

**FILED**  
September 18, 2020  
INDIANA UTILITY  
REGULATORY COMMISSION

I&M EXHIBIT   2  

**INDIANA MICHIGAN POWER COMPANY**

**CAUSE NO. 44182 LCM 10**

**PRE-FILED VERIFIED DIRECT TESTIMONY**

**OF**

**MICHAEL R. WHITMORE**

**PRE-FILED VERIFIED DIRECT TESTIMONY OF MICHAEL R. WHITMORE  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

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

2    A    My name is Michael Whitmore. My business address is Indiana Michigan Power  
3       Center, P.O. Box 60, Fort Wayne, Indiana 46801.

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

5    A    I am employed by Indiana Michigan Power Company (I&M or the Company) as a  
6       Regulatory Consultant Staff in the Regulatory Services Department.

7   **Q.    Please briefly describe your educational and professional background.**

8    A    I have a Bachelor's degree in Finance, a Master's degree in Business Administra-  
9       tion, and a Juris Doctorate, all from Indiana University. I began my career working  
10      for the Indiana Utility Regulatory Commission (the Commission) as an analyst in  
11      the electric division. From 2014 to 2019, I worked for Northern Indiana Public Ser-  
12      vice Company as a senior analyst. In 2019, I began in my current position as Reg-  
13      ulatory Consultant Staff with I&M.

14   **Q.    What are your responsibilities as Regulatory Consultant Staff?**

15   A    My responsibilities in this position include supporting state regulatory case and  
16      compliance filings.

17   **Q.    Have you previously filed testimony in front of the Commission?**

18   A    Yes. I filed testimony on behalf of I&M in Cause No. 43774 PJM-11.

1    **Q.    What is I&M requesting in this filing?**

2    A    I&M is requesting authority to:

- 3            1) Adjust its LCM Rider factors to reflect the expenses related to LCM invest-  
4            ment that I&M expects to be incurred in the forecast period and that are not  
5            already reflected in I&M's base rates;
- 6            2) Adjust its LCM Rider factors to return to or recover from customers the bal-  
7            ance of the regulatory liability or asset related to the LCM program at the  
8            end of the reconciliation period;
- 9            3) Implement the proposed factors in the first billing cycle of the first billing  
10           month after the Commission issues an order in this case; and
- 11           4) Add the amount of net LCM plant estimated to be in service in the forecast  
12           period to the value of the property upon which the Company is authorized  
13           to earn a return.

14   **Q.    What is the reconciliation period and the forecast period in this filing?**

15   A    The reconciliation period is July 1, 2019 through June 30, 2020. The forecast pe-  
16        riod is calendar year 2021.

17   **Q.    What is the purpose of your direct testimony?**

18   A    The purpose of my testimony is to explain:

- 19           • The Company's LCM Rider, including how the Commission's Final Order in  
20           Cause No. 45235 changed the Rider; and
- 21           • How the estimated expenses in the forecast period and the actual expenses  
22           and revenues in the reconciliation period were calculated.

23   **Q.    Are you sponsoring any attachments?**

24   A    Yes, I am sponsoring Attachment MRW-1, which contains sixteen pages that ex-  
25        plain how the proposed revenue requirement was calculated.

1   **Q.    Was this attachment prepared or assembled by you or under your direction**  
2       **and supervision?**

3    A    Yes.

4   **Q.    Who are the other witnesses supporting I&M's request?**

5    A    I&M's request is also being supported by the testimony and attachments of:

- 6           •   Q. Shane Lies, Site Vice President at Cook Nuclear Plant. Mr. Lies dis-  
7               cusses the current status and costs associated with the LCM Project.
- 8           •   John W. Morgan, Regulatory Consultant for AEPSC. Mr. Morgan explains  
9               how the proposed revenue requirement will be allocated in the forecast pe-  
10              riod to the Company's retail customers in Indiana.

11   **Q.    Does I&M's filing also include testimony from an independent expert monitor**  
12       **pursuant to the Commission's Order in Cause No. 44182?**

13   A    Yes. I&M's filing includes testimony by John J. Purcell, executive director at E3  
14       Consulting® LLC (E3). Mr. Purcell is submitting testimony to support E3's role as  
15       the Independent Monitor and to sponsor and describe E3's August 2020 LCM Pro-  
16       ject Semiannual Progress Report.

17   **Q.    What expenses does I&M recover through the LCM Rider?**

18   A    I&M recovers through the LCM Rider the depreciation, property tax, financing, and  
19       independent monitoring expenses that are related to its approved LCM invest-  
20       ments and that are not already reflected in base rates.

21   **Q.    How did the Cause No. 45235 Final Order change the LCM Rider?**

22       As a result of the Commission's Final Order in Cause No. 45235, the following  
23       changes are being made to the LCM Rider:

- 24           1) The expenses related to LCM plant placed into service before January 1,

2020, and reflected in the cost of service approved by the Commission in the 45235 rate case were removed from the LCM rider on March 11, 2020, the day those expenses were moved into base rates.

