



Indiana Office of Utility Consumer Counselor

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I&M \$787 million infrastructure replacement plan: Consumer comments on proposed rate increases invited

The Indiana Office of Utility Consumer Counselor (OUCC) is inviting written comments from Indiana Michigan Power (I&M) customers on the utility's \$787 million plan for electric transmission and distribution system improvements. This includes I&M's request for incremental electric rate recovery of the costs as the projects proceed, through a new semi-annual rate adjustment mechanism (or "tracker").

The OUCC – the state agency representing consumer interests in cases before the Indiana Utility Regulatory Commission (IURC) – is reviewing the utility's plan and has not yet taken a position in the pending cases. The OUCC is scheduled to complete its review and file testimony on January 12, 2015.

I&M has filed its request under a 2013 Indiana law (Senate Enrolled Act 560).

- The law allows an investor-owned electric or natural gas utility to seek IURC approval of a seven-year infrastructure improvement plan.
- If the plan is approved, the utility may then adjust rates every six months, subject to OUCC review and IURC approval, to recover project costs as they are incurred.
- The rate adjustments – under a new Transmission, Distribution, and Storage System Improvement Charge (TDSIC) mechanism – may not exceed two percent of the utility's total retail revenues each year.
- Recovery of 20 percent of the costs must be deferred until the utility's next base rate case, which must be filed before the end of the seven-year period.

In IURC Cause No. 44542, I&M is seeking approval of its proposed seven-year plan. The utility's testimony and exhibits state that:

- The proposed projects throughout its Indiana service territory would be built from 2015 through 2022.
- Projects would include pole inspections and replacements, overhead circuit and distribution station breaker replacements, underground system replacements, network improvements, vegetation management, and other initiatives.

Under the law's timing requirements, the IURC must issue a final order no later than May 12, 2015.

In IURC Cause No. 44543, I&M is seeking establishment of the methodology for calculating rate recovery for future costs. The utility's testimony and exhibits state that:

- The total cost for capital projects in the seven-year plan is approximately \$787 million.
- Annual rate increases through the TSDIC mechanism would average 0.9 percent each year over the seven-year term.
- The first increase of 0.7 percent would take effect in 2015.
- Rate increases are projected to vary from 2016 through 2021, ranging from 0.5 percent to 1.3 percent.

(Continued)

The new tracker rate increases requested in this case are in addition to I&M's current Indiana base rates, which were approved in 2013, and also in addition to various other trackers through which the utility currently adjusts its rates subject to OUCC review and IURC approval. All Indiana investor-owned electric utilities use trackers, with I&M using them to recover costs for generating fuel, environmental compliance, regional transmission, energy efficiency programs, life cycle management projects at the Cook nuclear plant, and cost variances relating to a capacity pooling agreement with American Electric Power (AEP), I&M's parent/holding corporation.

An IURC technical evidentiary hearing is scheduled to start on February 11, 2015 at the PNC Center (101 W. Washington St.) in Indianapolis. While evidentiary hearings are open to the public, participation is typically limited to attorney and Commission questioning of expert witnesses who have filed technical testimony on behalf of the case's formal parties.

For more information on this case and the 2013 law, please visit www.in.gov/oucc/2804.htm.

Consumers who wish to submit written comments may do so via the OUCC's Website at www.in.gov/oucc/2361.htm, or by mail, email or fax:

- **Mail:** Consumer Services Staff
Indiana Office of Utility Consumer Counselor
115 W. Washington St., Suite 1500 South
Indianapolis, IN 46204
- **email:** uccinfo@oucc.IN.gov
- **Fax:** (317) 232-5923

Written comments the OUCC receives by January 5, 2015 will be filed with the Commission and included in the case's formal evidentiary record. Comments should include the consumer's **name, mailing address**, and a reference to "**IURC Cause Nos. 44542 and 44543.**"

Consumers with questions about submitting written comments can contact the OUCC's consumer services staff toll-free at 1-888-441-2494.

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(IURC Cause Nos. 44542, 44543)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC's mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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