

**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, 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 )

**CAUSE NO. 45933**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

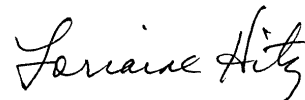
**PUBLIC'S EXHIBIT NO. 2**

**TESTIMONY OF OUCC WITNESS**

**BRIAN R. LATHAM**

**NOVEMBER 15, 2023**

Respectfully submitted,



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Lorraine Hitz  
Attorney No. 18006-29  
Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS BRIAN R. LATHAM  
CAUSE NO. 45933  
INDIANA MICHIGAN POWER COMPANY**

**I. INTRODUCTION**

1 **Q: Please state your name and business address.**

2 A: My name is Brian R. Latham, and my business address is 115 West Washington  
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer  
6 Counselor's ("OUCC") Electric Division. A summary of my educational  
7 background and experience is included in Appendix A attached to my testimony.

8 **Q: Have you previously testified before the Indiana Utility Regulatory  
9 Commission ("Commission")?**

10 A: Yes.

11 **Q: What is the purpose of your testimony?**

12 A: I am sponsoring the OUCC's overall revenue requirement recommendation in this  
13 case, and I incorporate the impact of other OUCC witnesses' recommendations in  
14 the revenue requirement calculations. I also analyze and make recommendations  
15 regarding Indiana Michigan Power Company's ("I&M" or "Petitioner") proposed  
16 treatment of its other post-employment benefits ("OPEB") (not including pension)  
17 in this rate case. In addition, I reviewed I&M's proposed capital structure and  
18 found it to be reasonable, except for the proposed return on equity ("ROE"), which  
19 OUCC witness Shawn Dellinger discusses in his testimony. I propose a weighted

1 average cost of capital (“WACC”) corresponding with Mr. Dellinger’s  
2 recommendation.

3 **Q: Please describe the review and analysis you conducted in order to prepare**  
4 **your testimony.**

5 A: I reviewed I&M’s petition, testimony, exhibits, data responses and workpapers in  
6 this Cause. I also reviewed the previous filings and respective final orders in Cause  
7 Nos. 45576, 45235, and 44075.

8 **Q: To the extent you do not address a specific item or adjustment, should that be**  
9 **construed to mean you agree with I&M’s proposal?**

10 A: No. My silence in response to any issues, proposals, adjustments, or requested  
11 relief should not be construed as agreement with that proposal, adjustment, or  
12 request. Rather, my opinions and the OUCC’s positions related to the topics I  
13 address are limited to those affirmatively expressed in this testimony.

## II. OUCC REVENUE RECOMMENDATION

14 **Q: Please summarize your findings regarding I&M’s revenue requirement.**

15 A: My compilation of the OUCC’s analyses shows I&M’s proposed revenues should  
16 be increased by \$43,129,418<sup>1</sup> or approximately 2.52%. This contrasts with I&M’s  
17 \$116,376,223<sup>2</sup> or 6.8% requested increase. The OUCC recommends a revenue

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<sup>1</sup> Schedule BRL-1 OUCC, p. 1, l. 30.

<sup>2</sup> IndMich\_Financial Exhibit\_080923 (1) (4), Exhibit A-1, p. 1, l. 12.

1 requirement increase based on a 5.96<sup>3</sup> percent weighted average cost of capital  
2 (“WACC”).

3 **Q: Have you prepared schedules to accompany your testimony?**

4 A: Yes. The following schedules reflect the issues OUCC witnesses addressed in this  
5 Cause:

6 Schedule BRL-1 - Revenue Requirement, (includes BRL-1 I&M and BRL-1  
7 OUCC;

8 Schedule BRL-2 - Revenue Conversion Factor as of December 31, 2024;

9 Schedule BRL-3 - Balance Sheets as of December 31, 2021, and December 31,  
10 2022;

11 Schedule BRL-4 - Net Operating Income Statements for the periods ending  
12 December 31, 2021, and December 31, 2022;

13 Schedule BRL-5 - Unadjusted Income Statement for the (test) year ending  
14 December 31, 2024;

15 Schedule BRL-6 - Summary and Reconciliation of Net Operating Income and  
16 Adjustments;

17 Schedule BRL-7 - Original Cost Rate Base as of December 31, 2024;

18 Schedule BRL-8 - Weighted Average Cost of Capital as of December 31,  
19 2024; and

20 Schedule BRL-9 - Comparison of Income Statement (O&M) Adjustments as  
21 of December 31, 2024.

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<sup>3</sup> Schedule BRL-7.pk, p. 1.

### III. POST RETIREMENT RELIEF REQUEST

1 **Q: How is Petitioner's OPEB fund invested?**

2 A: Petitioner's OPEB is invested in Voluntary Employees' Beneficiary Association  
3 ("VEBA") trust funds, as well as a 401(h) account.<sup>4</sup> The VEBA trusts are  
4 irrevocable.<sup>5</sup> I&M anticipates a 5.5% return on its assets invested in the VEBA  
5 trust and a 4.5% annual increase in healthcare costs.<sup>6</sup> Assets invested in a VEBA  
6 trust legally cannot be recovered until the OPEB benefit plan ceases to exist, which  
7 occurs when the last beneficiary dies. Petitioner's funded OPEB exceeds the  
8 present value of the amounts it anticipates paying out in future benefits.<sup>7</sup>

9 **Q: Does I&M's prepaid OPEB equal the amount funded that exceeds the present**  
10 **value of future benefits?**

11 A: No. Prepaid OPEB is the amount I&M contributed that exceeds the amount  
12 recovered from ratepayers. The amount funded that exceeds the present value of  
13 future benefits is the amount (in today's dollars) expected to be retained upon  
14 dissolution of I&M's OPEB plan. Many utilities have prepaid pension and prepaid  
15 OPEB balances. Far fewer utilities have funded pension or OPEB balances that  
16 exceed expected future costs.

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<sup>4</sup> Direct Testimony of I&M witness Aaron L. Hill, p. 31 ll. 18-20.

<sup>5</sup> *Id.*, p. 32, ll. 1-3.

<sup>6</sup> I&M MSFR 1-5-8(a)(16), Att. 1, p. 7.

<sup>7</sup> *Id.* at 3.

1 **Q: Why is I&M's OPEB balance funded beyond the present value of the amounts**  
2 **it anticipates paying out in future benefits?**

3 A: In 2013,<sup>8</sup> I&M cut benefits for existing employees and eliminated these benefits  
4 for employees hired after 2013. These plan changes have increased the value of  
5 previous contributions relative to expected future (reduced) payouts.

6 **Q: What is I&M requesting?**

7 A: I&M requests its prepaid OPEB be included in rate base and wants to earn a return  
8 "on" and "of" the fund balance exceeding the amount ratepayers funded.

9 **Q: Do you agree with I&M's proposed return "on" and "of" its prepaid OPEB**  
10 **asset?**

11 A: No. Prepaid OPEB includes the present value of the amount funded that exceeds  
12 the present value of future benefits. The fund is earning 5.5%, and the balance will  
13 be retained when the OPEB plan terminates. I&M shareholders should not receive  
14 an additional return "on" and "of" the funds that are forecasted to earn 5.5%,  
15 especially when the fund balance will be recovered by shareholders when the  
16 OPEB plan is dissolved.

17 **Q: What are your recommendations regarding I&M's proposed return on its**  
18 **prepaid OPEB asset?**

19 A: I recommend the amount funded that exceeds the present value of future benefits  
20 and included in rate base only be permitted to earn a return on equal to I&M's

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<sup>8</sup>Direct Testimony of I&M witness Aaron L. Hill p. 32, ll.17-18.

