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

VERIFIED PETITION FOR GENERAL RATE INCREASE AND ASSOCIATED RELIEF UNDER IND. CODE § 8-1-2-42.7 AND NOTICE OF PROVISION OF INFORMATION IN ACCORDANCE WITH <u>THE MINIMUM STANDARD FILING REQUIREMENTS</u>

INDIANA MICHIGAN POWER COMPANY ("I&M", "Company" or "Petitioner") respectfully petitions the Indiana Utility Regulatory Commission ("Commission" or "IURC") for authority to increase its retail rates and charges for electric service rendered by I&M in the State of Indiana through a phase-in rate adjustment; and for approval of related relief including: revised depreciation rates, including cost of removal less salvage, and updated depreciation expense; accounting relief, including deferrals and amortizations; inclusion of capital investment; rate adjustment mechanism proposals, including a new Grant Projects Rider and a modified Tax Rider; a voluntary residential customer PowerPay Program; waiver or declination of jurisdiction with respect to certain rules to facilitate implementation of the PowerPay Program; cost recovery for Cook Plant Subsequent License Renewal ("SLR") evaluation project; and new schedules of rates, rules and regulations. This filing is made pursuant to Ind. Code § 8-1-2-42.7 ("Section 42.7"). In support of this Petition, I&M represents the following:

Petitioner's Corporate Status

1. I&M, a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"), is a corporation organized and existing under the laws of the State of Indiana, with its principal offices at Indiana Michigan Power Center, Fort Wayne, Indiana.

2. I&M is engaged in, among other things, rendering electric service in the States of Indiana and Michigan. I&M owns and operates plant and equipment within the States of Indiana and Michigan that are in service and used and useful in the generation, transmission, distribution and furnishing of such service to the public. I&M has maintained and continues to maintain its properties in an adequate state of operating condition.

Petitioner's Service Territory

3. I&M supplies electric service to approximately 482,000 retail customers in northern and east-central Indiana and 133,000 retail customers in southwestern Michigan. I&M's Indiana service area covers more than 3,200 square miles. In Indiana,

I&M provides retail electric service to the following 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. In addition, I&M serves customers at wholesale in the States of Indiana and Michigan. I&M's electric system is an integrated and interconnected entity that is operated within Indiana and Michigan.

Petitioner's "Public Utility" Status

4. I&M is a "public utility" under Ind. Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

5. I&M is also subject to the jurisdiction of the Michigan Public Service Commission and the Federal Energy Regulatory Commission ("FERC") as to electric service provided by I&M to retail customers in Michigan and to wholesale customers, respectively.

6. I&M's transmission system is under the functional control of PJM Interconnection, L.L.C. ("PJM"), a FERC-approved regional transmission organization ("RTO"), and is used for the provision of open access non-discriminatory transmission service pursuant to PJM's Open Access Transmission Tariff ("OATT") on file with the FERC. As a member of PJM, charges and credits are billed to AEP and allocated to I&M for functional operation of the transmission system, management of the PJM markets including the assurance of a reliable system, and general administration of the RTO. I&M must also adhere to the federal reliability standards developed and enforced by the North American Electric Reliability Corporation ("NERC"), which is the electric

reliability organization certified by the FERC to establish and enforce reliability standards for the bulk power system. ReliabilityFirst ("RF") is one of eight NERC Regional Entities and is responsible for overseeing regional reliability standard development and enforcing compliance. I&M's transmission facilities are wholly located within the RF region.

Petitioner's Electric Utility System

7. 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, all of which is used and useful in the generation, purchase, transmission, distribution and furnishing of electric energy for the convenience of the public. In order to continue to properly serve the public located in its service area and to discharge its duties as a public utility, I&M has and continues to make numerous additions, replacements and improvements to its electric utility systems.

8. I&M's property is classified in accordance with the Uniform System of Accounts ("USOA") as prescribed by the FERC and adopted by this Commission.

9. I&M's hydro, fossil, nuclear and solar generating fleet, transmission and distribution systems and other facilities are well-maintained, in good condition, and reasonably necessary for I&M's provision of electric service to I&M's customers in a safe, reliable, efficient, environmentally compliant, and low-cost manner for the benefit of its customers.

Statutory Authority for Requested Relief

10. This Petition is filed pursuant to Section 42.7. Other provisions of the Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, *et seq.*, that may be applicable to the subject matter of this proceeding, include, but are not limited to: Ind. Code §§ 8-1-2-0.6, 4, 6, 10, 12, 14, 19, 20, 21, 23, 42, 61, 68 and 71, Ind. Code § 8-1-8.8-12, and Ind. Code § 8-1-2.5-5.

GAO 2013-5

11. In accordance with the guidance provided by the Commission's General Administrative Order 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7) ("GAO 2013-5"), I&M provided its Notice of Intent to File Rate Case to the Commission on June 6, 2023. This Notice was provided at least 30 days prior the date of filing this Petition. I&M also reached out to the Indiana Office of Utility Consumer Counselor ("OUCC") and other stakeholders to discuss the filing.

Test Year, Rate Base Cutoff Dates

12. Pursuant to Section 42.7(d), I&M is utilizing a forward-looking test period determined on the basis of projected data for the twelve (12) months ending December 31, 2024 (Test Year). In accordance with Section 42.7, this Test Year (which commences January 1, 2024), begins not later than 24 months after the date on which this Petition is filed.

13. I&M is utilizing the Test Year end, December 31, 2024, as the general rate base cutoff date. I&M proposes the Commission establish I&M's authorized net operating income by applying the overall weighted average cost of capital to the Test

Year end original cost rate base. The Company also proposes the Test Year end original cost rate base be used as the fair value of the Company's utility property.

Submission of Case-in-Chief and Other Supporting Documentation

14. I&M is filing its case-in-chief, including the information required by Section 42.7(b), in written form contemporaneous with this Petition. In accordance with the Commission's GAO-2020-05, and to facilitate review of the filing, I&M has attached to this Petition, as Petition Exhibit A, an index of issues, requests, and supporting witnesses. A summary of the witness testimony is attached hereto as Petition Exhibit B.

15. I&M has elected to file its case in accordance with the Commission's Minimum Standard Filing Requirements ("MSFRs") (170 IAC 1-5-1 *et seq.*). As recognized in GAO 2013-5, a future test year does not align with all of the Commission's pre-existing MSFRs. I&M has provided supporting documentation in accordance with the MSFRs, GAO 2013-5, and GAO 2020-5, modified where appropriate to be compatible with the forward-looking test year authorized by Section 42.7. In accordance with GAO 2013-5 and GAO 2020-05, this information is provided electronically (in Excel format where appropriate) and includes workpapers for the revenue requirements. The Company's filing also includes the forecast (including the load forecast), the cost of service study, the proposed return on equity and fair rate of return analysis, the depreciation study, and nuclear decommissioning study.

16. I&M's supporting documentation also includes historical data for the calendar year 2022, the most recent audited set of financial statements at the time I&M began preparing this filing, and additional historical information by month for the period

January 2023 through March 31, 2023 (the most recent month for which reviewed financial information is available at the time of this filing).

17. The Company's prefiled case-in-chief includes I&M Exhibit A which consolidates the data supporting I&M's projected costs and revenues for the Test Year. Each Test Year adjustment is sponsored and described by an I&M witness, as shown in I&M Exhibit A. I&M Exhibit A-1 presents I&M's overall requested rate relief for the Test Year, including I&M's proposed base rates and riders. I&M Exhibit A-2 presents the Test Year balance sheet. I&M Exhibits A-3 and A-4 present the Statement of Cash Flows and Income Statement, respectively, for the Test Year. I&M Exhibit A-5 identifies the net operating income per books and adjusted for ratemaking purposes and identifies the associated adjustments. I&M Exhibit A-6 sets forth the Test Year rate base and related adjustments. I&M Exhibit A-7 presents the capital structure and cost of capital for the Test Year. Finally, I&M Exhibits A-8 and A-9 present the calculation of the gross revenue conversion factor and the effective tax rate, respectively, for the Test Year. The items included in I&M's Exhibit A satisfy Section 6 of the MSFRs for the Test Year.

Petitioner's Existing Rates and Rate Structure

18. I&M's existing retail rates in Indiana were established pursuant to the Commission's February 23, 2022, Order in Cause No. 45576 ("45576 Order"). Those basic rates and charges remain in effect today, as modified by various riders approved by the Commission from time to time.[1] These riders adjust I&M's rates for service to timely recover changes in certain costs associated with the provision of service.

[1] These rates were also adjusted to remove the Utilities Receipt Tax via 30 Day Filing 50508. Also, in this filing, I&M uses the terms "basic rates" and "base rates" interchangeably.

19. The petition initiating Cause No. 45576 was filed with the Commission on July 1, 2021. Therefore, in accordance with Ind. Code § 8-1-2-42(a), more than fifteen months have passed since the filing date of I&M's most recent request for a general increase in its basic rates and charges.

20. I&M current depreciation rates were approved by the Commission's 45576 Order.

Petitioner's Operating Results Under Existing Rates

21. I&M's underlying revenue requirements have and continue to change. Since its basic rates and charges were last established, I&M has continued to make significant capital expenditures for additions, replacements and improvements to its electric utility system.

22. The open access requirements applicable to I&M's transmission system also continue to impose obligations, costs and risks on I&M as a grid user and operator.

23. As a result, I&M's Test Year return upon its electric utility property is below the level required (i) to permit I&M to earn a fair return on its electric utility property equal to that available on other investments of comparable risk; (ii) to provide revenues which will enable I&M to continue to attract capital required for additions, replacements and improvements to its electric utility property and to comply with regulatory mandates at a reasonable cost; (iii) to maintain and support I&M's credit; and (iv) to assure confidence in I&M's financial soundness. As a consequence, I&M's existing rates and charges will be insufficient to provide revenues adequate to cover its necessary and reasonable operating expenses and to provide the opportunity to earn the fair return to

which I&M is lawfully entitled. I&M's existing rates, therefore, are unjust, unreasonable, insufficient and confiscatory, and should be increased.

Petitioner's Proposed Rates and Charges and Tariff Terms

24. Adequate rates are essential to allow I&M to achieve financial results that will be necessary to attract needed debt and equity capital on reasonable terms, to comply with environmental and other mandates, and to otherwise invest to meet the continued need for reliable electric service within I&M's service area. I&M's filing supports the Company's ongoing effort to address aging infrastructure, secure long-term reliability, and implement new technologies to provide an improved customer experience. I&M requests that new rates and charges and associated relief be authorized to enable I&M to realize a reasonable and adequate net operating income to render adequate and reliable service and facilities to the public.

25. The Company's proposals reasonably consider reliability, affordability, resiliency, stability and environmental sustainability in accordance with House Enrolled Act ("HEA") 1007 codified at Ind. Code § 8-1-2-0.6. In accordance with GAO 2023-04 ("Guidelines Regarding the Five Pillars") the testimony of Company witness Seger-Lawson (Section IV) includes an index with the location of information, discussions, and/or evidence regarding of each of the Five Pillars enumerated in Ind. Code § 8-1-2-0.6. Company witness Baker (QA 23) also discusses the Five Pillars.

26. As proposed in its case-in-chief, I&M requests the Commission to approve an overall annual increase in revenues from base rates and charges, including rate adjustment mechanisms, in the total amount of approximately $116.4 million or

approximately 6.8%. The Company proposes to phase-in the increase over two steps as stated below.

27. The testimony of Company witnesses Small and Fischer address how the Company's various customer classes will be affected by the proposed revenue increase.

Phase-In Rate Adjustment

28. As explained in the filed testimony of Company witness Seger-Lawson, I&M proposes 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. In Phase I (the initial step), revenue would increase by approximately $83.7 million or 4.89%. The second step will reflect an increase of $32.7 million, or approximately 1.91%, as adjusted for actual Test Year investments.