2) The expenses related to LCM plant expected to be placed into service before January 1, 2021, and that will be reflected in I&M's base rates when the company submits its Phase II factors in January 2021 in compliance with the 45235 Final Order, were removed from the revenue requirement proposed in this filing;

3) The composite depreciation rates on LCM plant at Cook Nuclear Plant Units 1 and 2 were updated;

4) The weighted average cost of capital (WACC) used to calculate carrying costs to reflect the capital structure and cost of equity was updated to the rate that was approved in the order; and

5) The jurisdictional demand factor used to allocate LCM expenses to retail customers was updated.

**Q. Please describe Attachment MRW-1.**

A Attachment MRW-1 has sixteen pages and is divided into two general sections.

1) The first seven pages show the LCM revenue and expenses in the reconciliation period and aggregates them to calculate the balance of the LCM regulatory asset or liability at the end of that period.

2) The next nine pages show the forecast expenses and then adds them to the regulatory asset or liability in order to calculate the revenue requirement.

**Q. Please describe Pages 1 and 2, and Pages 8 and 9 of Attachment MRW-1.**

A Pages 1 and 2 show the depreciation expense in the reconciliation period. Pages 8 and 9 show the depreciation expense in the forecast period.

I&M recovers, through the LCM Rider, depreciation expense on eligible gross LCM plant less eligible gross plant-in-service that is retired due to the LCM project.

Both the gross depreciation expense and the credit to that expense resulting from retired plant was calculated using the composite rates per unit that the Commission

1 first approved in Cause No. 44967 and then adjusted in Cause No. 45235. If a  
2 subproject is used in common by both Cook units, it was assumed to have the  
3 same remaining depreciable life as Unit 2.

4 **Q. Please describe Pages 3 and 10 of Attachment MRW-1.**

5 A Pages 3 and 10 show the finance expense on incremental LCM plant-in-service in  
6 the reconciliation and forecast periods, respectively. The monthly expense is equal  
7 to the product of the Company's approved WACC and the average undepreciated  
8 investment upon which I&M is authorized to earn a return.

9 **Q. Please describe Pages 4 and 11 of Attachment MRW-1.**

10 A Pages 4 and 11 show property tax expense associated with LCM plant-in-service  
11 in the reconciliation and forecast periods, respectively. Property tax in Indiana is  
12 determined at the end of each year and is then expensed ratably over the next  
13 calendar year.

14 The expenses shown on page 4 and page 11 equal the property taxes I&M accrued  
15 each month on LCM plant-in-service that did not have its associated property tax  
16 expense reflected in the Company's base rates.

17 **Q. Please describe Pages 5 and 12 of Attachment MRW-1.**

18 A Pages 5 and 12 show the amortization expense and carrying costs associated with  
19 the independent monitor in the reconciliation and forecast periods, respectively.

20 The Final Order in Cause No. 44182 authorized I&M to recover in the LCM Rider  
21 reasonable expenses associated with an independent monitor. The Final Order in  
22 Cause No. 44182 LCM 3 authorized I&M to defer the monitoring expenses and

1 accrue carrying costs on the deferred balance based on the Company's pre-tax  
2 WACC, and amortize the deferred balance over each subsequent LCM forecast  
3 period.

4 Page 5 shows the amortization expense and carrying costs associated with the  
5 deferred balance, as well as the balance at the end of the reconciliation period.

6 Page 12 shows the amortization in the forecast period of the deferred balance.

7 **Q. Please describe Pages 6 and 13 of Attachment MRW-1.**

8 A Pages 6 and 13 show how the WACC and gross revenue conversion factor  
9 (GRCF) rates used in the reconciliation and forecast periods, respectively, were  
10 calculated.

11 The rates on page 6 were calculated using June 30, 2019 data, and are identical  
12 to those approved by the Commission in LCM-9. The WACC used to calculate  
13 finance expense from March 11, 2020 through June 30, 2020 is also shown and  
14 reflects the capital structure and capital costs approved in the 45235 Final Order.

15 The rates on page 13 are calculated using June 30, 2020 data, which was the  
16 latest quarter of data available at the time of this filing.

17 **Q. Please describe Page 7 of Attachment MRW-1.**

18 Page 7 calculates the balance of the regulatory liability/(asset) at the end of the  
19 reconciliation period. This balance appears on page 14 as a component of the  
20 revenue requirement.

21 The calculation on Page 7 includes the final six months of amortization expenses

1 associated with the December 31, 2013 LCM deferred balance, which the Com-  
2 mission authorized I&M to amortize over a six-year period ending on December  
3 31, 2019.<sup>1</sup>

4 **Q. Please describe Page 14 of Attachment MRW-1.**

5 Page 14 shows the proposed revenue requirement, which is the sum of the regu-  
6 latory liability/(asset) related to the LCM Rider at the end of the reconciliation pe-  
7 riod and the expenses in the forecast period.

