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I&M Exhibit: _____

Cause No. 45235

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

NANCY A. HEIMBERGER

INDEX

PRE-FILED VERIFIED DIRECT TESTIMONY OF NANCY A. HEIMBERGER
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

Q. Would you please state your name and business address?

A. My name is Nancy A. Heimberger. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. By whom are you employed and what is your position?

A. I am employed by American Electric Power Service Corporation (AEPSC) as a Financial Analyst Senior Staff in Corporate Planning and Budgeting. AEPSC supplies engineering, financing, accounting, and planning and advisory services to the subsidiaries of the American Electric Power System, one of which is Indiana Michigan Power Company (I&M or Company).

Q. Please describe your educational and professional background.

A. I earned a Bachelor of Business Administration Degree in Accounting from Ohio University in 1986. I am a Certified Public Accountant (Inactive) in the state of Ohio. I was first employed by Arthur Andersen & Co. in 1986 in the Audit section where I performed audits of financial statements and internal controls for various clients. From 1988 to 1997, I was employed by Columbia Energy Group, Inc. and held positions in the Internal Audit, Accounting, and Tax Departments. From 1997 to the present, I have been employed by AEPSC. I have held positions in the Tax, Regulated Pricing and Analysis, and Corporate Planning and Budgeting (CP&B) Departments.

Q. What are your current responsibilities as a Financial Analyst Senior Staff?

A. I assist in the preparation of financial forecasts in conjunction with operating company personnel; variance analyses, regulatory filings, and other ad hoc analysis for the AEP System's utility companies. In this role, I assist in the preparation and review of short- and long-term forecasts for I&M, as well as monthly analyses of budget to actual variances. With respect to this filing, I am responsible for development of I&M's financial forecast.

Q. Have you previously submitted testimony in any regulatory proceedings?

A. Yes, I have testified and/or submitted testimony before the Indiana Utility Regulatory Commission (IURC or Commission) on behalf of I&M in rider[1] and fuel cost[2] proceedings. I have also testified and/or submitted testimony before the Michigan Public Service Commission (MPSC) on behalf of I&M in base rate case and power supply cost recovery proceedings, before the Public Service Commission of West Virginia on behalf of Appalachian Power Company (APCo) and Wheeling Power Company in a fuel cost proceeding, and the Virginia State Corporation Commission on behalf of APCo in a fuel factor proceeding.

I. PURPOSE OF TESTIMONY

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

A. My testimony presents I&M's 2020 Test Year financial forecast and discusses the forecast process. The financial forecast I present is necessarily informed by a number of subject matter experts that are also being presented by the Company. I also support several adjustments to the Test Year cost of service and the Fuel Adjustment Clause (FAC) basing point.

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[1] Cause Nos. 43827 DSM 3, 43827 DSM 4, 44182 LCM 4, 44422, 44331 ECR 1, and 44555.
[2] Cause Nos. 38702-FAC75 through 38702-FAC78, and 38702-FAC80 through 38702-FAC82.

Q. Are you sponsoring any exhibits in this proceeding?

A. I am sponsoring the following exhibits:

- Exhibit A-2 – Balance Sheet
- Exhibit A-3 – Statement of Cash Flows
- Exhibit A-4 – Income Statement

Q. Are you sponsoring any attachments in this proceeding?

A. I am sponsoring the following attachments:

- Attachment NAH-1 – Operating Income Comparison
- Attachment NAH-2 – Revenue Comparison
- Attachment NAH-3 – Fuel, Consumables, Allowance and Purchased Power Expenses
- Attachment NAH-4 –Transmission Revenues and Expenses
- Attachment NAH-5 – Historic Functional Plant Activity
- Attachment NAH-6 – I&M Plant Summary
- Attachment NAH-7 – UI Model Overview
- Attachment NAH-8 – Fuel Adjustment Clause (FAC) Basing Point

Q. Are you sponsoring any workpapers in this proceeding?

A. I am supporting the following workpapers:

- WP-NAH-1 – Retail and FERC Sales Detail
- WP-NAH-2 – Sales for Resale Detail
- WP-NAH-3 – Transmission and Other Electric Revenue Detail
- WP-NAH-4 – Purchased Power Detail
- WP-NAH-5 – Net Plant Balance Sheet

- WP-NAH-6 – Testimony Figures
- WP-NAH-7 – Test Year FERC Income Statement
- WP-NAH-8 – 2018 PeopleSoft FERC Income Statement
- WP-NAH-9 – 2018 PeopleSoft FERC O&M
- WP-NAH-10 – Net Energy Cost
- WP-NAH-11 – Nuclear Fuel Summary
- WP-NAH-12 – Affiliated Rent Adjustment
- WP-NAH-13 – Accumulated Depreciation Adjustment Summary
- WP-NAH-14 – Depreciation Expense Adjustment Summary
- WP-NAH-15 – Depreciation Adjustment Details
- WP-NAH-16 – 2018 Accumulated Depreciation for Indiana
- WP-NAH-17 – Value Advertising Adjustment
- WP-NAH-18 – Lobbying Adjustment
- WP-NAH-19 – Regulatory Debit Reclassification Adjustment

Q. Were the exhibits, attachments, and workpapers that you are sponsoring prepared or assembled by you or under your direction?

A. Yes.

II. I&M'S FORECASTING PROCESS

Q. Please briefly describe the forecasting process used to develop I&M's financial forecast.

A. The forecasting process used in this proceeding is the same that was used in I&M's last basic rate case, Cause No. 44967. I&M's financial management team and CP&B work collaboratively throughout the process to prepare I&M's financial forecast. I&M, CP&B, and other corporate groups involved in developing the forecast utilize the best information and data available at the time the forecast is prepared to incorporate the latest underlying assumptions. The established assumptions include items such as kilowatt-hour sales, fuel expense, interest rates, and cost projections based on each of I&M's business unit work plans.

The final result of the forecasting process is what is referred to as I&M's Budget and Long Range Plan. The Budget represents the forecast for the next calendar year, and the Long Range Plan represents the forecast for subsequent periods. The Budget and Long Range Plan are collectively referred to as the financial forecast. The completion of the forecast also produces forward-looking financial statements similar to financial statements based on actual results.

I&M's financial forecast contains the following major components: 1) load and demand forecast; 2) retail and firm wholesale revenue projections; 3) off-system sales forecast; 4) generation forecast; 5) operation and maintenance (O&M) forecast; 6) construction expenditure forecast; and 7) financing plan.

Q. Please describe the financial model used in the forecasting process.

A. I&M utilizes a financial modeling program designed specifically for investor-owned utilities by Utilities International (UI) to prepare the total Company, integrated financial forecast. This model integrates I&M's work plans with a number of other forecast inputs to generate a financial forecast. The model contains a number of algorithms that apply assumptions and logic to the forecast inputs and generate forward looking financial statements and ratios. Please refer to Attachment NAH-7 for an overview of the UI financial model.

Q. Please discuss the timeline for establishing the financial forecast.

A. Each year CP&B establishes the timeline for preparing the annual financial forecast. This annual process starts in February with identifying assumptions and preparing initial elements of the forecast. During May and June, each I&M business unit establishes and incorporates their work plans into the proposed forecast. During April through June, CP&B coordinates inputs from various corporate groups and performs the modeling process. I&M's management team participates in reviews of the major components throughout the process before the proposed forecast is finalized in July. I&M presents this proposed forecast to the AEP Investment Review Committee (IRC) in August. Final updates to the forecast and underlying assumptions resulting from the IRC meetings are incorporated, and the forecast is locked down in the December to January timeframe.

Q. What forward-looking Test Year has I&M proposed for setting rates in this proceeding?

A. I&M has proposed rates based on a forward-looking calendar year Test Year of January 1, 2020 through December 31, 2020.

Q. What period has I&M used as a historical base period?

A. For a historical base period, I&M used the most recent calendar year for which audited financial statements were available at the time of this filing, which is the 2018 calendar year.

Q. What financial forecast was used for the Test Year?

A. The Test Year is based on the financial forecast that was prepared during the last annual forecast development process.