1 weighted average cost of capital (“WACC”), less 5.5 percent, the amount that the  
2 fund is already earning. Using the OUCC’s 5.96 percent recommended WACC  
3 (based on OUCC witness Shawn Dellinger’s recommended ROE), I&M would  
4 receive a 0.46 (5.96-5.5) percent return on the amount which exceeds the present  
5 value of future benefits. The remaining prepaid asset (prepaid asset less the amount  
6 exceeding the present value) would earn a return based on the awarded WACC in  
7 this Cause. As a result, I decreased OPEB expense (as an income statement  
8 adjustment) by \$2,682,303, as shown in the Table BRL-1 below:

Table BRL - 1

<u>Description</u>	<u>Amount</u>
OUCC Rate Base	\$ 5,415,587,118
OUCC Weighted Average Cost of Capital	5.96%
I&M Expected Return OPEB Assets	5.50%
OUCC Cost of Capital as applied to Indiana OPEB in excess of present value future benefits	<u>0.46%</u>
AEP (Total Corp) OPEB in excess of present value future benefits	\$ 1,998,764,120
AEP (Total Corp OPEB) Fair Value Plan Assets	\$ 1,047,689,917
Percent Excess to total assets	52%
Indiana Prepaid OPEB Asset	<u>\$ 93,040,879</u>
Indiana OPEB in excess of present value future benefits	<u>\$ 48,769,132</u>
I&M Return on Indiana OPEB in excess of the present value of future benefits	\$ 2,906,640
OUCC Return on Indiana OPEB in excess of the present value of OPEB in excess of present value future benefits	<u>\$ 224,338</u>
OUCC Proposed OPEB Expense Decrease	<u>\$ (2,682,302)</u>

#### **IV. CAPITAL STRUCTURE**

9 **Q: What is I&M’s proposed capital structure and WACC for the proposed year**  
10 **of December 31, 2024?**

11 **A:** A capital structure describes the total cost of capital for I&M, which includes long-  
12 term debt, common equity, customer deposits, prepaid pension asset, and deferred

1 income taxes. The capital structure consists of 41.45% long-term debt, 43.49%  
2 common equity, 0.66% customer deposits, 14.41% deferred income taxes, and  
3 0.13% for accumulated deferred income tax credits.<sup>9</sup> Using the 10.5% ROE  
4 proposed by I&M's witness Ann E. Bulkley and a 4.58% cost of debt as of  
5 December 31, 2024, I&M's proposed WACC is 6.49%.<sup>10</sup>

6 **Q: Describe the components of the capital structure reflected in I&M's WACC.**

7 A: The largest component of the WACC calculation is investor-supplied capital, and  
8 the other components used in the calculation of I&M's WACC include customer  
9 deposits (0.66% of the capital structure), accumulated deferred federal income tax  
10 (14.28% of the capital structure), and accumulated deferred income tax credits  
11 (0.13% of the capital structure). Customer deposits are included in the calculation  
12 using a cost rate of 2.0% (which is set by Commission rules). Accumulated  
13 deferred federal income tax's cost rate is 0.0%, and accumulated deferred income  
14 tax credit's cost rate is 7.58%. Investor-supplied capital includes long-term debt  
15 and common equity. Utilities typically target a long-term investor-supplied capital  
16 structure, which includes a certain proportion of long-term debt to common equity  
17 within investor-supplied capital. As of December 31, 2024, I&M's investor-

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<sup>9</sup> Testimony I&M witness Franz D. Messner, exhibit A-7, p. 3, ll. 2-6.

<sup>10</sup> *Id.*, p. 3, l. 8.



1           supplied capital structure consisted of 48.8% long-term debt and 51.2% common  
2           equity.<sup>11</sup>

3       **Q: Did you review I&M's long-term debt obligations?**

4       A: Yes. I reviewed the long-term debt obligations identified in I&M Exhibit A-7,  
5           page 2, and I reviewed the financing authority requested and granted in I&M's  
6           most recent financing case, Cause No. 45575. The financing authority granted in  
7           Cause No. 45575 expires on December 31, 2024.

8       **Q: What is the OUCC's proposed WACC, including its ROE recommendation?**

9       A: Using Mr. Dellinger's 9.3% ROE recommendation in the OUCC's proposed  
10           capital structure results in a WACC of 5.96%. (See BRL - 7).

#### V. OUCC RECOMMENDATIONS

11      **Q: Please summarize your recommendations to the Commission in this cause.**

12      A: I recommend the Commission:

- 13           1) Approve the OUCC's revenue requirement adjustments and  
14           recommendations;
- 15           2) Accept the OUCC's 9.30% ROE estimate and utilize the OUCC's proposed  
16           capital structure incorporating Mr. Dellinger's ROE recommendation which  
17           results in a WACC of 5.96%; and
- 18           3) Allow the OPEB amount funded that exceeds the present value of future  
19           benefits and is included in rate base to earn a return on I&M's weighted  
20           average cost of capital ("WACC") less 5.5 percent.

21      **Q: Does this conclude your testimony?**

22      A: Yes, it does.

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<sup>11</sup> Messner, exhibit A-7, p. 3, ll. 13-15.

**APPENDIX A**

**QUALIFICATIONS OF BRIAN R. LATHAM**

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Northern Illinois University in DeKalb, Illinois, with a bachelor's  
3 degree in accounting. I then attended Illinois State University in Normal, Illinois,  
4 and obtained a master's degree in accounting. In addition, I have participated in  
5 various continuing education programs sponsored by my current and former  
6 employers.

7 I began my employment in 1992 as a Staff Accountant with OSI Industries  
8 (Aurora, Illinois). In 1995, I was hired as a cost accountant at Rexnord in  
9 Milwaukee, Wisconsin. In 1998, I was hired as a cost accounting manager at  
10 Morton Metalcraft (Morton, Illinois) eventually promoted to a Controller role at  
11 Illinois Machine and Tool Works. In 2001, was hired at Hamernik Associates,  
12 where I was a work-out and bankruptcy consultant. I was an independent financial  
13 recruiter in 2007 and 2008. In March 2008, I was hired as Vice President of  
14 Finance for Junior Achievement of Central Indiana. In 2009, I was hired as a  
15 Utility Analyst for the Indiana Utility Regulatory Commission, where I worked as  
16 a member of the Water Division Staff, reviewing water and wastewater utility  
17 filings and making recommendations based on witness' testimony and Indiana  
18 law. In 2018, I was hired as Controller for Aqua Indiana, where I was responsible

1 for Aqua Indiana's financial operations, and my roles included the oversight and  
2 accountability of the monthly, quarterly, and annual financial closings and  
3 reporting, SOX and audit compliance, budget, forecasting, and five-year planning,  
4 regulatory petitions, acquisitions, and other strategic projects. After a short stint as  
5 Controller at Senior Home Companions, I was hired at the OUCC as a Utility  
6 Analyst in October 2022.

7 At the OUCC I provide written testimony ranging from rate cases to clean  
8 energy generation facilities and regional transmission organization adjustments. I  
9 work on demand supply management relationships and commission investigation  
10 teams. I attended the NARUC Staff Subcommittee on Accounting and Finance  
11 Spring Conference in early April 2023.