8 **Q. Please describe Pages 15 and 16 of Attachment MRW-1.**

9 A Page 15 shows the LCM plant forecast to be placed into service in 2021. Page 16  
10 shows Company plant forecast to be retired in 2021 as a result of LCM invest-  
11 ments.

12 **Q. Do the plant amounts shown in Attachment MRW-1 reflect the inclusion of**  
13 **AFUDC on the LCM subprojects?**

14 A Yes. Based upon the 44967 Order, which was effective July 1, 2018, I&M began  
15 accruing AFUDC on LCM subprojects until they were placed into service.

16 **Q. Do the amounts shown in the March 2020 columns of the pages in Attach-**  
17 **ment MRW-1 reflect the changes from the 45235 Final Order issued on March**  
18 **11, 2020?**

19 A Yes. The first ten days of March and the last twenty-one days of March represent  
20 32.3% and 67.7% of March, respectively. Where appropriate, the amounts shown

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<sup>1</sup> Order in Cause No. 44182 LCM 1, dated 12/30/2013



1 in the March 2020 columns throughout Attachment MRW-1 reflect a 32.3% weight  
2 related to the previous rate and a 67.7% weight related to the new rate.

3 **Q. Are any of the expenses in Attachment MRW-1 related to the \$23 million in**  
4 **incremental upsizing costs that were not approved by the IURC as part of the**  
5 **LCM project?**

6 A No. I&M has not included any upsizing-related costs in plant-in-service and thus  
7 there is no incremental depreciation expense, post in-service carrying costs, or  
8 incremental property tax expense related to the upsizing included in the Indiana-  
9 jurisdictional over/under recovery balance.

10 **Q. Has I&M developed a standard audit packet to be provided as part of the**  
11 **annual LCM tracker filings?**

12 A Yes, I&M is providing to the OUCC the standard audit packet, which consists of  
13 the accounting schedules used to calculate the LCM Rider factors proposed in this  
14 filing.

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

16 A Yes.

**VERIFICATION**

I, Michael R. Whitmore, Regulatory Consultant Staff for Indiana Michigan Power, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: 9/17/2020 | 1:49 PM EDT

DocuSigned by:  
  
081D761D8DAD42C  
Michael R. Whitmore

## Contents

Page	Description	Period	Sponsor
1	Depreciation expense (Unit 1)	Reconciliation	Whitmore
2	Depreciation expense (Unit 2)	Reconciliation	Whitmore
3	Financing expense	Reconciliation	Whitmore
4	Property tax expense	Reconciliation	Whitmore
5	Monitoring expense	Reconciliation	Whitmore
6	Cost of capital	June 30, 2019	Whitmore
7	Regulatory liability/(asset)	Reconciliation	Whitmore
8	Depreciation expense (Unit 1)	Forecast	Whitmore
9	Depreciation expense (Unit 2)	Forecast	Whitmore
10	Financing expense	Forecast	Whitmore
11	Property tax expense	Forecast	Whitmore
12	Monitoring expense	Forecast	Whitmore
13	Cost of capital	June 30, 2020	Whitmore
14	Revenue requirement	Forecast	Whitmore
15	Plant-in-service	Forecast	Whitmore
16	Retired plant	Forecast	Whitmore

### Depreciation expense (Unit 1)

#### Reconciliation

[illegible]

## Depreciation expense (Unit 2)

### Reconciliation

[illegible]

