OFFICIAL EXHIBITS

FILED
July 9, 2020
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN POWER COMPANY (I&M), AN INDIANA CORPORATION, FOR APPROVAL OF AN ADJUSTMENT TO ITS RATES THROUGH ITS ENVIRONMENTAL COST RIDER (ECR) PURSUANT TO THE ONGOING REVIEW PROCESS APPROVED BY THE COMMISSION'S ORDER IN CAUSE NO. 44871 AND 45235.	)	**CAUSE NO. 44871 ECR 4**

IURC
PETITIONER'S
EXHIBIT NO. 1
11-12-20 LR
DATE REPORTER

SUBMISSION OF DIRECT TESTIMONY OF
<u>TANNER L. GUTHRIE</u>

Indiana Michigan Power Company, by counsel, hereby submits the direct testimony and attachments of Tanner L. Guthrie.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, United States Mail, postage prepaid this 9th day of July, 2020 to:

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I&M EXHIBIT __

INDIANA MICHIGAN POWER COMPANY

CAUSE NO. 44871 ECR 4

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

TANNER L. GUTHRIE

PRE-FILED VERIFIED DIRECT TESTIMONY OF TANNER L. GUTHRIE ON BEHALF OF INDIANA MICHIGAN POWER COMPANY

Q. Please state your name and business address.

A. My name is Tanner L. Guthrie. My business address is Indiana Michigan Power Center, P.O. Box 60, Fort Wayne, Indiana 46801.

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

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

Q. Please briefly describe your educational and business experience.

A. I received a Bachelor of Science degree in Public Affairs from Indiana University – Purdue University, Fort Wayne (IPFW) in 2010, a Juris Doctor degree from the Michigan State University College of Law in 2013, and an MBA with a concentration in Finance from IPFW in 2014. I started my career as a Right of Way Agent for Michiana Land Services, an AEP Transmission contract company, in 2014. In that role, I was responsible for the acquisition of property and rights of way for AEP Transmission capital projects. From 2015 to 2017, I worked as a Transmission Right of Way Agent for American Electric Power Service Corporation (AEPSC), where I was responsible for the acquisition and maintenance of property rights related to transmission line assets in Indiana and Michigan. In 2017, I accepted my current position with I&M.

Q. What are your responsibilities as Regulatory Consultant?

A. I am responsible for the preparation of regulatory and compliance filings on behalf of I&M in both Indiana and Michigan.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Indiana Michigan Power Company.

Q. Have you previously testified in any regulatory proceedings?

A. Yes. I submitted testimony on behalf of I&M before the Indiana Utility Regulatory Commission (IURC or Commission) in Cause Nos. 45164 and 45164 RA 1, related to I&M's Resource Adequacy Rider.

Q. What is the purpose of your testimony in this cause?

A. My testimony supports I&M's Verified Petition for a rate adjustment to the Environmental Cost Recovery Rider (ECR) factors as authorized in Cause No. 44871 ECR 3 and Cause No. 45235, I&M's most recent base rate case. My testimony supports I&M's request for recovery of costs incurred in the construction and operation of I&M's Direct Ownership Share of the Rockport Clean Coal Technology Project that is being undertaken by AEPSC on behalf of I&M, to retrofit Rockport's Unit 2 with Selective Catalytic Reduction (SCR) technology (SCR Project or the Project).

My testimony provides support for the revenue requirements that substantiate the ECR factors requested by I&M in this proceeding. Specifically, my testimony:

- Establishes the value of the SCR Project investment for which I&M is requesting ratemaking treatment in accordance with the Commission's Orders in Cause Nos. 44871, 44871 ECR 1, 44967, and 45235.
- Establishes the value of the Operation and Maintenance (O&M) expense, consisting of consumables (i.e. chemicals or materials used in the emission control process) and emissions allowances costs to be

included in the ECR factors;

- Reconciles actual ECR revenues and costs from April 2019 through March 2020 related to the SCR Project; and
- Demonstrates the calculation of the jurisdictional revenue requirements associated with the Project and consumables and allowances costs.