29. Implementation of the requested rate increase in phases reasonably reflects the utility property that is used and useful at the time rates are placed into effect. I&M's proposed PRA process balances customer and Company interests and is detailed in I&M's case-in-chief filed contemporaneous herewith.

30. In Phase I, the proposed revenue increase would increase the monthly bill of a residential customer using 1,000 kWh per month by approximately $10.72, which is an increase of approximately 6.6%. The cumulative bill increase in Phase II (second step) is approximately $14.83, which is an increase of approximately 9.1%. See witness Fischer Figure JLF-3.

Authorized Fair Rate of Return

31. The Company requests an authorized return on equity ("ROE") of 10.50 percent in conjunction with Commission approval of the rate relief package proposed by the Company in this Cause. The requested ROE is reasonable in conjunction with Commission approval of the rate relief package proposed by the Company. A fair return is reasonable and necessary to support the ongoing infrastructure investment for the benefit of customers.

Capital Forecast

32. The Company's filing includes average annual capital expenditures, excluding Allowance for Funds Used During Construction ("AFUDC"), of $548.5 million during the Capital Forecast Period (January 2023 – December 2024). The capital investments reflected in the Company's filing focus on infrastructure improvements, investments in cybersecurity and information technology functions, and complying with environmental and regulatory requirements. Embracing new technology and automated controls improves and modernizes the Company's energy delivery infrastructure and service and improves the customer experience.

33. The Company's planning reasonably balances the need to safely maintain the system and meet customer expectations with the impacts on affordability.

34. Customers benefit from these investments through improved system reliability, stability and resiliency, as well as modern technology platforms that will improve the customer experience. The Company's infrastructure investment planning processes, as well as major projects, are discussed in the Company's written testimony. The budgeted projects are identified in a Project Life File (Capital Forecast by Project)

included with workpapers supporting the Financial Forecast presented by Company witness Sloan. This information is broken down by function (Distribution, Generation, Nuclear, Transmission, and Corporate).

Generation

35. The Capital Forecast Period includes the Company's projected generation capital expenditures in 2023 and 2024. Company witnesses Jessee and Ferneau support the ongoing investment. Among other things, they show that the Investments are necessary to maintain safe, reliable, efficient, environmentally compliant, and low-cost service. The amount of capital investment to be made during the Capital Forecast Period is prudent and reasonable based on the needs of the generating facilities to maintain the expected level of service.

36. 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. The anchor to this strategy is the continued operation of the Company's Cook Nuclear Facility.

37. The Company's testimony explains that to prepare for the Cook Units 1 and 2 approaching the end of their current licenses in 2034 and 2037 respectively, the Company plans to initiate a process to evaluate, and potentially pursue, a Subsequent License Renewal ("SLR") for both Cook units starting in 2024. These actions are consistent with the Company's Integrated Resource Planning process.

38. The Company's filing also reflects the settlement agreement in Cause No. 45576 which required I&M to remove the remaining net book value ("NBV") of Rockport Unit 2 from base rates and recover it on a levelized basis in I&M's Environmental Cost Rider through 2028.

Distribution Management Plan

39. The Company's investments in the distribution system have yielded results that show reliability improvement. The process of identifying, qualifying, and prioritizing program and project work is showing positive results and, with the increasing use of technological improvements, I&M is building its resiliency. The investment proposed in this case will allow the Company to continue this positive trend of improved reliability to all its retail customers.

40. As explained in the Company's written testimony, the Company is continuing to execute its integrated grid modernization package, which incorporates technologies such as advanced metering infrastructure ("AMI"), Conservation Voltage Reduction ("CVR"), distribution automation circuit reconfiguration ("DACR"), supervisory control and data acquisition ("SCADA"), distribution line sensors, smart reclosers and smart circuit ties. The Company's ongoing technology investment also includes: 1) a Field Mobility Program which provides distribution operations personnel with new capabilities, mobile devices, and connectivity to improve operational efficiency, reduce costs, and enhance both worker and customer safety; and 2) Advanced Distribution Management System ("ADMS") and Distributed Energy Resource Management System ("DERMS") projects which will unify I&M's Outage Management and Distribution

Management systems into a single platform that will provide advanced functionality necessary to manage and operate I&M's electric distribution grid.

41. The Company has worked diligently to deploy AMI in accordance with the plan presented in Cause 45576 and expects to complete AMI deployment by the end of 2024.

42. Customers will benefit from these investments through enhanced system reliability, reduced outage restoration times, an electric grid that is better prepared to manage increases in distributed energy resources, and the implementation of technology that will improve the overall customer experience. This integrated package of investment is prudent and reasonably necessary for the sustainability of a resilient, stable and reliable distribution grid.

Information Technology

43. The Company also continues to invest in technologies that improve internal business processes and customer interactions, which are essential to I&M's strategy to control costs and improve the customer experience. One of the prominent technology projects the Company discusses in this proceeding is the modernization of its Customer Information System ("CIS"), which is the technology platform and central repository for all customer information. The CIS manages billing, accounts receivable, and rates for the Company. The proposed CIS will provide significant long-term benefits to I&M's customers, including improving the Company's ability to bring innovative service options to customers as their personal interests and business needs change.

Grants

44. The Company's filing explains its efforts to identify and secure federal grants that offset the cost of needed investments and underlie the Company's efforts to address the affordability of electric service. By attracting grant funds from programs like Infrastructure Investment and Jobs Act ("IIJA"), the Company will be able to both reduce the cost of projects in current work plans, and advance emergent technology projects at reduced cost to deliver benefits to customers.

45. I&M's filing includes a proposal to leverage federal grant funding that the Company has been awarded through the Federal IIJA National Telecommunications and Information ("NTIA") Middle Mile Grant program to install fiber optic cable in Delaware and Grant counties. Fiber optic cables installed by the Company provide dual benefits – namely the provision of reliable and affordable electric service to I&M's customers while also facilitating rural broadband opportunities to those in unserved areas of the State.[2]

Voluntary Residential PowerPay Program

46. The Company proposes to add a voluntary, pre-pay billing option for its residential customers called the PowerPay Program. The PowerPay Program will benefit I&M's residential customers by providing additional payment options which will allow customers to make informed decisions about their energy usage and the payment option that best suits their needs.

[2] See Company witness Osterholt for discussion of grants and broadband project.

Depreciation Rates

47. The Company seeks approval of revised depreciation accrual rates for I&M's electric plant in service. The depreciation rates are based on a depreciation study for I&M's electric utility plant in service at December 31, 2022, as adjusted to reflect the 2023-2024 forecasted additions to plant in service and to estimate a corresponding adjustment to accumulated depreciation for all of production plant that reflects an additional two years of depreciation accrued through 2024. The depreciation rates determined by the study are intended to provide recovery of invested capital, cost of removal, and credit for salvage over the expected life of the property.

Rate Adjustment Mechanisms* and *Major Storm Damage Restoration Reserve

48. The rate adjustment mechanisms included in the Company's filing are an important tool in the Company's effort to timely reflect variable costs and savings in I&M's rates for electric service while providing reliable and affordable service to the Company's customers. These proposals address fluctuating costs that are largely outside the Company's control and provide efficient and timely cost recovery.

49. The Company proposes to update the base cost of fuel for purposes of its Fuel Adjustment Charge ("FAC") filings[3] and to continue existing mechanisms, namely the Demand Side Management/Energy Efficiency ("DSM/EE") Program Cost Rider, the Off-System Sales/PJM ("OSS/PJM") Rider, the Solar Power Rider ("SPR"), the Environmental Cost Rider ("ECR"), and the Resource Adequacy Rider ("RAR"). These mechanisms are an efficient way to provide transparent tracking of costs that may fluctuate over time, providing long term stability in rate structures. I&M also proposes to

[3]The FAC basing point for the Test Year is 12.981 mills per kWh, as shown on Attachment SAS-10 included with Company witness Sloan's testimony.

continue the Major Storm Damage Restoration Reserve as approved in the Company's last three basic rate cases and to update the baseline used for this reserve. The Company proposes to close the LCM Rider.

50. New proposals such as the updated Tax Rider and the proposed Grant Projects Rider provide the Company with opportunities to share potential federal tax credits and grant opportunities with customers in a timely manner.

Nuclear Decommissioning Expense

51. The Company recommends the level of annual decommissioning funding be increased from zero to $2.0 million per year in the revenue requirement in this case.

Other Operating Expenses

52. The Company's filing reflects reasonable and necessary costs to provide reliable service to customers efficiently and effectively. The Test Year level of operating expense is accurate, reasonable, and representative of I&M's going forward cost of providing service. These costs include the costs of market competitive compensation consistent with Commission standards for incentive compensation cost recovery. Consistent with past filings, the current filing calculates state and federal income tax expense to reflect the appropriate tax effects resulting from the various ratemaking proposals supported in this case and to comply with Internal Revenue Code ("IRC") normalization requirements.

Prepaid Pension and Other Postretirement Employee-Benefit (OPEB) Assets

53. Consistent with I&M's past base rate cases (Cause Nos. 45576, 45235, 44967 and 44075), I&M seeks to continue to include its prepaid pension asset in rate base. The Company has also included its prepaid OPEB asset in rate base consistent

with Cause Nos. 39314, 43306 and 44075. These assets have lowered both the current and future cost of providing service and benefited customers and the utility's ongoing ability to provide reliable service. Inclusion of these assets in rate base is consistent with well-accepted ratemaking principles and necessary both to compensate the utility for use of funds it has advanced and to avoid a disincentive to the utility for making prudent advances in the future.

Regulatory Assets And Deferral Accounting

54. The proposed revenue requirement includes the recovery and amortization of regulatory assets including those authorized by the Commission orders in Cause No. 45380, 45235, 44967 and 44075. As discussed by Company witness Seger-Lawson, the Company requests to continue certain deferrals, including the deferral of all costs associated with Dry Cask Storage that are not reimbursed by the Department of Energy ("DOE").

55. The Company also seeks new deferral accounting authority for the proposed Grant Projects Rider and costs incurred related to a new CIS. I&M also seeks deferral accounting authority for the updated Tax Rider.

56. The Cook Subsequent License Renewal Project is expected to span across several years. Company witnesses Ross and Seger-Lawson address the Company's requests for this Project, explaining in particular that I&M will account for preliminary study/survey costs associated with the possible extension of Cook Plant licenses ("SLR Costs") in accordance with the FERC USofA, specifically FERC Account 183. As discussed by Company witness Seger-Lawson, I&M requests deferral

authority, as a FERC Account 182.3 regulatory asset, for any SLR costs incurred that do not result in the construction of an asset.

Vegetation Management

57. I&M's vegetation management program continues to have a positive impact on overall reliability. I&M completed the initial four-year cycle, covering all overhead primary lines, by the end of 2021. The next four-year cycle began in 2022. Continuation of this program is reasonably expected to further improve reliability and avoid returning to a system challenged by controllable vegetation-caused service interruptions.

Jurisdictional Separations, Class Cost of Service and Rate Design

58. The Company's filing uses the long-standing Test Year separations process to jurisdictionalize costs. The Company's jurisdictional separations study reasonably allocates system-related costs based on established cost allocation procedures using the underlying data that represents how the system is used during the Test Year to meet customer requirements. The Company's jurisdictional separations study reasonably reflects the value of the Company's generating facilities used and useful for the convenience of the public and this value, as well as the fairly allocated operating expenses and benefits, are reasonably included in the retail revenue requirement as proposed by I&M. The separations study is being submitted to the Commission as required by the MSFR (170 IAC 1-5-15).

