

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,)
INCLUDING COST OF REMOVAL LESS)
SALVAGE, AND UPDATED DEPRECIATION)
EXPENSE; (2) ACCOUNTING RELIEF,) CAUSE NO. 45933
INCLUDING DEFERRALS AND)
AMORTIZATIONS; (3) INCLUSION OF)
CAPITAL INVESTMENT; (4) RATE)
ADJUSTMENT MECHANISM PROPOSALS,)
INCLUDING NEW GRANT PROJECTS)
RIDER AND MODIFIED TAX RIDER; (5) A)
VOLUNTARY RESIDENTIAL CUSTOMER)
POWERPAY PROGRAM; (6) WAIVER OR)
DECLINATION OF JURISDICTION WITH)
RESPECT TO CERTAIN RULES TO)
FACILITATE IMPLEMENTATION OF THE)
POWERPAY PROGRAM; (7) COST)
RECOVERY FOR COOK PLANT)
SUBSEQUENT LICENSE RENEWAL)
EVALUATION PROJECT; AND (8) NEW)
SCHEDULES OF RATES, RULES AND)
REGULATIONS.**

SUBMISSION OF SETTLING PARTIES’ UNOPPOSED JOINT PROPOSED ORDER

Indiana Michigan Power Company (“I&M”, “Company” or “Petitioner”), by counsel, respectfully files the attached Settling Parties’ Unopposed Joint Proposed Order on behalf of itself, 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”), Joint Municipals (collectively the City of Ft. Wayne, Indiana, the City of Marion, Indiana and Marion Municipal Utilities), Walmart Inc. and Wabash Valley Power Association,

Inc. d/b/a Wabash Valley Power Alliance (collectively the “Settling Parties” and individually “Settling Party”). An editable version in Word format will be provided to the presiding Administrative Law Judge.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Jeffrey M. Peabody', is positioned above a horizontal line.

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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was served upon the following via electronic email, hand delivery or First Class, United States Mail, postage prepaid this 6th day of February, 2024 to:

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COOK PLANT SUBSEQUENT LICENSE)
RENEWAL EVALUATION PROJECT; AND (8))
NEW SCHEDULES OF RATES, RULES AND)
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ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Ann Pagonis, Administrative Law Judge

On August 9, 2023, Indiana Michigan Power Company (“I&M,” “Petitioner,” or “Company”) filed a Petition with the Indiana Utility Regulatory Commission (“IURC” or “Commission”) seeking authority to increase its rates and charges for electric utility service and associated relief as discussed below.¹ On August 9, 2023, Petitioner also filed its case-in-chief, workpapers, and information required by the minimum standard filing requirements (“MSFRs”)

¹ On June 6, 2023, I&M provided its notice of intent to file a rate case in accordance with the Commission’s General Administrative Order 2013-5.

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:²

- Steven F. Baker, I&M President and Chief Operating Officer.
- Dona Seger-Lawson, I&M Director of Regulatory Services.
- David S. Isaacson, I&M Vice President of Distribution Operations.
- Nicolas C. Koehler, Director of East Transmission Planning for American Electric Power Service Corporation (“AEPSC”).
- Shelli A. Sloan, AEPSC Director Financial Support and Special Projects in Corporate Planning and Budgeting.
- Andrew J. Williamson, I&M Director of Regulatory Services.
- Jason A. Cash, AEPSC Regulatory Accounting Services.
- 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, Principal, The Brattle Group (“Brattle”).
- Franz D. Messner, AEPSC Managing Director of Corporate Finance.
- Tyler H. Ross, AEPSC Director of Regulatory Accounting Services.
- Jennifer C. Duncan, AEPSC Regulatory Consultant Staff in the Regulated Pricing and Analysis Department.
- Jenifer L. Fischer, AEPSC Manager, Regulated Pricing and Analysis.
- Kurt C. Cooper, I&M Regulatory Consultant Staff in the Regulatory Services Department.
- Joe Brenner, AEPSC Vice President, Business Solutions.
- Katherine K. Davis, I&M Vice President of External Affairs and Customer Experience.
- Kelly J. Ferneau, I&M Site Vice President at Donald C. Cook Nuclear Plant.
- Stacie R. Gruca, I&M Regulatory Analysis & Case Manager in Regulatory Services Department.
- Robert A. Jessee, AEPSC Managing Director – Generating Assets for I&M and Kentucky Power Company.
- Vanessa Yvonne Oren, AEPSC Executive Compensation Consultant, Sr. in Human Resources.
- Scott S. Osterholt, AEPSC Managing Director of Federal Grants and Broadband.
- Michael S. Small, AEPSC Regulatory Consultant Senior in Regulated Pricing and Analysis Department.
- David M. White, AEPSC Managing Director of Economics and Supply Forecasting.

The Indiana Office of Utility Consumer Counselor (“OUCC”) participated as a party. Petitions to Intervene were filed by the I&M Industrial Group, a group of industrial customers located in I&M’s Indiana service territory, that included the following customers: Air Products and Chemical, Inc., Cleveland-Cliffs Inc., General Motors LLC, Linde, Inc., Marathon Petroleum Company LP, Metal Technologies Auburn LLC, Messer LLC, and University of Notre Dame (referred to collectively as “IG” or “Industrial Group”); Walmart, Inc. (“Walmart”); Citizens Action Coalition of Indiana, Inc. (“CAC”); City of Fort Wayne, Indiana, (“Ft. Wayne”); City of

² Petitioner filed revisions to its direct testimony on September 15, October 10, November 13, and December 8, 2023.

Marion, Indiana and Marion Municipal Utilities (“Marion”, and collectively with Ft. Wayne, the “Joint Municipals”); Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance (“Wabash Valley”); the City of Auburn Electric Department (“Auburn”); and Steel Dynamics, Inc. (“SDI”). These petitions were granted without objection.

On August 25, 2023, the Commission issued a Docket Entry establishing a procedural schedule and related requirements, and approving certain stipulations included in I&M’s Petition.

Public field hearings were held on October 16, 2023, in Fort Wayne, Indiana, the largest municipality in Petitioner’s Indiana service area, and on October 30, 2023, in South Bend, Indiana. At these field hearings, members of the public made statements under oath to the Commission.

On November 15, 2023, 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, Director of the OUCC’s Electric Division.
- Brian R. Latham, Utility Analyst in the OUCC’s Electric Division.
- Wes R. Blakley, Senior Utility Analyst, in the OUCC’s Electric Division.
- Kaleb G. Lantrip, Utility Analyst, in the OUCC’s Electric Division.
- Jared J. Hoff, Utility Analyst, in the OUCC’s Natural Gas Division.
- Brian A. Wright, Utility Analyst II, in the OUCC’s Electric Division.
- Gregory L. Krieger, Utility Analyst, in the OUCC’s Electric Division.
- Shawn Dellinger, Senior Utility Analyst I, in the OUCC’s Water/Wastewater Division.
- David J. Garrett, Managing Member of Resolve Utility Consulting, PLLC.
- David E. Dismukes, Consulting Economist with Acadian Consulting Group (“ACG”).
- April M. Paronish, Assistant Director in the OUCC’s Electric Division.

The Industrial Group provided testimony and attachments from James R. Dauphinais and Michael P. Gorman, both Consultants and Managing Principals, and Brian C. Andrews, a consultant and Associate, all with Brubaker & Associates, Inc.

Walmart prefiled the testimony and attachments of Lisa V. Perry, Director, Regulatory-Utility Partnerships for Walmart.

CAC prefiled the testimony and attachments of Benjamin Inskeep, CAC’s Program Director.

Joint Municipals provided testimony and attachments from Laurie A. Tomczyk, Senior Manager in the Energy Practice of NewGen Strategies and Solutions, LLC (NewGen”); Anthony M. Georgis, Managing Partner of the Energy Practice of NewGen; and Douglas J. Fasick, Chief Sustainability Office, Mayor’s Office for the City of Fort Wayne.

On December 13, 2023, the OUCC prefiled cross-answering testimony from David E. Dismukes. That same day, the Industrial Group prefiled cross-answering testimony from Brian C. Andrews.

Also on December 13, 2023, I&M prefiled rebuttal testimony, exhibits, and workpapers for the following witnesses:

- Steven F. Baker.
- Joe Brenner.
- Dona Seger-Lawson.
- David S. Isaacson.
- Aaron L. Hill.
- Jason A. Cash.
- Ann E. Bulkley.
- Tyler H. Ross.
- Jessica M. Criss.
- Katherine K. Davis.
- Kelly J. Ferneau.
- Vanessa Yvonne Oren.
- Scott S. Osterholt.
- Michael S. Small.
- Jenifer L. Fischer.
- Kurt C. Cooper.

On December 20, 2023, I&M, the OUCC, the Industrial Group, CAC, Fort Wayne, Marion, Walmart, and Wabash Valley (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.³ The Joint Motion included a copy of the Settling Parties’ Stipulation and Settlement Agreement (“Settlement Agreement”), including attachments.

By Docket Entry dated December 27, 2023, the Presiding Officers revised the procedural schedule to accommodate presentation of the settlement and supporting evidence.

On January 9, 2024, I&M prefiled the settlement testimony, attachments, and workpapers of Mr. Williamson in support of the Settlement Agreement. Also on January 9, 2024, the following witnesses filed additional evidence supporting the Settlement Agreement:⁴

- Michael D. Eckert, on behalf of the OUCC.
- Brian C. Andrews, on behalf of the Industrial Group.
- Laurie A. Tomczyk, on behalf of the Joint Municipals.
- Douglas J. Fasick, on behalf of the Joint Municipals.

On January 25, 2024, the Presiding Officers issued a Docket Entry requesting additional information, to which the OUCC and I&M separately replied on January 29, 2024.

A public evidentiary hearing was held at 1:30 p.m. on January 31, 2024, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the evidentiary hearing,

³ The Joint Motion indicated the two remaining parties of this case, SDI and Auburn, were included in the settlement communications but are not a party to the Settlement Agreement. Joint Motion, ¶3. The Joint Motion further indicated SDI and Auburn had no objection to the Joint Motion or the Settlement Agreement and waived cross-examination. Joint Motion, ¶3.

⁴ On January 9, 2024, Walmart filed a letter noting that it fully supports the terms of the Settlement Agreement and requests the Commission approve the Settlement Agreement in full and without modification.

the Settlement Agreement and all of the direct, cross-answering, rebuttal, and settlement testimony and exhibits of each party was offered and admitted into the record without objection. Further, per the terms of the Settlement Agreement, the parties mutually waived cross-examination of each other's witnesses.

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

1. Notice and Jurisdiction. Legal and timely notice of the public hearings held in this Cause was given and published as required by law. I&M is a public utility as defined in 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 retail electric utility service to approximately 482,000 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 133,000 retail customers. Petition, ¶3. I&M is also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Petition, ¶5. I&M is a member of PJM Interconnection, L.L.C. ("PJM"), a regional transmission organization operated under the FERC's authority which controls the use of I&M's transmission system and the dispatching of I&M's generating units. Petition, ¶6.

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, which are used and useful for the convenience of the public in the production, transmission, delivery, and furnishing of electric energy, heat, light, and power. Petition, ¶7. I&M's property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and approved and adopted by the Commission. Petition, ¶8.

3. Existing Rates. The Commission approved I&M's current base rates and charges on February 23, 2022, in its Order in Cause No. 45576 ("45576 Order"), based upon test year operating results for the 12 months ended December 31, 2022. The petition initiating Cause No. 45576 was filed with the Commission on July 1, 2021; 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, 2024. Petition, ¶12. I&M is utilizing the test year end, December 31, 2024, as the general rate base cutoff date. Petition, ¶13. The historical base period is the 12-month period ending December 31, 2022. Petition, ¶16.