Q. How were I&M's forecasted income statement and balance sheet developed?

A. The forecasted income statement as shown on Exhibit A-4 and balance sheet as shown on Exhibit A-2 were prepared in accordance with AEP's normal forecasting processes. They are based on the consolidation of data provided by business units and various corporate departments. The forecast is fully integrated between the income statement, balance sheet, and cash flows.

Q. How was I&M's forecasted statement of cash flows developed?

A. The forecasted statement of cash flows as shown on Exhibit A-3 is a function of the items reflected in the forecasted balance sheet. Cash needs dictate the extent of debt and equity that is necessary to operate the business, given the timing of cash inflows and outflows.

Q. Does I&M's forecasted balance sheet fairly and reasonably reflect the account balances expected for the Company during the Test Year?

A. Yes. The forecasted balance sheet is based on the capital expenditures, operating costs, and capital structure reasonably necessary for the going forward operation of the utility. The forecasted balance sheet contains the components of rate base as shown on Exhibit A-6 – Rate Base Summary.

Q. Please discuss the major components of the I&M's financial forecast used for the Test Year in more detail.

A. The major components of the financial forecast are as follows:

1) Load and Demand Forecast – I&M's load projection, sponsored by Company witness Burnett, reflects an analysis of the economy and the unique factors that influence individual customers or customer classes in I&M's Indiana jurisdiction.

2) Retail and Wholesale Federal Energy Regulatory Commission (FERC) Revenue Projections – Company witness Duncan is presenting the Indiana retail revenues by tariff class utilizing current rates, including riders and the FAC. Revenues for large wholesale customers are developed in detail in accordance with the terms of the contract, including demand, energy, and fuel adjustment charges.

3) Off-System Sales (OSS) Forecast – The OSS (also referred to as non-firm sales) projections are developed by the Commercial Operations Department and Resource Planning and Operational Analysis Departments. The OSS

Forecast includes both cost to serve the sale and the resulting margins. Company witness Williamson discusses the ratemaking treatment of OSS margin.

4) Generation Forecast – I&M's generation forecast is developed by the Commercial Operations and Resource Planning and Operational Analysis Departments. I&M's forecasted generation, together with planned energy purchases, is sufficient to meet the system's anticipated total energy requirements. This is the same forecasting methodology used in the Company's semi-annual FAC filings. The cost of fuel consumed is based on the generation forecast for each of the generating units in the AEP System. In addition to fuel costs, I&M incurs other variable costs of production, such as consumable materials, at our generating stations for the operation of environmental equipment, emission allowances, and purchased power costs.

5) O&M Forecast – O&M expenses, excluding energy costs, are based upon work plans for each of I&M's business units. These plans include expenditures for scheduled maintenance programs, as well as the cost of operations. These plans take into consideration staffing levels, including budgeted increases in compensation as well as material costs necessary to perform each planned program.

6) Construction Expenditure Forecast – The various engineering and planning groups supporting each of I&M's business units develop the construction expenditure budget. That budget reflects expenditures and in-

service dates of major projects as well as amounts approved to fund blanket work (smaller projects grouped together), which is essential in estimating depreciation as well as the allowance for funds used during construction (AFUDC).

7) Financing Plan – Company witness Messner is presenting the financing program to meet the Company's forecasted O&M and capital requirements. In determining the Company's financing program, consideration is given to regulatory requirements, access to capital, credit metrics, capital structure, short-term debt limitations, and corporate objectives and guidelines.

Q. Who are the Company witnesses in this proceeding supporting the O&M and capital expenditure work plan activities for the financial forecast?

A. The following individuals will provide testimony supporting the O&M and capital expenditure work plan activities for the financial forecast:

- Dave Lucas – Overall work plan
- Tim Kerns – Fossil, Hydro & Solar Generation
- Q. Shane Lies – Nuclear Generation
- Kamran Ali – Transmission
- Dave Isaacson – Distribution

III. OPERATING REVENUES

Q. Please describe the major components of I&M's operating revenues.

A. The major components of I&M's operating revenues are Indiana and Michigan retail sales, FERC wholesale sales, OSS, transmission revenues, and other operating revenues.

Q. Please provide an overview of the retail and FERC wholesale sales included in the forecast.

A. As shown on Attachment NAH-2, Total Company retail and FERC wholesale sales are projected to be $2,023 million for the Test Year. Total Company retail and FERC wholesale sales include Indiana retail revenues, Michigan retail revenues, and FERC municipal and cooperative wholesale revenues. Total Test Year Indiana retail revenues, excluding any ratemaking adjustments or the requested change in base rates, are projected to be $1,508 million.

Q. How do the projected Test Year Indiana retail load and revenues compare to the historical load and revenues for 2018?

A. As reflected in Attachment NAH-2, in 2018 actual Indiana retail revenue was $1,446 million, and the projection for the Test Year is $1,508 million. The projected revenue increase of approximately $62 million is mainly due to a $147 million projected increase in revenue stemming from the ongoing implementation of rate adjustment mechanisms approved by the Commission, partially offset by a projected decrease in fuel revenue of $32 million and a decrease in base rate revenue of $54 million. The projected changes from the rate adjustment mechanisms, including fuel revenues, are directly related to projected changes in the costs they track and recover. The $54 million projected decrease in base rate revenue is primarily the result of the impact of weather in 2018 as compared to the weather normalized Test Year projection, and the Test Year reflects a full year of revenue reduction due to the Tax Cuts and Jobs Act (TCJA).

Q. How do the Test Year FERC wholesale load and revenues compare to the historical load and revenues for 2018?

A. As shown in Attachment NAH-2 and further discussed by Company witness Williamson, in 2018 actual FERC wholesale revenues were $291 million, and the projection for the Test Year is $202 million, excluding any ratemaking adjustments. The projected decrease of $89 million is primarily due to reduced FERC wholesale sales.

Q. Please describe the level of OSS in the forecast and how it compares with the historical level in 2018.

A. OSS include sales made in PJM at market prices during hours when generation from I&M's generating units exceeds the Company's internal load. Total OSS include both cost to serve the sale and the resulting margins. As shown in Attachment NAH-2, OSS in 2018 were $196 million compared to $215 million in the Test Year. The increase in OSS is primarily due to higher OSS volumes partially offset by lower market prices.

Q. Please provide an overview of other operating revenues.

A. Other operating revenues include forfeited customer discounts, reconnection and other service fee revenue, pole attachment revenues and other rents, associated business development income, gains on the sale of emission allowances, and transmission revenues. Transmission revenues and O&M expenses will be discussed later in my testimony regarding operations and maintenance expense.

Q. Please discuss the level of other operating revenue in the Test Year forecast and how it compares with the historical level for 2018.

A. As shown in Attachment NAH-2, total other operating revenues for the Test Year, excluding any ratemaking adjustments and excluding transmission revenues, are projected to be $23 million, whereas the level in 2018 was $22 million. The increase in other operating revenues is primarily due to affiliated rent revenue, which is discussed later in my testimony regarding ratemaking and forecast adjustments.

Q. Is the level of operating revenues included in the forecast provided by I&M accurate, reasonable, and representative of the Test Year?

A. Yes, the Test Year level of forecasted operating revenues, as adjusted by the Company, is accurate, reasonable, and representative of I&M's going forward cost of providing service.

IV. <u>FUEL, CONSUMABLES, ALLOWANCES AND PURCHASED POWER</u>

Q. Please discuss the components of the Generation Forecast.

A. The components of the Generation forecast are as follows:

1) Fuel - Fuel costs include both fossil and nuclear generation costs.

2) Consumables - I&M currently consumes activated carbon, anhydrous ammonia and sodium bicarbonate at the Rockport Plant. Company witness Kerns discusses this in more detail.

3) Allowances - I&M uses emission allowances to comply with Title IV of the Clean Air Act Amendments and the USEPA's Cross-State Air Pollution Rule (CSAPR).

4) Purchased Power – Purchased power includes purchases from AEP Generating Company (AEG), purchases from the Ohio Valley Electric Corporation (OVEC), wind purchases and other system purchases.