59. The cost allocation methodology used in I&M's class cost-of-service study allocates costs among the customer classes in a fair and equitable manner based on principles of cost causation. Customers who cause costs to be incurred are allocated

such costs in the Company's class cost-of-service study. The class cost of service study is being submitted to the Commission as required by the MSFR (170 IAC 1-5-15).

60. The Company's overall revenue increase was allocated among the customer classes following certain ratemaking principles to meet several objectives and to support the HEA 1007 Affordability Pillar by establishing rates that are affordable and competitive across residential, commercial and industrial customer classes. First, the revenue allocation on the Company's proposed cost of service was based on the principle of cost causation to design rates that reflect as nearly as possible the actual costs of service to the customer. Second, the total revenue increase was allocated in a manner that moved all classes to earning the class average rate of return by eliminating the current level of inter-class revenue subsidies. Finally, the principle of gradualism was applied when determining the individual customer class revenue increases. In this case, mitigation was applied such that no class received a revenue decrease or an increase less than 3.2% or greater than 9.35% in total revenue (basic rates + riders).

61. In general, the Company's approach is to design rates and rate components that reflect the Company's underlying costs. This includes collecting fixed costs through fixed and/or demand charges and variable costs through energy charges whenever practical.

62. In order to continue to improve the alignment of the Company's cost of service with the revenues recovered from its residential customers, I&M proposes to increase the standard residential tariff service charge from the current level of $14.79 per month to $17.50 per month. The Company's filing maintains the current design of the residential rates to recover all customer-related costs, plus a portion of the total

secondary distribution costs through the combination of the monthly service charge and an increment in the first block volumetric energy charge. The remainder of the Company's total residential costs were designed to be recovered through a charge for all kWh. By recovering a more proportionate amount of fixed demand-related costs in the fixed monthly service charge and first block of the volumetric energy charge, the Company's proposed rate design sends more accurate price signals to residential customers than under the current rate structure. A result of the Company's proposal is to provide a volumetric energy rate to customers that more closely reflects the actual energy cost component. Thus, the proposed rate design allows customers to make more informed decisions regarding the benefits of their energy usage relative to the true cost of their usage.

63. The Company's proposal to increase the standard residential tariff service charge to $17.50 continues to gradually increase the level of fixed, secondary demand-related costs recovered through the monthly fixed service charge in order to better align collection of these costs with their local, fixed nature. It should be recognized that the percentage increase in the fixed monthly service charge relates only to one component of the customer's entire bill and should not be confused as equating to an overall increase in the entire bill. As previously recognized by the Commission, "gradualism is best considered in the context of the entire customer bill and not discrete charges within the bill."[4] The combination of lower volumetric energy charges, declining block rates, and increased customer charges, that the Company is proposing in this case, provides greater month-to-month bill stability for residential customers that are sensitive to

[4] *I&M*, Cause No. 45235 (IURC March 11, 2020), p. 96 (quoting March 16, 2016 order in *Indianapolis Power & Light Company,* Cause No. 44576, p. 72).

weather extremes and reduces volatility by making the bill less reliant on volumetric charges.

64. The Company's filing includes the Company's proposed firm load customer class revenue allocation factors that would be used should the Company elect to file a future Transmission, Distribution, Storage System Improvement Charge ("TDSIC") proceeding following this basic rate case. See Company witness Fischer. The Company requests Commission approval of these allocation factors. See Ind. Code § 8-1-39-9.

Terms and Conditions of Service

65. The Company's filing includes: changes to I&M's Terms and Conditions of Service, including the PowerPay Program pre-paid billing option; updates to Service, Reconnect and Trip Charges to better align with costs associated with performing the work; modifications to the language and rates of existing tariff schedules; and a new Grant Projects Rider and modified Tax Rider. These changes are shown in the Company's Tariff Book, which is included as an attachment to the testimony of Company witness Cooper.

Rule Waivers or Declination of Jurisdiction

66. As discussed by Company witness Seger-Lawson, the Company seeks waiver of specific billing and notification rules, so as to allow the PowerPay Program to be implemented. In the alternative, and in accordance with Ind. Code § 8-1-2.5-5, I&M asks the Commission to decline to exercise its jurisdiction under the identified rules so as to allow the Company to implement this Program.

67. Specifically (and as explained by Company witness Davis), if the PowerPay Program is approved, I&M will be sending periodic electronic notifications to the customer about the amount of their account balance that remains. Therefore, (as explained by Company witness Seger-Lawson) requirements that the utility send a bill that contains certain billing line items, including late payment charges, due date of the bill, and the 17-day grace period for payments will be unnecessary. The Company is also requesting a waiver of the requirements that I&M send a disconnection at least three days prior to disconnect, and requirements that the Company attempt to make direct contact with the customer prior to disconnect. This waiver is reasonable because the PowerPay Program participants will be notified several times before their account is disconnected.

Other Proposals Included In Filing

68. These and other I&M proposals are explained in the case-in-chief filed contemporaneous herewith. An index of the filing is included herewith as Petition Exhibit A.[5]

Confidential Information

69. Contemporaneous with the filing of this Petition, I&M is filing a motion for protective order to protect certain confidential, proprietary, competitively sensitive and/or trade secret information related to I&M's filing from public disclosure. I&M has entered into a nondisclosure agreement with the Indiana Office of Utility Consumer Counselor ("OUCC") and will work together with any intervenors to negotiate an acceptable

[5] The overview of the Company's proposals herein and in the Petition Exhibits is intended to highlight issues and is not an exhaustive list of I&M's requests in this proceeding. A complete account of I&M's requested relief can be found in I&M's case-in-chief.

confidentiality agreement to facilitate the production of the confidential information as appropriate.

Procedural Schedule

70. In accordance with 170 IAC 1-1.1-9(a)(8), Petitioner, the OUCC, the Industrial Group and Citizens Action Coalition of Indiana, Inc. have agreed on the procedural schedule and associated terms set forth in the attached Petition Exhibit C to allow completion of the case within 300 days in accordance with GAO-2013-5 and Section 42.7.

Customer Notification

71. In accordance with Ind. Code § 8-1-2-61(a), I&M will publish notice of the filing of this Petition in a newspaper of general circulation published in each Indiana county in which I&M renders service. The proofs of publication of notice will be later filed as an exhibit.

72. In accordance with 170 IAC 4-1-18(c), I&M will furnish to each residential customer within forty-five (45) days of this Petition, a notice which fairly summarizes the nature and extent of the proposed changes. This notice will be provided via bill messaging, bill inserts, or similar mailing.

Attorneys for Petitioner

73. The names and addresses of I&M's duly authorized representatives, to whom all correspondence and communications concerning this Petition should be sent, are as follows:

Teresa Morton Nyhart (Atty. No. 14044-49)
T. Joseph Wendt (Atty. No. 19622-49)
Jeffrey M. Peabody (Atty. No. 28000-53)

BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Wendt Phone: (317) 231-7748
Peabody Phone: (317) 231-6465
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Wendt Email: jwendt@btlaw.com
Peabody Email: jpeabody@btlaw.com

Tammara D. Avant (Atty. No. 31466-49)
American Electric Power Service Corporation
101 W. Ohio St., Suite 1320
Indianapolis, Indiana 46204
Phone: (317) 508-9262
Email: tdavant@aep.com

With courtesy copy to:

Tanner S. Wolffram
American Electric Power Service Corporation
1 Riverside Plaza, Columbus, Ohio 43215
Email: tswolffram@aep.com

WHEREFORE, I&M respectfully requests that the Commission promptly establish a procedural schedule and associated terms, make such investigation and hold such hearings as are necessary or advisable in this Cause, and thereafter make and enter an appropriate order in accordance with the 300-day time frame provided in GAO-2013-5 and Section 42.7:

(i) finding that the existing rates for electric service rendered by I&M in the State of Indiana are insufficient to provide revenues to cover the reasonable and necessary Test Year operating expenses and fair return and are therefore unjust, unreasonable, insufficient, and confiscatory;

(ii) determining and, by order, fixing increased rates and charges to be imposed, observed and followed commencing as soon as practicable in lieu of those so found to be unjust, unreasonable, insufficient and confiscatory;

(iii) authorizing I&M to revise and place into effect for accrual accounting purposes its depreciation rates as proposed in its evidence herein;

(iv) including in rate base the Company's prepaid pension and OPEB assets;

(v) including all of I&M's utility plant in service, including plant to be in service by end of 2024, in the revenue requirement to be established in this Cause;

(vi) increasing nuclear decommissioning expense as proposed by I&M;

(vii) approving the continuation of the Major Storm Damage Restoration Reserve as proposed by I&M;

(viii) approving the Company's proposed Grant Projects Rider and modified Tax Rider;

(ix) approving the Company's other rate adjustment mechanism proposals as proposed by I&M;

(x) finding the Company's proposals regarding the SLR to be reasonable and necessary and authorizing deferral and recovery of the associated costs as proposed by the Company;

(xi) approving the Company's requested cost deferrals, including the deferral authority for the new Grant Projects Rider, modified Tax Rider and the CIS Project;

(xii) approving the Company's proposed voluntary residential customer PowerPay Program;

(xiii) waiving or declining to exercise jurisdiction with respect to certain rules as proposed in I&M's evidence to facilitate implementation of the PowerPay Program;

(xiv) approving the accounting relief and other requests identified in I&M's evidence herein;

(xv) approving I&M's jurisdictional separations, cost allocation and rate design;

(xvi) approving and authorizing I&M to implement various changes in the terms, conditions and provisions of I&M's tariff for electric service rates as proposed in I&M's evidence;

(xvii) approving I&M's Test Year end rates and proposal to phase in the new rates as discussed in I&M's evidence herein;

(xviii) authorizing and approving the filing by I&M of new schedules of increased rates and charges for electric service so as to provide just, reasonable, sufficient and nonconfiscatory rates; and

(xix) granting to I&M such other and further relief as may be appropriate and proper.

Dated this 9th day of August, 2023.

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY

By: ______________________________
Steven F. Baker
President and Chief Operating Officer

Teresa Morton Nyhart (Atty. No. 14044-49)
T. Joseph Wendt (Atty. No. 19622-49)
Jeffrey M. Peabody (Atty. No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Wendt Phone: (317) 231-7748
Peabody Phone: (317) 231-6465
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Wendt Email: jwendt@btlaw.com
Peabody Email: jpeabody@btlaw.com

Tammara D. Avant (Atty. No. 31466-49)
American Electric Power Service Corporation
101 W. Ohio St., Suite 1320
Indianapolis, Indiana 46204
Phone: (317) 508-9262
Email: tdavant@aep.com

Attorneys for INDIANA MICHIGAN POWER COMPANY

STATE OF INDIANA)
) SS:
COUNTY OF ALLEN)

AFFIDAVIT

Steven F. Baker, being first duly sworn, upon oath, deposes and says that he is the President and Chief Operating Officer of Indiana Michigan Power Company, the Petitioner in the above-entitled Cause; that as such he executed the above and foregoing Petition and has authority so to do; that he has read said Petition and knows the contents thereof; and that the statements and representations therein contained are true to the best of his knowledge, information and belief.

Steven F. Baker

Subscribed and sworn to before me, a Notary Public, in and for said County and State this 9 day of August 2023.