5. I&M's Requested Relief. In its Petition, I&M requested Commission approval of an overall annual increase in revenues of approximately \$116.4 million, or approximately 6.8%. Petition, ¶26. I&M proposed to implement the requested revenue increase in two steps through the Phase-In Rate Adjustment ("PRA") process used in the Company's three most recent basic rate

cases. Petition, ¶28. In Phase I, revenue would increase by approximately \$83.7 million or 4.89%. The second step would reflect an increase of \$32.7 million, or approximately 1.91%, as adjusted for actual test year investments. Petition, ¶28. 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, return on equity and rate of return, operating and maintenance ("O&M") expenses, depreciation rates, rider proposals, cost of service allocation, and rate design. The extent to which these parties 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. Mr. Williamson, Mr. Eckert, Mr. Andrews, Ms. Tomczyk and Mr. Fasick presented testimony in support of the Settlement Agreement. They reviewed its terms and stated the Settlement Agreement resolves all issues related to I&M's revenue requirement and rate design. Mr. Williamson explained this is a settlement of all the issues among all but two of the parties in this Cause. SDI and Auburn, the two parties not joining the Settlement Agreement, have communicated to the Commission and the Settling Parties that they do not oppose the Settlement Agreement. Pet. Ex. 42 (Williamson Settlement) at 2.

All five witnesses providing settlement testimony testified the Settlement Agreement is a product of intense negotiations, with each party offering compromise to challenging issues. Pub. Ex. 14S (Eckert Settlement) at 2; Pet. Ex. 42 at 6; IG Ex. 5 (Andrews Settlement) at 2-3; Jt. Mun. Ex. 3S (Fasick Settlement) at 3; Jt. Mun. Ex. 1S (Tomczyk Settlement) at 3-4. Per Mr. Andrews, the Settlement Agreement represents the culmination of the parties' efforts to come together through the process of negotiations to find a result that reflects the purpose of utility regulation – the balancing of interests between the utility and its consumers. IG Ex. 5 at 3. Mr. Eckert testified that given the certainty of many ratepayer benefits under the Settlement Agreement, the OUCC, as the statutory representative of all ratepayers, concluded the Settlement Agreement is a fair resolution of the issues, supported by the evidence, is in the public interest, and should be approved. Pub. Ex. 14S at 2. Ms. Tomczyk testified the settlement process included extensive negotiations among participants representing a diverse and sometimes conflicting set of ratepayer interests, including those of residential, low-income, commercial, industrial, wholesale and municipal customers of I&M. Jt. Mun. Ex. 1S at 3-4. She said the Settling Parties recognized the uncertainty associated with litigation and understood that a well-reasoned compromise between their various positions would result in an acceptable outcome that avoided the uncertainty and expense of a fully litigated case. *Id.* at 4.

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. Pet. Ex. 42 at 8. He said Section I.B sets forth the Settling Parties' agreement regarding revenue allocation, rate design, certain tariff language changes, and other remaining issues - namely that any matters not addressed by the Settlement Agreement terms will be adopted as proposed by I&M in its direct testimony and rebuttal testimony. Pet. Ex. 42 at 8. He testified it is important to recognize that the Settlement Agreement is presented as a complete negotiated package of terms that, taken as a whole, reflects compromise and the give and take of negotiations. Pet. Ex. 42 at 8.

Mr. Eckert explained the Settlement Agreement addresses the Five Pillars of electric utility service, including the affordability issues raised by the OUCC. Pub. Ex. 14S at 2. More specifically, he said the Settlement Agreement reduces I&M's requested revenue increase in several ways. He stated for example, the Settlement Agreement removes: 1) \$15.8 million in depreciation expense; 2) \$6.0 million in O&M expenses; 3) \$2.0 million of I&M's requested nuclear decommissioning expense; 4) \$0.9 million in Information Technology ("IT") costs; 5) \$4.0 million in major storm expense; and 6) other costs identified in his testimony and in the Settlement Agreement. Pub. Ex. 14S at 3.

B. Revenue Requirement. As a result of the Settlement Agreement, if approved, I&M's base rates will be designed to reflect a lower revenue requirement than I&M proposed in its case-in-chief filing. The Company's case-in-chief supported a revenue deficiency of approximately \$83.7 million in Phase I and \$116.4 million in Phase II. Pet. Ex. 42 at 6; Settlement Agreement Attachment B.

Mr. Eckert explained that the Settling Parties agreed to an annualized combined basic rate and rider revenue requirement increase of \$56.9 million, which is a decrease of \$59.5 million prior to updated Transmission Owner Costs, Revenues, and Proposed Rider Revenue or approximately 51.11% from I&M's requested increase of \$116.4 million. Pub. Ex. 14S at 5. Inclusive of Transmission Owner Costs, Revenues, and Proposed Rider Revenues, the Settlement Agreement decreases the Phase I revenue request by approximately \$56.1 million and the Phase II revenue request by approximately \$54.6 million. Pet. Ex. 42 at 6. The result is a Phase I revenue increase of approximately \$27.6 million or 1.61%. Pet. Ex. 42 at 6; Settlement Agreement Attachment B. The second step would reflect an increase of \$34.2 million, or approximately 2.00%.

C. Return on Equity, Capital Structure, and Rate of Return.⁵

1. **ROE and Capital Structure.** In its case-in-chief, I&M proposed a 10.50% ROE and several intervenors, including the OUCC, Walmart, and Industrial Group, advocated for a considerably lower ROE. The testimony in support of the Settlement Agreement explained that as a result of the negotiations, a compromise was reached, resulting in a 9.85% ROE, which is within the range of evidence presented by the Settling Parties. Pet. Ex. 42 at 9. The ROE component of the WACC used in each of I&M's capital riders will be 9.85%. Pub. Ex. 14S at 5.

Mr. Williamson testified that the agreed ROE is also within the range of Commission authorized ROEs or negotiated ROEs for other investor-owned utilities in Indiana. Pet. Ex. 42 at 9. More specifically, he said the agreed ROE is slightly higher than the negotiated NIPSCO ROE of 9.80% reflected in the settlement approved by the Commission on August 2, 2023 in Cause No. 45772; and slightly lower than the negotiated AES Indiana ROE of 9.90% reflected in the settlement pending approval before the Commission in Cause No. 45911. *Id.* He said the agreed 9.85% ROE is similar to the 9.86% ROE authorized for I&M by the Michigan Public Service Commission on January 23, 2020. *Id.* He added that from the Company's perspective, the agreed ROE is also consistent with Company witness Bulkley's rebuttal testimony that recently authorized ROEs for vertically integrated electric utilities over the past 18 months demonstrate that the cost of equity has increased. *Id.* at 9-10. Mr. Williamson said that from the Company's perspective, the authorized ROE is an important part of the overall package, stating that as

⁵ Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.1.

Company witness Baker explained in his rebuttal testimony (pp. 2-3), it is important that the Company be provided the opportunity to earn a ROE that is consistent with the market and takes into consideration that the Company's overall performance is noteworthy in multiple important metrics. *Id.* at 10. Mr. Williamson added that, as also noted by Company witness Baker, I&M appreciates the OUCC's and intervenors' recognition that the Company has demonstrated improvements in the safe and reliable service I&M is able to provide its customers. *Id.* He said a supportive regulatory environment is important to the Company's ongoing needs and provides benefits to customers as the Company continues to make needed investments in the system. *Id.*

Mr. Eckert testified that a ROE lower than what I&M originally sought benefits ratepayers by reducing the return on rate base reflected in customers' rates. Pub. Ex. 14S at 6. He added that from the OUCC's perspective, for settlement purposes, using a 9.85% 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 the Company's proposed 10.50% ROE. Pub. Ex. 14S at 6. Mr. Eckert added that in addition, the lower ROE reduces the return on capital investment that consumers must pay through capital riders between rate cases. Pub. Ex. 14S at 6. Thus, Mr. Eckert testified that the Settlement Agreement establishes a more balanced plan that is in the interest of ratepayers while still preserving the financial integrity of the Company. Pub. Ex. 14 S at 6.

The Settlement Agreement also addresses the Company's capital structure at Section I.A.1.2. The Settling Parties agreed that for purposes of calculating the Phase I compliance filing, the Debt/Equity ratio for investor-supplied capital will reflect the Phase II capital structure approved in Cause No. 45576 (i.e., 50%/50%). Pet. Ex. 42 at 10. As discussed by Mr. Williamson, for purposes of the Phase II compliance filing I&M's Debt/Equity ratio will be adjusted to its December 31, 2024, actual ratio based on shareholder contributions of debt and equity but will be no higher than a 51.2% equity ratio. Pet. Ex. 42 at 10-11. The Settlement Agreement provides that the agreed after tax WACC to be applied to I&M's original cost rate base for Phase I will be 6.05% and 6.12% for Phase II subject to the Phase II compliance filing. Pet. Ex. 42 at 12. Mr. Williamson stated his Attachment AJW-1-S (which updates Exhibit A-7) sets forth the settlement WACC and Cost of Investor Supplied Capital for both Phase I and Phase II.

2. Private Letter Ruling ("PLR") and Net Operating Loss Carry-Forward ("NOLC"). Messrs. Williamson and Eckert discussed how the Settlement Agreement resolves the contested issue regarding I&M's NOLC. Pub. Ex. 14S at 7; Pet. Ex. 42 at 12-14. As stated by Mr. Williamson, I&M will retain in its capital structure the approximately \$96.9 million (Total Company) in cost free capital that it proposed to remove through its proposed NOLC adjustment. Pet. Ex. 42 at 13. Pending receipt of a PLR from the IRS, the Settling Parties agree that the Commission should continue to 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 any differences in I&M's requested levels of protected excess accumulated deferred income tax ("EADFIT") amortization and the settled levels of amortization. Pet. Ex. 42 at 13. Mr. Williamson stated that upon the effective date of the rates being implemented in this proceeding, the accrual of this regulatory asset will reflect the terms of this Settlement Agreement. *Id.*

If the IRS issues a PLR determining that failure to reinstate I&M's 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 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. Pet. Ex. 42 at 13-14; Pub. Ex. 14S at 7. The Settling Parties have expressly reserved the right to take any position in the limited proceeding related to the NOLC and the Company's proposed ratemaking related thereto. Pet. Ex. 42 at 14. All parties also reserve all rights to any position regarding the Company's continued participation in the Tax Sharing Agreement on a going forward basis in the Company's subsequent base rate cases. *Id.* at 14. If the IRS PLR determines there is no normalization violation created by the failure to reinstate the NOLC ADFIT, the Settlement Agreement provides that the regulatory asset will be written off and will not be requested for recovery in rates. Pet. Ex. 42 at 14. Mr. Williamson testified that the proposed resolution of this issue recognizes that the IRS PLR process exists to allow the IRS to rule on matters regarding its own tax rules and reasonably balances the need for compliance with the IRS normalization rule with the ratemaking process. *Id.* He said the proposed resolution of this issue is consistent with the resolution approved by the Commission in Cause No. 45576. *Id.*

3. Net Operating Income. As stated by Mr. Williamson, under the Settlement Agreement, the agreed-upon authorized base rate net operating income will be \$331,133,925 after adjustment for Transmission Owner Costs, Revenues. Petitioner's Ex. 42 at 15.

D. Depreciation Rates and Expense.⁶ Mr. Eckert testified the Settling Parties agreed to use OUCC witness David Garrett's proposed adjustment to I&M's requested depreciation rates for distribution plant accounts shown in Attachment DJG-3. Pub. Ex. 14S at 8. He said this results in a reduction to depreciation expense of \$15.8 million. He added that the depreciation rates were calculated using the Average Life Group ("ALG") methodology. Pub. Ex. 14S at 8.

Mr. Williamson explained solely for purposes of compromise in this proceeding, I&M will reduce depreciation expense by approximately \$15.8 million (Indiana Jurisdictional) by accepting Mr. Garrett's proposed adjustment to depreciation rates for distribution plant accounts shown in Attachment DJG-3. Pet. Ex. 42 at 15. He said the Company's proposed depreciation rates, which are calculated using ALG, will otherwise be approved. Pet. Ex. 42 at 15-16. He testified the negotiated resolution is a reasonable compromise and stated the revised depreciation rates are set forth in Attachment AJW-2-S.