**Financing expense**  
*Reconciliation*

Month	Gross plant (I&M)		Rem. & salvage (I&M)		Investment (IN, avg)				Carrying cost	
	BOM	EOM	BOM	EOM	Jur. Factor	Gross <sup>1</sup>	Acc. Depr.	Net	WACC	Expense <sup>2</sup>
	A	B	C	D	E	F	G	H	I	J
Jul 2019	\$40,742,954	\$41,151,777	\$638,157	\$1,025,533	65.21029%	\$27,244,344	\$91,533	\$27,152,811	6.75%	\$152,735
Aug 2019	\$41,151,777	\$44,055,001	\$1,025,533	\$11,540,175	65.21029%	\$31,878,861	\$165,108	\$31,713,753	6.75%	\$178,390
Sep 2019	\$44,055,001	\$44,494,444	\$11,540,175	\$11,568,703	65.21029%	\$36,406,358	\$241,599	\$36,164,759	6.75%	\$203,427
Oct 2019	\$44,494,444	\$117,570,215	\$11,568,703	\$11,619,880	65.21029%	\$60,402,088	\$321,032	\$60,081,056	6.75%	\$337,956
Nov 2019	\$117,570,215	\$136,309,291	\$11,619,880	\$11,619,880	65.21029%	\$90,355,139	\$463,974	\$89,891,165	6.75%	\$505,638
Dec 2019	\$136,309,291	\$156,563,174	\$11,619,880	\$13,400,256	65.21029%	\$103,649,344	\$686,213	\$102,963,130	6.75%	\$579,168
Jan 2020	\$156,563,174	\$159,303,732	\$13,400,256	\$15,408,800	65.21029%	\$112,382,097	\$942,826	\$111,439,271	6.75%	\$626,846
Feb 2020	\$159,303,732	\$164,017,489	\$15,408,800	\$15,789,285	65.21029%	\$115,591,534	\$1,220,016	\$114,371,518	6.75%	\$643,340
Mar 2020	\$164,017,489	\$13,312,926	\$15,789,285	\$3,990,204	65.21029%	\$64,267,970	\$453,629	\$43,100,001	6.75%	\$242,438
Apr 2020	\$13,312,926	\$39,840,451	\$3,990,204	\$4,408,856	66.23353%	\$20,384,176	\$15,061	\$20,369,115	6.83%	\$115,957
May 2020	\$39,840,451	\$40,866,126	\$4,408,856	\$4,682,884	66.23353%	\$29,738,298	\$74,187	\$29,664,110	6.83%	\$168,872
Jun 2020	\$40,866,126	\$41,477,632	\$4,682,884	\$5,846,441	66.23353%	\$30,756,561	\$163,482	\$30,593,079	6.83%	<u>\$174,160</u>
<b>Total</b>										<b>\$3,928,926</b>

<sup>1</sup> [(A+B)/2 + (C+D)/2] \* E

<sup>2</sup> H \* (I/12)

**Property tax expense**  
*Reconciliation*

	<u>Jul 2019</u>	<u>Aug 2019</u>	<u>Sep 2019</u>	<u>Oct 2019</u>	<u>Nov 2019</u>	<u>Dec 2019</u>	<u>Jan 2020</u>	<u>Feb 2020</u>	<u>Mar 2020</u>	<u>Apr 2020</u>	<u>May 2020</u>	<u>Jun 2020</u>
<i>Assessed value <sup>1</sup></i>												
32100	\$304,564	\$304,564	\$304,564	\$304,564	\$304,564	\$304,564	\$1,008,195	\$1,008,195	\$1,008,195			
32200	\$24,755,799	\$24,755,799	\$24,755,799	\$24,755,799	\$24,755,799	\$24,755,799	\$60,307,263	\$60,307,263	\$60,307,263			
32300	\$828,135	\$828,135	\$828,135	\$828,135	\$828,135	\$828,135	\$935,585	\$935,585	\$935,585			
32400	\$192,532	\$192,532	\$192,532	\$192,532	\$192,532	\$192,532	\$8,635,305	\$8,635,305	\$8,635,305			
32500	\$265,603	\$265,603	\$265,603	\$265,603	\$265,603	\$265,603	\$753,462	\$753,462	\$753,462			
<u>35300</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			
Gross	\$26,346,634	\$26,346,634	\$26,346,634	\$26,346,634	\$26,346,634	\$26,346,634	\$71,639,810	\$71,639,810	\$71,639,810			
<u>Excluded upsizing</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>	<u>\$2,526,291</u>			
Net	\$23,820,342	\$23,820,342	\$23,820,342	\$23,820,342	\$23,820,342	\$23,820,342	\$69,113,519	\$69,113,519	\$69,113,519			
<i>State property taxes</i>												
Rate	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%			
Tax accrued (I&M)	\$59,059	\$59,059	\$59,059	\$59,059	\$59,059	\$59,059	\$171,355	\$171,355	\$171,355			
<u>Jurisdictional factor</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>	<u>65.21029%</u>			
<b>Tax accrued (IN)</b>	<b>\$38,512</b>	<b>\$38,512</b>	<b>\$38,512</b>	<b>\$38,512</b>	<b>\$38,512</b>	<b>\$38,512</b>	<b>\$111,741</b>	<b>\$111,741</b>	<b>\$36,046</b>			
										<b>Total</b>	<b>\$490,602</b>	

<sup>1</sup> Assessed value by State of Michigan on all LCM plant, by FERC account, in previous year whose property tax expense is not reflected in base rates

