitute and shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce this Settlement Agreement.

D. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of

any position that any Settling Party may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.

E. The evidence in support of this Settlement Agreement constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Settling Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible after the filing of this Settlement Agreement and the final evidentiary hearing.

F. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of settlement and shall be confidential, without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

G. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their respective clients, and their successor and assigns, which will be bound thereby.

H. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of the Commission Order approving this Settlement Agreement in its entirety and without change or condition(s) acceptable to any Settling Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement).

I. The provisions of this Settlement Agreement shall be enforceable by any Settling Party first before the Commission and thereafter in any state court of competent jurisdiction as necessary.

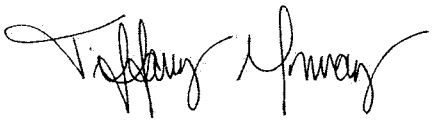
J. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED and AGREED as of the 16th day of November, 2021.

INDIANA MICHIGAN POWER COMPANY

Steven F. Baker
I&M President and Chief Operating Officer
Indiana Michigan Power Center
Fort Wayne, Indiana 46802

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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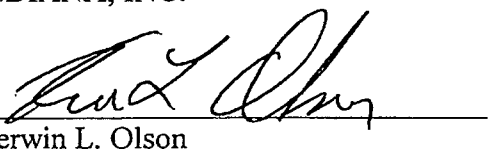

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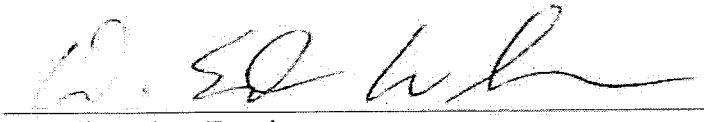

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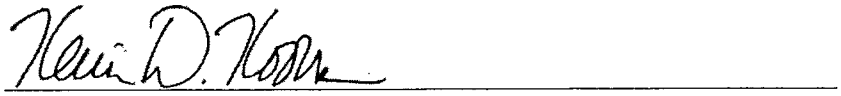

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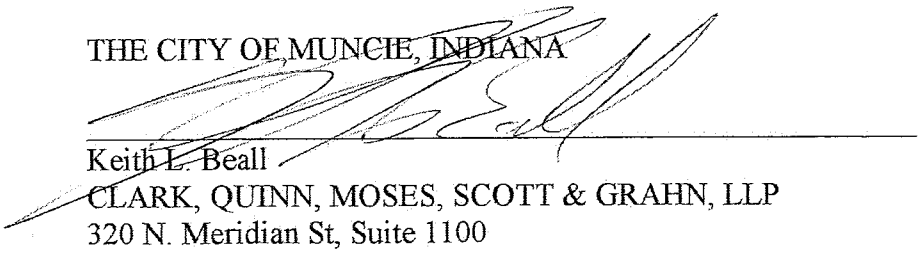

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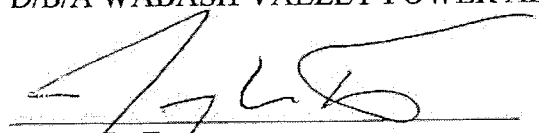
WABASH VALLEY POWER ASSOCIATION, INC.
D/B/A WABASH VALLEY POWER ALLIANCE



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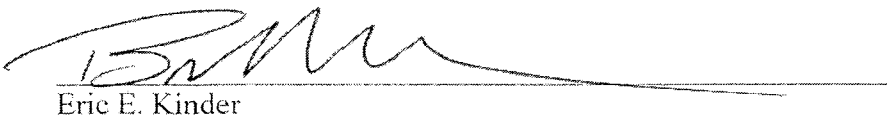

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INDIANA MICHIGAN POWER COMPANY
INDIANA JURISDICTIONAL PROJECTED REQUIRED RATE RELIEF SUMMARY
FOR THE TEST YEAR ENDED DECEMBER 31, 2022