E. Rate Base. Mr. Williamson provided a summary of I&M's rate base (Indiana Jurisdictional) as of December 31, 2024 as a result of the Settlement Agreement. Pet. Ex. 42 at 16, Figure AJW-3.

F. Expense Adjustments.⁷ Mr. Williamson testified that Section I.A.3 of the Settlement Agreement (Expense Adjustments) provides another means of mitigating increases to consumer rates. Pet. Ex. 42 at 16. Messrs. Williamson and Eckert stated for purposes of calculating the revenue requirement in this case, I&M agreed to reduce its proposed Indiana Jurisdictional O&M expenses as follows: \$2.0 million in nuclear decommissioning expense; \$6.0 million in other O&M in I&M's Test Year forecast; and \$0.9 million in certain IT costs. Pet. Ex. 42 at 16-17; also Pub. Ex. 14S at 3. Mr. Williamson said that in I&M's Phase II compliance filing, if the Distribution Energy Resource Management Systems ("DERMS") project is in-service, I&M shall credit to the project costs (similar to Contributions-in-aid-of-Construction ("CIAC")), the grant funds received

⁶ Joint Ex. 1 at Section I.A.2.

⁷ Joint Ex. 1 at Section I.A.3.

for its DERMS project, net of the tax impact and grant writing costs. Pet. Ex. 42 at 18. He said I&M further agreed that the grant writing costs shall not exceed \$250,000 (Indiana Jurisdictional) or the grant amount (whichever is less). Pet. Ex. 42 at 18. He said the grant funds, net of the tax impact and grant writing costs, will reduce the depreciation of the underlying assets, and rate base (net of depreciation). *Id.* He explained if the DERMS project is not in-service as of the Phase II compliance filing date, the Company will credit its capital expenditures in the next base rate proceeding or the earliest alternative filing in which DERMS is recognized in rate base. Pet. Ex. 42 at 18.

Mr. Williamson added that the Settling Parties agree I&M may seek additional adjustments to the funding level of the Nuclear Decommissioning Trust (“NDT”) based on future analyses of the adequacy of the NDT funds to pay for decommissioning, and that nothing in the Settlement Agreement shall be construed as limiting any Party’s position with regard to the recovery of actual nuclear decommissioning costs or the appropriate balance of the NDT. Pet. Ex. 42 at 16-17. He said this compromise reasonably resolves the differing view regarding the appropriate level for nuclear decommissioning expense. *Id.* at 17. Mr. Williamson also clarified that nothing in the Settlement Agreement precludes I&M from seeking recovery of these types of expenses in a future case. *Id.* at 18.

G. IURC Fee and Revenue Conversion Factor.⁸ Mr. Williamson stated Section I.A.4 of the Settlement Agreement provides that the IURC Fee of 0.1467603% will be used to calculate the gross revenue conversion factor. He said this provision reflects I&M’s agreement with OUCC witness Blakley’s recommendation to use the IURC Fee rate as of July 1, 2023. Pet. Ex. 42 at 18. He provided the revised gross revenue conversion factor in Attachment AJW-7-S.

H. Major Storms.⁹ Section I.A.5 of the Settlement Agreement sets forth the Settling Parties’ agreement that the Major Storm Damage and Restoration Reserve will continue as proposed by I&M and accepts IG witness Gorman’s recommendation that annual distribution major storm O&M expense embedded in basic rates be increased by an additional \$1.6 million (Indiana Jurisdictional), for a total of \$9.4 million (Indiana Jurisdictional). Pet. Ex. 42 at 19; Pub. Ex. 14S at 4. As explained by Messrs. Williamson and Eckert, the previously unrecovered balance of storm restoration costs will be recovered and amortized over four years instead of two. Pet. Ex. 42 at 19; Pub. Ex. 14S at 4. Mr. Williamson testified that from the Company’s perspective, the frequency of major events in Indiana has had an upward trend. Pet. Ex. 42 at 19 (citing Company witness Isaacson Rebuttal, p. 13). He said despite this increasing trend, I&M has seen an improvement in response and recovery but the cost of recovering from major storm damage remains significant, variable or volatile, and largely outside the Company’s control. Pet. Ex. 42 at 19 (citing Company witness Isaacson Rebuttal, p. 14). He said this negotiated compromise reasonably balances the ratemaking impact of these costs by using a ratemaking device (*i.e.*, longer amortization period) to mitigate rate impact in this case. *Id.*

I. PowerPay.¹⁰ Mr. Williamson testified that PowerPay is a voluntary program allowing residential customers to pre-pay for electric service and thereby manage their electricity based on their own personal budget. Pet. Ex. 42 at 19. He said I&M’s case-in-chief outlined the

⁸ Jt. Ex. 1 at Section I.A.4.

⁹ Jt. Ex. 1 at Section I.A.5.

¹⁰ Jt. Ex. 1 at Section I.A.6.

nature of this program and the benefits to customers. Pet. Ex. 42 at 19-20 (citing Company witness Davis at 4-18). He explained the OUCC and CAC proposed certain modifications to I&M's proposal, which were somewhat in conflict with each other. *Id.* at 20. He said I&M addressed these differences and the Company's position in its rebuttal testimony, including the position that a pilot is not necessary given that pre-pay programs are no longer in the experimental phase. Pet. Ex. 42 at 20. He noted I&M's sister company Public Service Company of Oklahoma has been offering a successful pre-pay program since 2016. *Id.* That being said, Mr. Williamson testified that during the settlement negotiations, the parties worked to find common ground and develop a path forward for this program. *Id.*

Messrs. Williamson and Eckert testified that Section I.A.6 of the Settlement Agreement provides that the PowerPay Program will be approved as a pilot program as recommended by the OUCC, with certain modifications. Pet. Ex. 42 at 20; Pub. Ex. 14S at 12. More specifically, the program will be modified as follows:

- Participants will be notified up front that they are responsible to monitor their account balances to prevent disconnection in all circumstances, including periods when they temporarily lose access to cell phone service or the internet;
- Participants will be provided an opportunity to identify a person to receive third-party notification in case of pending disconnection; and
- A customer's previous deposit will be used to cover arrearages remaining from a previous account. The customer may choose whether to apply the deposit (or remaining balance of the deposit) toward electric service under the PowerPay Program or receive a refund. If a customer does not make a choice within ten days of receiving notification, the deposit or remaining balance will be applied toward electric service under the PowerPay Program. Pet. Ex. 42 at 20.

Mr. Williamson stated that in addition, I&M will offer to meet with the OUCC and CAC no less than 60 days prior to implementing the program to review program implementation details and define program metrics. Pet. Ex. 42 at 21. He explained I&M will also meet with the OUCC and CAC within 60 days of the end of the first year to review program status and metrics and within 60 days of the end of the second and final year of the pilot program. *Id.* Mr. Williamson testified that as recommended by Ms. Paronish, at a minimum, I&M will use the metrics outlined in her testimony on page 10, lines 18 through 24 and page 11, lines 1 through 18, and I&M will limit the number of participating customers during the first year of the program to no more than 2,300. *Id.* He added that as shown by Ms. Paronish's testimony, this list captures the specific metrics proposed by Duke Energy Indiana in Cause No. 45193 and the Commission-identified metrics in the final order in that Cause. *Id.* He said the negotiated resolution allows the Company, OUCC and CAC to discuss additional details and metrics, which is also consistent with Cause No. 45193. *Id.* He said I&M will file a report with the Commission regarding the metrics within 90 days of the pilot's completion. *Id.* Mr. Williamson noted that nothing in the Settlement Agreement shall preclude the Company from seeking Commission approval to continue the program beyond the end of the pilot. Pet. Ex 42 at 21.

Mr. Williamson testified the Settling Parties agree the costs of the PowerPay Program will be deferred, including a return on the plant investment, for recovery in I&M's next basic rate proceeding. Pet. Ex. 42 at 21. He noted the Settling Parties reserve their rights to take any position in that rate proceeding regarding the recovery of the deferred costs. *Id.* He testified that if the Company seeks to recover costs of the PowerPay Program it will present information on the impact

of the pilot on the following: a) Indiana jurisdictional total bad debt expense; b) Indiana jurisdictional bad debt expense attributable to customers on the PowerPay Program; c) improvement in back-office efficiencies that reduce I&M's expenses; and/or d) any other reasonably-measured program benefit the Company has analyzed. Pet. Ex. 42 at 21-22. Mr. Williamson said this information, together with the reporting requirement agreed to in Section I.A.6 will reasonably position the parties and the Commission to assess the program while recognizing that the limitations imposed on the pilot, such as the participation cap, can impact the overall program results. Pet. Ex. 42 at 22.

J. Grants Project and Broadband.¹¹ Mr. Williamson testified I&M agreed to withdraw from this basic rate proceeding its request for approval of an expedited review process for grants, associated ratemaking and reporting via the Grants Project Rider. Pet. Ex. 42 at 22. He said this will allow I&M to further consider stakeholder input in the design of this program. *Id.* He stated with respect to I&M's proposed Delaware and Grant Middle Mile Connect ("DG MMC") project, the Settling Parties worked to find a resolution of this issue and agreed to a compromise that reasonably removes the incremental investment for broadband internet service to Internet Service Providers ("ISPs") from the ratemaking process. Pet. Ex. 42 at 23. He said more specifically, the Settlement Agreement provides that if I&M pursues the DG MMC project, neither the investment included in the grant award to provide broadband internet service to ISPs nor the awarded grant funding will be included in the calculation of I&M's electric utility rates. He said fiber leasing costs and revenues for the DG MMC project will be accounted for below the line and excluded from the retail ratemaking process. Pet. Ex. 42 at 23.

K. Riders.¹² The testimony in support of the Settlement Agreement discussed the provisions of the Settlement Agreement related to I&M's rider mechanisms.

1. **Fuel Cost Adjustment Rider ("FAC").**¹³ Mr. Eckert testified that I&M agreed to continue the OUCC's 35-day review period from the time I&M files its FAC petition until the time the OUCC files its case-in-chief. Pub. Ex. 14S at 7-8. He said a 35-day review period is necessary to provide the OUCC with adequate time to review I&M's semi-annual FAC filing and issue appropriate discovery to evaluate and address issues, as needed. Mr. Williamson noted this agreement is consistent with Mr. Eckert's direct testimony. Pet. Ex. 42 at 23.

2. **OSS/PJM Rider.**¹⁴ Mr. Williamson testified Section I.A.8.2 of the Settlement Agreement balances the Company's need for timely cost recovery of PJM Network Integration Transmission Service ("NITS") costs with the concerns raised by IG witness Dauphinais regarding rate adjustment mechanisms. Pet. Ex. 42 at 23-24. Mr. Williamson said the negotiated compromise will mitigate rate increases between general rate cases and this in turn, in I&M's view, should help customers to better understand the going-forward cost of electricity. *Id.* at 24. He explained the Settlement Agreement provides that an annual cap will be placed on the PJM NITS costs reflected in FERC accounts 4561035 and 5650016 recovered through the PJM rider. Pet. Ex. 42 at 24. He said the annual cap is based on the Indiana Jurisdictional amount per MWh forecasted for 2024 plus 20% times the actual annual MWh sales subject to the OSS/PJM

¹¹ Jt. Ex. 1 at Section I.A.7.

¹² Jt. Ex. 1 at Section I.A.8.

¹³ Jt. Ex. 1 at Section I.A.8.1.

¹⁴ Jt. Ex. 1 at Section I.A.8.2.

Rider. He stated specifically, the annual cap will be calculated using \$31.18 per MWh as the multiplier, computed as follows: $(\$161,850,695 + \$237,848,022) \times 83.17998\% / 12,794,031 \text{ MWh}$ (see WP-SRG-1 and WP-JLF-6 from the Company's direct case) $\times 120\%$. Mr. Williamson testified that in each annual OSS/PJM Rider filing, the Company shall multiply the total actual MWh sales for the year by the \$31.18 per MWh multiplier to arrive at the annual cap. Pet. Ex. 42 at 24. He said annual NITS costs in any year that result in rates that exceed the annual cap, 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. He noted 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. *Id.* Mr. Eckert noted the embedded base rate amount will be updated to reflect the forecasted test year level of PJM non-NITS charges. Pub. Ex. 14S at 7.