Also included in purchased power are:

a) PJM Ancillaries - Include charges and credits, where applicable, for ancillary services such as operating reserves, reactive services, black start, spinning reserves, and regulation service.

b) Financial Transmission Rights (FTR) Revenue Net of Congestion - Within the PJM RTO, members receive FTR revenues and incur congestion costs which may or may not offset each other. FTRs are financial instruments that entitle the holder to receive compensation for certain congestion-related costs that arise when the transmission grid is heavily used. Simply put, FTRs are a partial hedge against transmission congestion costs. Congestion costs are measured as the difference in the price of megawatts for the generators in PJM versus the load serving entities.

c) Transmission Losses - PJM transmission losses include costs and credits associated with the financial settlement of physical losses (power losses due to resistance) on the transmission system within PJM.

Q. Please discuss the level of fuel, consumables, allowances and purchased power expense included in the Test Year.

A. As shown on Attachment NAH-3, fuel, consumables, allowances and purchased power expense, excluding any ratemaking adjustments, is projected to be $671 million for the Test Year compared to $770 million in 2018. The $99 million projected decrease in fuel, consumables, allowances and purchased power expense is primarily the result of the impact of weather in 2018 as compared to the weather normalized Test Year projection.

Q. Is the level of fuel, consumables, allowances and purchased power expense included in the Test Year reasonable and accurate?

A. Yes. The Test Year level of fuel, consumables, allowances and purchased power expense, as adjusted by the Company, is accurate, reasonable, and representative of I&M's going forward cost of providing service.

V. OPERATIONS & MAINTENANCE EXPENSES

Q. Please discuss the O&M expenses included in the Test Year.

A. The O&M expenses, excluding energy costs, are based upon work plans for each of I&M's business units. Company witnesses Lucas, Kerns, Lies, Ali and Isaacson provide further support for the projected level of O&M expenses included in the Test Year.

Q. Please discuss the level of transmission revenues and expenses in the Test Year forecast and how it compares with the historical level for 2018.

A. In Attachment NAH-4, I show the operating revenues and expenses associated with all transmission activities in order to reflect the net effect of various offsetting accounts to provide a total Company view of the transmission revenue and expenses.

As shown in Attachment NAH-4, transmission revenues and expenses can be broken down in multiple categories. The first category I have identified is PJM Network Integration Transmission Service (NITS) revenues and expenses. In 2018, these charges were $187 million and are expected to increase in the Test Year to $285 million. This increase is due to the growth in transmission investments made by I&M, other AEP affiliates, and other transmission owners within PJM. Company witness Ali discusses this in more detail.

The second category, PJM transmission enhancement charges, primarily represents payments made by I&M to other transmission owners in PJM for the costs associated with regional transmission projects mandated by PJM. In 2018 these charges were $10 million and are expected to increase to $42 million during the Test Year. These costs are driven by PJM's objectives to increase reliability and modernize the grid and continue to grow significantly. Company witness Ali discusses this in more detail.

The third category of transmission-related revenue and expenses is associated with transmission owner revenues and other transmission O&M

expenses, the majority of which are the traditional embedded costs for I&M to operate and maintain its own transmission assets. This category is removed from the Company's cost of service, as discussed by Company witness Nollenberger.

VI. DEPRECIATION AND AMORTIZATION

Q. What are the major components of depreciation and amortization expense that are included in the Test Year?

A. The major components of depreciation and amortization expense included in the Test Year are depreciation expense, amortization of plant, and regulatory debits.

Q. What is the level of depreciation and amortization expense that is included in the Test Year?

A. As shown on Attachment NAH-1, depreciation and amortization expense is projected to be $405 million for the Test Year, excluding ratemaking adjustments compared to $293 million in 2018. The depreciation expense projection was developed, on a total Company basis, by applying the composite depreciation rates approved by this Commission, the MPSC, and FERC to projected monthly plant in service balances. As shown on Attachment NAH-6, I&M's plant in service is projected to increase by approximately $1.3 billion from 2018 through the Test Year, excluding ratemaking adjustments. Based upon this plant in service projection, and reflecting a full year of composite depreciation rates which were updated during 2018, the approximately $112 million increase in depreciation and amortization expense is reasonable.

Q. Is the level of depreciation and amortization expense included in the Test Year reasonable and accurate?

A. Yes. The Test Year level of depreciation and amortization expense, as adjusted by the Company, is accurate, reasonable, and representative of I&M's going forward cost of providing service.

VII. TAXES

Q. What are the major components of taxes other than income taxes that are included in the Test Year?

A. The major components of taxes other than income taxes are revenue taxes, payroll taxes, and property taxes. These expenses are sponsored by Company witness Kelly.

Q. What is the level of taxes other than income taxes included in the Test Year?

A. Taxes other than income taxes, as shown on Attachment NAH-1, are projected to be $107 million for the Test Year, excluding any ratemaking adjustments, compared to $95 million in 2018. The primary driver of the increase is associated with property taxes on the new utility plant in service.

Q. What are the major components of income taxes that are included in the Test Year?

A. The major components of income taxes are federal income taxes, including both current and deferred taxes, state income taxes, and investment tax credits. The deferred income tax expense includes the amortization of the excess accumulated deferred federal income taxes (ADFIT) related to the TCJA.

Q. What is the level of income taxes included in the Test Year?

A. As shown on Attachment NAH-1, income taxes are projected to be a benefit of $6 million for the Test Year, excluding any ratemaking adjustments, compared to an expense of $32 million in 2018. The decrease in income taxes is primarily due to lower taxable income and higher amortization of excess ADFIT, partially offset by other book/tax differences which are accounted for on a flow-through basis. These Test Year expenses are sponsored by Company witness Kelly.

VIII. <u>PLANT IN SERVICE</u>

Q. How was the forecasted Test Year plant in service balance developed?

A. In order to develop the Test Year plant in service balance, forecasted transfers from Construction Work in Progress (CWIP) are added to – and retirements are subtracted from – the beginning actual plant in service balance. The forecast begins with actual account balances as of December 31, 2018 and adds forecasted capital expenditures for the Capital Forecast Period, which is defined as January 1, 2019 through December 31, 2020. Forecasted transfers from CWIP are a function of both the forecast of capital expenditures in each year and forecasted in-service dates for each construction project based upon the work plans. Forecasted retirements are based upon a five-year rolling average of retirements for each function except for major retirements, such as a generating unit or software project, which are forecasted individually. Attachment NAH-5 provides an historical overview of the closings from CWIP, retirements, and depreciation and amortization expense from 2014 through 2018. Attachment NAH-6 then provides an unadjusted, forward-looking forecast of plant in service, CWIP, and accumulated depreciation balances for the Capital Forecast Period.

Q. Please describe the balance of plant in service included in the Test Year.

A. As shown on Attachment NAH-6, the balance of plant in service is projected to be $10,380 million at the end of 2020, excluding any ratemaking adjustments. Plant in service increased by $1,341 million during the Capital Forecast Period. Figure NAH-1 provides a summary of the functional projected activity during the entire Capital Forecast Period of January 1, 2019 through December 31, 2020.

Figure NAH-1
Net Plant in Service Activity

	In $Millions		
Function	**Transfers from CWIP**	**Retirements**	**Net**
Fossil and Hydro	$222	($12)	$210
Nuclear	$478	($75)	$403
Transmission	$200	($18)	$182
Distribution	$486	($34)	$452
General & Intangible	$137	($43)	$94
Total	**$1,523**	**($182)**	**$1,341**

Q. Is the projected plant in service balance in the forecast that you have provided reasonable, accurate, and representative of the Test Year?

A. Yes. The Test Year plant in service balance, as adjusted by the Company, is reasonable, accurate, and representative of I&M's going forward cost of providing service.