**Monitoring expense**  
*Reconciliation*

Month	Regulatory asset (IN)				Finance expense		
	Balance (BOM)	Amortization expense	Monitoring expense	Balance (EOM)	Balance (avg)	WACC	Actual expense
	A	B	C	D A - B + C	E (A+D)/2	F Page 6	G E * F/12
Jul 2019	\$108,617	\$11,099	\$17,488	\$115,005	\$111,811	6.75%	\$629
Aug 2019	\$115,005	\$11,099	(\$11,083)	\$92,823	\$103,914	6.75%	\$585
Sep 2019	\$92,823	\$11,099	\$11,041	\$92,764	\$92,793	6.75%	\$522
Oct 2019	\$92,764	\$11,099	\$1,797	\$83,462	\$88,113	6.75%	\$496
Nov 2019	\$83,462	\$11,099	\$3,074	\$75,437	\$79,449	6.75%	\$447
Dec 2019	\$75,437	\$11,099	(\$2,079)	\$62,258	\$68,847	6.75%	\$387
Jan 2020	\$62,258	\$9,051	\$715	\$53,922	\$58,090	6.75%	\$327
Feb 2020	\$53,922	\$9,051	\$0	\$44,870	\$49,396	6.75%	\$278
Mar 2020	\$44,870	\$9,051	\$0	\$35,819	\$40,345	6.81%	\$229
Apr 2020	\$35,819	\$9,051	\$11,691	\$38,458	\$37,139	6.83%	\$211
May 2020	\$38,458	\$9,051	\$3,803	\$33,210	\$35,834	6.83%	\$204
Jun 2020	\$33,210	<u>\$9,051</u>	\$3,451	\$27,610	\$30,410	6.83%	<u>\$173</u>
<b>Total</b>		<b>\$120,905</b>					<b>\$4,487</b>



**Cost of capital**  
*June 30, 2019*

	<u>Capital</u>	<u>Weight</u>	<u>Rate</u> <sup>1</sup>	<u>WACC (net)</u>	<u>Tax gross-up</u>	<u>WACC (gross)</u>
Long-term debt	\$2,654,008,104	40.43%	4.44%	1.80%	1.0000	1.80%
Common equity	\$2,472,751,094	37.67%	9.85%	3.71%	1.3377	4.96%
Customer Deposits	\$36,257,343	0.55%	2.00%	0.01%	1.0000	0.01%
Acc. Def. FIT	\$1,373,147,640	20.92%	0.00%	0.00%	1.3377	0.00%
<u>Acc. Def. JDITC</u>	<u>\$27,496,113</u>	<u>0.42%</u>	\$0	0.03%	1.3377	<u>0.04%</u>
Total	\$6,563,660,294	100.00%				<b>6.81%</b>

**March 11, 2020**

Long-term debt	\$2,926,531,185	42.69%	4.54%	1.94%	1.0000	1.94%
Common equity	\$2,574,496,077	37.55%	9.70%	3.64%	1.3360	4.87%
Customer Deposits	\$37,972,608	0.55%	2.00%	0.01%	1.0000	0.01%
Acc. Def. FIT	\$1,297,541,436	18.93%	0.00%	0.00%	1.3360	0.00%
<u>Acc. Def. JDITC</u>	<u>\$18,960,268</u>	<u>0.28%</u>	6.95%	0.02%	1.3360	<u>0.03%</u>
Total	\$6,855,501,574	100.00%				<b>6.83%</b>

**Tax gross-up calculation**

Earnings before income taxes (E)	1.0000
State tax rate (S)	5.38%
Federal tax rate (F)	21.00%
Tax gross-up <sup>2</sup>	<b>1.3377</b>

**GRCF calculation**

Indiana Utility Receipts Tax (I)	1.4000%
Public Utility Assessment Fee (P)	0.1296%
Uncollectible Revenue Factor (U)	0.2611%
Gross Revenue Conversion Factor <sup>3</sup>	<b>1.7867%</b>

<sup>1</sup> Acc. Def. JDITC rate equal to weighted average cost of only permanent capital (long-term debt and equity)