3. Tax Rider.¹⁵ Mr. Williamson testified that I&M's current Tax Rider was developed to pass back unprotected ADFIT credit that resulted from the Tax Cut and Jobs Act ("TCJA") of 2017. Pet. Ex. 42 at 24. He said it was modified in Cause No. 45576 to credit the remaining unprotected excess ADFIT and to also include the NOLC adjustment associated with the IRS PLR. *Id.* Mr. Williamson testified that in this proceeding, I&M proposed to expand use of the Tax Rider to timely reflect in customer rates the potential net benefits I&M realizes from the Inflation Reduction Act, including any potential Corporate Alternative Minimum Tax ("CAMT") and Production Tax Credits ("PTCs") associated with the Cook Nuclear Facility. Pet. Ex. 42 at 25. He noted the OUCC and Joint Municipals opposed I&M's proposed modifications to the Tax Rider.

Messrs. Williamson and Eckert testified the Settling Parties agreed that the Tax Rider will continue to be used to implement ratemaking adjustments associated with the IRS PLR that requires I&M to make its proposed NOLC adjustment as provided for specifically in Section 1.4 and to reconcile the excess crediting of unprotected ADFIT in accordance with Cause Nos. 45235 and 45576. Pet. Ex. 42 at 25; Pub. Ex. 14S at 7. Mr. Williamson stated this resolution is consistent with the Company's last rate case settlement approved by the Commission. Pet. Ex. 42 at 25.

According to Messrs. Williamson and Eckert, the Company also agreed to withdraw its proposal in this proceeding to use the Tax Rider to flow through the CAMT and Cook PTCs specifically associated with the Cook Nuclear Facility. Pet. Ex. 42 at 25; Pub. Ex. 14S at 7. Mr. Williamson testified this resolution reflects the OUCC position that it is unnecessary to address the CAMT in the Tax Rider and the potential increase to federal tax expense is not sufficiently known to be reflected in the Tax Rider, as well as the Joint Municipals' opposition to expanding the Tax Rider to reflect these items. Pet. Ex. 42 at 25. He said this resolution also reflects the OUCC position that the Tax Rider does not need to be expanded because the amount is not currently known. He stated from the Company's perspective it is important that these items not be reflected in rates until they are reasonably known. Pet. Ex. 42 at 25. Mr. Williamson testified that while the Company proposed to use the Tax Rider for this purpose, the negotiated compromise recognizes that these issues reflect future events that are still developing. *Id.* He stated that to the extent CAMT and Cook PTCs are realized in the future and impact I&M's ongoing federal income tax expense, the impacts will be reflected in I&M's semi-annual FAC earnings test calculations. Pet. Ex. 42 at 25-26. He said, as a result, I&M's customers will benefit from these tax related items

¹⁵ Jt. Ex. 1 at Section I.A.8.3.

in the event that I&M's actual earnings may exceed its authorized net operating income as determined by the FAC earning test. Pet. Ex. 42 at 26.

L. Subsequent License Renewal Application ("SLRA") Project.¹⁶ Mr. Williamson testified that as explained in I&M's direct testimony, the Company is engaged in a generation transition strategy that supports a diversified and flexible portfolio of supply-side and demand-side resources that will provide a reliable and resilient set of generation resources that stabilize energy costs over time, stimulate economic development growth, reduce emissions, and take advantage of new technologies. Pet. Ex. 42 at 26 (citing Baker Direct at 5). He said the anchor to this strategy is the continued operation of the Company's Cook Nuclear Facility. To prepare for the Cook Units approaching the end of their current licenses in 2034 and 2037 respectively, the Company plans to initiate the process to evaluate, and potentially pursue, a Subsequent License Renewal ("SLR") for both Cook Units starting in 2024. Pet. Ex. 42 at 26. Company witness Ferneau discussed the activities associated with the SLRA Project in greater detail. The OUCC, CAC and IG raised concerns with the SLRA Project, to which I&M responded in rebuttal.

Mr. Williamson testified the Company appreciated the OUCC and IG identifying potential alternatives that would allow the Company to proceed with this important work at the Cook Nuclear Facility. Pet. Ex. 42 at 26; Baker Rebuttal at 12. He said the Company understands its obligation to demonstrate the costs associated with the SLRA are reasonable and prudent and presented information in its direct testimony to support its proposal. He added that the Company also recognizes that transparency regarding the SLRA process is important. Pet. Ex. 42 at 27. He said the Settlement Agreement balances these factors with the Company's need to have the accounting and ratemaking for these significant costs reasonably pre-approved. *Id.* Mr. Williamson testified that from the Company's perspective it is reasonable and prudent to understand the SLRA analysis and reasonable to recover the associated costs even if the application is not pursued. *Id.* He said the Settlement Agreement reasonably enables this work to go forward. Pet. Ex. 42 at 27.

Messrs. Eckert and Williamson testified that I&M agreed to limit the Indiana jurisdictional costs associated with the SLRA to no more than \$5 million before I&M submits its 2024 Integrated Resource Plan ("IRP") to the Commission. Pub. Ex. 14S at 8; Pet. Ex. 42 at 27. They said if the Cook SLR is not included in I&M's Preferred Portfolio, I&M will be allowed to recover a return of the costs, not to exceed \$5 million, in a future proceeding absent evidence of imprudence. Pub. Ex. 14S at 8-9; Pet. Ex. 42 at 27. Mr. Williamson noted nothing in the Settlement Agreement limits I&M's ability to seek a reasonable recovery period and return on the deferred balance or the other Settling Parties' ability to challenge any such proposal. Pet. Ex. 42 at 27. He said if the SLR is included in the Preferred Portfolio, the Company will proceed with the SLRA process and the costs associated with the SLRA will be included as a component of the project(s) necessary to implement the SLR subject to review for reasonableness with the non-I&M Settling Parties reserving all rights to challenge the reasonableness of the amount of SLRA costs and to challenge the means of ratemaking recovery, including whether through a rider or base rates, any proposed amortization period and the appropriate return on any authorized regulatory asset in excess of the initial \$5 million (Indiana Jurisdictional) agreed to in this Section. Pet. Ex. 42 at 27. Mr. Williamson further testified that I&M will provide an update on the progress of the SLRA Project annually until the issuance of the final Director's Report for the 2024 IRP. Pet. Ex. 42 at 28. He said the annual progress reports will be filed with the Commission as a compliance filing in this docket (subject

¹⁶ Jt. Ex. 1 at Section I.A.8.

to the protection of confidential information) unless otherwise directed by the Commission to use a different docket. Pet. Ex. 42 at 28.

M. 2024 IRP.¹⁷ Mr. Williamson testified that as mentioned in the Company's direct and rebuttal testimony and addressed in Section I.A.9 of the Settlement Agreement, the future of the Cook units will be addressed as part of the Company's next IRP. Pet. Ex. 42 at 28. He said during settlement negotiations, certain Settling Parties expressed concern in specific areas of I&M's 2024 IRP. He stated that, as a matter of compromise, I&M agreed to certain items in an effort to facilitate the 2024 IRP modeling and stakeholder process, related to: 1) modeling licenses; 2) schedule of deliverables of data and feedback loop for 2024 IRP and subsequent IRPs; 3) Energy Efficiency; and 4) storage resources. Mr. Williamson discussed each provision and said they are designed to assuage concerns by clarifying how the next IRP stakeholder process and associated modeling will be conducted. Pet. Ex. 42 at 28-29; Settlement Agreement Sections 9.3.1 through 9.3.4.

N. Electric Vehicles ("EV").¹⁸ Mr. Williamson stated Section I.A.10 of the Settlement Agreement provides that I&M will invite CAC, Fort Wayne, the OUCC, and any other interested stakeholders to participate in a stakeholder process to be conducted at least 60 days in advance of I&M's 2024 EV filing to allow time to consider and incorporate feedback into I&M's case-in-chief as I&M deems reasonable to help reduce the number of contested issues in the case, if possible. Pet. Ex. 42 at 30. He said this process is already underway and is reasonably aimed at gathering input early on for I&M's 2024 EV filing. *Id.*

O. Distributed Generation ("DG") Related Issues.¹⁹ Mr. Williamson testified this Section addresses I&M's reporting related to Excess Distributed Generation ("EDG") as well as setting forth commitments made by I&M to collaborate on Distributed Energy Resources ("DER"). Pet. Ex. 42 at 30. Messrs. Eckert and Williamson explained that I&M agrees to: 1) provide and include monthly data by residential and non-residential customers regarding EDG tariff and Small Power Production tariff customer participation as part of I&M's annual performance metrics report filed in Cause No. 44967; 2) hold up to four meetings during 2024 and 2025 to propose updates to I&M's Indiana interconnection procedures to facilitate DG in I&M's service territory; and 3) explore and evaluate implementing: a) Integrated Distribution Planning; b) Virtual Power Plants; c) Hosting Capacity Analyses; and d) a solar+storage or mobile battery storage program that could help medically vulnerable customers in I&M's Indiana service territory. Pub. Ex. 14S at 11-12; Pet. Ex. 42 at 30-31. Mr. Williamson testified these provisions facilitate the parties' respective interests in continuing to have a dialog on these issues, and that the Settling Parties will work in good faith to ensure these collaboratives do not run in conflict with any Commission initiatives. Pet. Ex. 42 at 31.

P. Cost of Service and Rate Design.²⁰ The testimony in support of the Settlement Agreement discussed the Settling Parties' agreement regarding revenue allocation, rate design, certain tariff language changes, and other remaining issues.

¹⁷ Jt. Ex. 1 at Section I.A.9.3.

¹⁸ Jt. Ex. 1 at Section I.A.10.

¹⁹ Jt. Ex. 1 at Section I.A.11.

²⁰ Jt. Ex. 1 at Section I.B.

1. Revenue Allocation.²¹ Per OUCC witness Eckert, the Settling Parties spent considerable time negotiating a fair and reasonable revenue allocation among all rate classes. Pub. Ex. 14S at 9; *see also* IG Ex. 5 at 2-3; Pet. Ex. 42 at 33. Messrs. Andrews, Eckert, and Williamson each noted that as stated in Section I.B. of the Settlement Agreement, the agreed allocation is without reference to any specific cost allocation methodology and was determined strictly for settlement purposes. IG Ex. 5 at 4; Pub. Ex. 14S at 9; Pet. Ex. 42 at 32. IG witness Andrews noted that given the Settling Parties agreed to an annualized revenue requirement which is significantly lower than I&M's as-filed requested increase, this agreed-upon revenue requirement flows through as a lower revenue requirement with respect to the revenue allocation to all customers' benefit. IG Ex. 5 at 4. He said the Settling Parties agreed 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. He stated for settlement purposes, the Settling Parties agree that Settlement Agreement Attachment C specifies the revenue allocation agreed to by all Settling Parties. IG Ex. 5 at 4. He testified that given the diverse litigation positions of the parties regarding revenue allocation, subsidy mitigation, impact on all classes and the policy of gradualism, the agreed upon revenue allocation is a reasonable resolution. IG Ex. 5 at 4.

Joint Municipals witness Tomczyk testified that the Settling Parties agree the settlement cost of service study results are reasonable and support the settlement rate proposal. Jt. Mun. Ex. 1S at 6.

Mr. Williamson testified that all customer classes are expected to reasonably benefit from the negotiated revenue decrease. Pet. Ex. 42 at 32. He said while the parties disagreed on the extent to which subsidies exist and which cost of service method is appropriate, the Settlement Agreement allocation reasonably addressed subsidies as reflected in the Company's cost of service study, with subsidies in the Large General Service, Water and Sewage Service, Irrigation Service, Outdoor Lighting, and Street Lighting classes reduced or eliminated, and increases in subsidy for the other tariff classes mitigated. Pet. Ex. 42 at 32-33. He said the overall revenue allocation reflects the give-and-take of settlement negotiations, which included customers with multiple C&I accounts across different tariff classes along with the OUCC, the statutory representative of all customer classes. Pet. Ex. 42 at 33.