IX. CONSTRUCTION WORK IN PROGRESS

Q. How is the forecast of CWIP developed, and what is its importance in the case?

A. The forecasted balance of CWIP in any given month is developed by starting with the beginning balance, adding in capital expenditures, adding AFUDC accruals, and deducting transfers to plant in service. The transfers to plant in service occur upon a project's forecasted completion or in-service date. Then the project's total forecasted balance of CWIP, including AFUDC, is transferred into plant in service. While CWIP is not a component of rate base in the Indiana jurisdiction, these calculations determine the size and timing of total transfers to plant in service.

Q. Please discuss the level of the CWIP balance that is included in the forecast.

A. As shown on Attachment NAH-6, I&M's CWIP balance was $465 million as of December 31, 2018 and is forecasted to decrease to $225 million by the end of 2020. Figure NAH-2 provides a summary of the functional projected activity during the entire Capital Forecast Period.

Figure NAH-2
Construction Work in Progress Activity

	In $Millions			
Function	**Cash Construction**	**AFUDC**	**Transfers to EPIS**	**Net**
Fossil and Hydro	$156	$10	($222)	($56)
Nuclear	$281	$21	($478)	($176)
Transmission	$188	$12	($200)	$0
Distribution	$480	$6	($486)	$0
General & Intangible	$127	$1	($137)	($9)
Total	**$1,232**	**$50**	**($1,523)**	**($241)**

The forecast of cash construction or capital expenditures shown above includes many projects for each function. Company witnesses Lucas, Kerns, Lies and Isaacson will discuss and support the capital expenditures during the Capital Forecast Period.

X. <u>ACCUMULATED DEPRECIATION</u>

Q. How did you develop the forecasted accumulated depreciation balance?

A. In order to develop a forecast of accumulated depreciation, depreciation and amortization expenses are added – and retirements and removal expenditures are subtracted – from the December 31, 2018 actual accumulated depreciation balance.

Q. Please discuss the accumulated depreciation balance that is included in the Test Year.

A. As shown on Attachment NAH-6, I&M's accumulated depreciation and removal reserve was $3,068 million as of December 31, 2018 and is projected to be $3,580 million at the end of 2020, excluding any ratemaking adjustments. Figure

NAH-3 provides a summary of the functional projected activity during the entire Capital Forecast Period of January 1, 2019 through December 31, 2020.

Figure NAH-3
Depreciation Reserve

	In $Millions			
Function	**Depreciation/ Amortization Expense**	**Retirements**	**Removal Expenditures**	**Net**
Fossil and Hydro	$206	($12)	($4)	$190
Nuclear	$223	($75)	($16)	$132
Transmission	$65	($18)	($25)	$22
Distribution	$183	($34)	($31)	$118
General & Intangible	$93	($43)	$0	$50
Total	**$770**	**($182)**	**($76)**	**$512**

XI. RATEMAKING AND FORECAST ADJUSTMENTS

Q. Which of the net operating income adjustments included in I&M Exhibit A-5 and the rate base adjustments included in I&M Exhibit A-6 do you sponsor or co-sponsor?

A. I support the following adjustments in I&M Exhibit A-5 to I&M's Test Year net operating income, and in I&M Exhibit A-6 to I&M's Test Year rate base:

- Operating Revenue Adjustment No. OR-3 – To properly eliminate affiliated rent revenue and expense.
- Depreciation Expense and Accumulated Depreciation Adjustment No. DEP-1 – To reflect depreciation expense and accumulated depreciation using the depreciation rates currently approved by this Commission.
- Depreciation Expense and Accumulated Depreciation Adjustment No. DEP-2 – To reflect depreciation expense and accumulated depreciation using the depreciation rates as proposed.

- O&M Expense Adjustment No. O&M-2 –To remove value advertising expense.
- O&M Expense Adjustment No. O&M-3 – To remove lobbying expenses associated with the I&M State Office.
- O&M Expense Adjustment No. O&M-9 – To reclassify regulatory debits into various accounts.

Q. What is the purpose of Operating Revenue Adjustment No. 3 of Exhibit A-5?

A. Operating Revenue Adjustment No. 3 "Adjust revenues and expenses to properly eliminate affiliated rent revenue and expense" - decreases both I&M's operating revenue and I&M's O&M expense by $1,066,713 to properly eliminate affiliated rent revenue and affiliated rent expense from the Test Year forecast. In the forecasting model, the elimination of affiliated rent revenue and expense occurs at a higher consolidation level. The Test Year is presented at the I&M Corporate Consolidated level, but the elimination occurred at the I&M Integrated Consolidated level. If this adjustment were not made, both the revenues and expenses would be overstated in the Company's calculation of the required rate relief.

Q. What is the purpose of Depreciation Expense and Accumulated Depreciation Adjustment No. 1 of Exhibit A-5 and Exhibit A-6?

A. Depreciation Expense and Accumulated Depreciation Adjustment No. 1 "Adjust accumulated depreciation and depreciation expense by applying Indiana jurisdictional depreciation rates approved by the Indiana Utility Regulatory Commission to projected depreciable plant balances" - decreases I&M's

depreciation expense by $2,466,761 and accumulated depreciation by $56,560,980. First, the adjustment restates the accumulated depreciation through December 31, 2018, for the difference between depreciation accruals based on depreciation rates approved by this Commission and the rates utilized for book account purposes, which are composites of the depreciation rates approved by this Commission, the MPSC, and FERC. Second, the adjustment recalculates accumulated depreciation and the related depreciation expense through the end of the Test Year, based on total Company plant in service at depreciation rates currently approved by this Commission as compared to a composite depreciation rate used in the forecasting model. If this adjustment were not made, the expenses would be overstated and rate base would be understated in the Company's calculation of the required rate relief.

Q. What is the purpose of Depreciation Expense and Accumulated Depreciation Adjustment No. 2 of Exhibit A-5 and Exhibit A-6?

A. Depreciation Expense and Accumulated Depreciation Adjustment No. 2 "Adjust accumulated depreciation and depreciation expense by applying Indiana jurisdictional depreciation rates proposed in this case to projected depreciable plant balances" - increases I&M's depreciation expense by $45,589,645 and accumulated depreciation by $44,378,644. This adjustment recalculates accumulated depreciation and the related depreciation expense beginning January 1, 2020 through the end of the Test Year, based on total company plant in service at rates proposed by the Company and presented by Company witness Cash. If this adjustment were not made, the expenses would be understated and rate base would be overstated in the Company's calculation of the required rate relief.

Q. Please explain the methodology used to calculate accumulated depreciation and depreciation expense.

A. Accumulated depreciation is calculated by applying depreciation rates (as described above) to monthly total Company plant in service balances for the period beginning January 1, 2019 through the end of the Test Year. Depreciation expense is calculated by applying the current and proposed depreciation rates (as described above) to total Company plant in service December 31, 2020 plant balances.

Q. What is the purpose of O&M Expense Adjustment No. 2 of Exhibit A-5?

A. O&M Expense Adjustment No. 2 "Remove the expenses associated with Value Advertising" - decreases I&M's O&M expense by $450,368 to remove value advertising expenses from the Test Year forecast. Eliminating value advertising expenses is consistent with past ratemaking practices of this Commission for I&M. If this adjustment were not made, the expenses would remain in the Company's calculation of the required rate relief.

Q. What is the purpose of O&M Expense Adjustment No. 3 of Exhibit A-5?

A. O&M Expense Adjustment No. 3 "Remove the lobbying expenses associated with the I&M State Office" - decreases I&M's O&M expense by $224,517 to remove the expenses of the Company's State Government Affairs department that are related to lobbying activities and are included in the Test Year forecast. I was provided the percentage of lobbying expenses to exclude from the State Government Affairs department expenses. Eliminating the portion of government relations expenses that is related to lobbying activities is consistent with past ratemaking practices of this Commission for I&M. If this adjustment were not made, the expenses would remain in the Company's calculation of the required rate relief.

Q. What is the purpose of O&M Expense Adjustment No. 9 of Exhibit A-5?

A. O&M Expense Adjustment No. 9 "Adjustment to reclassify forecasted Regulatory Debits Expense to the appropriate accounts related to previously approved regulatory assets and liabilities" - reclassifies regulatory debits expense into taxes other than income and other O&M expenses. The Test Year forecast summarized some of I&M's amortizations into the regulatory debits expense account. This adjustment reclassifies those amortizations into the appropriate expense accounts. This adjustment was made to ensure the expenses were properly reflected in the Company's Jurisdictional Cost of Service.