<sup>2</sup> Tax gross up equal to  $E / (1 - S) * (1 - F)$

<sup>3</sup>  $GRCF = (I+P) * (1-U) + U$

**Regulatory liability/(asset)**  
*Reconciliation*

		<u>Jul 2019</u>	<u>Aug 2019</u>	<u>Sep 2019</u>	<u>Oct 2019</u>	<u>Nov 2019</u>	<u>Dec 2019</u>	<u>Jan 2020</u>	<u>Feb 2020</u>	<u>Mar 2020</u>	<u>Apr 2020</u>	<u>May 2020</u>	<u>Jun 2020</u>
<b>Revenue</b>													
Gross		\$738,695	\$683,448	\$535,028	\$586,353	\$579,454	\$573,559	\$643,838	\$589,897	\$879,506	(\$304,142)	\$21,157	\$17,374
GRCF	Page 6	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7581%	1.7867%	1.7867%	1.7867%
Taxes <sup>1</sup>		\$12,602	\$11,660	\$9,128	\$10,003	\$9,885	\$9,785	\$10,984	\$10,064	\$15,532	(\$5,379)	\$378	\$310
<u>Adjustment <sup>2</sup></u>		<u>\$12,243</u>	<u>\$7,587</u>	<u>\$7,048</u>	<u>\$7,793</u>	<u>\$7,456</u>	<u>\$7,606</u>	<u>\$7,677</u>	<u>\$7,512</u>	<u>\$7,530</u>	<u>\$3,447</u>	<u>\$134</u>	<u>\$13</u>
Net revenue (R)		\$713,850	\$664,202	\$518,853	\$568,556	\$562,113	\$556,168	\$625,178	\$572,322	\$856,445	(\$302,211)	\$20,645	\$17,051
<b>Expense</b>													
Depreciation	Page 1,2	\$47,322	\$47,632	\$52,008	\$52,736	\$131,798	\$155,512	\$181,218	\$185,987	\$62,706	\$26,601	\$63,573	\$65,677
Finance	Page 3	\$152,735	\$178,390	\$203,427	\$337,956	\$505,638	\$579,168	\$626,846	\$643,340	\$242,438	\$115,957	\$168,872	\$174,160
Property tax	Page 4	\$38,512	\$38,512	\$38,512	\$38,512	\$38,512	\$38,512	\$111,741	\$111,741	\$36,046	\$0	\$0	\$0
Deferred costs <sup>3</sup>		\$36,714	\$36,714	\$36,714	\$36,714	\$36,714	\$36,714	\$0	\$0	\$0	\$0	\$0	\$0
Monitoring	Page 5	\$11,099	\$11,099	\$11,099	\$11,099	\$11,099	\$11,099	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051	\$9,051
<u>Monitoring (finance)</u>	Page 5	<u>\$629</u>	<u>\$585</u>	<u>\$522</u>	<u>\$496</u>	<u>\$447</u>	<u>\$387</u>	<u>\$327</u>	<u>\$278</u>	<u>\$229</u>	<u>\$211</u>	<u>\$204</u>	<u>\$173</u>
Total expenses (E)		\$287,011	\$312,931	\$342,283	\$477,513	\$724,209	\$821,393	\$929,183	\$950,397	\$350,469	\$151,821	\$241,700	\$249,062
<b>Regulatory liability/(asset)</b>													
Beginning balance		\$2,202,352	\$2,629,191	\$2,980,462	\$3,157,032	\$3,248,075	\$3,085,980	\$2,820,755	\$2,516,749	\$2,138,674	\$2,644,649	\$2,190,617	\$1,969,562
Over/(under)recovery	R - E	<u>\$426,839</u>	<u>\$351,271</u>	<u>\$176,570</u>	<u>\$91,043</u>	<u>(\$162,095)</u>	<u>(\$265,225)</u>	<u>(\$304,005)</u>	<u>(\$378,075)</u>	<u>\$505,975</u>	<u>(\$454,033)</u>	<u>(\$221,055)</u>	<u>(\$232,011)</u>
Ending balance		\$2,629,191	\$2,980,462	\$3,157,032	\$3,248,075	\$3,085,980	\$2,820,755	\$2,516,749	\$2,138,674	\$2,644,649	\$2,190,617	\$1,969,562	\$1,737,551

<sup>1</sup> Taxes equal to gross - [gross/(1/(1-GRCF))]

<sup>2</sup> For interruptible power revenue gross-up amounts not subject to LCM rider

<sup>3</sup> Program costs prior to 2014 authorized to be amortized through EOY 2019 at \$36,714 per month

[illegible]

### Depreciation expense (Unit 2)

[illegible]

**Financing expense**  
*Forecast*

Month	Gross plant (I&M)		Rem. & salvage (I&M)		Investment (IN, avg)				Carrying cost	
	BOM	EOM	BOM	EOM	Jur. Factor	Gross <sup>1</sup>	Acc. Depr.	Net	WACC	Expense <sup>2</sup>
	A	B	C	D	E	F	G	H	I	J
Jan 2021	\$0	\$70,464			66.23353%	\$23,335	\$0	\$23,335	6.91%	\$134
Feb 2021	\$70,464	\$135,972			66.23353%	\$68,365	\$83	\$68,282	6.91%	\$393
Mar 2021	\$135,972	\$181,680			66.23353%	\$105,196	\$325	\$104,871	6.91%	\$604
Apr 2021	\$181,680	\$232,680			66.23353%	\$137,223	\$697	\$136,525	6.91%	\$786
May 2021	\$232,680	\$25,486,650			66.23353%	\$8,517,410	\$1,180	\$8,516,230	6.91%	\$49,057
Jun 2021	\$25,486,650	\$26,538,400			66.23353%	\$17,229,013	\$29,047	\$17,199,967	6.91%	\$99,079
Jul 2021	\$26,538,400	\$26,852,815			66.23353%	\$17,681,443	\$85,376	\$17,596,067	6.91%	\$101,361
Aug 2021	\$26,852,815	\$27,517,751			66.23353%	\$18,005,773	\$143,183	\$17,862,589	6.91%	\$102,896
Sep 2021	\$27,517,751	\$27,786,268			66.23353%	\$18,314,902	\$202,050	\$18,112,852	6.91%	\$104,338
Oct 2021	\$27,786,268	\$28,070,511			66.23353%	\$18,497,958	\$261,927	\$18,236,031	6.91%	\$105,047
Nov 2021	\$28,070,511	\$28,277,809			66.23353%	\$18,660,741	\$322,401	\$18,338,339	6.91%	\$105,636
Dec 2021	\$28,277,809	\$36,002,357			66.23353%	\$21,287,512	\$383,408	\$20,904,104	6.91%	<u>\$120,416</u>
<b>Total</b>										<b>\$789,748</b>