Regiana M. Sistevaris, Notary Public

I am a resident of Allen County, Indiana.
My commission expires: January 7, 2031

NOTARY PUBLIC SEAL INDIANA
REGIANA M SISTEVARIS
Notary Public, State of Indiana
Allen County
Commission Number NP0662317
My Commission Expires
January 07, 2031

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 9th day of August, 2023 to:

Lorraine Hitz
Indiana Office of Utility Consumer Counselor
Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov
lhitz@oucc.in.gov

Jeffrey M. Peabody

Teresa Morton Nyhart (Atty. No. 14044-49)
T. Joseph Wendt (Atty. No. 19622-49)
Jeffrey M. Peabody (Atty. No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204

Nyhart Phone:	(317) 231-7716
Wendt Phone:	(317) 231-7748
Peabody Phone:	(317) 231-6465
Fax:	(317) 231-7433
Nyhart Email:	tnyhart@btlaw.com
Wendt Email:	jwendt@btlaw.com
Peabody Email:	jpeabody@btlaw.com

Attorneys for INDIANA MICHIGAN POWER COMPANY

DMS 27081864v4

Indiana Michigan Power Company
2023 Rate Case
Index of Issues, Requests, and Supporting Witnesses[1]

GENERAL		
Subject	**Description**	**Supporting I&M Witness**
Test Year (TY)	Twelve Months Ended December 31, 2024.	• Petition ¶ 12. • Seger-Lawson.
Historical Base Period	Twelve Months Ended December 31, 2022.	• Petition ¶ 16. • Sloan. • Sloan Attach: o SAS-3 (historical and forecasted O&M). o SAS-4 (historical and forecasted cap. ex).
Financial Information and Revenue Requirement Details	I&M Exhibit A: presents overall requested rate relief and consolidates data supporting I&M's project costs and revenues for TY.	• Various as reflected in I&M Exhibit A index and supporting workpapers.

[1] This Index of the Company's case-in-chief is intended to highlight issues and is not an exhaustive list of I&M's requests in this proceeding. A complete account of I&M's requested relief can be found in I&M's case-in-chief, including but not limited to I&M's petition, testimony, exhibits, workpapers, and in the Company's MSFR responses. The I&M Financial Exhibit provides an additional index.

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Overall Revenue Increase	• Total annual increase in revenue of approximately $116.4 million, or @ 6.8% to be phased in over two steps. • Phase-In Rate Adjustment (PRA): o Phase I: $83.7 million or 4.89%. o Phase II (which commences January 1, 2025): $32.7 million, or @ 1.91% (adjusted for actual TY investments).	• Baker (overview). • Seger-Lawson (policy; PRA).	• I&M Exhibit A-1 (rate relief).

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**

Financial Forecast	• Set rates based on I&M's TY financial forecast.
	• Reflect forecasted revenues, O&M, and capital investments in rates.
		• Seger-Lawson (overall forecast approach).
		• Sloan (forecasting model).
		• Ferneau (nuclear O&M and capital).
		• Jessee (non-nuclear generation O&M and capital).
		• Isaacson (distribution O&M and capital).
		• Koehler (PJM costs).
		• Brenner (IT and security).
		• Oren (incentive compensation)
		• Osterholt (grants and fiber).
		• White (load forecast).
			• Sloan Attach:
			  • Attachment SAS-1 – Operating Income Comparison
			  • Attachment SAS-2 – Revenue Comparison
			  • Attachment SAS-3 - Historical and Forecasted O&M Expenses
			  • Attachment SAS-4- Historical and Forecasted Capital Expenditures
			  • Attachment SAS-5 – Fuel, Consumables, Allowances and Purchased Power Expenses
			  • Attachment SAS-6 –Transmission Revenues and Expenses
			  • Attachment SAS-7 – Historical Functional Plant Activity
			  • Attachment SAS-8 – I&M Plant Summary
			  • Attachment SAS-9 – UI Model Overview
			• WP SAS -1 - SAS - 10 (support).
			• White Attach:
			  o DW-1 (load forecast results).

<table>
<tr><th colspan="4">REVENUE REQUIREMENT</th></tr>
<tr><th>Subject</th><th>I&M Proposal</th><th>Supporting I&M Witness</th><th>Workpaper or Exhibit Reference</th></tr>
<tr><td>Return on Equity (ROE).</td><td>• Authorize 10.50% ROE.</td><td>• Bulkley.</td><td>• Bulkley Attach. AEB-1 through AEP 12 as identified in List of Attachments following her testimony table of contents.</td></tr>
<tr><td>Weighted Average Cost of Capital (WACC)</td><td>• Authorize WACC applied to original cost rate base.
• I&M’s forecast overall WACC: 6.44% at December 31, 2023 and 6.49% at the end of the TY (December 31, 2024).
• Investor-supplied capital reflects 48.8%/51.2% ratio of long term debt to equity.</td><td>• Messner (overall WACC calculation, financing activity).
• Criss (ADFIT and ADITC balances).
• Bulkley (ROE); reasonableness of capital structure.</td><td>• I&M Exhibit A-7 (TY capital structure and WACC).</td></tr>
<tr><td>Depreciation</td><td>• Set new depreciation rates and reflect the resulting depreciation expense in base rates based on depreciation study.</td><td>• Cash (depreciation).
• Williamson (cost of removal)</td><td>• Cash Attach:
o JAC-1 (Depreciation Study Report).
o JAC-2 (Sargent and Lundy dismantling study for Rockport Plant).
o JAC-3 (Sargent & Lundy dismantling studies for hydroelectric facilities).
• WP JAC-1 & JAC-2.</td></tr>
</table>

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Prepaid Pension and OPEB Assets	• Consistent with I&M's past rate cases (Cause Nos. 45576, 45235, 44967 and 44075), continue to include I&M's prepaid pension asset in rate base. • Include I&M's prepaid OPEB asset in rate base consistent with Cause Nos. 39314, 43306 and 44075.	• Ross (Accounting Treatment). • Hill (forecasted assets).	• I&M Exhibit A-6 (TY rate base).

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Taxes	• Utilize Tax Rider to recover the NOLC consistent with the Settlement Agreement approved in Cause No. 45576, as well as tax changes associated with the IRA including any potential CAMT and PTCs associated with the Cook Nuclear facility. • Reflect forecasted TY tax expense in base rates. • Pass-through benefit of protected excess ADFIT has been recomputed to include NOLC deficient offset. • ADFIT balances have been updated and reflected as adjustment to capital structure; • ADFIT includes impact of stand-alone NOLC. • Apply gross revenue conversion factor (GRCF). • Align ratemaking such that taxes are normalized throughout origination and reversal of cost of removal timing difference, amortize specific deferred tax balances due to customers, and account for implication of IRA.	• Criss (federal and state income taxes; other taxes). • Seger-Lawson (Tax Rider). • Ross (Tax Rider over-/under-recovery and deferral accounting).	• I&M Exhibits A-8 and A-9 (GRCF and effective tax rate). • Criss Attach: o JMC-1 (TY state inc. tax rate). o JMC-2 (TY int. synchronization). o JMC-3 (TY NOLC). o JMC-4 (TY adjustments to ADFIT). • WP-JMC-1 (TY tax expense calculations and tax adjustments). • WP-A-RB-7 (TY rate based reduction for TBBS Study).

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Forecasted Rate Base	• Reflect forecasted capital projects in rate base using PRA as used in three most recent general rate cases. • Capital forecast methodology is consistent with two most recent general rate cases. • Capital forecast reflects average annual capital expenditure of $548.5 million during the Capital Forecast Period (Jan. 2023 – Dec. 2024). • See also entries below.	• Pet. ¶32. • Baker (overview) • Seger-Lawson (PRA). • Sloan (forecast). • Isaacson (distribution). • Jessee (non-nuclear generation; fuel inventory). • Ferneau (nuclear generation). • Koehler (transmission). • Brenner (IT).	• Sloan WP-SAS-9 Project Life File (Capital Forecast by Project).
Distribution	• Continue Distribution Management Plan. • Continuation of Vegetation Management program is reasonably expected to further improve reliability and avoid returning to a system challenged by controllable vegetation-caused service interruptions. • Complete AMI deployment in 2024. • Reflect forecasted O&M and capital in rates. • Support grant application process.	• Isaacson (distribution).	• Isaacson Attach: o DSI-1 (VM Plan) o DSI-2 (Asset Renewal Plan). o DSI-3 (Combined Projects Plan). o DSI-4 (Grid Mod. Plan). o DSI-5 IIJA Grant Projects

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Transmission	• Update embedded TY level of non-NITS PJM costs in base rates and continue to track in OSS/PJM Rider. • Continue to track all NITS costs in OSS/PJM Rider.	• Koehler (transmission investment, PJM cost forecast). • Gruca (OSS/PJM Rider). • Fischer (trans. cost revenue adjustment).	• Koehler Attach. NCK-1 (AEP Trans. Planning). • Fischer Attach. JLF-1 (trans. cost rev. adj). • WP-SRG-1.
Generation (Fossil, Hydro, and Solar)	• Reflect forecasted generation O&M in rates. • Reflect forecasted generation capital investment in rate base. • Reflect fuel inventories in rate base. • Embed updated TY consumables and allowance costs in base rates and continue to track over/under expense through ECR. • Per settlement in CN 45576 continue to recover via ECR, amortization of noncurrent SO_2 inventory balances and levelized recovery of RU2 net book value. • Embed LCM property tax expense in base rates.	• Jessee (generation O&M and capital investment, variability of consumables and allowances expense, fuel inventories). • Gruca (tracking consumables and allowances; RU2 net book value levelized recovery; LCM property tax expense).	• WP-RAJ-1 (O&M). • WP-RAJ-2 (consumable expense). • WP-RAJ-3 (capital). • WP-RAJ-4 (fuel inventory). • WP-SRG-1.

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
IT	• Field Mobility program that will provide the Company's distribution organization with a more connected, proactive, and transparent system to perform their tasks. • Modernize the CIS, which is the technology platform and central repository for all customer information; CIS is used to manage billing, accounts receivable and rates. • ADMS and DERMS, which will unify I&M's Outage Management and Distribution Management systems into a single platform that will provide advanced functionality necessary to manage and operate I&M's electric distribution grid.	• Brenner (investment) • Seger-Lawson (deferral accounting and ratemaking)	• WP-JB-1-O&M. • WP-A-RB/O&M 2 & 3.
Nuclear Decommissioning	• Increase level of decommissioning funding from zero to $2.0 million in the revenue requirement. • No current need to resume funding for Pre-April 7, 1983 spent nuclear fuel disposal fund. • Incorporate language in order in this Cause to assist I&M in obtaining compliance with IRS regulations.	• Hill (funding analysis). • Knight (nuclear decommissioning study).	• Knight Att. RWK-2 (decomm. study). • Hill Attach. ALH-1 (summary decommissioning liability). • WP-ALH-1 - WP-ALH-10.

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Nuclear Operations	• Reflect forecasted O&M and capital in rates. • Cook's Subsequent License Renewal Effort (SLR) • Update on status of Dry Cask Storage Project • LCM completed as of December 31 2022.	• Ferneau (all). • Baker (SLR). • Seger-Lawson (Dry Cask Storage deferral).	• Ferneau Attach. KJF-1 (Cook Plant systems diagram).
Vegetation Management	• I&M completed its initial four-year vegetation management cycle in 2021 and began the next cycle in 2022. • Continuation of this program is reasonably expected to further improve reliability and avoid returning to a system challenged by controllable vegetation-caused service interruptions. • Include costs in revenue requirement.	• Isaacson.	• Isaacson Attach DSI-1 (VM Plan).