XII. FUEL ADJUSTMENT CLAUSE BASING POINT

Q. What is the projected Test Year FAC basing point?

A. The FAC basing point for the Test Year is 12.989 mills per kWh, as shown on Attachment NAH-8. The Total Company fuel costs computed on an Indiana basis are estimated to be $281.2 million with a net energy requirement of 21,653 GWh.

Q. Please provide a general description of the methodologies and assumptions used in the development of I&M's forecasted fuel costs and net energy requirements for the Test Year.

A. The projected costs consist of FERC Account 151 fossil and Account 518 nuclear fuel costs, as well as the allowable portion of purchased power, calculated in a manner typically called the FERC Net Energy Cost method. In addition, the total cost of wind purchases and the associated energy are included, consistent with the Commission Orders in Cause Nos. 43328, 43750, 44034, and 44362. The components of the net energy requirements and costs are shown on Attachment NAH-8. To the extent that I&M incurs costs to supply energy to non-affiliates, those costs are removed from I&M's net energy costs. This is the same methodology I&M used in Cause No. 44967 and the methodology I&M traditionally uses in Indiana fuel cost adjustment filings, a methodology the Commission has found to be reasonable.

XIII. CONCLUSION

Q. Do you believe the projected values that you have provided are reasonable and accurate and reflect the income statement and balance sheet activity likely to occur during the Test Year?

A. Yes I do.

Q. Does this conclude your pre-filed verified direct testimony?

A. Yes.

VERIFICATION

I, Nancy A. Heimberger, Financial Analyst Senior Staff in Corporate Planning and Budgeting of American Electric Power Service Corporation (AEPSC), affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: 5/7/19

Nancy A. Heimberger

Nancy A. Heimberger

Indiana Michigan Power Company - Corp Consolidated
Operating Income Comparison
For the Unadjusted Test Year Ended December 31, 2020 As Compared to 2018 Historic Period

Line No.	Description	TY ($000)	2018 ($000)	Difference ($000)
1	**Operating Revenues**			
2	Retail Sales	$ 1,820,803	$ 1,763,875	$ 56,928
3	FERC Wholesale Sales	$ 201,725	$ 290,820	$ (89,095)
4	Rate Refund Provision	$ -	$ (21,612)	$ 21,612
5	Off System Sales	$ 215,425	$ 195,991	$ 19,434
6	Other Operating Revenues	$ 50,477	$ 55,068	$ (4,591)
7	Gains from Disposition of Allowances	$ 51	$ 41	$ 10
8	**Total Operating Revenues**	$ 2,288,482	$ 2,284,184	$ 4,298
9				
10	**Fuel Related and Purchased Power Expense**			
11	Fuel	$ 233,075	$ 266,970	$ (33,895)
12	Consumables	$ 12,023	$ 15,085	$ (3,062)
13	Allowances	$ 1,161	$ 1,224	$ (64)
14	Purchased Power	$ 425,140	$ 486,466	$ (61,326)
15	**Total Fuel Related and Purchased Power Expense**	$ 671,399	$ 769,746	$ (98,347)
16				
17	**Operating and Maintenance Expense**			
18	Steam Generation	$ 96,238	$ 104,990	$ (8,752)
19	Nuclear Generation	$ 252,526	$ 257,277	$ (4,751)
20	Hydraulic Generation	$ 3,553	$ 5,018	$ (1,465)
21	Other Generation & Power Supply	$ 3,244	$ 6,938	$ (3,694)
22	Transmission	$ 208,545	$ 120,223	$ 88,322
23	Regional Market Expense	$ 5,357	$ 4,958	$ 399
24	Distribution	$ 76,349	$ 81,401	$ (5,051)
25	Customer Information	$ 51,052	$ 43,213	$ 7,839
26	Sales	$ 373	$ 215	$ 158
27	Administrative and General	$ 103,990	$ 95,144	$ 8,847
28	Factored Accounts Receivable	$ 9,701	$ 9,152	$ 549
29	Accretion	$ 5,732	$ 7,303	$ (1,571)
30	Line of Credit Fees	$ 288	$ 784	$ (496)
31	Gain/Loss Disposition of Utility Plant	$ -	$ (938)	$ 938
32	**Total Operating and Maintenance Expense**	$ 816,948	$ 735,677	$ 81,271
33				
34	**Depreciation and Amortization Expense**			
35	Depreciation	$ 350,398	$ 258,291	$ 92,107
36	Amortization of Plant	$ 51,086	$ 34,771	$ 16,315
37	Regulatory Debits	$ 3,248	$ 29	$ 3,219
38	**Total Depreciation and Amortization Expense**	$ 404,731	$ 293,091	$ 111,641
39				
40	**Taxes Other than Income Taxes**			
41	Revenue Taxes	$ 22,308	$ 20,577	$ 1,731
42	Payroll Taxes	$ 13,664	$ 12,753	$ 912
43	Property Taxes	$ 68,077	$ 59,224	$ 8,853
44	Regulatory Fees	$ 2,951	$ 2,503	$ 448
45	Other	$ 108	$ 128	$ (20)
46	**Total Taxes Other than Income Taxes**	$ 107,107	$ 95,184	$ 11,923
47				
48	**Allowance For Funds Used During Construction**			
49	AOFUDC	$ (15,405)	$ (11,901)	$ (3,504)
50	ABFUDC	$ (8,170)	$ (7,382)	$ (788)
51	**Total Allowance For Funds Used During Construction**	$ (23,575)	$ (19,283)	$ (4,292)
52				
53	**Income Taxes**			
54	Current Federal Income Taxes	$ 22,915	$ 65,621	$ (42,706)
55	Deferred Federal Income Taxes	$ (25,178)	$ (44,974)	$ 19,796
56	Investment Tax Credit	$ (5,214)	$ (4,687)	$ (527)
57	State Income Tax	$ 1,204	$ 15,998	$ (14,794)
58	**Total Income Taxes**	$ (6,274)	$ 31,958	$ (38,232)
59				
60	**Total Operating Expenses**	$ 1,970,336	$ 1,906,372	$ 63,964
61				
62	**Regulatory Operating Income**	$ 318,146	$ 377,812	$ (59,666)

Indiana Michigan Power Company - Corp Consolidated
Revenue Comparison
For the Unadjusted Test Year Ended December 31, 2020 As Compared to 2018 Historic Period

Line No.	Description	TY ($000)	2018 ($000)	Difference ($000)
1	**Operating Revenues**			
2	Indiana Retail Revenues			
3	Base	$ 1,031,531	$ 1,085,150	$ (53,619)
4	Rate Relief	$ 278,580	$ 131,504	$ 147,077
5	Fuel	$ 197,889	$ 229,703	$ (31,814)
6	Total	$ 1,508,001	$ 1,446,357	$ 61,643
7				
8	Michigan Retail Revenues			
9	Base	$ 209,624	$ 235,064	$ (25,440)
10	Rate Relief	$ 1,860	$ (9,548)	$ 11,408
11	Fuel	$ 101,319	$ 92,002	$ 9,316
12	Total	$ 312,802	$ 317,518	$ (4,715)
13				
14	FERC Wholesale Revenues			
15	Base	$ 146,031	$ 208,769	$ (62,738)
16	Rate Relief	$ 10,551	$ 6,559	$ 3,992
17	Fuel	$ 45,144	$ 75,492	$ (30,348)
18	Total	$ 201,725	$ 290,820	$ (89,095)
19				
20	**Retail, Firm and Interruptible Sales**	**$ 2,022,528**	**$ 2,054,695**	**$ (32,167)**
21				
22	**Rate Refund Provision**	$ -	$ (21,612)	$ 21,612
23				
24	OSS Margin	$ 43,414	$ 23,510	$ 19,904
25	OSS Cost Recovery	$ 172,011	$ 182,278	$ (10,267)
26	Other Sales for Resale	$ -	$ 229	$ (229)
27	Over Recovery of Riders	$ -	$ (10,026)	$ 10,026
28	**Off-System Sales**	**$ 215,425**	**$ 195,991**	**$ 19,434**
29				
30	Forfeited Discounts	$ 5,306	$ 6,108	$ (801)
31	Miscellaneous Service Revenues	$ 4,924	$ 3,957	$ 968
32	Rent from Electric Property	$ 10,288	$ 8,406	$ 1,882
33	Other Electric Revenues - ABD & Other	$ 2,560	$ 3,428	$ (869)
34	Subtotal	$ 23,079	$ 21,899	$ 1,180
35	PJM NITS Expense	$ (130,473)	$ (95,335)	$ (35,138)
36	PJM Enhancement Expense	$ (3,066)	$ (2,892)	$ (173)
37	Transmission Owner and Other Revenues	$ 160,937	$ 131,397	$ 29,540
38	Subtotal	$ 27,398	$ 33,169	$ (5,771)
39	**Other Operating Revenues/(Expense)**	**$ 50,477**	**$ 55,068**	**$ (4,591)**
40				
41	Gains from Disposition of Allowances	**$ 51**	**$ 41**	**$ 10**
42	**Total Operating Revenues**	$ 2,288,482	$ 2,284,184	$ 4,298