Q. Please describe I&M's ECR.

A. I&M's ECR currently tracks costs related to two items. The first item is the SCR Project costs. The SCR Project costs are tracked in accordance with the 44871 Order where the Commission granted I&M a certificate of public convenience and necessity (CPCN) and authorized timely recovery. The second item tracked is consumables and allowance costs. In I&M's most recent base case, Cause No. 45235 (45235 Final Order), the Commission approved that upon implementation of new base rates, the ECR would be used to track consumables and allowances costs that I&M incurs in operating both units of the Rockport Plant. Specifically, the Commission approved I&M's request to embed the forecasted test year level of consumables and allowances of $21,785,467 (total company) and track any annual over-/under-recovery variances in the ECR.

Q. Are there other witnesses supporting I&M's request in this cause?

A. Yes. I&M's request is also being supported by the testimony and attachments of Company witnesses Franklin Pifer and Stephen Hornyak. Company witness Pifer discusses and supports I&M's Project in more detail, and provides the actual and forecasted cost data for capital and incremental O&M expenses, including consumables. Company witness Hornyak explains the Company's calculation of the ECR factors.

Q. Are I&M'S books and records kept in accordance with the FERC Uniform System of Accounts (USofA) adopted by this Commission?

A. Yes. I&M's books and records are maintained according to the FERC USofA, the same standards adopted by this Commission at 170 IAC 4-2-1.1.

Q. Please describe the Rockport Plant ownership structure.

A. The Rockport Plant consists of two generating units, which are jointly owned (Unit 1) or leased (Unit 2) by I&M and AEP subsidiary AEP Generating Company (AEG). AEG sells 70% of its 50% share to I&M, under a FERC-approved Unit Power Agreement (UPA) filed with the Commission and the remaining 30% to Kentucky Power Company (KPCo), an operating company affiliate of I&M. All told, I&M owns or purchases 85% of the capacity and energy of both Rockport units, which is equivalent to 2227 MW of the plant's nominal 2620 MW capability.

I&M's filing in this matter reflects the costs associated with I&M's direct ownership share of the SCR Project.

Q. Please summarize the ratemaking relief I&M is seeking in this Cause.

A. As set forth in the Verified Petition, I&M requests the Commission approve a rate adjustment to the ECR factors that includes:

a) the reconciliation of the actual revenues and costs related to the SCR Project from April 2019 through March 2020;

b) the forecasted return on electric plant-in-service and actual return on construction work in progress (CWIP);

c) the forecasted depreciation expense related to electric plant-in-service;

d) the difference between the actual and forecasted consumables and allowances that I&M incurs in operating both units of the Rockport Plant against the level embedded in I&M's base rates; and

e) the Gross Revenue Conversion Factor (GRCF) revenue requirement.

Q. What is the reconciliation period included in this filing?

A. The reconciliation period in this filing is April 1, 2019 through March 31, 2020.

Q. What forecast period is I&M using to determine the proposed ECR factors in this filing?

A. I&M is using January 1, 2021 through December 31, 2021 for the forecast period to establish the proposed ECR factors presented in this filing.

Q. Are you sponsoring any attachments in this proceeding?

A. Yes, I am sponsoring Attachment TLG-1, which supports how the proposed revenue requirements were calculated.

Q. Was Attachment TLG-1 prepared or assembled by you, or under your direction and supervision?

A. Yes.

Q. Please describe Attachment TLG-1.

A. Attachment TLG-1 includes 12 pages, which are described in detail below.

- Page 1 calculates the proposed revenue requirement for the forecast period, which is the sum of each forecast expense component, including the reconciliation period variance expense. This requirement is increased by a gross revenue conversion factor to account for the Indiana Utility Receipts Tax, the Public Utility Assessment Fee, and an uncollectible revenue factor.