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Regulatory Assets and Deferrals	• Revenue requirement includes recovery and amortization of regulatory assets including those authorized by Commission orders in Cause No. 45576, 45235, 44967 and 44075. • Company requests to continue certain deferrals, including the deferral of all costs associated with Dry Cask Storage costs that are not reimbursed by the Department of Energy (DOE). • I&M requests accounting authority to defer costs associated with over/under accounting related to the modified Tax Rider as well as the new Grant Projects Rider. • Company also requests deferral authority associated with implementing a new CIS as well as the Cook SLR Project. Both of these projects are expected to span across several years and therefore accounting deferral is sought for associated costs that will be incurred outside of the Test Year.	• Ross (regulatory accounting and adjustments). • Seger-Lawson (regulatory assets and dry cask deferral). • Ferneau (description dry cask storage and Cook SLR).	• Exhibit A-5 o WP-A-O&M-4 o WP-A-O&M-5 o WP-A-O&M-6 o WP-A-O&M-7 • Exhibit A-6 o WP-A-RB-6

REVENUE REQUIREMENT			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Voluntary Residential PowerPay Program	• Approve PowerPay Program, a voluntary, pre-pay billing option for residential customers. • Waive (or decline to exercise jurisdiction) specific billing and notification rules to facilitate implementation of PowerPay Program	• Davis (Program) • Seger-Lawson (waiver)	• See Testimony.

COST OF SERVICE AND RATE DESIGN			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Jurisdictional Separation Study.	• Use of same TY separations allocation process as proposed by I&M in 44967, 45235 & 45576.	• Duncan.	• Attach. JCD-1. • WP-JCD-1-JD-3 (support).
Class Cost of Service Study (CCOSS).	• Use of same allocation methodology as proposed by I&M in 44967, 45235, & 45576. • Continue using the 6 CP demand allocator, consistent with the methodology found appropriate in I&M's last four basic rate cases.	• Small.	• Small Attach. MSS-1 (TY CCOSS). • WP-MSS-1-MSS-20 (support).

COST OF SERVICE AND RATE DESIGN			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Overall Rate Design	• Follow same methodology established in Cause No. 44075 and reflected in the Company's succeeding basic rate cases. • Increase standard residential tariff service charge from the current level of $14.79 per month to $17.50 per month; continue declining block volumetric energy rate structure. • Approve TDSIC allocation factors.	• Fischer	• Fischer Attach: ○ JLF-1 (trans. cost rev. adj). ○ JLF-2 (cust. class rev. allocation). ○ JLF-3 (present & proposed rev.) ○ JLF-4 (bill comparison). ○ JLF-5 (IOU & REMC res. fixed charges). ○ JLF- 6 (TDSIC allocation factors). • WP-JLF-1-WP-JLF-7.
Phase-In Rate Adjustment (PRA)	• PRA credit for rate base additions during TY as in 44967, 45235, & 45576. • I&M to certify actual Test-Year-end rate base pursuant to same procedure as in 44967, 45235 & 45576.	• Seger-Lawson (description of PRA). • Duncan (calculation of credits). • Small (Phase-In COSS). • Fischer (PRA rate design).	• Duncan Attach. JCD-2 (PRA Rev. Req.). • WP-JCD-4-6 (PRA rev. req. support). • WP-MSS-17 thru 20. • WP-JLF-7 (PRA factor rate design).
Major Storm Damage Reserve	• Continue Major Storm Reserve as approved in last three basic rate cases. • Update baseline for the reserve.	• Seger-Lawson (policy). • Isaacson (historical trends).	• Exhibit A-5. ○ WP-A-O&M-5. ○ WP-A-O&M-6. • Exhibit A-6. ○ WP-A-RB-6.
Existing Rider Proposals			
DSM/EE Rider	• Adjust net lost revenues.	• Gruca.	• See Testimony.

COST OF SERVICE AND RATE DESIGN			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
ECR	• Update embedded base rate amount to include TY level consumables and allowance costs. • Include LCM property tax expense in base rates.	• Gruca.	• See Testimony.
FAC	• Reset base cost of fuel.	• Gruca. • Sloan (FAC basing point).	• Sloan Attach. SAS-10 (FAC basing point).
LCM	• Close rider	• Gruca.	• See Testimony.
OSS/PJM	• Update the embedded base rate amount to reflect the forecasted test year level of PJM non-NITS charges.	• Gruca.	• Exhibit A-5. o WP-A-Rider-2.
RAR	• Update the embedded base rate amount to reflect TY level of non-fuel purchased power expenses, purchase power capacity expenses, and capacity sales revenues. • Increase purchase power capacity expenses (embedded in base rates) to reflect Rockport Unit 2 capacity purchase and PJM-accredited capacity purchase through a bilateral contract during the TY.	• Gruca.	• Exhibit A-5. o WP-A-O&M-1.

COST OF SERVICE AND RATE DESIGN			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Modified Tax Rider	• Continue Tax Rider to recover the NOLC consistent with the Settlement Agreement approved in Cause No. 45576, as well as tax changes associated with the IRA including any potential CAMT and PTCs associated with the Cook Nuclear facility.	• Criss (taxes). • Ross (deferral accounting) • Seger-Lawson (Rider and deferral accounting).	• See Testimony.
New Rider			
Grant Projects Rider	• Implement new Grant Projects Rider to track costs and federal and state grants associated with infrastructure projects.	• Osterholt (grants) • Ross (deferral accounting) • Seger-Lawson (Rider and deferral accounting)	• See Testimony.
Terms and Conditions of Service and Tariffs	• Implement minor language changes to bring better definition or clarity to Terms and Conditions of Service. • Modify tariff language and rates of existing tariff schedules including condensing multiple water heater tariffs closed to new business since 1997, simplify the Time of Day and Critical Peak Pricing programs, remove Tariff R.S. OPES (Off Peak Energy Storage) and Tariff T.O.L. (Timed Outdoor Lighting) as well as other tariff related changes.	• Cooper. • Fischer (rate design).	• Cooper Attach: ○ KCC-1 (tariff TOC and terms and conditions of service (redline)). ○ KCC-2 (tariffs and rider sections (redline)). • WP-A-OR-2 (support for service, reconnect and trip charges). • WP-JLF-4.

COST OF SERVICE AND RATE DESIGN			
Subject	**I&M Proposal**	**Supporting I&M Witness**	**Workpaper or Exhibit Reference**
Rule Waivers (or declination of jurisdiction)	• See PowerPay Program above.	• Seger-Lawson.	• See Testimony.
HEA 1007	• Commission Consider Five Attributes Enumerated in Statute.	• Baker • Seger-Lawson	• See Testimony. • See Seger-Lawson Section IV (index)

DMS 26314265v6

I&M 2023 Basic Rate Case
Summary of I&M Testimony

1. **Steven F. Baker, I&M President and Chief Operating Officer.** As a regulated company, the price I&M charges for retail electric service is necessarily underpinned by the cost the Company incurs to provide service. The Test Year results demonstrate that the Company's rates will not be sufficient to cover the Company's Test Year cost of providing service. I&M requests that the Commission approve a total annual increase in revenues of approximately $116.4 million, or 6.80%. Commission approval of the proposed package of base rates and rate adjustment mechanisms is reasonable and necessary to allow the Company to continue to meet customers' needs for service.

   The Company's filing includes an average annual capital expenditure, excluding Allowance for Funds Used During Construction (AFUDC) of $548.5 million during the Capital Forecast Period (January 2023 – December 2024). The capital investments reflected in the Company's filing focus on infrastructure improvements across the generation, transmission, distribution, and information technology functions, and complying with environmental and regulatory requirements. The Company is continuing to execute its integrated grid modernization package, which incorporates technologies such as advanced metering infrastructure (AMI), Conservation Voltage Reduction (CVR), distribution automation circuit reconfiguration (DACR), supervisory control and data acquisition (SCADA), distribution line sensors, smart reclosers, and smart circuit ties. Embracing new technology and automated controls improves and modernizes the Company's energy delivery infrastructure and service and improves the customer experience. Customers will benefit from this investment through enhanced system reliability and tools to manage energy usage and costs.

   The Company also continues to invest in technologies that improve internal business processes and customer interactions, which are essential to I&M's strategy to control costs and enhance the customer experience. One of the prominent technology projects the Company discusses in this proceeding is the modernization of its Customer Information System (CIS). The proposed CIS replacement will result in significant long-term benefits to I&M's customers, including improving the Company's ability to bring new innovative service options to customers as their personal interests and business needs change.

   Additionally, 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. 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.

The rate adjustment mechanisms included in the Company's filing are an important tool in I&M's effort to timely reflect variable costs and savings in I&M's rates for electric service while providing reliable and affordable service to I&M's customers. The Company's proposal to continue with existing mechanisms such as the PJM Rider and Resource Adequacy Rider will allow the Company to track costs that may fluctuate over time, providing long term stability in rate structures. New proposals such as the updated Tax Rider and proposed Grant Projects Rider provide the Company with opportunities to share potential federal tax credits and grant opportunities with customers in a timely manner.

In sum, the requested rate relief is necessary and appropriate to support I&M's ongoing effort to address aging infrastructure, secure long-term reliability and resiliency, enhance the service I&M provides through new technology and automation, and otherwise meet the ongoing energy and capacity needs of customers.

2. **Dona Seger-Lawson, I&M Director of Regulatory Services.** This testimony supports the overall revenue requirement, the use of a forecasted Test Year, and ongoing deferrals for certain costs. I&M requests the Commission to authorize recovery of I&M's cost to serve customers using the forward-looking calendar year of January 1, 2024 through December 31, 2024 (Test Year). This cost recovery will be implemented through a combination of base rates and rate adjustment mechanisms. I&M's overall requested rate relief for the Test Year is approximately $116.4 million, or 6.8%.

   I&M proposes to implement the requested rate increase in two steps through the Phase-In Rate Adjustment (PRA) process used and approved in I&M's last three rate cases. In Phase I, revenue would increase by approximately $83.7 million or 4.89%. The overall increase identified above would be implemented in Phase II, through a compliance filing in January 2025.

   I&M's Financial Exhibit A shows the calculation of the revenue increase. In accordance with GAO-2013-5 and the Minimum Standard Filing Requirements (MSFR), the Company has presented substantial support for the revenue increase and related relief. This is the same level of support provided in the Company's prior basic rate cases.

   The Company's proposals reflect a continuation of existing rate structures and processes. For example, I&M proposes to implement the rate increase in phases consistent with the PRA used to implement rates resulting from I&M's last basic rate case.

   The Company also proposes to continue both the Major Storm Restoration Reserve and the Dry Cask Storage deferral. Similarly, I&M proposes to retain all existing rate adjustment mechanisms (i.e., riders) with certain modifications to the Tax Rider. I&M proposes to continue the Tax Rider to recover the Net Operating Loss Carryforward (NOLC) consistent with the Settlement Agreement approved in Cause No. 45576, as well as tax changes associated with the Inflation Reduction Act (IRA) including any potential Corporate Alter native Minimum Tax (CAMT) and Production Tax Credits (PTCs) associated with the Cook Nuclear facility.

   Additionally, I&M requests Commission authority to implement a new Grant Projects Rider to track costs and federal and state grants associated with infrastructure projects.

Because these projects are grant reliant, the prospect of whether the projects and the grants will be initiated is uncertain and therefore appropriately tracked through a rider mechanism.

This testimony further supports I&M's request for a waiver of certain rules that will enable I&M to implement the PowerPay program. Company witness Seger-Lawson also explains why this requested rule waiver is reasonable and appropriate.

For purposes of this rate case, most deferred balances (including rate case expense and nuclear decommissioning study expense) are amortized over a period of two years as this period represents the most likely period between re-setting base rates in this case. Other previously-approved deferrals that have not been fully amortized continue to be reflected in rate base and through amortization expense consistent with the Commission's prior orders regarding those deferrals.

Commission approval of the Company's proposed revenue increase through the package of base rates and riders presented in the Company's filing is necessary to ensure I&M is provided a reasonable opportunity to recover its cost to serve customers, including a fair return on its underlying investments used to serve customers.