Indiana Michigan Power Company - Corp Consolidated
Fuel, Consumables, Allowances and Purchased Power Comparison
For the Unadjusted Test Year Ended December 31, 2020 As Compared to 2018 Historic Period

Line No.	Description	TY ($000)	2018 ($000)	Difference ($000)
1	**Fuel**			
2	Fossil Generation	$ 142,256	$ 149,280	$ (7,024)
3	Nuclear Generation	$ 90,819	$ 117,690	$ (26,871)
4	**Total Fuel Costs**	$ 233,075	$ 266,970	$ (33,895)
5				
6	**Consumables**			
7	Lime Hydrate	$ -	$ 0	$ (0)
8	Activated Carbon	$ 2,286	$ 3,384	$ (1,098)
9	Anhydrous Ammonia	$ 523	$ 300	$ 222
10	Sodium Bicarbonate	$ 9,214	$ 10,413	$ (1,199)
11	DSI Rider Over/Under	$ -	$ 987	$ (987)
12	**Total Consumables**	$ 12,023	$ 15,085	$ (3,062)
13				
14	**Allowances**	$ 1,161	$ 1,224	$ (64)
15				
16	**Purchased Power**			
17	Purchased Power Non-Affil	$ 61,603	$ 97,053	$ (35,451)
18	Purchased Power - Wind	$ 80,482	$ 70,687	$ 9,794
19	Purchased Power - AEG	$ 256,290	$ 237,908	$ 18,382
20	PJM Ancillaries	$ 12,365	$ 13,463	$ (1,098)
21	FTR Revenue Net of Congestion - LSE	$ 1,000	$ 17,641	$ (16,641)
22	Transmission Losses	$ 13,400	$ 17,518	$ (4,118)
23	Under Recovery of Riders	$ -	$ 32,195	$ (32,195)
24		$ 425,140	$ 486,466	$ (61,326)
25				
26	**Total Fuel Related and Purchased Power Expense**	$ 671,399	$ 769,746	$ (98,347)

Indiana Michigan Power Company - Corp Consolidated
Total Company Transmission Revenues and Expense Comparison
For the Unadjusted Test Year Ended December 31, 2020 As Compared to 2018 Historic Period

Line No.	Description	TY ($000)	2018 ($000)	Difference ($000)
1	**Operating Revenues/(Expense)**			
2	PJM NITS Expense	$ (130,473)	$ (95,335)	$ (35,138)
3	**Operating and Maintenance (Expense)**			
4	PJM NITS Expense	$ (154,200)	$ (91,507)	$ (62,694)
5	**Total PJM NITS Expense**	$ (284,673)	$ (186,842)	$ (97,832)
6				
7	**Operating Revenues/(Expense)**			
8	PJM Enhancement Expense	$ (3,066)	$ (2,892)	$ (173)
9	**Operating and Maintenance (Expense)**			
10	PJM Enhancement and Other LSE Expense	$ (38,550)	$ (6,790)	$ (31,759)
11	**Total PJM Enhancement and Other LSE Expense**	$ (41,615)	$ (9,682)	$ (31,933)
12				
13	**Operating Revenues/(Expense)**			
14	Transmission Owner and Other Revenues	$ 160,937	$ 131,397	$ 29,540
15	**Operating and Maintenance (Expense)**			
16	Other Transmission O&M Expense	$ (21,152)	$ (26,884)	$ 5,733
17	**Total Transmission Owner and Other Revenues**	$ 139,785	$ 104,512	$ 35,273
18				
19	**Total Company Transmission Revenues/(Expense)**	$ (186,503)	$ (92,012)	$ (94,491)

Indiana Michigan Power Company - Corp Consolidated
Historic Functional Plant Activity
($000)

Line No.	Function	2014	2015	2016	2017	2018
1		**Closings from CWIP**				
2	Fossil, Hydro, and Other	$ 40,087	$ 136,837	$ 46,843	$ 164,716	$ 21,591
3	Nuclear	$ 183,068	$ 16,372	$ 203,573	$ 324,125	$ 478,358
4	Transmission	$ 61,566	$ 57,599	$ 84,043	$ 73,541	$ 106,773
5	Distribution	$ 87,507	$ 106,776	$ 120,617	$ 187,563	$ 210,730
6	General & Intangible	$ 28,541	$ 34,254	$ 35,194	$ 73,464	$ 66,265
7	**Total**	$ 400,769	$ 351,838	$ 490,271	$ 823,409	$ 883,717
8						
9		**Retirements**				
10	Fossil, Hydro, and Other	$ 4,371	$ 700,304	$ 5,170	$ 6,602	$ 2,679
11	Nuclear	$ 25,672	$ 38,750	$ 43,833	$ 89,043	$ 55,454
12	Transmission	$ 7,707	$ 25,687	$ 16,031	$ 38,199	$ 33,873
13	Distribution	$ 14,277	$ 15,916	$ 14,000	$ 21,430	$ 28,891
14	General & Intangible	$ 19,533	$ 98,551	$ 9,886	$ 7,284	$ 15,339
15	**Total**	$ 71,560	$ 879,207	$ 88,920	$ 162,557	$ 136,236
16						
17		**Depreciation & Amortization of Plant Expense**				
18	Fossil, Hydro, and Other	$ 54,595	$ 42,957	$ 38,725	$ 44,903	$ 76,729
19	Nuclear	$ 52,724	$ 57,397	$ 56,184	$ 59,991	$ 87,388
20	Transmission	$ 22,629	$ 23,248	$ 24,058	$ 25,028	$ 27,946
21	Distribution	$ 47,852	$ 49,945	$ 52,579	$ 55,631	$ 69,754
22	General & Intangible	$ 21,447	$ 24,341	$ 19,863	$ 25,095	$ 31,245
23	**Total**	$ 199,248	$ 197,888	$ 191,409	$ 210,648	$ 293,061

NOTES:

2014 through 2018 data is based on FERC Form 1.

