

INDIANA MICHIGAN POWER COMPANY
Municipal Intervenor
DATA REQUEST SET NO. JM DR 1
IURC CAUSE NO. 45576

FILED
October 26, 2021
INDIANA UTILITY
REGULATORY COMMISSION

DATA REQUEST NO JM 1-13

REQUEST

Provide a copy of any income tax sharing agreement that I&M has with its parent company. Admit or deny that I&M has been reimbursed by its parent company for all or some portion of I&M's stand-alone balance of Net Operating Loss Carryforward to date. If admitted, provide the amount that I&M was reimbursed and how these funds were used.

RESPONSE

I&M objects to the request on the grounds and to the extent the request seeks information that is confidential, proprietary, competitively sensitive, and/or trade secret. Subject to and without waiver of the foregoing objection, I&M provides the following response with confidential responses being provided pursuant to the non-disclosure agreement between the parties.

Please see JM 1-13 CONFIDENTIAL Attachment 1 for a copy of the tax agreement for allocating consolidated income taxes for AEP Inc. and its consolidated affiliates.

Admit as explained: I&M participates in the AEP consolidated federal return and its Tax Allocation Agreement. The agreement states that the holding company will provide a payment to any tax loss member equal to "the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return." AEP affiliates receiving any payment from the holding company under the tax allocation agreement as the result of tax losses are therefore dependent upon other companies within the consolidated group generating taxable income. Any such payments received by a loss affiliate represents the tax obligation of income affiliates that have been deferred as the result of filing a consolidated return and are not the direct result of the regulated operations of the loss affiliate.

Under the Tax Allocation Agreement I&M has received payments from AEP Inc. as a result of I&M's losses. I&M has a stand-alone Net Operating Loss Carryforward (NOLC) deferred tax asset (DTA) of \$165,789,540 as of the 2019 filed tax return. The 2020 return has yet to be filed and is based on income/loss reported on the financial statements, which is \$235M of income, resulting in a reduction to the NOLC DTA of (\$49,497,801). Years 2021-2022 are forecasted

for the test year to be a total of \$348M of income, resulting in an additional reduction to the NOLC DTA of (\$73,100,499). The total forecasted stand-alone NOL is \$43,191,239. Affiliates are reimbursed on an accrual basis as taxes are estimated and quarterly required payments are made to the IRS.

**AMERICAN ELECTRIC POWER COMPANY, INC. AND
ITS CONSOLIDATED AFFILIATES ---
2020 TAX AGREEMENT REGARDING METHOD OF
ALLOCATING CONSOLIDATED INCOME TAXES**

The below listed affiliated companies, joining in the annual filing of a consolidated federal income tax return with American Electric Power Company, Inc., under the provisions of sections 1501 and 1502 of the Internal Revenue Code (the “Code”) and the Treasury Regulations thereunder, agree to allocate the consolidated annual net current federal income tax liability and/or benefit to the members of the consolidated group in accordance with the following procedures:

- (1) The consolidated regular federal income tax, exclusive of capital gains and preference taxes and before the application of general business credits including foreign tax credits, shall be apportioned among the members of the consolidated group based on corporate taxable income. Loss companies shall be included in the allocation, receiving a negative tax allocation which is similar to a separate return carryback refund, before considering general business credits, which would have resulted had the loss company historically filed a separate return.
- (2) The corporate taxable income of each member of the group shall be first reduced by its proportionate share of American Electric Power Company, Inc.'s (the holding company) tax loss (excluding the effects of extraordinary items which do not apply to the regulated business) in arriving at adjusted corporate taxable income for each member of the group with positive taxable income.
- (3) To the extent that the consolidated and corporate taxable incomes include material items taxed at rates other than the statutory tax rate (such as capital gains and preference items), the portion of the consolidated tax attributable to these items shall be apportioned directly to the members of the group giving rise to such items.
- (4) General business credits, other tax credits, and foreign tax credits shall be equitably allocated to those members whose investments or contributions generates the tax credit.
- (5) If the tax credits can not be entirely utilized to offset the consolidated tax liability, the tax credit carryover shall be equitably allocated to those members whose investments or contributions generated the credit.
- (6) Should the consolidated group generate a net operating tax loss for a calendar year, the tax benefits of any resultant carryback refund shall be allocated proportionately to member companies that generated corporate tax losses in the year the consolidated net operating loss was generated.