Petitioner's Exhibit 42, Attachment AJW-3-S (public), which updates Attachment JLF-2 to reflect the Settlement Agreement, provides supporting details, including the customer class revenue allocation factors class.²² Pet. Ex. 42 at 32.

2. Streetlighting.²³ Section I.B.2. sets forth I&M's agreement to prepare and provide a class cost-of-service study with the following four streetlighting classes in its next basic rate case: Company-owned (SLS/ECLS), Customer-owned (SLC), Customer-owned – metered (SLCM) and Fort Wayne Streetlighting (FW-SL). Mr. Williamson stated this provision reasonably addresses concerns raised by Joint Municipals witness Georgis regarding the level of detail within the Company's class cost-of-service study. Pet. Ex. 42 at 33.

As explained by Messrs. Fasick and Williamson, the Settlement Agreement also addresses concerns raised by Mr. Fasick regarding the implementation of certain streetlight tracking technology, referred to as the Collector App, that I&M and Fort Wayne jointly developed pursuant

²¹ Jt. Ex. 1 at Section I.B.1.

²² A confidential version of this attachment was provided as Attachment AJW-3-S-C.

²³ Jt. Ex. 1 at Section I.B.2.

to the settlement agreement approved by the Commission in Cause No. 44967. Jt. Mun. Ex. 3S at 1-2; Pet. Ex. 42 at 33. They explained I&M and Fort Wayne will meet within 60 days after issuance of a Commission Order approving this Settlement Agreement to resolve these discrepancies. Mr. Fasick testified that the Collector app was intended to improve the accuracy and efficiency of communicating Fort Wayne's streetlighting inventory to I&M for billing purposes, and that he appreciated I&M witness Cooper's suggestion in rebuttal that the parties take steps to utilize the Collector app data. Jt. Mun. Ex. 3S at 5. Mr. Williamson stated this data should include, by map section, the light type, size in watts, GPS location, physical location and any other attributes contained in the Collector app. Pet. Ex. 42 at 33. He said I&M's monthly billing will reflect the agreed upon number of streetlights and sizes owned by the City served by I&M on or before August 31, 2024. Monthly inventory updates, if applicable, will be sent to I&M to maintain billing accuracy, and I&M will implement such updates in a timely manner to be included in the next monthly billing cycle as reasonable. Pet. Ex. 42 at 33. Mr. Williamson stated that because the number of streetlights may change periodically throughout a given year, the parties will commit to meet in February and August each year to discuss any changes or issues identified. If either party requests an audit, both parties will conduct an audit together, as needed, in a timely manner, to verify sections of the streetlights owned by the City. *Id.*

Mr. Williamson stated I&M will revise and streamline the Fort Wayne Street Lighting tariff attached to the Settlement Agreement as Settlement Agreement Attachment D. Mr. Fasick testified the agreed revisions to the FW-SL tariff attached as Attachment D to the Settlement Agreement further helps address the concerns he raised regarding some of the current billing inefficiencies on the FW-SL tariff. Moreover, he said the streamlined tariff should eliminate the need to revise the tariff sheet when new streetlight fixture types are added or removed from Fort Wayne's streetlight inventory. Jt. Mun. Ex. 3S at 5.

Mr. Williamson stated the City understands and acknowledges that automating the integration of the Collector app data with I&M's legacy Customer Information System (CIS) would be cost-prohibitive. Pet. Ex. 42 at 33. However, within six months of a Final Order approving this Settlement Agreement, I&M will arrange a meeting between the City and I&M's CIS team, which will be sufficiently in advance of the "go live" date of the new CIS system to allow the parties a meaningful opportunity to explore the feasibility and cost estimates for automating the integration of the Collector app data with the new CIS system. Mr. Williamson noted the parties agree to consider all cyber security and data security concerns. Pet. Ex. 42 at 33. Mr. Fasick stated Fort Wayne appreciates the opportunity to participate in discussions during development phase with I&M's CIS team to meaningfully explore the feasibility and costs for automating the integration of the Collector app data with I&M's new CIS system. Jt. Mun. Ex. 3S at 5.

3. Large General Service ("L.G.S.").²⁴ Mr. Williamson testified that as explained by Company witness Cooper, I&M proposed to change the eligibility for the L.G.S. rate class to use the average annual peak demand instead of just annual peak demand. Pet. Ex. 42 at 34. He noted Joint Municipals witness Georgis expressed concern regarding this change and proposed that I&M include tariff language grandfathering existing customers into the L.G.S. rate. In rebuttal, I&M clarified the intention of the proposed eligibility language change was not to move any current customers to or from Tariff L.G.S. as a result of the proposed language and

²⁴ Jt. Ex. 1 at Section I.B.3.

agreed to add grandfathering language to the tariff. Pet. Ex. 42 at 34-35. Mr. Williamson explained Section I.B.3. recognizes the agreement on this issue and sets forth the language to be included in Tariff L.G.S. The specific language is as follows:

Available for general service customers. Customers may continue to qualify for service under this tariff until their 12-month average metered demand exceeds 1,000 kW. Customers requesting service under Tariff L.G.S. on and after [insert date of Cause No. 45933 Order] must have a 12-month average metered demand of 60 kW or greater. Customers that qualified for Tariff L.G.S. prior to [insert date of Cause No. 45933 Order] may remain on Tariff L.G.S. until their 12-month average metered demand exceeds 1,000 kW or they elect to leave Tariff L.G.S.

He said this agreed language is reflected in the updated redlined tariff included with his settlement testimony as Attachment AJW-10-S. Pet. Ex. 42 at 35.

4. Industrial Power Tariff (“Tariff IP”).²⁵ IG witness Andrews testified that in its direct testimony, the Industrial Group raised concerns with proposed changes to I&M’s Tariff IP. IG Ex. 5 at 4. Messrs. Andrews and Williamson said the Settlement Agreement provides that for Tariff IP, the kVAr credit as proposed by IG witness Dauphinais will be implemented as agreed to and modified by the rebuttal testimony of I&M witness Fischer. IG Ex. 5 at 5; Pet. Ex. 42 at 35. Mr. Williamson stated this reasonably resolves the issue raised by the Industrial Group. Pet. Ex. 42 at 35.

5. Residential Service.²⁶ Mr. Eckert testified that under the Settlement Agreement the monthly residential customer charge is restored to the level established before the repeal of the state’s Utility Receipts Tax. Pub. Ex. 14S at 9. He said in its direct case, I&M proposed an increase of almost 15.0% or \$2.21 in the residential customer fixed charge. Through compromise, the Settling Parties agreed to increase the monthly residential customer charge by \$0.21, placing it at \$15.00, the same level the Commission approved in Cause No. 45576, I&M’s last rate case. Pub. Ex. 14S at 9-10. Mr. Williamson testified the residential rate design issues were the subject of much testimony in this proceeding. Pet. Ex. 42 at 35. He said while the Company 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. Pet. Ex. 42 at 35.

Messrs. Eckert and Williamson discussed the Settling Parties’ agreement on other aspects of residential rate design. They testified the Settling Parties reached agreement with respect to a) Multi-Family Rate Proposal; b) Residential Low Income Home Energy Assistance Program (“LIHEAP”) Customer Late Payment Charge; and c) Residential Service Disconnections. Pub. Ex. 14S at 11; Pet. Ex. 42 at 36. Mr. Williamson testified that collectively, these provisions reasonably address concerns raised by the OUCC and intervenors and are a reasonable part of the settlement package as a whole. Pet. Ex. 42 at 37.

Mr. Williamson testified that following full deployment of advanced metering infrastructure (“AMI”), I&M will collect data for one year and analyze cost differentials between single- and multi-family residential customers. Pet. Ex. 42 at 26. He said I&M will solicit input

²⁵ Jt. Ex. 1 at Section I.B.4.

²⁶ Jt. Ex. 1 at Section I.B.5.

from the CAC and other interested Settling Parties on sample size for the data collection and the scope of analysis, with the cost of the supporting analysis to be limited to no more than \$50,000, excluding internal labor. He indicated I&M will consider a new multi-family rate for qualifying residential customers in its next basic rate case filing following the completion of this analysis and, in advance of such rate case filing, I&M will offer to meet with the CAC and other interested Settling Parties to discuss a potential multi-family rate and will also provide the CAC and any other interested Settling Party with the results of the Company's analysis. He said this negotiated provision recognizes the need to fully deploy AMI, to have time to collect data for a reasonable sample and to limit the cost of the desired analysis while facilitating a better understanding of these issues. Pet. Ex. 42 at 36-37.

With respect to LIHEAP customers, Mr. Williamson stated I&M agrees that, once in each half calendar year, at the request of the customer who received LIHEAP assistance within the last twelve months, the Company will waive the late payment charge on a delinquent bill, provided payment is tendered not later than the last date for payment of net amount of the next succeeding month's bill. He said this provision recognizes that the Company's system is not designed to automate such waivers and avoids imposing a significant cost to do so. Pet. Ex. 42 at 37.

Mr. Williamson testified that with respect to disconnections for nonpayment, I&M agrees not to disconnect service for any residential customer on Fridays, Saturdays, Sundays and Holidays (New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Friday after Thanksgiving Day, December 24, and Christmas Day). Pet. Ex. 42 at 37.

Finally, Messrs. Eckert and Williamson testified that I&M agreed to provide Indiana Community Action Association with \$200,000 in both 2024 and 2025 to assist low-income customers. Pub. Ex. 14S at 11; Pet. Ex. 42 at 37; Settlement Agreement Section I.B.6. They said I&M's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution. *Id.*

Q. Remaining Issues. Section I.B.7 of the Settlement Agreement provides that solely as a matter of compromise, the Settling Parties agree that the new basic rates approved by the Commission will be implemented by the Company on a service rendered basis on or after the date the Commission approves the new tariff following the Company's compliance filing in this proceeding. Pet. Ex. 42 at 38. Mr. Williamson said this Section provides that any matters not addressed by this Settlement Agreement will be adopted as proposed by I&M in its direct and rebuttal case. Pet. Ex. 42 at 38.

R. Typical Bill Comparison. Mr. Williamson presented an updated typical bill comparison. Pet. Ex. 42 at 38. He said for a residential customer using 1,000 kWh, the Phase I rates reflect a total monthly bill increase of \$4.20 or 2.6%. He said for Phase II, the Settlement Agreement reflects a total monthly bill increase of \$8.47 or 5.2% at the end of the test year. Pet. Ex. 42 at 38.

S. Supporting Documentation. As Mr. Williamson explained, the Settlement Agreement includes as attachments a summary of the revenue requirement impact of the settlement terms, a revised I&M Exhibit A-1, the agreed customer class allocations of the revenue requirement increase, and the agreed revisions to the Fort Wayne Street Lighting tariff. Pet. Ex. 42 at 3. 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); AJW-4-S

(detailed revenues associated with base rates, riders, and total bill increase by class);²⁷ AJW-5-S (typical bill comparison); AJW-6-S (forecasted test year end net plant balance used to calculate the Phase II rates); AJW-7-S (gross revenue conversion factor); AJW-8-S (updates Exhibit A-9 (Effective Federal Income Tax Rate)); 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). Pet. Ex. 42 at 4-5, 38-40. Workpapers updating the relevant cost of service and rate design were also provided.

T. Five Pillars. Mr. Eckert detailed the ways in which the Settlement Agreement satisfies each of the “Five Pillars” of ratemaking set forth in Ind. Code §§ 8-1-2-0.5 *et. seq.* Pub. Ex. 14S at 2-4. Mr. Eckert further testified the Settlement Agreement is a fair resolution of the issues presented in this proceeding, is supported by the evidence, is in the public interest, and should be approved. Pub. Ex. 14S at 2. Mr. Williamson also testified the Settlement Agreement is consistent with the Five Pillars. Pet. Ex. 42 at 41.