2015 Fossil includes the Tanners Creek retirement.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
($000)

Line No.	Indiana Michigan Power Company - Corp I&M Plant Summary In Thousands ($000)	Historic 12/31/2018	Forecasted 1/31/2019	Forecasted 2/28/2019	Forecasted 3/31/2019	Forecasted 4/30/2019	Forecasted 5/31/2019	Forecasted 6/30/2019
1	**Electric Plant In Service**							
2	Production	1,202,192	1,202,323	1,202,149	1,201,920	1,201,770	1,201,744	1,201,739
3	Nuclear	3,657,023	3,653,073	3,650,501	3,693,647	3,698,082	3,700,297	3,883,083
4	Transmission	1,576,570	1,580,211	1,583,246	1,593,420	1,595,788	1,604,895	1,606,824
5	Distribution	2,249,546	2,262,523	2,272,247	2,281,790	2,292,163	2,304,229	2,318,059
6	General	155,764	158,992	160,744	160,758	161,014	161,257	161,490
7	Intangible	198,116	207,716	214,856	219,291	223,285	227,275	216,445
8	**Total Electric Plant In Service Balance (101 & 106)** Note 1	**9,039,209**	**9,064,837**	**9,083,742**	**9,150,826**	**9,172,102**	**9,199,698**	**9,387,639**
9	**Construction Work in Progress**							
10	Production	57,406	62,530	70,978	79,799	86,204	92,427	99,336
11	Nuclear	224,302	235,471	249,132	235,889	255,395	273,924	100,409
12	Transmission	69,638	74,548	79,602	76,697	79,259	81,681	87,260
13	Distribution	87,750	86,780	87,952	90,117	93,675	97,747	100,384
14	General Plant	8,378	5,565	4,196	4,608	4,792	4,949	5,123
15	Intangible Plant	17,779	13,506	10,444	10,032	9,944	10,021	10,087
16	**Total Constr Work in Progress Balance (107)**	**465,253**	**478,399**	**502,304**	**497,142**	**529,269**	**560,748**	**402,598**
17	**Accum. Prov for Depr. Amort. Depl**							
18	Production	(406,328)	(413,935)	(421,573)	(429,057)	(436,690)	(444,319)	(451,908)
19	Nuclear	(1,406,635)	(1,411,252)	(1,415,859)	(1,420,459)	(1,425,175)	(1,429,903)	(1,434,636)
20	Transmission	(498,470)	(499,430)	(500,255)	(501,086)	(501,932)	(502,782)	(503,635)
21	Distribution	(634,540)	(638,979)	(643,270)	(647,574)	(651,812)	(656,360)	(660,936)
22	General Plant	(40,160)	(40,221)	(40,292)	(40,367)	(40,443)	(40,519)	(40,596)
23	Intangible Plant	(82,044)	(84,997)	(88,075)	(91,248)	(94,479)	(97,762)	(86,266)
24	**Total Accumulated Depreciation Balance (108, 111, 115)**	**(3,068,177)**	**(3,088,813)**	**(3,109,324)**	**(3,129,792)**	**(3,150,530)**	**(3,171,644)**	**(3,177,977)**

Note: Does not include leases or plant held for future use.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
($000)

Line No.	Indiana Michigan Power Company - Corp I&M Plant Summary In Thousands ($000)	Forecasted 7/31/2019	Forecasted 8/31/2019	Forecasted 9/30/2019	Forecasted 10/31/2019	Forecasted 11/30/2019	Forecasted 12/31/2019	Forecasted 1/31/2020
1	**Electric Plant In Service**							
2	Production	1,201,744	1,201,729	1,201,783	1,201,900	1,203,795	1,217,186	1,217,309
3	Nuclear	3,887,840	3,888,634	3,890,988	3,895,532	3,931,737	3,935,690	3,946,537
4	Transmission	1,609,054	1,618,062	1,620,139	1,621,532	1,625,267	1,640,415	1,642,374
5	Distribution	2,334,592	2,351,866	2,371,090	2,390,839	2,417,010	2,450,293	2,466,844
6	General	161,709	161,994	162,272	162,513	162,750	162,985	163,220
7	Intangible	220,489	224,514	228,526	232,935	237,744	242,943	247,736
8	**Total Electric Plant In Service Balance (101 & 106)** Note 1	**9,415,428**	**9,446,799**	**9,474,798**	**9,505,251**	**9,578,303**	**9,649,513**	**9,684,020**
9	**Construction Work in Progress**							
10	Production	104,418	109,982	116,548	122,348	127,157	123,195	136,255
11	Nuclear	103,099	107,408	111,700	119,177	86,674	86,267	122,556
12	Transmission	91,933	89,649	94,004	101,790	107,399	101,847	106,644
13	Distribution	103,971	107,290	111,500	114,148	110,835	99,623	97,721
14	General Plant	5,299	5,481	5,662	5,839	6,020	6,203	6,349
15	Intangible Plant	10,042	10,023	10,040	10,826	11,220	11,217	10,552
16	**Total Constr Work in Progress Balance (107)**	**418,763**	**429,831**	**449,454**	**474,128**	**449,304**	**428,353**	**480,076**
17	**Accum. Prov for Depr. Amort. Depl**							
18	Production	(459,494)	(467,083)	(474,328)	(481,908)	(489,496)	(497,068)	(504,767)
19	Nuclear	(1,439,860)	(1,445,097)	(1,450,336)	(1,455,581)	(1,460,839)	(1,466,194)	(1,467,476)
20	Transmission	(504,502)	(505,374)	(506,260)	(507,149)	(508,040)	(508,936)	(509,810)
21	Distribution	(665,384)	(669,999)	(674,670)	(679,343)	(684,014)	(688,770)	(693,891)
22	General Plant	(40,673)	(40,752)	(40,831)	(40,911)	(40,991)	(41,072)	(41,154)
23	Intangible Plant	(89,380)	(92,545)	(95,761)	(99,029)	(102,353)	(105,739)	(109,192)
24	**Total Accumulated Depreciation Balance (108, 111, 115)**	**(3,199,294)**	**(3,220,849)**	**(3,242,185)**	**(3,263,921)**	**(3,285,733)**	**(3,307,780)**	**(3,326,290)**

Note: Does not include leases or plant held for future use.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
($000)

Line No.	Indiana Michigan Power Company - Corp I&M Plant Summary In Thousands ($000)	Forecasted 2/29/2020	Forecasted 3/31/2020	Forecasted 4/30/2020	Forecasted 5/31/2020	Forecasted 6/30/2020	Forecasted 7/31/2020	Forecasted 8/31/2020
1	**Electric Plant In Service**							
2	Production	1,217,432	1,217,619	1,218,065	1,380,603	1,379,958	1,380,618	1,381,049
3	Nuclear	3,957,769	4,012,141	4,013,043	4,014,049	4,014,833	4,015,102	4,015,324
4	Transmission	1,650,665	1,654,842	1,659,348	1,665,663	1,675,514	1,678,103	1,690,659
5	Distribution	2,482,313	2,496,753	2,511,332	2,530,933	2,548,895	2,567,217	2,591,396
6	General	163,487	163,784	164,073	164,357	164,634	164,901	165,158
7	Intangible	252,009	255,893	259,536	263,277	248,555	252,644	256,698
8	**Total Electric Plant In Service Balance (101 & 106)** Note 1	**9,723,675**	**9,801,032**	**9,825,397**	**10,018,883**	**10,032,389**	**10,058,586**	**10,100,284**
9	**Construction Work in Progress**							
10	Production	142,178	148,489	156,981	(1,167)	756	959	1,436
11	Nuclear	114,616	65,279	67,594	69,153	73,340	75,642	79,016
12	Transmission	104,141	105,436	106,255	105,674	103,130	109,546	106,926
13	Distribution	96,785	97,410	99,415	97,358	97,340	100,408	99,153
14	General Plant	6,448	6,571	6,708	6,844	6,980	7,110	7,241
15	Intangible Plant	10,080	9,930	9,684	10,041	10,302	10,240	10,183
16	**Total Constr Work in Progress Balance (107)**	**474,248**	**433,115**	**446,637**	**287,903**	**291,849**	**303,905**	**303,955**
17	**Accum. Prov for Depr. Amort. Depl**							
18	Production	(512,476)	(519,804)	(527,519)	(535,228)	(544,017)	(552,791)	(561,575)
19	Nuclear	(1,473,787)	(1,480,128)	(1,486,615)	(1,493,104)	(1,499,597)	(1,506,091)	(1,512,586)
20	Transmission	(510,688)	(511,580)	(512,478)	(513,383)	(514,298)	(515,229)	(516,164)
21	Distribution	(699,058)	(704,263)	(709,485)	(714,737)	(720,045)	(725,429)	(730,852)
22	General Plant	(41,237)	(41,320)	(41,405)	(41,490)	(41,576)	(41,662)	(41,750)
23	Intangible Plant	(112,705)	(116,274)	(119,892)	(123,557)	(108,669)	(112,054)	(115,489)
24	**Total Accumulated Depreciation Balance (108, 111, 115)**	**(3,349,952)**	**(3,373,370)**	**(3,397,393)**	**(3,421,498)**	**(3,428,202)**	**(3,453,257)**	**(3,478,416)**