(1)	(2)	(3)	(4)
Line No.	**Description**	**Source**	**Indiana Jurisdictional Amount**
1	Adjusted Original Cost Rate Base	Attachment JCD-1-S	$ 5,125,560,428
2	Required Rate of Return	Attachment AJW-1-S	5.78%
3	Income Requirement	Line 1 x Line 2	$ 296,288,136
4	Less: Net Electric Operating Income	Attachment JCD-1-S	$ 357,455,166
5	Income Deficiency	Line 3 - Line 4	$ (61,167,030)
6	Gross Revenue Conversion Factor	Attachment AJW-6-S	1.3580
7	Jurisdictional Revenue Deficiency	Line 5 x Line 6	$ (83,064,827)
8	Remove Transmission Owner Costs, Revenues	Attachment JLF-1-S	$ 605,355
9	Total Required Rate Relief Before Phase-In Credit	Line 7 + Line 8	$ (82,459,473)
10	Less: Current Revenue for Ongoing Riders	Attachment AJW-3-S	$ (243,618,128)
11	Plus: Proposed Rider Revenue	Attachment AJW-3-S	$ 321,396,541
12	Total Rate Change **Including** Phase-In Credits	Line 9 + Line 10 + Line 11	$ (4,681,060)
13	Forecasted Revenues Before Increase	Attachment AJW-3-S	$ 1,605,545,069
14	Percent Increase	Line 12 / Line 13	-0.29%
15	Riders that Expire or Change between December 2022 and January 2023		
	A Phase-In Credit - Plant	WP-JLF-7-S	$ (27,171,209)
	B Phase-In Credit - Excluded Capacity	WP-JLF-6-S	$ (31,503,678)
	C Phase-In Credit - Rockport (2022 charge)	WP-JLF-6-S	$ 70,942,602
	D Resource Adequacy Rider - Rockport	WP-JLF-6-S	$ 77,304,123
	E ECR - Rockport (2022)	WP-JLF-6-S	$ 1,310,171
	F Subtotal - Items Ending in 2022 (Included in Line 11)		$ 90,882,009
	G Phase-In Credit - Plant (TBD Jan 2023)	N/A	$ -
	H Phase-In Credit - Rockport NBV (2023)	WP-JLF-6-S	$ (18,075,753)
	I ECR - SO2 (2023)	WP-JLF-6-S	$ 3,028,225
	J ECR - Rockport NBV (2023)	WP-JLF-6-S	$ 15,905,917
	K Subtotal - Items Beginning in 2023		$ 858,389
16	Total Rate Change - December 31, 2022	Line 12 - 15F + 15K	$ (94,704,680)
17	Percent Increase	Line 16 / Line 13	-5.90%

Rockport Unit 2 Post Lease Cost Adjustment Calculation

Component	Total Company Amount	IN Allocator[1/]		IN Jurisdictional	Adj Mechanism	
Test Year Rate Base @ 12/31/22						
Fuel Inventory	$ 21,189,656	Energy Excl Shop	69.569%	$ 14,741,381	PRA	
Consumables Inventory	$ 568,409	Demand	70.696%	$ 401,843	PRA	
	$ 21,758,065			$ 15,143,223		
	7.20%			7.20%		
	$ 1,566,337			$ 1,090,142		a
2022 Test Year Operating Expenses						
Fuel Expense	$ 1,488,999	Energy Excl Shop	69.569%	$ 1,035,878	PRA	
Consumables Expense	$ 1,791,885	Energy Excl Shop	69.569%	$ 1,246,592	ECR	
Allowances Expense	$ 52,488	Energy Excl Shop	69.569%	$ 36,515	ECR	
AEG UPA - Non-Fuel	$ 107,252,483	Demand	70.696%	$ 75,823,215	RAR	
Lease Expense	$ 69,204,240	Demand	70.696%	$ 48,924,630	PRA	
Other O&M Expense	$ 17,232,615	Various	70.668%	$ 12,177,941	PRA	
Property Tax Expense	$ 1,432,072	Net Plant	74.185%	$ 1,062,383	PRA	
	$ 198,454,782			$ 140,307,154		b
		Total Revenue Requirement Impact =		$ 141,397,297		a+b

Summary of Costs in I&M's FAC Basing Point	Total Company	IN Allocator		IN Jurisdictional
Fuel Expense	$ 14,264,901	Energy Excl Shop	69.569%	$ 9,923,915
AEG UPA - Fuel	$ 13,921,021	Energy Excl Shop	69.569%	$ 9,684,682
	$ 28,185,922			$ 19,608,596

Sources:
[1/] Attachment JCD-1-S (pg. 15)