U. Public Interest. Mr. Williamson testified that settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced to all concerned. Pet. Ex. 42 at 41. He said while this is true with respect to a general rate case, the complexity of a rate case proceeding can make settlement challenging to achieve. He stated here, parties representing all rate classes participated in negotiations, ultimately arriving at an agreed revenue allocation and package of terms and conditions that were acceptable and reasonable. Pet. Ex. 42 at 41.

Mr. Williamson opined that the Settlement Agreement is in the public interest. Pet. Ex. 42 at 41. He said the Settlement Agreement is supported by and within the scope of the evidence presented by the Settling Parties. *Id.* He said the Settlement Agreement represents the result of extensive, good faith, arm’s-length negotiations of the conceptual framework and details of the Settlement Agreement. He said experts were involved with legal counsel and substantial time was devoted to the settlement discussions. Mr. Williamson stated that taken as a whole, the Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause. Pet. Ex. 42 at 41.

Mr. Eckert similarly testified that the Settlement Agreement balances ratepayer’s interests. Pub. Ex. 14S at 2. He echoed that the Settlement Agreement is the product of intense negotiations, with each party offering compromise on challenging issues. He said given the certainty of many ratepayer benefits under the Settlement Agreement the OUCC, as the statutory representative of all ratepayers, concluded the Settlement Agreement is a fair resolution of the issues, supported by the evidence, is in the public interest, and should be approved. Pub. Ex. 14S at 2.

IG witness Andrews testified the process of negotiating the Settlement Agreement brought I&M, the OUCC, the Industrial Group, and other intervenors together to reach compromise on a wide range of disputed issues. IG Ex. 5 at 2. He said this required the parties to evaluate their litigation positions and find common ground. He stated that while no party received the full measure of the positions taken 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. IG Ex. 5 at 2-3. In his view, the Settlement Agreement represents the culmination of the parties’

²⁷ A confidential version of this attachment was provided at Attachment AJW-4-S-C.

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. IG Ex. 5 at 3.

Ms. Tomczyk testified that the parties involved in the settlement process worked very hard to agree on an outcome that represented the best possible result for every customer class, within the confines of the competing interests of the Settling Parties. Jt. Mun. Ex. 1S at 6. She said approval of the Settlement as it is written is consistent with the public interest because the Settlement represents a comprehensive resolution of all issues in this proceeding raised by the Settling Parties. Jt. Mun. Ex. 1S at 6. She said as the evidence reflects, the Settlement resolves complex, divisive, and controversial issues surrounding several interrelated issues, including but not limited to, revenue requirement, mitigation of rate impacts, and the appropriate phased in rate design. Jt. Mun. Ex. 1S at 6. She said ultimately, the Settlement provides I&M with an opportunity to earn sufficient revenues and maintain adequate cash flows, while balancing the interests of the Company's customers in receiving reasonable service at a fair cost. Jt. Mun. Ex. 1S at 6.

8. Commission Discussion and Findings. Despite the complexity and number of issues raised in this proceeding, the Settling Parties reached a comprehensive agreement, as reflected in the Settlement Agreement filed in this proceeding. While two parties did not join the Settlement Agreement, they do not oppose it, and the parties joining or not opposing the Settlement Agreement represent a wide variety of interests and types of customers, including residential, commercial, and industrial customers. A complete copy of the Settlement Agreement and attachments can be found in Attachment A to this Order (Jt. Ex. 1), while new depreciation rates are set forth in Pet. Ex. 42, Attachment AJW-2-S, and distribution and transmission allocation factors are set forth in Pet. Ex. 42, Attachment AJW-4-S (pp. 45-46). These attachments are incorporated into and made a part of this Order by reference.

Settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced to all concerned. The Settlement Agreement represents the Settling Parties' proposed resolution of the issues in this Cause. 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.

Further, 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 (Ind. 1991)). The Commission's procedural rules require that settlement be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreements, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement 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 Agreements, including the Settling Parties' agreement on Petitioner's rate base, methodology to be used in determining Petitioner's rate

increase, agreed allocation of the increase, agreed rate design, agreement on ROE and capital structure, and the other terms of the Settlement Agreements, all of which we find are supported by the settlement testimony. The Settlement Agreement is further supported by the Settlement Agreement attachments and the settlement schedules and workpapers; therefore, we have substantive information from which to discern the basis for the components of the decrease in I&M's base rates and charges under the Settlement Agreement and find the evidence supports that they are reasonable.

The Settlement Agreement filed in this proceeding resolves all the issues presented. To put this in context, I&M, in its initial case-in-chief filed in August 2023, supported a revenue deficiency of \$116.4 million in Phase II, reflective of an overall 6.80% revenue increase. Pet. Ex. 42 at 6; Settlement Agreement Attachment B. As shown by Settlement Agreement Attachment B (lines 12 and 14), the Settling Parties have agreed to an overall revenue increase of \$61.8 million, which is a 3.61% revenue increase. OUCC witness Eckert, in supporting approval of the Settlement Agreement, outlined the consumer benefits from the Settlement Agreement. Pub. Ex. 14S. 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.

A. Revenue Requirement.

1. Return on Equity, Capital Structure, and Rate of Return.²⁸

a. Return on Equity. The record reflects the agreed 9.85% ROE is within the range of evidence the Settling Parties presented and is within the range of Commission authorized ROEs or negotiated ROEs for other Indiana investor-owned utilities. Pet. Ex. 42 at 9; *see* Bulkley Direct at 8. The agreed ROE is also consistent with the Company's rebuttal testimony that recently authorized ROEs for vertically integrated electric utilities over the past 18 months demonstrate that the cost of equity has increased. Pet. Ex. 42 at 9-10; Bulkley Rebuttal at 5, 7-8, 19. 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. Pub. Ex. 14S at 6. The record further shows the agreed ROE is an important part of the overall settlement package and that it is important that I&M be provided the opportunity to earn a ROE that is consistent with the market and takes into consideration that I&M's overall performance is noteworthy in multiple important metrics. Pet. Ex. 42 at 10; Baker Rebuttal at 2-3. The Commission finds that as part of the Settlement Agreement, the agreed ROE balances the consumer parties' concerns while preserving I&M'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 50.00%/50.00% through close of test year. For purposes of the Phase II compliance filing, the debt/equity ratio will be adjusted to the December 31, 2024, actual ratio based on shareholder contributions of debt and equity, but will be no higher than a 51.20% equity ratio. Settlement Agreement Section I.A.1.2. Mr. Williamson testified this agreement resolves a concern raised by Mr. Gorman, who challenged the forecasted change in the ratio. Pet. Ex. 42 at 10. The Commission finds the negotiated agreement regarding I&M's capital structure is reasonable, resolves concerns raised by the Industrial Group, and should be approved.

²⁸ Jt. Ex. 1 at Section I.A.1.

c. PLR and NOLC. As Mr. Williamson explained, the NOLC affects the calculation of ADFIT that is included as cost-free capital in the capital structure. Pet. Ex. 42 at 12. Per the Settlement Agreement, I&M will retain in its capital structure the approximately \$96.9 million (Total Company) in cost free capital that it proposed to remove through its proposed NOLC adjustment. Pet. Ex. 42 at 13. Pending receipt of a PLR from the IRS, the Settling Parties agree that the Commission should continue to 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 any differences in I&M’s requested levels of protected excess accumulated deferred income tax (“EADFIT”) amortization and the settled levels of amortization. Pet. Ex. 42 at 13. Mr. Williamson stated that upon the effective date of the rates being implemented in this proceeding, the accrual of this regulatory asset will reflect the terms of this Settlement Agreement. *Id.*

If the IRS issues a PLR determining that failure to reinstate I&M’s 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 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. Pet. Ex. 42 at 13-14; Pub. Ex. 14S at 7. The Settling Parties have expressly reserved the right to take any position in the limited proceeding related to the NOLC and the Company’s proposed ratemaking related thereto. 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. Pet. Ex. 42 at 14. If the IRS finds a normalization violation would occur, the Settlement 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. Pet. Ex. 42 at 14. The Commission finds the proposed resolution in the Settlement Agreement recognizes that the IRS PLR process exists to allow the IRS to rule on matters regarding its own tax rules and reasonably balances the need for compliance with the IRS normalization rule with the ratemaking process. Pet. Ex. 42 at 14. The Commission further finds that 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 and is consistent with the resolution approved by the Commission in Cause No. 45576. Pet. Ex. 42 at 14.

Accordingly, the Commission finds that Section I.A.1.4 of the Settlement Agreement sets out a reasonable path forward to resolve the dispute regarding the treatment of the Company’s NOLC. Pet. Ex. 42 at 14-15. Therefore, the Commission approves the agreed-upon treatment of the NOLC and grants I&M all necessary accounting authority to implement this provision. I&M is directed to file notice in this docket of the results of the ruling and notify the Settling Parties within ten (10) business days of receipt of the PLR.

d. Net Operating Income. The Settling Parties agreed that the authorized base rate net operating income will be \$331,133,925, which is calculated as follows:

Income Requirement	\$ 333,209,894
Remove Transmission Owner Costs, Revenues	\$ (2,773,080)
Gross Revenue Conversion Factor	<u>1.3358</u>

After Tax	<hr/> \$ (2,075,969)
Total Base Rate Net Operating Income	\$ 331,133,925

Pet. Ex. 42 at 15; Figure AJW-2. The Commission finds the agreed net operating income is reasonable and should be approved.

B. Depreciation Rates and Expense.²⁹ The Settlement Agreement provides for a \$15.8 million reduction in depreciation expense but otherwise makes no change to the Company's proposals regarding depreciation. Settlement Agreement Section I.A.2; Pet. Ex. 42 at 15-16. Proposed depreciation rates that implement the agreed \$15.8 million expense reduction were provided in Pet. Ex. 42, Attachment AJW-2-S. Pet. Ex. 42 at 16. The Commission finds the Settling Parties' agreements on depreciation expense and depreciation rates are reasonable and should be approved.

C. Rate Base. In its case-in-chief, I&M's proposed rate base was identified in Pet. Ex. XX (Financial Exhibit A), Exhibit A-6. Other parties challenged including the prepaid pension and OPEB assets in rate base, as well as certain other aspects of rate base. The Settlement Agreement provides for adjustments 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.

D. Expense Adjustments.³⁰ The Settlement Agreement provides for various adjustments to the revenue requirement in this case, including reductions to I&M's proposed Indiana Jurisdictional O&M expenses as follows: \$2.0 million in nuclear decommissioning expense; \$6.0 million in other O&M in I&M's Test Year forecast; and \$0.9 million in certain IT costs. Pet. Ex. 42 at 16-17; Pub. Ex. 14S at 3. The record shows these agreed-upon adjustments provide another means of mitigating increases to customer rates. Pet. Ex. 42 at 16. With respect to nuclear decommissioning expense, the Settlement Agreement provides for a \$2 million decrease in proposed nuclear decommissioning expense. Settlement Agreement Section I.A.3.1. 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. Accordingly, the Commission approves these expense adjustments as part of the overall Settlement Agreement. Likewise, the Settling Parties' agreement regarding the DERMS project reasonably resolves this contested matter, is supported by the evidence, and should be approved. Pet. Ex. 42 at 18; Settlement Agreement Section I.A.3.4.

E. IURC Fee and Revenue Conversion Factor.³¹ The Settlement Agreement reflects the Settling Parties' agreement to use the IURC Fee rate as of July 1, 2023 of 0.1467603%. The Commission finds this agreement is reasonable and should be approved. The Commission further approves the revised gross revenue conversion factor as set forth in Pet. Ex. 42, Attachment AJW-7-S.

²⁹ Jt. Ex. 1 at Section I.A.2.

³⁰ Jt. Ex. 1 at Section I.A.3.

³¹ Jt. Ex. 1 at Section I.A.4.