Revenue Requirement I&M  
 Sch BRL-1 I&M

Line No.	Description	I&M				
		Test Year	Adjustments	Proforma	Increase	Net Income
1	Total Operating Revenues	\$ 1,622,852,847	\$ (79,818,438)	\$ 1,543,034,409	\$ 124,137,814	\$ 1,667,172,223
2	O&M	985,686,219	(174,290,991)	811,395,228	-	811,395,228
3	Less: Uncollectible Accounts Expense				215,812	215,812
4	Public Utility Assessment Fee (IURC)1				311,834	311,834
5	Total O&M	985,686,219	(174,290,991)	811,395,228	527,647	811,922,874
6	Depreciation & Amortization Expense	338,475,549	24,317,346	362,792,895	-	362,792,895
7	Reg	1,310,661	-	1,310,661		1,310,661
8	Total Taxes Other Than Income	64,954,750	(31,329)	64,923,421	-	64,923,421
9	Income Before Income Taxes	232,425,669	70,186,536	302,612,205	123,610,167	426,222,372
10	State Income Tax	7,358,909	1,949,295	9,308,204	6,096,160	15,404,364
11	Federal Income Tax	(150,140,019)	184,279,634	34,139,615	24,679,866	58,819,481
12	Net Operating Income	\$ 375,206,779	\$ (116,042,393)	\$ 259,164,386	\$ 92,834,141	\$ 351,998,527
13				Pet Exh. A-5		
14	NOI WP-JCD-4 pg 1 to 14	\$ 276,740,824			8.05%	0
15	Depreciation Increase (Exhibit A-5)	(28,940,973)		Pet Exh. A-1	6.02%	
16	State Tax Increase (Exhibit A-5)	6,209,907				
17	Federal Tax Increase (Exhibit A-5)	5,154,627				
18	Net Operating Income	\$ 259,164,385				
19						
20	State Tax Percent of NOI		3.076%			
21						
22	Income Before Income Taxes ("IBIT")	\$ 302,612,204.6				
23	State Income Tax	(9,308,204)				
24	Adjusted IBIT	293,304,001				
25	Federal Income Tax	34,139,615				
26	Federal Income Tax Percent of Adj IBIT		11.64%			
27						
28	<b>IN JURISDICTIONAL PROJECTED REQUIRED RATE RELIEF SUMMARY (I&amp;M)</b>					
29	Jurisdictional Revenue Deficiency	\$ 124,137,814		Pet Exh. A-1		
30	Remove Transmission Owner Costs, Revenues	(8,237,860)		Pet Exh. A-1		
31	Total Required Rate Relief Before Phase-In Credit	\$ 115,899,954		Pet Exh. A-1		
32	Less: Current Revenue for Ongoing Riders	(382,250,710)		Pet Exh. A-1		
33	Plus: Proposed Rider Revenue	382,726,978		Pet Exh. A-1		
34	Total Rate Change Before Phase-In Credit	116,376,222		Pet Exh. A-1		
35	Forecasted Revenues Before increase	1,710,991,831		Pet Exh. A-1		
36	<b>Percent Increase</b>		<b>6.80%</b>	Pet Exh. A-1		
37				Pet Exh. A-1		
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Revenue Requirement OUCC  
Sch BRL-1 OUCC

Line No.	Description	OUCC				
		Test Year	Adjustments	Proforma	Increase	Net Income
1	Total Operating Revenues	\$ 1,622,852,847	\$ (79,924,003)	\$ 1,542,928,844	\$ 50,891,010	\$ 1,593,819,854
2	O&M	985,686,219	(184,530,793)	801,155,426	-	801,155,426
3	Less: Uncollectible Accounts Expense				88,449	88,449
4	Public Utility Assessment Fee (IURC)				74,555	74,555
5	Total O&M	985,686,219	(184,530,793)	801,155,426	163,004	801,318,430
6	Depreciation & Amortization Expense	338,475,549	4,669,766	343,145,315	-	343,145,315
7	Reg	1,310,661	-	1,310,661	-	1,310,661
8	Total Taxes Other Than Income	64,954,750	(31,329)	64,923,421	-	64,923,421
9	Income Before Income Taxes	232,425,669	99,968,353	332,394,022	50,728,006	383,122,028
10	State Income Tax	7,358,909	2,865,369	10,224,278	2,501,751	12,726,029
11	Federal Income Tax	(150,140,019)	187,639,511	37,499,492	10,127,515	47,627,007
12	Net Operating Income	\$ 375,206,779	\$ (90,536,527)	\$ 284,670,252	\$ 38,098,740	\$ 322,768,992
13	Check					
14	Check	\$ 332,394,022			3.30%	(0)
15	State Tax Percent of NOI	3.076%			2.47%	
16	State Income Tax	\$ 10,224,278				
17						
18	Income Before Income Taxes ("IBIT")	\$ 332,394,022				
19	State Income Tax	(10,224,278)				
20	Adjusted IBIT	\$ 322,169,743				
21	Federal Income Tax Percent of Adj IBIT	11.64%				
22	Federal Income Tax	\$ 37,499,492				
23						
24	<b>IN JURISDICTIONAL PROJECTED REQUIRED RATE RELIEF SUMMARY (OUCC)</b>					
25	Jurisdictional Revenue Deficiency	\$ 50,891,010	BRL-1 OUCC line 1 (above)			
26	Remove Transmission Owner Costs, Revenues	(8,237,860)	Pet Exh. A-1			
27	Total Required Rate Relief Before Phase-In Credit	\$ 42,653,150	Line 26 + Line 25			
28	Less: Current Revenue for Ongoing Riders	(382,250,710)	Pet Exh. A-1			
29	Plus: Proposed Rider Revenue	382,726,978	Pet Exh. A-1			
30	Total Rate Change Before Phase-In Credit	43,129,418	Line 27 + Line 28 + Line 29			
31	Forecasted Revenues Before increase	1,710,886,266	Pet Exh. A-1, Adj for any OUCC TY adj.			
32	<b>Percent Increase</b>	<b>2.52%</b>				
33						
34	<b>COMPARISONS</b>					
35	<b>TEST YEAR</b>	<b>I&amp;M</b>	<b>OUCC</b>	<b>Variance</b>		
36	Total Operating Revenues	\$ 1,622,852,847	\$ 1,622,852,847	\$ -		
37	O&M	985,686,219	985,686,219	-		
38	Less: Uncollectible Accounts Expense	-	-	-		
39	Public Utility Assessment Fee (IURC)	-	-	-		
40	Total O&M	985,686,219	985,686,219	-		
41	Depreciation & Amortization Expense	338,475,549	338,475,549	-		
42	Reg	1,310,661	1,310,661	-		
43	Total Taxes Other Than Income	64,954,750	64,954,750	-		
44	Income Before Income Taxes	232,425,669	232,425,669	-		
45	State Income Tax	7,358,909	7,358,909	-		
46	Federal Income Tax	(150,140,019)	(150,140,019)	-		
47	Net Operating Income	\$ 375,206,779	\$ 375,206,779	\$ -		
48						
49	<b>ADJUSTMENTS</b>	<b>I&amp;M</b>	<b>OUCC</b>	<b>Variance</b>		
50	Total Operating Revenues	\$ (79,818,438)	\$ (79,924,003)	\$ 105,565		
51	O&M	(174,290,991)	(184,530,793)	10,239,802		
52	Less: Uncollectible Accounts Expense	-	-	-		
53	Public Utility Assessment Fee (IURC)	-	-	-		
54	Total O&M	(174,290,991)	(184,530,793)	10,239,802		
55	Depreciation & Amortization Expense	24,317,346	4,669,766	19,647,580		
56	Reg	-	-	-		
57	Total Taxes Other Than Income	(31,329)	(31,329)	-		
58	Income Before Income Taxes	70,186,536	99,968,353	(29,781,817)		
59	State Income Tax	1,949,295	2,865,369	(916,074)		
60	Federal Income Tax	184,279,634	187,639,511	(3,359,877)		
61	Net Operating Income	\$ (116,042,393)	\$ (90,536,527)	\$ (25,505,866)		
62						
63	<b>Proforma</b>	<b>I&amp;M</b>	<b>OUCC</b>	<b>Variance</b>		
64	Total Operating Revenues	\$ 1,543,034,409	\$ 1,542,928,844	\$ 105,565		
65	O&M	811,395,228	801,155,426	10,239,802		
66	Less: Uncollectible Accounts Expense	-	-	-		
67	Public Utility Assessment Fee (IURC)	-	-	-		
68	Total O&M	811,395,228	801,155,426	10,239,802		
69	Depreciation & Amortization Expense	362,792,895	343,145,315	19,647,580		