Indiana Michigan Power Company
Proposed Revenue Allocation
Test Year Twelve Months Ending December 31, 2022
Phase I Rate Change - 2022

Current Class (1)	Adjusted COS Current Revenue (2)	Continuing Rider Revenue (3)	Total Revenue (4) = (2) + (3)	Current ROR % (5)	Current ROR Index (6)	Proposed Basic Rate Increase (7) = (8) - (2)	Proposed Basic Rate Revenue (8)	Rider Revenue (9)	Total Revenue (10) = (8) + (9)	% Increase (11) = (10) / (4)	Proposed ROR % (12)	Proposed ROR Index (13)
RS	566,975,891	105,400,193	672,376,084	6.72	96	(30,128,430)	536,847,461	129,985,590	666,833,052	-0.82%	5.80	100
GS	147,504,396	27,277,501	174,781,897	8.97	129	(12,782,970)	134,721,426	40,060,472	174,781,898	0.00%	7.58	131
LGS	259,294,138	49,449,286	308,743,424	5.95	85	(13,741,225)	245,552,914	64,730,880	310,283,793	0.50%	4.83	83
IP	265,654,055	55,981,667	321,635,722	7.48	107	(22,157,698)	243,496,356	78,139,365	321,635,722	0.00%	5.78	100
MS	2,561,240	495,112	3,056,352	7.20	103	(197,269)	2,363,971	640,009	3,003,981	-1.71%	5.80	100
WSS	9,781,054	1,717,081	11,498,135	6.43	92	(887,914)	8,893,140	2,604,995	11,498,135	0.00%	4.48	77
IS	245,845	15,940	261,785	11.42	164	(37,760)	208,085	27,548	235,633	-9.99%	8.57	148
EHG	575,437	104,228	679,665	6.68	96	(40,394)	535,043	144,622	679,665	0.00%	5.40	93
OL	6,482,376	(17,838)	6,464,538	9.73	140	(583,495)	5,898,881	(80,150)	5,818,731	-9.99%	8.25	142
SL	5,127,804	17,695	5,145,499	11.35	163	(519,514)	4,608,290	23,174	4,631,464	-9.99%	9.62	166
Subtotal	1,264,202,237	240,440,865	1,504,643,102	6.97	100	(81,076,669)	1,183,125,568	316,276,505	1,499,402,073	-0.35%	5.80	100
Interruptible	97,724,704	3,177,263	100,901,967			(1,382,803)	96,341,901	5,120,036	101,461,937	0.55%		
Total Basic Rates	1,361,926,941					(82,459,472)	1,279,467,469				5.78	
Riders	243,618,128	243,618,128				77,778,413	321,396,541	321,396,541				
Total	1,605,545,069		1,605,545,069			(4,681,059)	1,600,864,010		1,600,864,010	-0.29%		

Indiana Michigan Power Company
Proposed Revenue Allocation
Test Year Twelve Months Ending December 31, 2022
Phase I Rate Change - 2022 and Phase II Rate Change - December 2022/January 2023