Any related loss of general business credits, shall be allocated to the member companies that utilized the credits in the prior year in the same proportion that the credit lost is to the total credit utilized in the prior year. A consolidated net operating tax loss carryforward shall be allocated proportionately to member companies that generated the original tax losses that gave rise to the consolidated net operating tax loss carryforward.

- (7) A member with a net positive tax allocation shall pay the holding company the net amount allocated, while a tax loss member with a net negative tax allocation shall receive current payment from the holding company in the amount of its negative allocation. The payment made to a member with a tax loss should equal the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return. The holding company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments.
- (8) No member of the consolidated group shall be allocated a federal income tax which is greater than the federal income tax computed as if such member had filed a separate return.
- (9) In the event the consolidated tax liability is subsequently revised by Internal Revenue Service audit adjustments, amended returns, claims for refund, or otherwise, such changes shall be allocated in the same manner as though the adjustments on which they are based had formed part of the original consolidated return using the tax allocation agreement which was in effect at that time.

Any current state tax liability and/or benefit associated with a state tax return involving more than one member of the consolidated group, shall be allocated to such members following the principles set forth above for current federal income taxes. Due to certain states utilizing a unitary approach, the consolidated return liability may exceed the sum of the liabilities computed for each company on a separate return basis. If this occurs, the excess of the consolidated liability over the sum of the separate return liabilities shall be allocated proportionally based on each member's contribution to the consolidated apportionment percentage. If additional tax is attributable to a significant transaction or event, such additional tax shall be allocated directly to the members who are party to said transaction or event.

This agreement is subject to revision as a result of changes in federal and state tax law and relevant facts and circumstances.

The above procedures for apportioning the consolidated annual net current federal and state tax liabilities and expenses of American Electric Power Company, Inc. and its

consolidating affiliates have been agreed to by each of the below listed members of the consolidated group as evidenced by the signature of an officer of each company.

Any additional company that becomes a member of the consolidated group, within the meaning of section 1504 of the Code, shall become a party to this agreement by amendment thereto. This agreement shall cease to apply with respect to any company that is a party hereto that ceases to be a member of the consolidated group, effective for all tax years of such company beginning after the company ceases to be a member of the consolidated group.

<u>COMPANY</u>	<u>OFFICER'S SIGNATURE</u>
American Electric Power Company, Inc.	<u>/S/</u>
American Electric Power Service Corporation	<u>/S/</u>
Abstract Digital, LLC	<u>/S/</u>
AEP Appalachian Transmission Company, Inc.	<u>/S/</u>
AEP Clean Energy Resources, LLC	<u>/S/</u>
AEP Coal, Inc.	<u>/S/</u>
AEP Credit, Inc.	<u>/S/</u>
AEP Cyber Risk, LLC	<u>/S/</u>
AEP Energy, Inc.	<u>/S/</u>
AEP Energy Partners, Inc.	<u>/S/</u>
AEP Energy Services, Inc.	<u>/S/</u>
AEP Energy Services Gas Holding Company	<u>/S/</u>

AEP Energy Supply LLC	/S/
AEP Generating Company	/S/
AEP Generation Resources, Inc.	/S/
AEP Indiana Michigan Transmission Company, Inc.	/S/
AEP Investments, Inc.	/S/
AEP Kentucky Coal, LLC	/S/
AEP Kentucky Transmission Company, Inc.	/S/
AEP Nonutility Funding, LLC	/S/
AEP Ohio Transmission Company, Inc.	/S/
AEP Oklahoma Transmission Company, Inc.	/S/
AEP OnSite Partners, LLC	/S/
AEP Pro Serv, Inc.	/S/
AEP Properties, LLC	/S/
AEP Renewables, LLC	/S/
AEP Retail Energy Partners, LLC	/S/
AEP Renewables Procurement Services, LLC	/S/
AEP Southwestern Transmission Company, Inc.	/S/