The regulatory support sought by the Company is important to the ongoing provision of retail electric service. The Test Year commences January 1, 2024. I&M asks the Commission to issue an order within 300 days of filing in accordance with Indiana Code § 8-1-2-42.7 and GAO 2013-5.

3. **David S. Isaacson, I&M Vice President of Distribution Operations.** I&M Distribution Operations continues to realize improvements in reliability performance, while providing safe operations and controlling its operating costs. The process of identifying, qualifying, and prioritizing program and project work is showing positive results and, with the increasing use of technological improvements, I&M is building its resiliency.

   Based on results, I&M's Vegetation Management Program continues to have a positive impact on overall reliability. Per the Company's plan, I&M completed the initial four-year cycle, covering all overhead primary lines, by the end of 2021. The next four-year rotation period began in 2022. Continuation of this program is reasonably expected to further improve reliability and avoid returning to a system challenged by controllable vegetation-caused service interruptions.

   In addition to vegetation management, the proposed continued investment in the distribution system will support positive reliability and resiliency results for I&M customers.

   I&M remains focused on three key principles:
   - Continuing reliability improvement,
   - Utilizing technology to increase operational efficiency and resiliency of the Company's system, and
   - Positioning I&M for changes in regulatory requirements and customer expectations.

Using these principles, the Company has prepared a portfolio of programs and projects under its Distribution Management Plan necessary to ensure the Company's distribution system continues to operate in a safe manner, while providing for continuous reliability improvement to enhance each customer's experience.

In 2021, the Company began replacing its existing Automatic Meter Reading (AMR) infrastructure with AMI technology, with the expectation of being completely converted by the end of 2024. This activity, along with additional grid modernization projects will be discussed in this testimony along with additional investments in ADMS/DERMS and Field Mobility.

To conclude the capital investments, the Company has prepared a portfolio of incremental investments to support grant applications submitted under the Infrastructure Investment and Jobs Act (IIJA). Company witness Osterholt provides the details of these in his testimony, while Company witness Isaacson outlines the operational aspects in his testimony.

Regarding O&M, the primary areas of distribution O&M expense are ongoing O&M (including underground locate services, minor storm recovery and facility repairs), Vegetation Management O&M, and Major Storm O&M. As in past filings, these costs are representative of distribution service activities that are necessary to serve I&M's customer base and maintain safety and improve the service reliability of I&M's distribution system.

Lastly, the Major Storm Reserve helps I&M preserve the core O&M necessary to maintain the reliability of its distribution system, while ensuring that I&M customers pay rates that reflect the true costs of a major storm – no more and no less.

4. **Kelly J. Ferneau, I&M Site Vice President at Donald. C. Cook Nuclear Plant (Cook).** This testimony provides an overview of the Cook Plant operations and performance. In addition, this testimony supports that Cook's operation and maintenance (O&M) expenses during the Test Year have been developed using a robust planning and review process and are reasonable and necessary to maintain the safe and reliable operation of the facility. Additionally, Company witness Ferneau describes the projected capital expenditures at Cook during the Capital Forecast Period and the process used to ensure the portfolio of projects the Company is proposing in this case are necessary for the continued operations of the Cook plant.

   Ms. Ferneau describes the status of the settlement agreement with the United States Department of Energy (DOE) as a mechanism for submitting and recovering costs associated with Dry Cask Storage.

   This testimony also explains that Cook's LCM Project, completed as of December 31, 2022, has allowed Cook to provide safe and reliable power through its initial license extension period and has also better prepared Cook for a potential SLR. The SLR process is a complex undertaking that includes development of a Subsequent License Renewal

Application (SLRA), inspections of the plant, environmental reviews, Nuclear Regulatory Commission (NRC) reviews, and public participation.

A SLR feasibility study (Feasibility Study) prepared for Cook Units 1 and 2 indicated that no obstacles exist that would prevent Cook from operating another 20 years beyond its current renewed license. As a result, the Company is proposing a multi-year SLR Project, a large undertaking by multiple engineering groups to determine if a renewal of Cook's license for the continued operation of Units 1 and 2 through 2054 and 2057, respectively, is appropriate. The SLR Project will also provide the necessary inputs into the SLRA. To obtain the information necessary to maintain the timelines associated with the SLRA process it is reasonable and necessary to commence this work now. Taking these steps is also consistent with the Short-Term Action Plan in the Company's Integrated Resource Plan (IRP).

5. **Robert A. Jessee, American Electric Power Service Corporation (AEPSC) Managing Director – Generating Assets for Indiana Michigan Power Company (I&M or Company) and Kentucky Power Company.** This testimony explains how the forecasted Test Year O&M and forecasted capital expenditures are reasonable and necessary to continue to maintain and operate I&M's generating units in a safe, reliable, efficient, and environmentally compliant manner for the benefit of its customers. Company witness Jessee explains that I&M's Test Year O&M expense reflects I&M's transition of Rockport Unit 2 to a merchant generating resource at the end of 2022, consistent with the Commission's orders in Cause Nos. 45546 and 45576, as well as I&M's continuous focus on managing O&M costs while maintaining the safe and reliable operation of its generating units. Mr. Jessee also explains how I&M is managing the end-of-life transition of Rockport Unit 1 for the benefit of I&M's customers. Lastly, Mr. Jessee explains certain hydro projects that are necessary to support the ongoing safe operation of these facilities.

6. **Katherine K. Davis, I&M Vice President of External Affairs and Customer Experience.** This testimony describes the Company's proposed PowerPay Program, a voluntary, pre-pay billing option for its residential customers. PowerPay will provide benefits to I&M's residential customers and allow them to interact with I&M on their terms to improve customer satisfaction.

   This testimony also describes the customer benefits associated with the Company's new CIS. The new CIS will give the Company more flexibility to implement evolving and more complex tariff designs to the benefit customers and provide more tools for Demand-Side Management and improved customer communications.

   Company witness Davis also describes the benefits of the Company's middle-mile broadband project proposal. The Company has received widespread support for this proposal from a variety of government officials, educators and community organizations, and the project aligns with the five categories of Governor Holcomb's 2023 Next Level Agenda: health and wellbeing, education and workforce, economic development, community development, and good government. This project is consistent with the

Governor's Next Level Connections and Next Level Broadband program, which seeks to bridge the digital divide by improving broadband access and adoption in Indiana.

7. **Nicolas C. Koehler, AEPSC Director of East Transmission Planning.** Transmission investment at AEP and across the industry is directed toward addressing aging grid infrastructure, maintaining and improving stability, reliability, and resilience, and protecting the grid from physical and cyber threats. Such investment needs continue to increase, as do associated costs. As a Load Serving Entity within PJM, I&M incurs costs to use the transmission system supported by such investments, irrespective of whether it owns the facilities that are being used. I&M's PJM costs, including the Network Integrated Transmission System (NITS) costs that make up the bulk of its PJM costs, are reasonable and necessary to provide reliable electric service to I&M's customers. They are supported by robust PJM vetting processes for Baseline Upgrades and Network Upgrades, and detailed protocols for consideration of AEP Owner Projects that assure only projects that are needed in each transmission owner's service territory are pursued. Further, Owner Projects are subject to a transparent stakeholder process to ensure that they are appropriate, efficient, and cost-effective solutions for customers.

8. **Shelli A. Sloan, AEPSC Director Financial Support and Special Projects in Corporate Planning and Budgeting (CP&B).** I&M's Test Year financial forecast is the result of a thorough forecasting process which supports each element presented in the jurisdictional separation study. A forecast takes the assumptions developed from the Company's management experience, knowledge and judgment and uses those to develop the work plans that become the basis for I&M's forecast. The operations and maintenance (O&M) and capital forecasts prepared by each business unit are based on work plans that use business objectives to prioritize work activities. In addition to the functional business unit forecasts, I&M also incorporates the capital and O&M budgets and long-range forecasts from AEPSC for corporate services including, but not limited to, IT and shared services. I&M management works across the business units to evaluate the drivers behind the components of the work plan to ensure capital and O&M are prioritized, allocated properly, and are within available capital and O&M guardrails. The forecast accurately reflects the data and inputs provided at the time it was developed, is reasonable, and is representative of I&M's going forward cost of providing service. The forecasting process used in this proceeding is the same that was used in I&M's two most recent basic rate cases, Cause Nos. 44576 and 45235.

   I&M uses a financial modeling program designed specifically for investor-owned utilities by Utilities International (UI) to prepare the Total Company, integrated financial forecast. This model integrates I&M's work plans with a number of other forecast inputs to generate a financial forecast.

   The FAC basing point for the Test Year is 12.981 mills per kWh, as shown on Attachment SAS-10.

9. **Stacie R. Gruca, I&M Regulatory Analysis & Case Manager. This testimony** discusses I&M's proposal to maintain its previously approved riders, including its

DSM/EE Program Cost Rider, OSS/PJM Rider, SPR, ECR, RAR, and statutory FAC Rider, which have been an efficient way to ensure transparent tracking of costs for significant projects and programs.

Additionally, Company witness Gruca addresses certain modifications I&M proposes to some of its existing riders, including: 1) updating net lost revenues in the DSM/EE Program Cost Rider; 2) updating embedded base rate amounts in the OSS/PJM Rider, ECR, and RAR; 3) embedding LCM property tax expense in base rates, which is currently tracked through the ECR; and 4) resetting the base cost of fuel in the FAC Rider. Ms. Gruca also testifies that I&M proposes closing out the LCM Rider.

10. **Joe Brenner, AEPSC Vice President, Business Solutions.** This testimony provides an overview of AEP's Technology and Security organization and supports the forward-looking (2024) Test Year operations and maintenance (O&M) expenses and capital expenditures in the Capital Forecast Period (2023 and 2024) for Technology and Security projects. Company witness Brenner also provides an overview of the project costs, timeline, and project management processes associated with three of the strategic technology investments in this case: Field Mobility, the CIS, and the ADMS and DERMS. Mr. Brenner also supports two Adjustments to the Test Year: RB/O&M-2 to increase customer billing system costs to implement the PowerPay program, and RB/O&M-3 to address increases IT capital and O&M over the amounts including in the forecast used in this case.

11. **Scott S. Osterholt, AEPSC Managing Director of Federal Grants and Broadband.** Federal grant programs like IIJA, provide the Company with opportunities to both reduce the cost of projects in current work plans, and advance emergent technology projects at a reduced cost to deliver benefits to customers earlier. This testimony provides an overview of structure of the IIJA program, the projects the Company is eligible to pursue as a utility to improve the reliability and resiliency of the power grid, and specific projects the Company is currently pursuing. Company witness Osterholt also explains I&M's engagement with the State of Indiana to pursue funding opportunities that will be allocated at the state level.

    Mr. Osterholt also supports I&M's proposal to install fiber optic cable in two counties of I&M's distribution system. Fiber optic cables installed by the Company in these areas will serve a dual purpose: utility service and rural "middle mile" broadband. This testimony explains the dual benefits of I&M's proposed Fiber/Rural broadband project with respect to the provision of reliable and affordable electric service to I&M's customers while facilitating rural broadband opportunities to those in unserved areas of the State.

    Company witness Osterholt also discusses the need for a timely regulatory process for the Company to bring forward grant opportunities for review and approval by the Commission. The timelines imposed on the Company by the grantor that are required take advantage of grant opportunities do not align well within current regulatory review timelines for cost recovery. The Company's proposal for a more expedited review process will allow the Company to better support compliance with grant requirements for project funding commitments and obligations, and timely incorporate grant funds into cost recovery for the benefit of I&M's customers.

I&M is requesting cost recovery of the broadband project as well as the other grant-eligible projects through a new Grant Projects Rider that would recover costs for projects eligible to receive federal and state grant funds. The proposed Grant Projects Rider is further explained by Company witness Seger-Lawson.