Revenue Requirement OUCC  
 Sch BRL-1 OUCC

Line		OUCC		
70	Reg	1,310,661	1,310,661	-
71	Total Taxes Other Than Income	64,923,421	64,923,421	-
72	Income Before Income Taxes	302,612,205	332,394,022	(29,781,817)
73	State Income Tax	9,308,204	10,224,278	(916,074)
74	Federal Income Tax	34,139,615	37,499,492	(3,359,877)
75	Net Operating Income	\$ 259,164,386	\$ 284,670,252	\$ (25,505,866)
76	<b>ADJUSTMENTS</b>			
77		<b>I&amp;M</b>	<b>OUCC</b>	<b>Variance</b>
78	Total Operating Revenues	\$ 124,137,814	\$ 50,891,010	\$ 73,246,804
79	O&M	-	-	-
80	Less: Uncollectible Accounts Expense	215,812	88,449	127,363
81	Public Utility Assessment Fee (IURC)	311,834	74,555	237,279
82	Total O&M	527,647	163,004	364,643
83	Depreciation & Amortization Expense	-	-	-
84	Reg	-	-	-
85	Total Taxes Other Than Income	-	-	-
86	Income Before Income Taxes	123,610,167	50,728,006	72,882,161
87	State Income Tax	6,096,160	2,501,751	3,594,409
88	Federal Income Tax	24,679,866	10,127,515	14,552,351
89	Net Operating Income	\$ 92,834,142	\$ 38,098,740	\$ 54,735,402
90	<b>Net Income</b>			
91		<b>I&amp;M</b>	<b>OUCC</b>	<b>Variance</b>
92	Total Operating Revenues	\$ 1,667,172,223	\$ 1,593,819,854	\$ 73,352,369
93	O&M	811,395,228	801,155,426	10,239,802
94	Less: Uncollectible Accounts Expense	215,812	88,449	127,363
95	Public Utility Assessment Fee (IURC)	311,834	74,555	237,279
96	Total O&M	811,922,874	801,318,430	10,604,445
97	Depreciation & Amortization Expense	362,792,895	343,145,315	19,647,580
98	Reg	1,310,661	1,310,661	-
99	Total Taxes Other Than Income	64,923,421	64,923,421	-
100	Income Before Income Taxes	426,222,372	383,122,028	43,100,344
101	State Income Tax	15,404,364	12,726,029	2,678,335
102	Federal Income Tax	58,819,481	47,627,007	11,192,474
103	Net Operating Income	\$ 351,998,527	\$ 322,768,992	\$ 29,229,536
104				

Revenue Conversion Factor Petitioner and OUCC  
For CN 49533  
As of December 31, 2024

Line No.	(a) Description	(b) Petitioner		(d) OUCC	
		(c) Tax Rates	(e) Percentage of Incremental Gross Revenues	(c) Tax Rates	(e) Percentage of Incremental Gross Revenues
1	Operating Revenues		100.00%		100.00%
2	Less: Uncollectible Accounts Expense		0.1738%		0.1738%
3	Income Before Income Taxes		99.83%		99.83%
4	Public Utility Assessment Fee (IURC) <sup>1</sup>	0.2516%	0.2512%	0.1468%	0.1465%
5	Base Subject to State Income Taxes		99.5750%		99.6797%
6	Less: State income Taxes (Line 6 x Effective Tax Rate)	4.9317%	4.9108%	4.9317%	4.9159%
7	Income Before Federal Income Taxes		94.6642%		94.7638%
8	Less Federal Income Taxes (Line 8 x Federal Tax Rate)	21.00%	19.88%	21.00%	19.9004%
9	Operating Income Percentage		74.7847%		74.8634%
10	Gross Revenue Conversion Factor (100%/Line 9)		1.3372		1.3358

<sup>1</sup>OUCC Witness W. Blakley

**Indiana Michigan Power Company**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	December 31, 2022	December 31, 2021
<b>UTILITY PLANT</b>		
Utility Plant (101-106, 114)	11,026,570,506	10,717,362,415
Construction Work in Progress (107)	256,648,504	303,725,635
Utility Plant	11,283,219,010	11,021,088,050
(Less) Accum. Prov. For Depr. Amort. Depl. (108,110,111,115)	4,076,922,613	3,820,179,577
Net Utility Plant	7,206,296,396	7,200,908,473
Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	(38,893)	41,389,512
Nuclear Fuel Materials and Assemblies-Stock Account (120.2)	-	-
Nuclear Fuel Assemblies in Reactor (120.3)	1,645,219	1,072,702
Spent Nuclear Fuel (120.4)	629,554,317	605,712,062
Nuclear Fuel Under Capital Leases (120.6)	179,143,988	118,624,550
(Less) Accum. Prov. For Amort. Of Nucl. Fuel Assemblies (120.5)	629,431,130	605,718,624
Net Nuclear Fuel	180,873,501	161,080,202
<b>Net Utility Plant</b>	<b>7,387,169,898</b>	<b>7,361,988,675</b>
<b>Utility Plant Adjustments (116)</b>	<b>(1,521,080)</b>	<b>(1,718,313.00)</b>
Gas Stored Underground - Noncurrent (117)	-	-
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Nonutility Property (121)	7,827,315	7,881,450
(Less) Accum. Prov. For Depr. And Amort. (122)	(16,697)	(12,725)
Investments in Associated Companies (123)	-	-
Investment in Subsidiary Companies (123.1)	22,907,857	22,647,944
Noncurrent Portion of Allowances	25,258,945	25,304,843
Other Investments (124)	12,408,146	11,890,852
Sinking Funds (125)	-	-
Depreciation Fund (126)	-	-
Amortization Fund - Federal (127)	-	-
Other Special Funds (128)	3,341,237,453	3,867,016,020
Special Funds (Non Major Only) (129)	142,354,224	184,348,218
Long-Term Portion of Derivative Assets (175)	215,221	-
Long-Term Portion of Derivative Assets - Hedges (176)	-	-
<b>Total Other Property and Investments</b>	<b>3,552,225,859</b>	<b>4,119,102,053</b>
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash and Working Funds (Non-major Only) (130)	-	-
Cash (131)	4,170,737	1,277,594
Special Deposits (132-134)	1,359,630	18,862,295
Working Funds (135)	-	6
Temporary Cash Investments (136)	-	-
Notes Receivable (141)	-	-
Customer Accounts Receivable (142)	64,042,504	46,450,621
Other Accounts Receivable (143)	2,445,760	830,964
(Less) Accum. Prov. For Uncollectible Acct.-Credit (144)	2,568	127,329
Notes Receivable from Associated Companies (145)	-	-
Accounts Receivable from Assoc. Companies (146)	135,020,621	72,317,851
Fuel Stock (151)	22,441,415	53,538,758
Fuel Stock Expenses Undistributed (152)	823,250	3,254,610
Residuals (Elec) and Extracted Products (153)	-	-
Plant Materials and Operating Supplies (154)	179,778,879	173,368,683
Merchandise (155)	-	-
Other Materials and Supplies (156)	-	-
Nuclear Materials Held for Sale (157)	-	-
Allowances (158.1 and 158.2)	25,388,469	25,601,412
(Less) Noncurrent Portion of Allowances	25,258,945	25,304,843
Stores Expense Undistributed (163)	-	-
Gas Stored Underground - Current (164.1)	-	-
Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	-	-
Prepayments (165)	11,573,003	11,025,162
Advances for Gas (166-167)	-	-