Current Class	Current Total Revenue	Proposed Basic Rate Increase	Proposed Basic Rate Revenue	Phase 1 Rider Revenue	Phase 1 Total Revenue	Phase 1 % Increase	Phase 2 Rider Revenue	Phase 2 Total Revenue	Phase 2 % Increase
(1)	(2)	(3)	(4)	(5)	(6) = (4) + (5)	(7) = (6) / (2)	(8)	(9) = (4) + (8)	(10) = (9) / (6)
RS	672,376,084	(30,128,430)	536,847,461	129,985,590	666,833,052	-0.82%	96,230,180	633,077,641	-5.06%
GS	174,781,897	(12,782,970)	134,721,426	40,060,472	174,781,898	0.00%	29,172,981	163,894,406	-6.23%
LGS	308,743,424	(13,741,225)	245,552,914	64,730,880	310,283,793	0.50%	45,923,954	291,476,868	-6.06%
IP	321,635,722	(22,157,698)	243,496,356	78,139,365	321,635,722	0.00%	54,329,502	297,825,858	-7.40%
MS	3,056,352	(197,269)	2,363,971	640,009	3,003,981	-1.71%	462,927	2,826,898	-5.89%
WSS	11,498,135	(887,914)	8,893,140	2,604,995	11,498,135	0.00%	1,812,496	10,705,636	-6.89%
IS	261,785	(37,760)	208,085	27,548	235,633	-9.99%	21,157	229,242	-2.71%
EHG	679,665	(40,394)	535,043	144,622	679,665	0.00%	106,079	641,121	-5.67%
OL	6,464,538	(583,495)	5,898,881	(80,150)	5,818,731	-9.99%	(30,219)	5,868,662	0.86%
SL	5,145,499	(519,514)	4,608,290	23,174	4,631,464	-9.99%	(493)	4,607,797	-0.51%
Subtotal	1,504,643,102	(81,076,669)	1,183,125,568	316,276,505	1,499,402,073	-0.35%	228,028,563	1,411,154,131	-5.89%
Interruptible	100,901,967	(1,382,803)	96,341,901	5,120,036	101,461,937	0.55%	3,344,358	99,686,259	-1.75%
Subtotal Basic Rates		(82,459,472)	1,279,467,469						
Riders	Incl. Above	77,778,413		321,396,541	Incl. Above		231,372,921	Incl. Above	
Total	1,605,545,069	(4,681,059)			1,600,864,010	-0.29%		1,510,840,390	-5.62%

Indiana Michigan Power Company
Proposed Rider Allocation
Test Year Twelve Months Ending December 31, 2022

Current Class (1)	Phase 1 Rider Revenue (5)	Resource Adequacy Rider (RAR) (3)	Environmental Cost Rider (ECR) (3)	Phase-In Rate Adj. Rider (PRA) (3)	Phase 2 Rider Revenue (3)
RS	129,985,590	(31,817,545)	7,139,505	(9,077,371)	96,230,180
GS	40,060,472	(9,763,738)	2,163,186	(3,286,940)	29,172,981
LGS	64,730,880	(15,625,895)	3,598,785	(6,779,814)	45,923,954
IP	78,139,365	(18,073,492)	4,216,778	(9,953,150)	54,329,502
MS	640,009	(154,755)	34,930	(57,258)	462,927
WSS	2,604,995	(625,122)	146,750	(314,127)	1,812,496
IS	27,548	(7,319)	1,681	(753)	21,157
EHG	144,622	(35,448)	7,913	(11,009)	106,079
OL	(80,150)	(6,980)	6,750	50,161	(30,219)
SL	23,174	(10,624)	10,005	(23,047)	(493)
Subtotal	316,276,505	(76,120,917)	17,326,283	(29,453,308)	228,028,563
Interruptible	5,120,036	(1,183,205)	297,688	(890,160)	3,344,358
Total	321,396,541	(77,304,122)	17,623,971	(30,343,468)	231,372,921
Revenue Verification Diff.		630	5,132	3,681	
Net Change in Riders	321,396,541	(77,303,492)	17,629,103	(30,339,787)	231,372,921
Items Ending in 2022					
Rockport Unit 2 Costs Ending in 2022		(77,303,492)	(1,308,157)	(70,941,635)	
Excluded Capacity Credit Ending in 2022				31,504,295	
Test Year Plant Addition Credit Ending in 2022				27,172,019	
Items Beginning in 2023					
SO2 Allowance Collection			3,025,300		
Plant Credit for Rockport NBV				(18,074,466)	
Levelized Charge for Rockport NBV			15,911,960		
Net Change in Riders		**(77,303,492)**	**17,629,103**	**(30,339,787)**	

Indiana Michigan Power Company
Proposed IP Rates
Test Year Twelve Months Ending December 31, 2022

Class	Demand Charge ($/kW)	First 410 kWh per kW (¢/kWh)	Over 410 kWh per kW (¢/kWh)	Minimum Demand Charge ($/kW)	Excess kVAr Charge ($/kVAr)	Monthly Service Charge ($)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
327 Secondary	$15.645	5.540	1.104	$ 20.250	$ 1.50	$ 155.00
322 Primary	$13.113	5.185	1.067	$ 17.559	$ 1.50	$ 235.00
323 Subtransmission	$10.034	4.940	1.053	$ 14.541	$ 1.50	$ 235.00
324 Transmission	$ 9.918	4.547	1.045	$ 14.374	$ 1.50	$ 235.00