12. **Jessica M. Criss, AEPSC Tax Accounting and Regulatory Support Manager.** This testimony describes the methods used to develop the federal and state income tax expense for the Test Year. The methods used are consistent with prior rate filings. The Company's state and federal income tax expense has been properly recomputed to reflect the appropriate tax effects resulting from the various ratemaking adjustments supported in this case. The pass-through benefit of protected excess ADFIT, a component of deferred federal income tax (DFIT) expense, has been properly recomputed to include the NOLC deficient offset, consistent with the calculations in Cause No. 45576. The adjusted Test Year level of other tax expense is appropriate and necessary and reflects the proper amount of going-level expense.

    The Company's ADFIT balances have been properly recomputed to reflect the balance of deferred tax assets and liabilities necessary as an adjustment to the capital structure. ADFIT includes the impact of the stand-alone NOLC, which is reasonable and consistent with stand-alone ratemaking practices and Internal Revenue Code (IRC) normalization requirements.

    The GRCF calculated on Exhibit A-8 indicates the appropriate factor that is applied to the income deficiency in order to determine the amount of incremental revenue needed to obtain the required level of operating income. Exhibit A-9 calculates the Company's effective federal income tax rate after taking into consideration permanent differences, flow-through timing differences, excess DFIT amortization, and deferred investment tax credit amortization.

    The Company proposes a different treatment of tax items since the filing of Cause No. 45576. The Company is seeking to align its ratemaking such that the taxes are normalized throughout the origination and reversal of the cost of removal (COR) timing difference, amortize specific deferred tax balances due to customers, and account for the implications of the Inflation Reduction Act (IRA) enacted on August 16, 2022.

    The Company proposes to utilize the Tax Rider to reflect the nuclear PTC benefits once they are utilized or monetized and the annual impact of the CAMT as applicable.

13. **Andrew J. Williamson, I&M Director of Regulatory Services. This testimony** supports the continued recovery of Asset Retirement Obligation (ARO) and other decommissioning costs (also referred to as "cost of removal" and "net salvage") associated with Rockport Unit 2. These obligations were created as a result of the service Rockport Unit 2 provided to I&M's Indiana retail customers. The associated costs are therefore reasonable and

necessary and should continue to be reflected in I&M's cost of service until the ARO and other decommissioning costs are finally settled upon closure of the plant.

14. **Aaron L. Hill, AEPSC Director of Trusts and Investments.** The level of nuclear decommissioning funding should be increased from $0 million per year to $2.0 million per year. Increasing the level of funding provides a reasonable probability of having sufficient assets in the trust fund to safely decommission the plant. The funding for the pre-April 7, 1983 spent nuclear fuel disposal should remain suspended for the time being. I&M will continue to monitor the level of funding for nuclear decommissioning and for pre-April 7, 1983 spent nuclear fuel disposal and will continue to report to the commission on a regular basis.

    The prepaid pension asset is accurately forecasted and its continued inclusion in I&M's rate base is appropriate. The prepaid OPEB asset is also accurately forecasted and should be included in I&M's rate base.

15. **Jason A. Cash, AEPSC Director of Regulatory Accounting Services.** I&M's current depreciation rates are based on the Commission Order approving the settlement agreement in Cause No. 45576. The results of the recent depreciation study, supports revisions to the depreciation rates and accruals previously approved by the Commission, resulting in an annual depreciation expense increase of $18,223,154 on a Total Company basis. The primary drivers of this increase are from the additional investments made at the Cook Nuclear Plant and the changes made to the average service lives for certain accounts in the Company's Distribution Plant.

    All of the property included in the Depreciation Study was considered on a group plan. Under the group plan, depreciation is accrued upon the basis of the original cost of all property included in each depreciable plant group instead of individual items of property. Upon retirement of any depreciable property, its full cost, less any net salvage realized, is charged to the accumulated provision for depreciation regardless of the age of the particular item retired.

    In this study, the plant groups consisted of the individual primary plant accounts for Production, Transmission, Distribution, and General Plant property. The depreciation rates were calculated by the Average Remaining Life Method, which is the same method that was used to calculate I&M's current depreciation rates. The Average Remaining Life Method recovers the original cost of the plant (adjusted for net salvage) less accumulated depreciation over the average remaining life of the plant.

    For Production Plant, the generating unit retirement dates and the interim retirement history for the individual plant accounts were used to determine the average service lives and the remaining lives of the plants. The average service lives for the Company's Transmission, Distribution, and General Plant were determined using statistical procedures similar to those used in the insurance industry in studies of human mortality. The historical retirement experience of property groups was studied, and retirement characteristics of the property were described using the Iowa-type retirement dispersion curves.

Net salvage for each property group was determined based on actual historical experience for Production, Transmission, Distribution, and General Plant accounts. In addition, Production Plant included terminal retirement net salvage amounts for Steam and Hydraulic Production Plant. To determine terminal net salvage for Production Plant, the depreciation study used the conceptual dismantling cost estimates reflected in I&M's current depreciation rates. These estimates were prepared by Sargent & Lundy (S&L).

The depreciation study includes expected production plant investment through the Test Year to properly match depreciation rates with plant in service when rates become effective in 2024. Establishing depreciation rates in this manner better supports the full depreciation of such assets and better aligns customer rates with the remaining service life of each generating station while reducing the extent to which the costs will need to be reflected in rates after the assets are no longer in service.

In summary, the depreciation rates being proposed in this Cause were updated to reflect (i) changes in the plant in service and accumulated depreciation balances since the last depreciation study was performed, (ii) changes in mortality characteristics and net salvage estimates for Transmission, Distribution and General Plant since the last depreciation study was performed, (iii) reasonable assumptions for salvage and dismantlement, including an updated dismantlement estimate for the Company's Rockport Plant, and (iv) a continued consolidated "whole plant" approach for the Rockport units. The revised depreciation rates are reasonable and should be approved.

16. **Roderick W. Knight, Decommissioning Manager TLG Services, Inc. (TLG).** This testimony presents the most recent decommissioning cost analysis prepared by TLG Services for IMPC. The analysis provides a realistic estimate of the actual future costs associated with the shutdown of the D. C. Cook Nuclear Power Plant, Units 1 & 2 in the years 2034 and 2037, respectively and is reliable for IMPC's financial planning purposes and for use in this proceeding. As established in the 2021 Study, the total estimated cost for the decommissioning is $2,156 million in 2021 dollars, which includes costs to remove all radioactive materials from the site, terminate the NRC operating licenses, remove all structures above the three feet below-grade elevation and backfill all below-grade voids to the surface elevation and transfer all spent fuel from the spent fuel pool to the on-site Independent Spent Fuel Storage Installation (ISFSI). Costs have also been determined to operate the ISFSI on an annual basis and to decommission and restore the site on an as yet-to-be-determined date.

17. **Vanessa Yvonne Oren, AEPSC Executive Compensation Consultant, Sr.** To provide reliable service to customers efficiently and effectively, the Company needs to provide market competitive compensation to attract and retain suitable employees without experiencing employee turnover and position vacancy that increases costs. No utility of I&M's size and complexity can provide service to customers efficiently and effectively without offering market competitive compensation to most if not nearly all positions.

Without the provision of market competitive compensation, the Company would experience increased employee turnover, increased position vacancy, increased hiring expense, increased training costs, and lower productivity. Therefore, market-competitive total compensation, which includes base salary, STI and LTI, is a necessary cost of doing business.

Total Compensation includes all types of compensation, such as base pay and incentive compensation, which includes STI and LTI, earned by employees at a market-competitive level. If the Company did not provide a combination of lower fixed base pay plus variable incentive pay opportunity, the Company would need to pay higher fixed base pay to maintain market competitive total compensation.

The Commission has allowed recovery of incentive compensation – including the Company's STI and LTI compensation – for more than twenty years. The incentive compensation opportunity, both STI and LTI, the Company provides to employees continues to meet the Commission's standards for incentive compensation cost recovery.

Most companies that provide Employee Retirement Income Security Act (ERISA) qualified defined benefit pension benefits to employees also provide a non-qualified restoration plan for higher paid employees, similar to AEP's SERPs. The Company utilizes SERP plans to provide the same retirement benefits to employees as are provided under the ERISA qualified retirement plans to the extent that such benefits cannot be provided due to the constraints imposed on qualified plans. SERP is not an additional benefit above and beyond what is needed to provide market-competitive total rewards to employees whose skills and experience command higher pay in the market.

Customers benefit from the provision of these benefits as part of a market competitive total rewards package that enables the Company to attract and retain suitable employees in the same manner that customers benefit from the provision of base pay as part of the same market competitive package.

18. **Ann E. Bulkley, Principal at The Brattle Group.** Based on the quantitative and qualitative analyses presented in Company witness Bulkley's direct testimony, the business and financial risks of the Company as compared to the proxy group and current and prospective capital market conditions, Ms. Bulkley recommends an ROE of 10.50 percent for the Company. The cost of capital, when considered in the context of the overall rate request, is expected to enable the Company to maintain its financial integrity and therefore its ability to attract capital at reasonable rates under a variety of economic and financial market conditions, while continuing to provide safe, reliable and affordable electric utility service to customers in Indiana.

19. **Franz D. Messner, AEPSC Managing Director of Corporate Finance.** This testimony presents the capital structure and weighted average cost of capital for I&M, describes the forecasted financing activity between December 31, 2022, the end of the historical period, and December 31, 2024, the end of the forward-looking Test Year, and describes I&M's credit ratings and why regulatory outcomes are important in the rating process.

I&M proposes a WACC of 6.49%, which is a reasonable value reflecting the forecasted Test Year end December 31, 2024 capital structure which, based on investor-supplied capital, includes a 48.8%/51.2% ratio of long-term debt to equity and a reasonable return on equity (ROE) of 10.5% as supported by witness Bulkley.

The Test Year capital structure and WACC are shown in I&M Exhibit A-7. I&M's forecasted WACC is 6.44% at the beginning of the Test Year (December 31, 2023), and 6.49% at the end of the Test Year (December 31, 2024). In both cases, the Company utilizes a 10.50% cost of equity supported by witness Bulkley. I&M's overall proposal will help maintain solid credit ratings and ready access to capital over the forecast period. The projected cost rate for long-term debt is 4.59% at the beginning of the Test Year (December 31, 2023) and 4.58% at the end of the Test Year (December 31, 2024) as shown on pages 1 and 3 of Exhibit A-7.

Financing activity forecasted for the period between the end of the historical period (December 31, 2022) and the end of the Test Year (December 31, 2024) includes a March 2023, $500,000,000 issuance of new long-term debt to offset a $250,000,000 long-term debt maturity in March 2023 and to supplement the needs of its ongoing capital investment program.

Credit ratings are opinions on a company's ability to repay its debt and other obligations in full and on time. The credit ratings facilitate the process of issuing bonds by providing a widely recognized measure of relative credit risk. Investors may also use ratings as a screening device to determine investments. Credit ratings are important to I&M. A higher credit rating results in lower cost of debt and better access to capital in times of financial volatility. The credit rating is the primary criteria by which fixed income investors evaluate debt investments. Additionally, fixed income investors are limited in the amount of non-investment grade securities that they can purchase, so it is important for a utility to maintain investment grade ratings. A portion of the Company's credit rating is based on qualitative factors related to regulatory environment. Rating agencies closely follow regulatory outcomes for a utility. Consistent and appropriate regulatory treatment is a credit positive and supports the Company's credit ratings which in turn affords the Company better access to capital markets to better source capital at lower cost.