**Indiana Michigan Power Company**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	December 31, 2022	December 31, 2021
Interest and Dividends Receivable (171)	-	-
Rents Receivable (172)	355,807	134,315
Accrued Utility Revenues (173)	557,253	-
Miscellaneous Current and Accrued Assets (174)	24,043,675	28,079,025
Derivative Instrument Assets (175)	15,383,659	3,336,696
(Less) Long-Term Portion of Derivative Instrument Assets (175)	215,221	-
Derivative Instrument Assets - Hedges (176)	-	-
(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)	-	-
<b>Total Current and Accrued Assets</b>	<b>461,907,928</b>	<b>412,645,820</b>
<b>DEFERRED DEBITS</b>		
Unamortized Debt Expenses (181)	18,575,692	20,079,273
Extraordinary Property Losses (182.1)	-	-
Unrecovered Plant and Regulatory Study Costs (182.2)	-	-
Other Regulatory Assets (182.3)	688,250,137	551,968,993
Prelim. Survey and Investigation Charges (Electric) (183)	4,914,178	760,083
Preliminary Natural Gas Survey and Investigation Charges (183.1)	-	-
Other Preliminary Survey and Investigation Charges (183.2)	-	-
Clearing Accounts (184)	(0)	(0)
Temporary Facilities (185)	-	-
Miscellaneous Deferred Debits (186)	71,424,974	60,352,513
Def. Losses from Disposition of Utility Plt. (187)	-	-
Research, Devel. And Demonstration Expend. (188)	-	-
Unamortized Loss on Reacquired Debt (189)	12,874,071	13,985,122
Accumulated Deferred Income Tax (190)	930,430,339	1,069,159,213
Unrecovered Purchased Gas Costs (191)	-	-
<b>Total Deferred Debits</b>	<b>1,726,469,391</b>	<b>1,716,305,197</b>
<b>Total Assets</b>	<b>13,126,251,995</b>	<b>13,608,323,432</b>
<b>PROPRIETARY CAPITAL</b>		
Common Stock Issued (201)	56,583,866	56,583,866
Preferred Stock Issued (204)	-	-
Capital Stock Subscribed (202, 205)	-	-
Stock Liability for Conversion (203, 206)	-	-
Premium on Capital Stock (207)	4,234,635	4,234,635
Other Paid-In Capital (208-211)	984,616,395	976,661,803
Installments Received on Capital Stock (212)	-	-
(Less) Discount on Capital Stock (213)	-	-
(Less) Capital Stock Expense (214)	127	127
Unappropriated Undistributed Subsidiary Earnings (216.1)	(2,416,144)	(2,703,331)
(Less) Reacquired Capital Stock (217)	-	-
Noncorporate Proprietorship (Nonmajor Only) (218)	-	-
Accumulated Other Comprehensive Income (219)	(2,522,169)	(6,572,797)
<b>Total Proprietary Capital</b>	<b>2,950,046,321</b>	<b>2,741,476,888</b>
<b>LONG-TERM DEBT</b>		
Bonds (221)	-	-
(Less) Reacquired Bonds (222)	-	-
Advances from Associated Companies (223)	-	-
Other Long-Term Debt (224)	3,105,662,741	3,103,597,081
Unamortized Premium on Long-Term Debt (225)	-	-
(Less) Unamortized Discount on Long-Term Debt-Debit (226)	10,119,645	10,705,374
<b>Total Long-Term Debt</b>	<b>3,095,543,097</b>	<b>3,092,891,708</b>
<b>OTHER NONCURRENT LIABILITIES</b>		
Obligations Under Capital Leases - Noncurrent (227)	152,749,366	123,379,498
Accumulated Provision for Property Insurance (228.1)	-	-
Accumulated Provision for Injuries and Damages (228.2)	293,871	705,208
Accumulated Provision for Pensions and Benefits (228.3)	6,123,807	9,815,787

**Indiana Michigan Power Company**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	December 31, 2022	December 31, 2021
Accumulated Miscellaneous Operating Provisions (228.4)	412,141	958,887
Accumulated Provision for Rate Refunds (229)	11,810,518	5,388,015
Long-Term Portion of Derivative Instrument Liabilities	15,970	1,352
Long-Term Portion of Derivative Instrument Liabilities-Hedges	-	-
Asset Retirement Obligations (230)	2,028,056,023	1,946,288,955
<b>Total Other Noncurrent Liabilities</b>	<b>2,199,461,696</b>	<b>2,086,537,701</b>
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Notes Payable (231)	-	-
Accounts Payable (232)	161,279,543	167,592,426
Notes Payable to Associated Companies (233)	222,588,800	116,397,754
Accounts Payable to Associated Companies (234)	110,071,591	95,571,105
Customer Deposits (235)	48,606,762	45,161,586
Taxes Accrued (236)	95,807,594	94,172,908
Interest Accrued (237)	36,865,840	37,016,432
Dividends Declared (238)	-	-
Matured Long-Term Debt (239)	-	-
Matured Interest (240)	-	-
Tax Collections Payable (241)	7,068,953	6,566,423
Miscellaneous Current and Accrued Liabilities (242)	77,866,855	104,375,082
Obligations Under Capital Leases-Current (243)	99,803,656	199,671,724
Derivative Instrument Liabilities (244)	(31,881)	5,024,580
(Less) Long-Term Portion of Derivative Instrument Liabilities	15,970	1,352
Derivative Instrument Liabilities-Hedges (245)	-	-
(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges	-	-
<b>Total Current and Accrued Liabilities</b>	<b>859,911,743</b>	<b>871,548,668</b>
<b>DEFERRED CREDITS</b>		
Customer Advances for Construction (252)	-	-
Accumulated Deferred Investment Tax Credits (255)	17,350,699	22,384,341
Deferred Gains from Disposition of Utility Plant (256)	-	-
Other Deferred Credits (253)	25,431,888	19,133,074
Other Regulatory Liabilities (254)	1,894,919,119	2,607,697,815
Unamortized Gain on Reacquired Debt (257)	1,284	2,996
Accum. Deferred Income Taxes-Accel. Amort. (281)	14,753,180	16,760,085
Accum. Deferred Income Taxes-Other Property (282)	1,156,534,099	1,123,916,875
Accum. Deferred Income Taxes-Other (283)	912,298,870	1,025,973,282
<b>Total Deferred Credits</b>	<b>4,021,289,138</b>	<b>4,815,868,468</b>
<b>Total Liabilities And Stockholder Equity</b>	<b>13,126,251,995</b>	<b>13,608,323,432</b>