<sup>1</sup> (A+B)/2 × E

<sup>2</sup> H × (I/12)

**Property tax expense**  
*Forecast*

	<u>Jan 2021</u>	<u>Feb 2021</u>	<u>Mar 2021</u>	<u>Apr 2021</u>	<u>May 2021</u>	<u>Jun 2021</u>	<u>Jul 2021</u>	<u>Aug 2021</u>	<u>Sep 2021</u>	<u>Oct 2021</u>	<u>Nov 2021</u>	<u>Dec 2021</u>
<i>Assessed value <sup>1</sup></i>												
32100	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744	\$1,545,744
32200	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059	\$10,870,059
32300	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826	\$5,150,826
32400	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004	\$1,323,004
32500	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784	\$894,784
<u>35300</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>	<u>\$294,085</u>
Gross	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503
<u>Excluded upsizing</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503	\$20,078,503
<i>State property taxes</i>												
Rate	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%	2.9752%
Tax accrued (I&M)	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781	\$49,781
<u>Jurisdictional factor</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>	<u>66.23353%</u>
<b>Tax accrued (IN)</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>	<b>\$32,972</b>
											<b>Total</b>	<b>\$395,663</b>

<sup>1</sup> Assessed value by State of Michigan on all LCM plant, by FERC account, in previous year whose property tax expense is not reflected in base rates

**Monitoring expense**  
*Forecast*

Month	Regulatory asset (IN)				Finance expense		
	Balance (BOM)	Amortization expense	Monitoring expense	Balance (EOM)	Balance (avg)	WACC	Actual expense
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i> <i>A - B + C</i>	<i>E</i> <i>(A+D)/2</i>	<i>F</i> <i>Page 13</i>	<i>G</i> <i>E * F/12</i>
Jan 2021	\$27,610	\$2,301	\$0	\$25,309	\$26,459	6.91%	\$152
Feb 2021	\$25,309	\$2,301	\$0	\$23,008	\$24,158	6.91%	\$139
Mar 2021	\$23,008	\$2,301	\$0	\$20,707	\$21,858	6.91%	\$126
Apr 2021	\$20,707	\$2,301	\$0	\$18,406	\$19,557	6.91%	\$113
May 2021	\$18,406	\$2,301	\$0	\$16,106	\$17,256	6.91%	\$99
Jun 2021	\$16,106	\$2,301	\$0	\$13,805	\$14,955	6.91%	\$86
Jul 2021	\$13,805	\$2,301	\$0	\$11,504	\$12,654	6.91%	\$73
Aug 2021	\$11,504	\$2,301	\$0	\$9,203	\$10,354	6.91%	\$60
Sep 2021	\$9,203	\$2,301	\$0	\$6,902	\$8,053	6.91%	\$46
Oct 2021	\$6,902	\$2,301	\$0	\$4,602	\$5,752	6.91%	\$33
Nov 2021	\$4,602	\$2,301	\$0	\$2,301	\$3,451	6.91%	\$20
Dec 2021	\$2,301	<u>\$2,301</u>	\$0	\$0	\$1,150	6.91%	<u>\$7</u>
<b>Total</b>		<b>\$27,610</b>					<b>\$954</b>

### Cost of capital

June 30, 2020

	<u>Capital</u>	<u>Weight</u>	<u>Rate</u> <sup>1</sup>	<u>WACC (net)</u>	<u>Tax gross-up</u>	<u>WACC (gross)</u>
Long-term debt	\$2,627,281,624	39.60%	4.25%	1.68%	1.0000	1.68%
Common equity	\$2,659,200,676	40.08%	9.70%	3.89%	1.3335	5.18%
Customer Deposits	\$36,448,058	0.55%	2.00%	0.01%	1.0000	0.01%
Acc. Def. FIT	\$1,287,262,189	19.40%	0.00%	0.00%	1.3335	0.00%
<u>Acc. Def. JDITC</u>	<u>\$23,859,371</u>	<u>0.36%</u>	\$0	0.03%	1.3335	<u>0.03%</u>
Total	\$6,634,051,918	100.00%				<b>6.91%</b>