20. **Tyler H. Ross, AEPSC Director of Regulatory Accounting Services.** The ratemaking adjustments Company witness Ross sponsors are reasonable and necessary to properly reflect I&M's cost of service for the forward-looking 2024 Test Year. The data he relies on was acquired from numerous sources, including but not limited to I&M's and AEPSC's accounting records. This is the type of supportable data that has been found to be reliable and regularly used in I&M's business for this type of analysis. I&M's financial reporting to the SEC relies on the same accounting records used in preparing the historical data provided in this case.

The adjustments Mr. Ross sponsors have been prepared in a manner consistent with accounting-related adjustments included in prior I&M rate cases. If these adjustments were not made, I&M's Indiana jurisdictional rate base, operating expenses and I&M's base rates would not be properly stated. All of the adjustments that Company witness Ross sponsors that relate to changes in electric plant in service and accumulated depreciation were included in calculations of depreciation expense and accumulated depreciation in the forward-looking 2024 Test Year. All of the rate base and operating expense adjustments that he sponsors were also provided to Company witness Duncan for inclusion in I&M's jurisdictional separation study.

This testimony describes deferral accounting that the Company would perform in accordance with GAAP and FERC USofA related to new regulatory deferrals proposed by Company witness Seger-Lawson.

Consistent with I&M's last four rate cases (Cause Nos. 45576, 45235, 44967 and 44075), I&M continues to include its prepaid pension asset in rate base. I&M has also included its OPEB prepaid asset balance in rate base, consistent with the Orders in Cause Nos. 39314, 43306 and 44075. The Company has included net OPEB expense (net of return on plan assets and amortization of prior service cost (credit)) in the development of its cost of service for its six most recent base rate case filings. Consistent with I&M's prepaid pension asset, I&M's OPEB prepaid asset represents a long-term asset funded through investor-supplied capital. Therefore, as supported by Company witness Seger-Lawson, I&M reasonably seeks a fair return on this asset balance through rate base treatment, similar to the Company's prepaid pension asset.

21. **Daniel M. White, AEPSC Managing Director of Economics and Supply Forecasting.** The Test Year forecast is a reasonable projection of I&M's customer count, sales, and peak load. I&M's load forecast methodology, which is unchanged from the prior rate case, is proven to produce reliable projections that are useful for planning and setting rates. The forecast techniques utilized by the Company are widely accepted across the electric utility industry and utilize data inputs from recognized third-party sources.

    This methodology produced an Indiana retail jurisdictional forecast that is 89 GWh higher than the normalized actuals in 2022. This includes an increase in Industrial class sales that is partially offset by lower Commercial and Residential class sales. The Test Year forecast reflects an economy dealing with a tight labor market as well as persistent inflation, and a shift from expansionary to contractionary monetary policy. Inflation (as measured by year over year growth in the Consumer Price Index: Urban Consumer – All Items) reached a high of 8.9% in June 2022. The pace of inflation has slowed since the Federal Reserve began its aggressive monetary tightening policy. However, higher costs and wages have become more entrenched in overall consumer prices which will cause inflation to continue at levels above the Federal Reserve's target into at least 2024.

22. **Jennifer C. Duncan, AEPSC Regulatory Consultant Staff in the Regulated Pricing and Analysis Department.** The Company's jurisdictional separation study appropriately allocates the Company's Test Year cost of providing service to the Indiana retail jurisdiction. The allocation of Total Company Test Year costs to the three jurisdictions I&M serves is based on established cost allocation procedures, using underlying data that

represents how the system is used to meet customer requirements. Additionally, the calculated demand and energy allocation factors proposed in this Cause are reasonable and accurately reflect the Indiana retail jurisdiction's contribution to Total Company Test Year demand and energy. Furthermore, the revenue adjustments Ms. Duncan sponsors reflect the appropriate level of Test Year firm and interruptible sales the Company is proposing in basic rates. The revenue requirement calculated for the Company's proposed PRA appropriately determines the Company's cost of providing service to the Indiana retail jurisdiction, net of plant activity forecasted to occur in the Test Year. The calculation of the Company's proposed PRA follows the same methods employed to develop the Phase-in Rate Adjustments in Cause Nos. 45576, 45235 and 44967.

23. **Michael S. Small, AEPSC Regulatory Consultant Senior in the Regulated Pricing and Analysis Department.** A class cost-of-service study is a basic analytical tool used in traditional utility rate design. Cost studies are utilized to determine the revenue requirement for the services offered by the utility and to determine the costs that different classes of customers cause to be incurred on the utility system. When the jurisdictional costs are allocated to the various customer classes, the result is a fully allocated class cost-of-service study that is a guide in establishing rates based on costs.

This testimony describes the class cost-of-service allocation study for the Test Year and presents the resulting class-by-class rates of return. The cost allocation methods used to prepare the study meet the criteria identified in the testimony and assign costs based on Commission approved cost causations approaches. Customers who cause costs to be incurred are allocated such costs in the Company's class cost-of-service study.

The class cost-of-service study equitably allocates costs among customer classes based on contributions to demand and energy levels and number of customers. The Company proposes to continue using the 6 Coincident Peak (CP) demand allocator, consistent with the 6 CP methodology used in I&M's last four basic rate cases (Cause Nos. 45576, 45235, 44967, and 44075). The CP cost allocation refers to the process of determining each class's hourly contribution to the Company's monthly peak demand. The 6 CP is the most appropriate demand allocator considering the load profile during the Test Year continues to reflect six monthly peaks, three during the summer and three during the winter. The benefit of the 6 CP demand allocator is that each customer class is being allocated their fair share of demand costs based on their contributions to the average of the six monthly peaks during the Test Year.

When the costs are allocated to the customer classes, the result is a fully allocated cost-of-service study that establishes cost responsibility and the Test Year rate of return earned from each class, making it possible to determine the rates each class of customer should pay based on costs that are just and reasonable. Company witness Fischer explains that the results of the study help guide the allocation of the Test Year sales revenue to each customer class.

24. **Jenifer L. Fischer, AEPSC Manager, Regulated Pricing and Analysis.** The Company's class cost of service study, supported by Company witness Small, equitably allocates the

total Indiana retail jurisdiction cost of service among the customer classes. I&M has appropriately used the results of that study to allocate the proposed revenue increase, based on principles of cost causation and gradualism, to design rates that reflect as nearly as possible the actual costs of service to the customer, reduce subsidies, and move all classes towards earning the class average rate of return. The Company's proposal to increase the standard residential tariff service charge to $17.50 continues to gradually increase the level of fixed, secondary demand-related costs recovered through the monthly fixed service charge in order to better align collection of these costs with their local, fixed nature. In addition, the Company proposes to consolidate the residential water heating provisions and simplify the design of the residential and small commercial critical peak pricing tariffs.

25. **Kurt C. Cooper, I&M Regulatory Consultant Principal in the Regulatory Services Department.** This testimony addresses changes reflected in the new proposed Tariff Book 20. These changes include the Company's proposals to update its Terms and Conditions of Service to provide for the following:

- add PowerPay pre-paid billing option;
- update Service, Reconnect and Trip Charges to better align with costs associated with performing the work; and
- modify current language for relocation of service to include charges for other customer requested work on Company facilities.

A list of minor verbiage changes to the Terms and Conditions of Service is also included to bring clarity and better understanding of the intent of the rule.

Company witness Cooper also presents modifications to the Company residential water heater tariffs, R.S. and G.S. TOD2 and Critical Peak Pricing tariffs, an eligibility language change for Tariff L.G.S., the removal of Tariffs T.O. L. and R.S. OPES, and revisions to Tariff I.P. to raise the threshold for when the Company requires written contracts. The updated tariff language is intended to simplify the tariff, facilitate explanation and understanding of the tariff, and allow the Company to work more efficiently with its customers.

The Company has also proposed three changes to the Applicable Surcharges and Rate Adjustment section in the new proposed Tariff Book 20. Specifically, the Company is proposing 1) to modify the current Tax Rider, 2) remove the LCM Rider and 3) establish a new Grant Projects Rider. This testimony also provides a table of Applicable Riders and the Company witnesses that support the riders in this filing.

Petition Exhibit C

IURC Cause No. _________
I&M Proposed Rate Case Schedule Under
IURC GAO 2013-5 and Ind. Code § 8-1-2-42.7

Per GAO	**Event**	**Per GAO**	**Proposed/Agreed Schedule**
Day -30	Notice of Intent to File	(30 days)	June 6, 2023
Day 0	Petition & Case-in-Chief	Wed., August 9, 2023	Wed. August 9, 2023
@ Day 77	Field Hearings (Oct. 25th is day 77)	TBD	TBD
Day 98	OUCC & Intervenors Cases-in-Chief	Wed. Nov. 15, 2023	Wed. Nov. 15, 2023
Day 126	Rebuttal/Cross-Answering	Wed. Dec. 13,2023	Fri. Dec. 15, 2023 (adjust for two Thanksgiving holidays)
Day 133	Settlement Agreement and supporting testimony[1]	Wed. Dec. 20, 2023	Wed. Dec. 20, 2023
Three business days before hearing	Witness Order submitted		Wed. Jan. 10, 2024 (based on Jan. 16th hearing)
Days 147-161	Evidentiary Hearing	Wed. Jan 3-Wed. Jan. 17, 2024	Jan. 16-19 (T-F), 22-24 (M-W), 29-31 (M-W) (adjust due to Dec/Jan holidays)
Day 182	I&M Proposed Order	Wed. Feb. 7, 2024	Wed. Feb. 7, 2024
Day 203	OUCC & Intervenors Post-Hearing Filings	Wed. Feb. 28, 2024	Wed. Feb. 28, 2024

[1] Per GAO 2013-5 this is the last day to submit settlement agreement with supporting testimony and maintain overall schedule. If settlement covers less than all the parties, the schedule may need to be modified to accommodate testimony objecting to settlement and contested settlement hearing.

Day 210	I&M Reply Brief and OUCC/Intervenor Cross-Answering Briefs	Wed. Mar. 6	Wed. Mar. 6, 2024
Day 300	Target Order date	Tues. June 4, 2024	Wed. June 5, 2024

Other terms:

Technical Conference: Nothing in this schedule precludes a party from proposing a technical conference.

Service: The parties will provide same day service of filings via email, hand delivery or large file transfer.

Discovery: Discovery is available to all parties and shall be conducted on an informal basis. Any response or objection to a discovery request shall be made within ten (10) calendar days of the receipt of such request until November 15, 2023. Thereafter, any response or objection to a discovery request shall be made within five (5) calendar days of the receipt of such request. Any discovery received after noon on a Friday or after 5:00 p.m. on any other business day shall be deemed to have been received the following business day. The last discovery response due date shall be two (2) business days before the evidentiary hearing. There will be blackout dates for discovery from November 21, 2023 through November 26, 2023. December 22 through December 26 and December 30 through January 1 will also be discovery blackout dates. Dates designated as “blackout dates” shall not be included in determining the number of days provided for responding to a discovery request. The Parties may conduct discovery through electronic means. Subject to the protection of confidential information, all parties will be served with discovery requests and responses.

Workpapers: When prefiling technical evidence with the Commission, each party shall file copies of the work papers used to produce that evidence within two (2) business days after the prefiling of such technical evidence. Copies of the same shall also be served on the other parties to this Cause.

Number of Copies/Corrections: Filings with the Commission shall comply with General Administrative Order 2016-2. Any corrections to prefiled testimony shall be made in writing as soon as possible after discovery of the need to make such corrections.

Objections to Prefiled Testimony and Attachments: Any objections to the admissibility of prefiled testimony or attachments shall be filed with the Commission and served on all parties of record not less than five (5) business days prior to the date scheduled for commencement of the hearing at which the testimony or exhibit will be offered into the record.

Temporary Rates: This schedule does not address temporary rates.