**Indiana Michigan Power Company**  
**Income Statements**  
For the Years Ended December 31, 2022 and 2021

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
<b>Utility Operating Income</b>		
Operating Revenues (400)	2,683,980,655	2,319,200,338
<b>Operating Expenses</b>		
Operating Expenses (401)	1,480,052,301	1,181,641,968
Maintenance Expenses (402)	226,936,639	209,973,572
Depreciation Expense (403)	398,405,567	387,053,997
Depreciation Expense for Asset Retirement Costs (403.1)	4,284,998	(316,287)
Amort. & Depl. Of Utility Plant (404-405)	61,848,393	53,039,201
Amort. Of Utility Plant Acq. Adj. (406)	0	0
Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)	0	0
Amort. Of Conversion Expenses (407)	0	0
Regulatory Debits (407.3)	(449,814)	467,537
(Less) Regulatory Credits (407.4)	8,137,422	(50,563)
Taxes Other Than Income Taxes (408.1)	94,533,065	105,580,982
Income Taxes - Federal (409.1)	45,804,560	32,087,502
Income Taxes - Other (409.1)	10,483,396	(85,737)
Provision for Deferred Income Taxes (410.1)	462,278,975	551,359,387
(Less) Provision for Deferred Income Taxes-Cr (411.1)	509,576,487	587,546,681
Investment Tax Credit Adj. - Net (411.4)	(5,033,642)	1,123,636
(Less) Gains from Disp. Of Utility Plant (411.6)	631,371	522,709
Losses from Disp. Of Utility Plant (411.7)	0	798
(Less) Gains from Disposition of Allowances (411.8)	4,299,350	30
Losses from Disposition of Allowances (411.9)	0	1,017
Accretion Expense (411.10)	2,435,359	5,155,842
<b>Total Utility Operating Expenses</b>	<b>2,258,935,167</b>	<b>1,939,064,557</b>
<b>Net Utility Operating Income</b>	<b>425,045,488</b>	<b>380,135,782</b>
<b>Other Income and Deductions</b>		
<b>Other Income</b>		
<b>Nonutility Operating Income</b>		
Revenues From Merchandising, Jobbing & Contract Work (415)	0	0
(Less) Costs and Exp. Merchandising, Job. & Contract Work (416)	0	0
Revenues From Nonutility Operations (417)	10,987,825	286,240
(Less) Expenses of Nonutility Operations (417.1)	595	12
Nonoperating Rental Income (418)	341,431	414,570
Equity in Earnings of Subsidiary Companies (418.1)	287,187	2,781,812
Interest and Dividend Income (419)	659,385	888,267
Allowance for Other Funds Used During Construction (419.1)	9,770,373	12,799,539
Miscellaneous Nonoperating Income (421)	(1,524,260)	(1,669,643)
Gain on Disposition of Property (421.1)	168,315	183,595
<b>Total Other Income</b>	<b>20,689,661</b>	<b>15,684,368</b>
<b>Other Income Deductions</b>		
Loss on Disposition of Property (421.2)	426,984	287,432
Miscellaneous Amortization (425)	0	0
Donations (426.1)	12,157,550	1,248,594
Life Insurance (426.2)	0	0
Penalties (426.3)	2,307	(410,373)
Exp. For Certain Civic, Political & Related Activities (426.4)	1,450,771	1,013,367
Other Deductions (426.5)	10,339,001	9,727,797
<b>Total Other Income Deductions</b>	<b>24,376,613</b>	<b>11,866,816</b>
<b>Taxes Applicable To Other Income and Deductions</b>		
Taxes Other Than Income Taxes (408.2)	232,742	233,887
Income Taxes - Federal (409.2)	(5,591,313)	(5,576,532)

**Indiana Michigan Power Company**  
**Income Statements**  
For the Years Ended December 31, 2022 and 2021

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Income Taxes - Other (409.2)	(605,106)	(562,225)
Provision for Deferred Inc. Taxes (410.2)	3,219,553	1,638,367
(Less) Provision for Deferred Income Taxes-Cr (411.2)	2,978,088	2,813,825
Investment Tax Credit Adj.-Net (411.5)	0	0
(Less) Investment Tax Credits (420)	0	0
<b>Total Taxes on Other Income and Deductions</b>	<b>(5,722,212)</b>	<b>(7,080,328)</b>
<b>Net Other Income and Deductions</b>	<b>2,035,260</b>	<b>10,897,879</b>
<b>Interest Charges</b>		
Interest on Long-Term Debt (427)	116,690,752	112,879,508
Amort. Of Debt Disc. And Expense (428)	2,130,308	2,116,800
Amortization of Loss on Reacquired Debt (428.1)	1,318,003	1,472,631
(Less) Amort. Of Premium on Debt-Credit (429)	0	0
(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)	1,712	1,712
Interest on Debt to Assoc. Companies (430)	3,232,632	246,041
Other Interest Expense (431)	2,883,904	2,428,058
(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)	5,737,353	5,134,072
<b>Net Interest Charges</b>	<b>120,516,534</b>	<b>114,007,253</b>
<b>Income Before Extraordinary Items</b>	<b>306,564,213</b>	<b>277,026,408</b>
<b>Extraordinary Items</b>		
Extraordinary Income (434)	0	0
(Less) Extraordinary Deductions (435)	0	0
<b>Net Extraordinary Items</b>	<b>0</b>	<b>0</b>
Income Taxes-Federal and Other (409.3)	0	0
<b>Extraordinary Items After Taxes</b>	<b>0</b>	<b>0</b>
<b>Net Income</b>	<b>306,564,213</b>	<b>277,026,408</b>

**Indiana Michigan Power Company - Corp Consolidated**  
**Operating Income Comparison**  
**For the Unadjusted Test Year Ended December 31, 2024**  
**Amounts in (\$000)**

Line No.	Description	Petitioner TY - 2024
1	<b>Operating Revenues</b>	
2	Retail Sales	\$ 2,067,137
3	FERC Wholesale Sales	\$ 210,567
4	Off System Sales	\$ 330,028
5	Other Operating Revenues	\$ 95,634
6	Gains from Disposition of Allowances	\$ -
7	<b>Total Operating Revenues</b>	<b>\$ 2,703,366</b>
8		
9	<b>Fuel Related and Purchased Power Expense</b>	
10	Fuel	\$ 191,258
11	Consumables	\$ 852
12	Allowances	\$ 190
13	Purchased Power	\$ 700,037
14	<b>Total Fuel Related and Purchased Power Expense</b>	<b>\$ 892,337</b>
15		
16	<b>Operating and Maintenance Expense</b>	
17	Steam Generation (Non-Fuel)	\$ 13,887
18	Nuclear Generation (Non-Fuel)	\$ 254,281
19	Hydraulic Generation	\$ 10,147
20	Other Generation & Power Supply	\$ 1,689
21	Transmission	\$ 308,811
22	Regional Market Expense	\$ 5,321
23	Distribution	\$ 90,379
24	Customer Information	\$ 39,535
25	Sales	\$ 282
26	Administrative and General	\$ 105,631
27	Factored Accounts Receivable	\$ 10,349
28	Accretion	\$ 4,294
29	Line of Credit Fees	\$ 39
30	Gain/Loss Disposition of Utility Plant	\$ -
31	<b>Total Operating and Maintenance Expense</b>	<b>\$ 844,646</b>
32		
33	<b>Depreciation and Amortization Expense</b>	
34	Depreciation	\$ 433,290
35	Amortization of Plant	\$ 57,906
36	Regulatory Debits/Credits	\$ -
37	<b>Total Depreciation and Amortization Expense</b>	<b>\$ 491,196</b>
38		
39	<b>Taxes Other than Income Taxes</b>	