#### Tax gross-up calculation

Earnings before income taxes (E)	1.0000
State tax rate (S)	5.08%
Federal tax rate (F)	21.00%
Tax gross-up <sup>2</sup>	<b>1.3335</b>

#### GRCF calculation

Indiana Utility Receipts Tax (I)	1.4000%
Public Utility Assessment Fee (P)	0.1274%
Uncollectible Revenue Factor (U)	0.4688%
Gross Revenue Conversion Factor <sup>3</sup>	<b>1.9890%</b>

<sup>1</sup> Acc. Def. JDITC rate equal to weighted average cost of only permanent capital (long-term debt and equity)

<sup>2</sup> Tax gross up equal to  $E / (1 - S) * (1 - F)$

<sup>3</sup>  $GRCF = (I+P) * (1-U) + U$



**Revenue requirement**  
*Forecast*

1	Regulatory asset/(liability)	Page 7	(\$1,737,551)
2	Depreciation expense	Page 8,9	\$210,827
3	Financing expense	Page 10	\$789,748
4	Property tax expense	Page 11	\$395,663
5	<u>Independent monitor expense</u>	<u>Page 12</u>	<u>\$28,564</u>
6	Revenue (net)	Sum(Lns 1 -5)	(\$312,749)
7	Gross revenue conversion factor	Page 13	1.9890%
8	<u>Tax gross up</u>	$\text{Ln6} \times (1/(1-\text{Ln7})-1)$	<u>(\$6,347)</u>
9	<b>Revenue (gross)</b>	$\text{Ln6} + \text{Ln8}$	<b>(\$319,096)</b>

**Plant-in-service**  
*Forecast*

		<u>Jan 2021</u>	<u>Feb 2021</u>	<u>Mar 2021</u>	<u>Apr 2021</u>	<u>May 2021</u>	<u>Jun 2021</u>	<u>Jul 2021</u>	<u>Aug 2021</u>	<u>Sep 2021</u>	<u>Oct 2021</u>	<u>Nov 2021</u>	<u>Dec 2021</u>
<b>Unit 1</b>													
PRF110032	Dec 2020	\$29,664	\$9,708	\$9,708									
PRF080053	Dec 2021												\$3,022,588
<u>PRF040487</u>	Apr 2020	<u>\$16,320</u>	<u>\$31,320</u>	<u>\$14,400</u>	<u>\$20,400</u>	<u>\$35,400</u>							
<b>Total (EOM)</b>		<b>\$45,984</b>	<b>\$41,028</b>	<b>\$24,108</b>	<b>\$20,400</b>	<b>\$35,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,022,588</b>
<b>Unit 2</b>													
PRF040519	Aug 2021								\$264,779	\$61,801	\$77,545	\$54,601	\$54,594
PRF040136	Dec 2021												\$1,233,792
PRF080054	Dec 2021												\$3,296,408
PRF040486	Apr 2020	\$24,480	\$24,480	\$21,600	\$30,600	\$30,600							
<u>PRF120033</u>	May 2021					<u>\$25,187,970</u>	<u>\$1,051,750</u>	<u>\$314,416</u>	<u>\$400,156</u>	<u>\$206,716</u>	<u>\$206,698</u>	<u>\$152,698</u>	<u>\$117,166</u>
<b>Total (EOM)</b>		<b>\$24,480</b>	<b>\$24,480</b>	<b>\$21,600</b>	<b>\$30,600</b>	<b>\$25,218,570</b>	<b>\$1,051,750</b>	<b>\$314,416</b>	<b>\$664,935</b>	<b>\$268,517</b>	<b>\$284,243</b>	<b>\$207,299</b>	<b>\$4,701,960</b>

**Retired plant**  
*Forecast*

		<u>Jan 2021</u>	<u>Feb 2021</u>	<u>Mar 2021</u>	<u>Apr 2021</u>	<u>May 2021</u>	<u>Jun 2021</u>	<u>Jul 2021</u>	<u>Aug 2021</u>	<u>Sep 2021</u>	<u>Oct 2021</u>	<u>Nov 2021</u>	<u>Dec 2021</u>
<b>Unit 1</b>													
PRF080053	Dec 2021												\$664,013
<u>PRF110032</u>	Dec 2020												
<b>Total (BOM)</b>		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Unit 2</b>													
PRF040136	Dec 2021												\$246,376
PRF040519	Aug 2021							\$381,380					
PRF080054	Dec 2021												\$869,000
<u>PRF120033</u>	May 2021					<u>\$13,198,436</u>							
<b>Total (BOM)</b>		\$0	\$0	\$0	\$0	\$0	\$13,198,436	\$13,198,436	\$13,198,436	\$13,579,816	\$13,579,816	\$13,579,816	\$13,579,816