F. **Major Storms.**³² The Settlement Agreement continues I&M's Major Storm Damage and Restoration Reserve as proposed by I&M. The Settling Parties further agreed that the annual major storm O&M expense embedded in I&M's Indiana base rate be increased to a total of \$9.4 million and that the previously unrecovered balance of storm restoration costs be recovered and amortized over four years instead of two years. The Commission agrees with Mr. Eckert that this agreement will facilitate I&M's work to maintain or improve system reliability, resiliency, and stability, which are three of the "Five Pillars" that must be considered. Pub. Ex. 14S at 3. We further find the Settling Parties' resolution of this issue is reasonable, supported by the evidence, and should be approved.

G. **PowerPay Program.**³³ The Settling Parties agreed that I&M should be authorized to implement the PowerPay Program as a pilot program, with certain modifications as recommended by the OUCC. Pet. Ex. 42 at 19-21. The Settlement Agreement further provides that I&M will offer to meet with the OUCC and CAC and will file a report with the Commission regarding the programs' metrics within 90 days of the pilot's completion. The Settlement Agreement also provides for cost recovery by permitting I&M to defer the costs of the PowerPay Program, including a return on the plant investment, for recovery in I&M's next basic rate proceeding. Pet. Ex. 42 at 21; Settlement Agreement Section I.A.6.5. Per the Settlement Agreement, if I&M seeks to recover costs of the PowerPay Program, it will present information on the impact of the pilot on the following: a) Indiana jurisdictional total bad debt expense; b) Indiana jurisdictional bad debt expense attributable to customers on the PowerPay Program; c) improvement in back-office efficiencies that reduce I&M's expenses; and/or d) any other reasonably-measured program benefit the Company has analyzed. Pet. Ex. 42 at 21-22. The Commission finds this information, together with the reporting requirement agreed to in Section I.A.6 will reasonably position the parties and the Commission to assess the program while recognizing that the limitations imposed on the pilot, such as the participation cap, can impact the overall program results. Pet. Ex. 42 at 22. Accordingly, the Commission further finds these terms adequately address the concerns raised by the parties with respect to I&M's proposal and should be approved. I&M is granted all accounting authority necessary to implement this provision. I&M is further granted a waiver of 170 IAC 4-1-16(f)'s notice rule for purposes of remote disconnection and reconnection as it relates to offering the PowerPay Program. I&M is directed to file its PowerPay Program report in this docket within 90 days of the pilot's completion.

H. **Grants Project and Broadband.**³⁴ As part of the Settlement Agreement, I&M agreed to withdraw its request for approval of the Grants Project Rider. Settlement Agreement Section I.A.7.1. The Commission finds this will enable I&M to gather and further consider stakeholder input in designing this program, Pet. Ex. 42 at 22, and reasonably resolves this issue. The Commission further finds the Settling Parties' agreement regarding the ratemaking treatment of the Delaware and Grant Middle Mile Connect project to be reasonable and should be approved. Settlement Agreement Section I.A.7.2. More specifically, if I&M pursues the DG MMC project, neither the investment included in the grant award to provide broadband internet service to ISPs nor the awarded grant funding shall be included in the calculation of I&M's electric utility rates. Fiber leasing costs and revenues for the DG MMC project shall be accounted for below the

³² Jt. Ex. 1 at Section I.A.5.

³³ Jt. Ex. 1 at Section I.A.6.

³⁴ Jt. Ex. 1 at Section I.A.7.

line and excluded from the retail ratemaking process. Pet. Ex. 42 at 23; Settlement Agreement Section I.A.7.2.

I. Riders.³⁵

1. FAC and Base Cost of Fuel. The Settlement Agreement provides that I&M will continue to provide the OUCC with a 35-day review period in its FAC proceeding. Settlement Agreement Section I.A.8.1. The record shows this agreement is consistent with Mr. Eckert's testimony (pp. 15-16). Pet. Ex. 42 at 23. The Commission finds the Settling Parties' agreement upon this 35-day review period is reasonable and should be approved. Per Petitioner's Ex. 42, Attachment AJW-4-S (p. 44), the base cost of fuel resulting from the Settlement Agreement is 12.981 mills per kWh.

2. OSS/PJM Rider. Section I.A.8.2 of the Settlement Agreement balances I&M's need for timely cost recovery of PJM NITS costs with the Industrial Group's concerns regarding rate adjustment mechanisms. The Commission finds the negotiated compromise establishes a defined cap on increases between general rate cases and this, in turn, should help customers to better understand the going-forward cost of electricity. Pet. Ex. 42 at 24.

As agreed by the Settling Parties, an annual cap will be placed on the PJM NITS costs reflected in FERC accounts 4561035 and 5650016 recovered through the PJM rider. Pet. Ex. 42 at 24. The annual cap is based on the Indiana Jurisdictional amount per MWh forecasted for 2024 plus 20% times the actual annual MWh sales subject to the OSS/PJM Rider. Specifically, the annual cap will be calculated using \$31.18 per MWh as the multiplier, computed as follows: $(\$161,850,695 + \$237,848,022) \times 83.17998\% / 12,794,031 \text{ MWh}$ (see WP-SRG-1 and WP-JLF-6 from I&M's case-in-chief) $\times 120\%$. In each annual OSS/PJM Rider filing, the Company shall multiply the total actual MWh sales for the year by the \$31.18 per MWh multiplier to arrive at the annual cap. Pet. Ex. 42 at 24. Annual NITS costs in any year that result in rates that exceed the annual cap, 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 record reflects PJM NITS are a significant expense and are forecasted to increase (Dauphinais at 12); consequently, an annual cap limits the increase customers will realize on those charges prior to I&M's next basic rate case. 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 20%, 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.

3. Tax Rider.³⁶ The Settlement Agreement provides for the continued use of the Tax Rider to implement ratemaking adjustments associated with the IRS PLR that requires I&M to make its proposed NOLC adjustment as provided for specifically in Section 1.4 of the Settlement Agreement and to reconcile the excess crediting of unprotected ADFIT in

³⁵ Jt. Ex. 1 at Section I.A.8.

³⁶ Jt. Ex. 1 at Section I.A.8.2.

accordance with Cause Nos. 45235 and 45576. The Commission finds this resolution is consistent with I&M's last rate case settlement approved by the Commission, is supported by the evidence, and should be approved. As explained by Mr. Williamson, I&M further agrees to withdraw its proposal to use the Tax Rider to flow through the CAMT and Cook PTCs specifically associated with the Cook Nuclear Facility. Pet. Ex. 42 at 25. The negotiated resolution recognizes that these issues reflect future events that are still developing. Pet. Ex. 42 at 25. To the extent CAMT and Cook PTCs are realized in the future and impact I&M's ongoing federal income tax expense, the impacts will be reflected in I&M's semi-annual FAC earnings test calculations. As a result, I&M's customers will benefit from these tax related items in the event that I&M's actual earnings may exceed its authorized net operating income as determined by the FAC earning test. We find the Settling Parties' agreement upon the scope of the Tax Rider and its implementation is reasonable and should be approved.

J. SLRA Project. In Section I.A.9 of the Settlement Agreement, the Settling Parties resolved their differing views on I&M's proposed SLRA Project by recommending approval of the SLRA Project with certain modifications. More specifically, I&M agreed to limit the costs associated with the SLRA to no more than \$5 million (Indiana Jurisdictional) prior to the submission of I&M's 2024 IRP to the Commission. If the SLR is not included in I&M's Preferred Portfolio, I&M will be allowed to recover a return of the costs, not to exceed \$5 million, in a future proceeding absent evidence of imprudence. If the SLR is included in I&M's Preferred Portfolio, I&M will proceed with the SLRA process and the costs associated with the SLRA will be included as a component of the project(s) necessary to implement the SLR subject to review for reasonableness with the non-I&M Settling Parties reserving all rights to challenge the reasonableness of the amount of SLRA costs and to challenge the means of ratemaking recovery, including whether through a rider or base rates, any proposed amortization period and the appropriate return on any authorized regulatory asset in excess of the initial \$5 million (Indiana Jurisdictional) agreed to in this section of the Settlement Agreement. Section I.A.9.2 of the Settlement Agreement reflects I&M's agreement to provide annual updates on the progress of the SLRA Project and sets forth the information I&M agrees to include in its annual reports.

The record reflects that I&M is engaged in a generation transition strategy that supports a diversified and flexible portfolio of supply-side and demand-side resources that will provide a reliable and resilient set of generation resources that stabilize energy costs over time, stimulate economic development growth, reduce emissions, and take advantage of new technologies. Pet. Ex. 42 at 26; Baker Direct at 5. As explained in I&M's case-in-chief, the anchor to this strategy is the continued operation of the Cook Nuclear Facility. Baker Direct at 5. The Commission finds the Settlement Agreement reasonably allows I&M to proceed with the important SLRA work at the Cook Nuclear Facility while addressing concerns raised by the OUCC, CAC, and Industrial Group. Pet. Ex. 42 at 26. Accordingly, the Commission finds the Settling Parties' agreement regarding the SLRA Project is reasonable, within the scope of the evidence presented, and should be approved. I&M is directed to file its annual SLRA progress reports as a compliance filing in this docket, subject to the protection of confidential information. Such annual reports shall include the information set forth in Section I.A.9.2 of the Settlement Agreement and shall continue until the issuance of the final Director's Report for the 2024 IRP.

K. 2024 IRP.³⁷ The Settlement Agreement resolves concerns raised by certain Settling Parties regarding I&M's 2024 IRP. More specifically, I&M made certain commitments intended to facilitate the 2024 IRP modeling and stakeholder process, including providing up to three executable modeling licenses for use by the IURC, OUCC, and CAC during the 2024 IRP stakeholder process; agreeing to follow a process of releasing and sharing information using a file sharing site to share information at several points of time throughout the IRP process; working with the CAC and interested stakeholders to define and construct I&M's Indiana energy efficiency bundles and levelized costs following completion of the Market Potential Study and prior to IRP modeling; and agreeing to model longer duration and potentially multi-day storage in the 2024 IRP. Pet. Ex. 42 at 28-29; Settlement Agreement Section I.A.9.3. The Commission finds these provisions reasonably assuage concerns by clarifying how the next IRP stakeholder process and associated modeling will be conducted. Pet. Ex. 42 at 29.

L. Electric Vehicles. Section I.A.10 of the Settlement Agreement provides that I&M will invite CAC, Fort Wayne, the OUCC, and any other interested stakeholders to participate in a stakeholder process to be conducted at least 60 days in advance of I&M's 2024 EV filing to allow time to consider and incorporate feedback into I&M's case-in-chief as I&M deems reasonable to help reduce the number of contested issues in the case, if possible. The record reflects this process is already underway and is reasonably aimed at gathering input early on for I&M's 2024 EV filing. Pet. Ex. 42 at 30. Therefore, the Commission finds the Settling Parties' agreement on this issue to be reasonable and should be approved.

M. DG-Related Issues. The Settlement Agreement addresses I&M's reporting related to Excess Distributed Generation ("EDG") as well as setting forth commitments made by I&M to collaborate on Distributed Energy Resources ("DER"). Settlement Agreement Section I.A.11. More specifically, I&M agrees to: 1) provide and include monthly data by residential and non-residential customers regarding EDG tariff and Small Power Production tariff customer participation as part of I&M's annual performance metrics report filed in Cause No. 44967; 2) hold up to four meetings during 2024 and 2025 to propose updates to I&M's Indiana interconnection procedures to facilitate DG in I&M's service territory; and 3) explore and evaluate implementing: a) Integrated Distribution Planning; b) Virtual Power Plants; c) Hosting Capacity Analyses; and d) a solar+storage or mobile battery storage program that could help medically vulnerable customers in I&M's Indiana service territory. Pub. Ex. 14S at 11-12; Pet. Ex. 42 at 30-31. The Commission finds these provisions should facilitate the parties' respective interests in continuing to have a dialog on these issues and further note the Settling Parties' agreement to work in good faith to ensure these collaboratives do not run in conflict with any Commission initiatives. Pet. Ex. 42 at 31. Accordingly, the Commission finds these provisions reasonably resolve the contested issues related to these topics.