AEP Storage Holding Company, LLC	/S/
AEP Storage New York, LLC	/S/
AEP T & D Services, LLC	/S/
AEP Texas Central Transition Funding, LLC	/S/
AEP Texas Central Transition Funding II, LLC	/S/
AEP Texas Central Transition Funding III, LLC	/S/
AEP Texas Inc.	/S/
AEP Texas North Generation Company, LLC	/S/
AEP Texas Restoration Funding LLC	/S/
AEP Transmission Company, LLC	/S/
AEP Transmission Holding Company, LLC	/S/
AEP Transmission Partner, LLC	/S/
AEP Utility Funding, LLC	/S/
AEP Ventures, LLC	/S/
AEP West Virginia Transmission Company, Inc.	/S/
AEP Wind Holdings, LLC	/S/
Appalachian Consumer Rate Relief Funding LLC	/S/

Appalachian Power Company	/S/
Blackhawk Coal Company	/S/
Blue Star Energy, LLC	/S/
Bold Transmission, LLC	/S/
Boulder Solar II, LLC	/S/
Brainerd Solar LLC	/S/
Broad Street Fuel Cell, LLC	/S/
BSE Solutions, LLC	/S/
Cedar Coal Company	/S/
Central Appalachian Coal Company	/S/
Central Coal Company	/S/
Century West PNL LLC	/S/
Clyde OnSite Generation, LLC	/S/
Conesville Coal Preparation Company	/S/
CSW Energy, Inc.	/S/
Desert Sky Wind Farm LLC	/S/

Dolet Hills Lignite Company, LLC

/S/

Dynasty PNL LLC

/S/

Exeter Solar Power 1, LLC

/S/

Flat Ridge 4 Wind, LLC

/S/

Franklin Real Estate Company

/S/

Garnet Solar Partners, LLC

/S/

Great Bend Solar, LLC

/S/

Imboden II Solar, LLC

/S/

Imboden III Solar, LLC

/S/

Indiana Franklin Realty, Inc.

/S/

Indiana Michigan Power Company

/S/

Jacumba Solar, LLC

/S/

Kamaaha PNL LLC

/S/

Kentucky Power Company

/S/

Kingsport Power Company

/S/

Kyte Works, LLC

/S/

Kona CE, LLC	/S/
Midwest Energy Finance, LLC	/S/
Mutual Energy SWEPCO LLC	/S/
North Smithfield Solar Power 1, LLC	/S/
Northwest Jacksonville Solar Partners, LLC	/S/
Ogdensburg Solar Partners, LLC	/S/
Ohio Franklin Realty, LLC	/S/
Ohio Phase-In Recovery Funding LLC	/S/
Ohio Power Company	/S/
Pavant Solar III LLC	/S/
Prairie Hills 2 Wind, LLC	/S/
Prairie Hills 3 Wind, LLC	/S/
Price River Coal Company, Inc.	/S/
Public Service Company of Oklahoma	/S/
Quincy II Solar Garden LLC	/S/
Rutland Renewable Energy LLC	/S/

Snowcap Coal Company, Inc.

/S/

SoCore Sherburne 1 LLC

/S/

Southern Appalachian Coal Company

/S/

Southwest Arkansas Utilities Corp.

/S/

Southwestern Electric Power Company

/S/

SSLV PNL LLC

/S/

Trent Wind Farm LLC

/S/

Trout Creek Solar, LLC

/S/

Twin Lantern Solar Partners, LLC

/S/

United Sciences Testing, Inc.

/S/

Wheeling Power Company

/S/