**Indiana Michigan Power Company - Corp Consolidated**  
**Operating Income Comparison**  
**For the Unadjusted Test Year Ended December 31, 2024**  
**Amounts in (\$000)**

<b>Line No.</b>	<b>Description</b>	<b>Petitioner TY - 2024</b>
40	Revenue Taxes	\$ 10
41	Payroll Taxes	\$ 13,580
42	Property Taxes	\$ 73,244
43	Regulatory Fees	\$ -
44	Other	\$ 51
45	<b>Total Taxes Other than Income Taxes</b>	<b>\$ 86,884</b>
46		
47	<b>Allowance For Funds Used During Construction</b>	
48	AOFUDC	\$ (12,718)
49	ABFUDC	\$ (5,517)
50	<b>Total Allowance For Funds Used During Construction</b>	<b>\$ (18,235)</b>
51		
52	<b>Income Taxes</b>	
53	Current Federal Income Taxes	\$ (49,770)
54	Deferred Federal Income Taxes	\$ (44,932)
55	Investment Tax Credit	\$ (3,893)
56	State Income Tax	\$ 8,775
57	<b>Total Income Taxes</b>	<b>\$ (89,820)</b>
58		
59	<b>Total Operating Expenses</b>	<b>\$ 2,207,008</b>
60		
61	<b>Regulatory Operating Income</b>	<b>\$ 496,357</b>

**Indiana Michigan Power Company**  
**Net Operating Income Reconciliation by OUCS Witness**  
**For the Year Ending 12/31/2024 (Test Year)**

<u>Line No.</u>	<u>Description</u>	<u>Adjustment</u>	<u>OUCS Witness</u>
1	I & M Revenues	\$ (79,818,438)	
2	OUCS Revenues	79,924,003	D. Dismukes
3	Variance	<u>\$ 105,565</u>	\$ 105,565 Check
			<u>\$ 105,565</u> RR
			<u>\$ -</u>
4	524-Misc Nuclear Power Exp	\$ (148,698)	G Krieger
5	5240008-Nuclear Decomm Exp - Direct IN	(2,000,000)	J Hoff
6	560-Supervision & Engineering	(48,846)	G Krieger
7	593-Overhead Lines - Direct Assign Indiana	-	
8	920-Salaries	(2,541,367)	G Krieger
9	921-Office Supplies	(84,852)	G Krieger
13	923-Outside Services	(1,418,298)	G Krieger
14	926-Employee Pension & Benefits	(2,682,302)	B Latham
15	935-Admin & General Maintenance	<u>(1,315,439)</u>	G Krieger
16	Total Adjustments	(10,239,802)	
17	I&M Proposed O&M	<u>\$ 811,395,228</u>	
18	OUCS Proposed O&M	<u>\$ 801,155,426</u>	\$ (10,239,802) Check
			<u>\$ (10,239,802)</u> RR
			<u>\$ -</u>
19	Depreciation Expense	(19,517,580)	D. Garret
20	Amortization Expense	<u>(130,000)</u>	A. Paronish
21	Total Adjustments	(19,647,580)	
22	I&M Proposed Other Costs	<u>362,792,895</u>	\$ (19,647,580) Check
23	OUCS Proposed Other Costs	<u>\$ 343,145,315</u>	\$ (19,647,580) RR
			<u>\$ -</u>
23	State Income Tax	916,074	Calculation
24	Federal Income Tax	<u>3,359,877</u>	Calculation
25	Total Adjustments	4,275,951	
26	I&M Proposed Income Tax	<u>43,447,819</u>	\$ (4,275,951) Check
27	OUCS Proposed Income Tax	<u>\$ 47,723,770</u>	(4,275,951) RR
			<u>\$ -</u>
27	I&M Proforma Net Operating Income	\$ 259,164,386	RR
28	I&M Revenue Conversion NOI	<u>92,834,142</u>	RR
29	I&M Proposed NOI	<u>\$ 351,998,527</u>	351,998,527 Check
30	OUCS Total Adjustments (Above)		
31	Revenue	\$ (105,565)	
32	O&M	10,239,802	
33	Other	19,647,580	
34	Taxes	<u>(4,275,951)</u>	
35	OUCS Total Adjustments	\$ 25,505,866	
36	I&M Revenue Conversion NOI	(92,834,142)	
37	OUCS Revenue Conversion NOI	<u>38,098,740</u>	
38	Difference in Adjustments	\$ (29,229,536)	
39	I&M Proposed NOI	<u>\$ 351,998,527</u>	
40	OUCS Proposed NOI	<u>\$ 322,768,992</u>	322,768,992 Check
			<u>\$ -</u>

**Indiana Michigan Power Company**  
**Rate Base Reconciliation by OUCC Witness**  
**For the Year Ending 12/31/2024 (Test Year)**

Line No.	Description	I & M	Difference	OUCC	OUCC Witness(es)
1	Plant in Service	\$ 8,122,400,788	\$ -	\$ 8,122,400,788	
2	OUCC Adjustment	-	(8,249,000)	(8,249,000)	A. Paronish & G. Krieger
3	OUCC Adjusted Plant in Service	\$ 8,122,400,788	\$ (8,249,000)	\$ 8,114,151,788	
4	Accum Provision for Depreciation	(3,074,933,906)	-	(3,074,933,906)	
5	OUCC Adjustment	-	130,000	130,000	A. Paronish
6	OUCC Adj Accum Provision for Depreciation	(3,074,933,906)	130,000	(3,074,803,906)	
7	Net Plant	5,047,466,882	(8,119,000)	5,039,347,882	
8	Fuel Stock	42,799,585	-	42,799,585	
9	Other Materials & Supplies	131,331,733	-	131,331,733	
10	Allowance Inventory	15,588,873	-	15,588,873	
11	Prepaid Pension and OPB Expense	143,217,349	-	143,217,349	
12	Regulatory Assets	53,604,875	-	53,604,875	
13	Deferred Gain RKPT 2 Sale	-	-	-	
14	Regulatory Assets	(10,303,179)	-	(10,303,179)	
15	Deferred Income Taxes	-	-	-	
16	Original Cost Rate Base	\$ 5,423,706,118	\$ (8,119,000)	\$ 5,415,587,118	
17	WACC	6.49%		5.96%	
18	Income Requirement	\$ 351,998,527		\$ 322,768,992	
19	Test Year Net Operating Income	(259,164,386)		(284,670,252)	
20	Income Increase Requirement	92,834,141		38,098,740	
21	Revenue Conversion Factor	1.3372		1.3358	
22	Revenue Increase	\$ 124,137,814		\$ 50,891,010	



**I&M & OUCC Weighted Average Cost of Capital ("WACC")**  
**As of December 31,2024**  
**For CN 49533**

Petitioner					
(a)	(b)	(c)	(d)	(e)	
Line No.	<u>Description</u>	<u>Total Company Capitalization</u>	<u>Percent of Total</u>	<u>% Cost Rate</u>	<u>% Weighted Average Cost Rate</u>
1	Long Term Debt	\$ 3,065,215,589	41.45%	4.58%	1.90%
2	Common Equity	3,216,351,502	43.49%	10.50%	4.57%
3	Customer Deposits	48,606,762	0.66%	2.00%	0.01%
4	ADFIT	1,055,959,131	14.28%	0.00%	0.00%
5	ADITC	9,563,755	0.13%	7.61%	0.01%
6	Total	<u>\$ 7,395,696,739</u>	<u>100.00%</u>		<u>6.49%</u>