N. Cost of Service and Rate Design.³⁸

1. **Revenue Allocation.**³⁹ The record reflects the Settling Parties spent considerable time negotiating a fair and reasonable revenue allocation among all rate classes. Pub. Ex. 14S at 9; see also IG Ex. 5 at 2-3; Pet. Ex. 42 at 33. Messrs. Andrews, Eckert, and Williamson each noted that as stated in Section I.B. of the Settlement Agreement, the agreed allocation is

³⁷ Jt. Ex. 1 at Section I.A.9.

³⁸ Jt. Ex. 1 at Section I.B.

³⁹ Jt. Ex. 1 at Section I.B.1.

without reference to any specific cost allocation methodology and was determined strictly for settlement purposes. IG Ex. 5 at 4; Pub. Ex. 14S at 9; Pet. Ex. 42 at 32. IG witness Andrews noted that given the Settling Parties agreed to an annualized revenue requirement which is significantly lower than I&M's as-filed requested increase, this agreed-upon revenue requirement flows through as a lower revenue requirement with respect to the revenue allocation to all customers' benefit. IG Ex. 5 at 4. He said the Settling Parties agreed 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. He testified that given the diverse litigation positions of the parties regarding revenue allocation, subsidy mitigation, impact on all classes and the policy of gradualism, the agreed upon revenue allocation is a reasonable resolution. IG Ex. 5 at 4. Joint Municipals witness Tomczyk testified that the Settling Parties agree the settlement cost of service study results are reasonable and support the settlement rate proposal. Jt. Mun. Ex. 1S at 6.

The record reflects that all customer classes are expected to reasonably benefit from the negotiated revenue decrease. Pet. Ex. 42 at 32. Mr. Williamson testified that while the parties disagreed on the extent to which subsidies exist and which cost of service method is appropriate, the Settlement Agreement allocation reasonably addressed subsidies as reflected in the Company's cost of service study, with subsidies in the Large General Service, Water and Sewage Service, Irrigation Service, Outdoor Lighting, and Street Lighting classes reduced or eliminated, and increases in subsidy for the other tariff classes mitigated. Pet. Ex. 42 at 32-33. He said the overall revenue allocation reflects the give-and-take of settlement negotiations, which included customers with multiple C&I accounts across different tariff classes along with the OUCC, the statutory representative of all customer classes. Pet. Ex. 42 at 33.

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.1. 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.

2. Streetlighting. Section I.B.2 of the Settlement Agreement addresses concerns raised by the Joint Municipals. Pet. Ex. 42 at 33-34. The Settling Parties agreed that I&M shall prepare and provide a class cost-of-service study with the following four streetlighting classes in its next basic rate case: Company-owned (SLS/ECLS), Customer-owned (SLC), Customer-owned – metered (SLCM), and Fort Wayne Streetlighting (FW-SL). In addition, I&M and the City of Fort Wayne will work to resolve the discrepancies among I&M's tariff, billing data, and ledger, and the City's streetlight inventory by using the Collector app data. Section I.B.2.2. The Commission finds these provisions reasonably address the concerns raised by the Joint Municipals and should be approved.

3. Tariff L.G.S.⁴⁰ The Settlement Agreement provides that I&M will revise the proposed eligibility language for Tariff L.G.S. to grandfather existing customers under the current eligibility requirements of an annual maximum demand of 60 kW or greater. The proposed Availability of Service for Tariff L.G.S. would read as follows:

Available for general service customers. Customers may continue to qualify for service under this tariff until their 12-month average metered demand exceeds 1,000 kW. Customers requesting service under Tariff L.G.S. on and after [insert

⁴⁰ Jt. Ex. 1 at Section I.B.3.

date of Cause No. 45933 Order] must have a 12-month average metered demand of 60 kW or greater. Customers that qualified for Tariff L.G.S. prior to [insert date of Cause No. 45933 Order] may remain on Tariff L.G.S. until their 12-month average metered demand exceeds 1,000 kW or they elect to leave Tariff L.G.S.

The Commission finds this language reasonably recognizes the agreement on this issue and ensures the tariff language does not unintentionally require current customers to move to or from Tariff L.G.S. and therefore should be approved. Pet. Ex. 42 at 34-35.

4. Tariff I.P. In its direct testimony, the Industrial Group raised concerns with proposed changes to Tariff I.P. IG Ex. 5 at 4. The Settlement Agreement provides that for Tariff I.P., the kVar credit as proposed by IG witness Dauphinais will be implemented as agreed to and modified by the rebuttal testimony of I&M witness Fischer. Section I.B.1.4. The Commission finds the Settling Parties' negotiated compromise regarding the rate design for Tariff I.P. reasonably resolves these matters.

5. Residential Service.⁴¹ 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. Pet. Ex. 42 at 35-36; Pub. Ex. 14S at 9-10. Under the Settlement Agreement, I&M's standard residential tariff service charge will be \$15.00 per month. The Settling Parties agree the monthly service charge for Rate RS-TOD and Rate RS-TOD2 will be \$15.00 per month. Settlement Agreement Section I.B.5.1. The Commission notes this has the effect of returning the Tariff R.S. customer charge back to the level agreed upon and approved in Cause No. 45576. Pet. Ex. 42 at 36 n.55. The Commission finds the agreed-upon fixed customer charges for 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.

The Settling Parties also reached agreement with respect to: a) Multi-Family Rate Proposal; b) Residential LIHEAP Customer Late Payment Charge; and c) Residential Service Disconnections. Settlement Agreement Sections I.B.5.2 through I.B.5.4; Pet. Ex. 42 at 36-37. The Commission finds that collectively these provisions reasonably address concerns raised by the OUCC and intervenors, are a reasonable part of the settlement package as a whole, and should be approved. Pet. Ex. 42 at 37.

O. Contribution. In Section I.B.6 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. Pub. Ex. 14S at 11; Pet. Ex. 42 at 37. More specifically, I&M agreed to provide \$200,000 in both 2024 and 2025 to the Indiana Community Action Association to assist low-income customers. The Commission finds the contributions agreed upon in the Settlement Agreement are reasonable as part of the negotiated settlement.

P. Remaining Issues.⁴² This section of the Settlement Agreement provides that solely as a matter of compromise, the Settling Parties agree that the new basic rates approved by the Commission will be implemented by I&M on a service rendered basis on or after the date the Commission approves the new tariff following I&M's compliance filing in this proceeding. In addition, any matters not addressed by the Settlement Agreement will be adopted as proposed by

⁴¹ Jt. Ex. 1 at Section I.B.5.

⁴² Jt. Ex. 1 at Section I.B.7.

I&M in its direct and rebuttal case. This type of provision is common in settlement agreements before the Commission to help assure all matters are addressed. The Commission finds Section I.B.7 of the Settlement Agreement is reasonable and grants I&M all necessary accounting authority associated with the approvals granted under the Settlement Agreement.

Q. 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 \$5,444,606,117 and is calculated as follows:

Net Plant In-Service	\$ 5,062,266,882
Fuel Stock	\$ 42,799,585
Other Materials & Supplies	\$ 133,331,733
Allowance Inventory	\$ 15,588,873
Prepaid Pension & OPEB Expense	\$ 143,217,349
Regulatory Assets	\$ 49,401,695
	<hr/>
	\$ 5,444,606,117

Settlement Agreement Attachment B, In. 1; Pet. Ex. 42 at 16, 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 50.00%/50.00%. Settlement Agreement Section I.A.1.2. After giving effect to this Settlement Agreement term, the Commission finds that 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

<u>Description</u>	<u>Total Company Capitalization</u> \$	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Average Cost of Capital</u>
Long-Term Debt	3,103,192,576	41.69%	4.59%	1.91%
Common Equity	3,103,192,576	41.69%	9.85%	4.11%
Customer Deposits	48,606,762	0.65%	2.00%	0.01%
Acc. Def. FIT	1,174,521,370	15.78%	0.00%	0.00%
Acc. Def. JDITC	<u>13,457,227</u>	<u>0.18%</u>	7.22%	<u>0.01%</u>

Total	<u>7,442,970,511</u>	100.00%	<u>6.05%</u>
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Pet. Ex. 42, 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, 2024 actual ratio, but no higher than a 51.20% equity ratio. Settlement Agreement Section I.A.1.2. After giving effect to this Settlement Agreement term, the Commission finds that 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 Capital⁴³

<u>Description</u>	<u>Total Company Capitalization</u> \$	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Average Cost of Capital</u>
Long-Term Debt	3,065,215,589	40.91%	4.58%	1.87%
Common Equity	3,216,351,502	42.93%	9.85%	4.23%
Customer Deposits	48,606,762	0.65%	2.00%	0.01%
Acc. Def. FIT	1,152,859,446	15.39%	0.00%	0.00%
Acc. Def. JDITC	<u>9,563,755</u>	<u>0.13%</u>	7.28%	<u>0.01%</u>
Total	<u>7,492,597,053</u>	100.00%		<u>6.12%</u>

Petitioner's Ex. 42 at 11, Figure AJW-1; Attachment AJW-1-S, page 2.

On the basis of the evidence presented, we find Petitioner should be authorized to adjust its base rates and charges so as to increase its annual operating revenue by \$61,844,969 (Settlement Attachment B, line 12), resulting in Phase II total annual operating revenues of \$1,772,812,198 (Pet. Ex. 42, Attachment AJW-4-S, p. 1). This revenue is reasonably estimated to afford I&M the opportunity to earn net operating income of \$331,133,925 as shown in Figure AJW-2 of Mr. Williamson's settlement testimony.

We further approve 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 calculated following the same methods employed to develop the Phase-in Rate Adjustments in Cause Nos. 44967, 45235, and 45576 (the "Phase I" rates).

We further find that I&M shall certify to this Commission its net plant at December 31, 2024 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-6-S, line 8. The Phase II rates shall go into effect on the date that I&M certifies its test year end net plant, or January 1, 2025, 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

⁴³ This table reflects a 51.20% equity ratio. I&M's compliance filing shall use the December 31, 2024, actual ratio, but no higher than a 51.20% equity ratio. Settling Parties' Joint Ex. 1 (Settlement Agreement) at Section I.A.1.2.

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, 2025, notwithstanding when Phase II rates go into effect.

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

9. Effect of Settlement. 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).

10. Confidentiality. Petitioner filed a motion for protection and nondisclosure of confidential and proprietary information on August 9, 2023, which was 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. A Docket Entry was issued on September 13, 2023, finding the information that was the subject of I&M's motion 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. Petitioner shall be and hereby is authorized to adjust and increase its rates and charges for electric utility service to produce an increase in total operating revenues of approximately 3.61% in accordance with the findings herein, which rates and charges shall be designed to produce forecasted Phase II total annual operating revenues of \$1,772,812,199, which are expected to produce annual net operating income of \$331,133,925.

3. Consistent with Paragraph 7.1 of the Settlement Agreement, Petitioner shall be, and hereby is, authorized to place into effect Phase I rates and charges in accordance with the findings herein for retail electric service rendered basis on and after the date of approval by the Energy Division.

4. Petitioner 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. Petitioner shall certify its net plant at December 31, 2024 and calculate the resulting Phase II rates and charges, which shall be made effective in accordance with the findings herein, subject to being contested and trued-up consistent with Finding No. 8.

6. Petitioner 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 PowerPay Program on a pilot basis as set forth in the Settlement Agreement. I&M is granted a waiver of 170 IAC 4-1-16(f) as to the disconnection process for the PowerPay Program.

8. Petitioner is granted accounting authority to implement the Settlement Agreement.

9. Petitioner shall be, and hereby is, authorized to place into effect for accrual accounting purposes revised depreciation accrual rates as provided in the Settlement Agreement.

10. I&M is directed to file in this docket all information required by the Settlement Agreement.

11. The information filed in this Cause pursuant to I&M's motion for protection and nondisclosure of confidential and proprietary information is deemed confidential under Ind. Code § 5-14-3-4, 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.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR;

APPROVED:

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

Dana Kosco
Secretary of the Commission

DMS 40845903v2