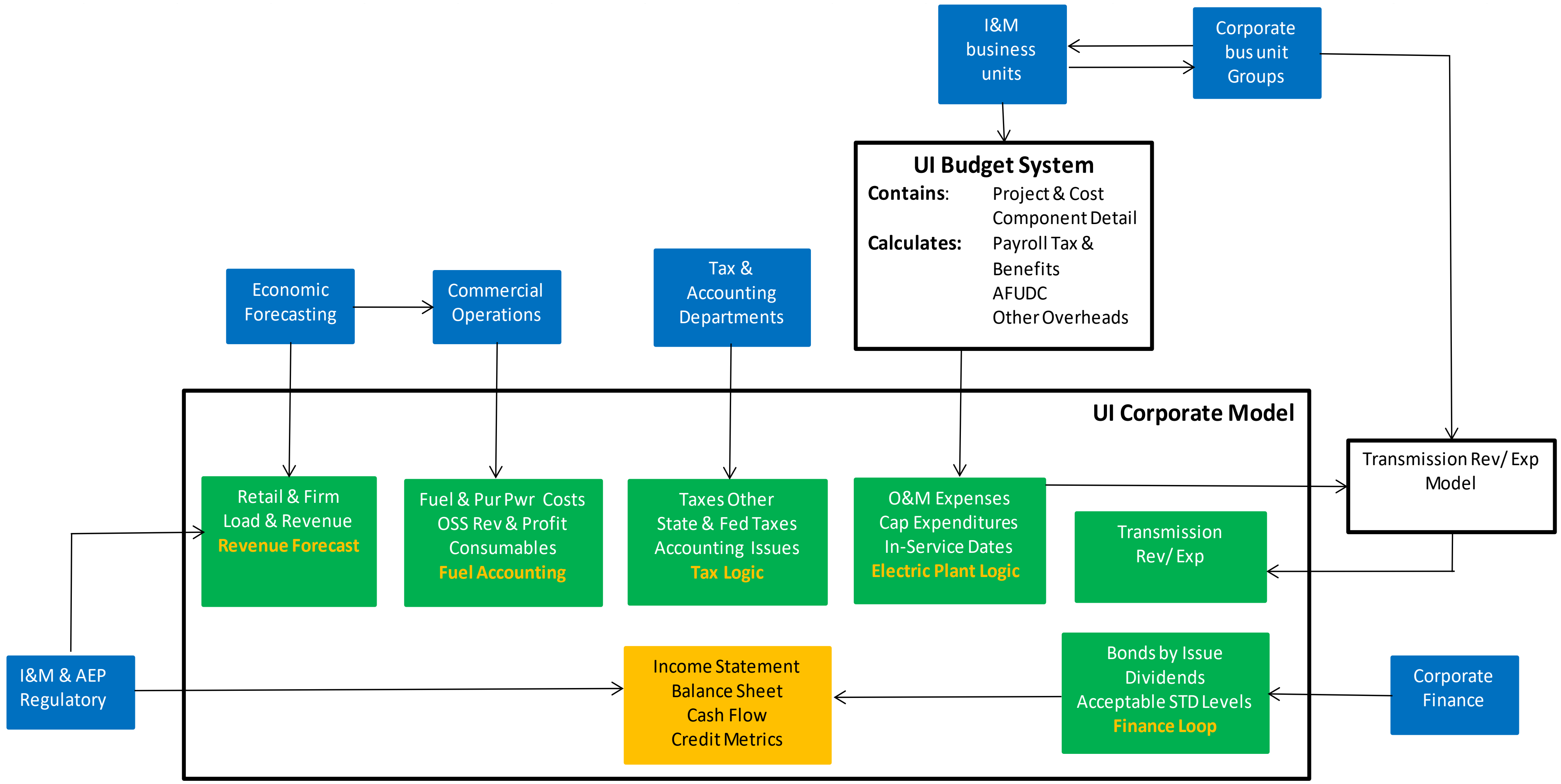
Note: Does not include leases or plant held for future use.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
($000)

Line No.	Indiana Michigan Power Company - Corp I&M Plant Summary In Thousands ($000)	Forecasted 9/30/2020	Forecasted 10/31/2020	Forecasted 11/30/2020	Test Year 12/31/2020
1	**Electric Plant In Service**				
2	Production	1,381,639	1,382,174	1,382,651	1,412,221
3	Nuclear	4,015,121	4,028,371	4,033,384	4,059,847
4	Transmission	1,693,432	1,703,730	1,714,384	1,758,113
5	Distribution	2,612,771	2,641,414	2,674,745	2,701,508
6	General	165,407	165,652	165,897	169,577
7	Intangible	260,744	265,749	271,731	278,588
8	**Total Electric Plant In Service Balance (101 & 106)** Note 1	**10,129,114**	**10,187,091**	**10,242,791**	**10,379,853**
9	**Construction Work in Progress**				
10	Production	1,674	1,848	2,218	1,473
11	Nuclear	82,829	76,282	72,537	48,193
12	Transmission	111,642	108,780	105,569	70,114
13	Distribution	101,547	97,837	89,381	87,415
14	General Plant	7,384	7,523	7,665	4,348
15	Intangible Plant	10,251	12,155	13,095	12,968
16	**Total Constr Work in Progress Balance (107)**	**315,327**	**304,424**	**290,464**	**224,511**
17	**Accum. Prov for Depr. Amort. Depl**				
18	Production	(570,337)	(579,115)	(587,881)	(596,651)
19	Nuclear	(1,519,082)	(1,525,577)	(1,532,107)	(1,538,651)
20	Transmission	(517,119)	(518,079)	(519,054)	(520,047)
21	Distribution	(736,363)	(741,930)	(747,596)	(753,087)
22	General Plant	(41,838)	(41,927)	(42,017)	(42,107)
23	Intangible Plant	(118,974)	(122,509)	(126,105)	(129,775)
24	**Total Accumulated Depreciation Balance (108, 111, 115)**	**(3,503,714)**	**(3,529,137)**	**(3,554,761)**	**(3,580,318)**

Note: Does not include leases or plant held for future use.

UI MODEL OVERVIEW



Indiana Michigan Power Company
Projected Fuel Adjustment Clause Factor
Basing Point Calculation for 2020 Test Year

Line No.		2020 TY
	ENERGY SOURCES - MWh	
1	Fossil Generation	5,363,333
2	Nuclear Generation	17,818,018
3	Hydro Generation	111,424
4	Solar Generation	25,814
5	AEG Purchases	3,754,333
6	OVEC Purchases	978,950
7	Wind Purchases	1,398,161
8	Other System Purchases	430,096
9	Less:	
10	Energy To Off-System Sales	7,430,521
11	Energy Losses and Company Use[Note 1]	796,961
12	Sales (S)	21,652,646
	FUEL COSTS	
13	Fossil Generation	134,387,231
14	Nuclear Generation	90,658,782
15	Post 4/7/83 Spent Nuclear Fuel	-
16	AEG Purchases	94,071,062
17	OVEC Purchases	22,327,138
18	Wind Purchases	80,481,748
19	Other System Purchases	11,512,979
20	Less:	
21	Energy To Off-System Sales	152,198,945
22	Total Fuel Costs (F)	281,239,994
23	(F) Divided by (S) Mills Per KWh	12.989
24	Current Basing Point (Mills Per KWh)	15.930
25	Fuel Clause Adjustment Factor (Mills Per KWh)	(2.941)

Note 1: The 3.55% line loss rate is based upon 2017 actual data per IURC Cause No. 38702-FAC81.