OUCC					
Line No.	<u>Description</u>	<u>Total Company Capitalization</u>	<u>Percent of Total</u>	<u>% Cost Rate</u>	<u>% Weighted Average Cost Rate</u>
7	Long Term Debt	\$ 3,065,215,589	41.45%	4.58%	1.90%
8	Common Equity	3,216,351,502	43.49%	9.30%	4.04%
9	Customer Deposits	48,606,762	0.66%	2.00%	0.01%
10	ADFIT	1,055,959,131	14.28%	0.00%	0.00%
11	ADITC	9,563,755	0.13%	7.58%	0.01%
12	Total	<u>\$ 7,395,696,739</u>	<u>100.00%</u>		<u>5.96%</u>
13	Long Term Debt	\$ 3,065,215,589	48.8%		
14	Common Equity	\$ 3,216,351,502	51.2%		
15	Total	<u>\$ 6,281,567,091</u>	<u>100.0%</u>		

Witnesses:

J. Hoffman

G. Krieger

B. Latham

**Indiana Michigan Power Company**  
**O&M Variances**  
**For the Year Ending 12/31/2024 (Test Year)**

Line No	Description	I&M/OUCC O&M Variance			OUCC Witness
		I&M	OUCC	Variance	
1	501-Fuel - Direct IN	(576,606)	(576,606)	-	
2	509 - SO2 Allowance - Direct IN	(2,967,369)	(2,967,369)	-	
2	<b>Total Steam Operation</b>	<b>(3,543,975)</b>	<b>(3,543,975)</b>	<b>-</b>	
3	<b>Total Steam Generation Expense</b>	<b>(3,543,975)</b>	<b>(3,543,975)</b>	<b>-</b>	
4	524-Misc Nuclear Power Exp	106,157	(42,541)	148,698	G Krieger J Hoff
5	5240008-Nuclear Decomm Exp - Direct IN	2,000,000	-	2,000,000	
6	<b>Total Nuclear Operations</b>	<b>2,106,157</b>	<b>(42,541)</b>	<b>2,148,698</b>	
7	530-Maint of Reactor Plant	8,856,225	8,856,225	-	
8	<b>Total Nuclear Maintenance</b>	<b>8,856,225</b>	<b>8,856,225</b>	<b>-</b>	
9	<b>Total Nuclear Generation Expenses</b>	<b>10,962,382</b>	<b>8,813,684</b>	<b>2,148,698</b>	
10	544-Electric Plant	(143,553)	(143,553)	-	
11	<b>Total Hydraulic Maintenance</b>	<b>(143,553)</b>	<b>(143,553)</b>	<b>-</b>	
12	<b>Total Hydraulic Generation Expense</b>	<b>(143,553)</b>	<b>(143,553)</b>	<b>-</b>	
13	555-Purchased Power Expense Demand	2,590,481	2,590,481	-	
14	<b>Total Other Power Supply Expense</b>	<b>2,590,481</b>	<b>2,590,481</b>	<b>-</b>	
15	<b>Total Production O&amp;M Expense</b>	<b>9,865,335</b>	<b>7,716,637</b>	<b>2,148,698</b>	
16	560-Supervision & Engineering	34,872	(13,974)	48,846	G Krieger
17	5650012-PJM Trans Enhancement Charge	41,216	41,216	-	
18	5650016-PJM NITS Expense - Affiliated	(196,276,767)	(196,276,767)	-	
19	5650019-Affiliated PJM Trans Enhancement E	99,389	99,389	-	
20	575-PJM Regional Market Expenses OSS Mar	(612,437)	(612,437)	-	
21	Total Transmission Operation Expense	(196,713,727)	(196,762,573)	48,846	
22	<b>Total Transmission O&amp;M Expense</b>	<b>(196,713,727)</b>	<b>(196,762,573)</b>	<b>48,846</b>	
23	Transmission O&M	34,870	34,870	-	
24	Transmission O&M - OSS (Other Production)	(761,696)	(761,696)	-	
25	Transmission O&M - LSE Demand	(200,985,589)	(200,985,589)	-	
26	<b>Total</b>	<b>(192,075,862)</b>	<b>(192,075,862)</b>	<b>-</b>	
27	588-Misc Distribution - Direct Assign IN	(2,900)	(2,900)	-	
28	<b>Total Distribution Operation</b>	<b>(2,900)</b>	<b>(2,900)</b>	<b>-</b>	
29	593-Overhead Lines - Direct Assign Indiana	15,663,125	15,663,125	-	
30	<b>Total Distribution Maintenance</b>	<b>15,663,125</b>	<b>15,663,125</b>	<b>-</b>	
31	<b>Total Distribution Expense</b>	<b>15,660,225</b>	<b>15,660,225</b>	<b>-</b>	
32	908-Customer Assistance - Direct Assign India	(7,720,862)	(7,720,862)	-	
33	9080018 Dem Resp - Emergency DRS 1	214,173	214,173	-	
34	<b>Total Customer Service &amp; Information</b>	<b>(7,506,689)</b>	<b>(7,506,689)</b>	<b>-</b>	

Witnesses:

J. Hoffman

G. Krieger

B. Latham

**Indiana Michigan Power Company**  
**O&M Variances**  
**For the Year Ending 12/31/2024 (Test Year)**

Line No	Description	I&M/OUCC O&M Variance			OUCC Witness
		I&M	OUCC	Variance	
35	912-Demo & Selling	(201,346)	(201,346)	-	
36	<b>Total Sales Expense</b>	(201,346)	(201,346)	-	
37	920-Salaries	1,848,262	(693,105)	2,541,367	G Krieger
38	920-Salaries - Direct Assign Indiana	(137,523)	(137,523)	-	
39	921-Office Supplies	61,710	(23,142)	84,852	G Krieger
40	921-Office Supplies - Direct Assign Indiana	(33,575)	(33,575)	-	
41	923-Outside Services	1,031,487	(386,811)	1,418,298	G Krieger
42	926-Employee Pension & Benefits	-	(2,682,302)	2,682,302	B Latham
43	928 Reg. Commission Exp. - Rate Case Exp D	1,016,853	1,016,853	-	
44	930.1-General Advertising Expense	(119,213)	(119,213)	-	
45	931-Rent - Direct Assign Indiana	(19,471)	(19,471)	-	
46	<b>Total Admin &amp; General Operation</b>	3,648,530	(3,078,289)	6,726,819	
47	935-Admin & General Maintenance	956,681	(358,758)	1,315,439	G Krieger
48	<b>Total Admin &amp; General Expense</b>	4,605,211	(3,437,047)	8,042,258	
49	<b>Total Operation &amp; Maint Expense</b>	(174,290,991)	(184,530,793)	10,239,802	

**AFFIRMATION**

I affirm, under the penalties for perjury, that the foregoing representations are true.



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Brian R. Latham  
Utility Analyst II  
Indiana Office of Utility Consumer Counselor

Cause No. 45933  
Indiana Michigan Power Co.

November 15, 2023  
Date

## CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 2 Testimony of OUCC Witness Brian R. Latham* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 15, 2023.

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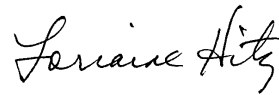
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