- Page 2 illustrates the change in the ECR regulatory liability/(asset) during the reconciliation period. An adjustment was made to the regulatory liability/(asset) at the end of the ECR 4 reconciliation period to take into account the regulatory liability/(asset) associated with the reconciliation approved in ECR 3, and the period of time ECR 3 rates are expected to bill prior to implementation of ECR 4 rates. This adjustment is intended to reduce the volatility associated with the impact of the reconciliation on ECR rates.

- Pages 3 and 4 calculate depreciation expense on plant-in-service in the reconciliation and forecast periods.
  - Page 3 shows that the depreciation rate was 10% annually through March 11, 2020, at which time it changed to 12% annually, as authorized by the 45235 Final Order. The depreciation expense in March 2020 is weighted by the number of days in the month each rate was authorized to be applied.
  - Page 4 forecasts depreciation expense using the 12% annual rate approved in the 45235 Final Order. It also establishes what the forecast depreciation expense will be if all plant in service on December 31, 2020 is removed from the ECR revenue requirement and rolled into base rates, as will happen when I&M files its Phase-in Rate Adjustment Rider in early January, in compliance with the 45235 order.
- Pages 5 and 6 calculate, for the reconciliation and forecast periods, the O&M and consumables expenses the Commission has authorized the Company to recover in the ECR rider. Each monthly expense is reduced by the amount that was embedded in the Company's base rates in that month.
- Pages 7 and 8 calculate finance expense on plant-in-service in the reconciliation and forecast periods. Page 8 includes a second calculation that excludes plant forecast to be in service on December 31, 2020.
- Pages 9 and 10 calculate finance expense on construction work-in-progress in the reconciliation and forecast periods. There is no expense on page 10 because all capital spending in the forecast period will be associated with plant that is in service.
- Pages 11 and 12 calculate the weighted average cost of capital used in this filing to support the financing expense in the reconciliation and forecast periods.

The reconciliation period exhibits in this attachment that apply a cost of capital reflect a weighted average cost of capital (WACC) for March 2020 that is weighted ~68% (21 days out of 31 days) by a cost of capital that uses the 9.7% cost of equity approved by the Commission in the 45235 order.

Q. The Company's base rates were changed on March 11, 2020 pursuant to the 45235 Final Order. What changes authorized in that Final Order are reflected in this filing?

A. The following reflect changes ordered by the Commission on March 11, 2020:

1. The depreciation rate on ECR plant changed from 10% to 12%.
2. The factors used to allocate total company demand and energy costs to Indiana customers changed.
3. The cost of equity changed to 9.7%, which resulted in a change to the weighted average cost of capital.
4. The Company's base rates now include an embedded expense for consumables and environmental allowances related to the ECR-eligible investment.

Q. How did I&M account for the changes becoming effective March 11, 2020?

A. The reconciliation period in this filing ended on March 31, 2020. Therefore, expenses incurred during the last twenty-one days of the month (March 11 through March 31) should be based on the 45235 Final Order. Therefore, approximately 32% (10 days out of 31 days) of each March 2020 expense in this filing was calculated using the previous relevant factors. The remaining 68% of the amount reflects the new factors or has been netted against an equal ratio of expense embedded in base rates.

Q. Attachment TLG-1, Page 1, provides two revenue requirements. Please explain the two-step ECR rates proposed in this proceeding.

A. In January 2021 I&M will be submitting its Phase II base rates pursuant to the 45235 Order. I&M's Phase II base rates will include I&M's in-service investment related to the Rockport Unit 2 SCR Project that went into service in June, 2020. Therefore, I&M is requesting in this filing that the Commission approve a Step 1 revenue requirement and a Step 2 revenue requirement. The Step 1 revenue requirement includes all Rockport Unit 2 SCR capital investment and the consumables and allowances variance from the amount embedded in I&M's base rates and the Step 2 revenue requirement excludes the Rockport Unit 2 SCR capital investment placed in-service prior to December 31, 2020. Step 2 adjusts ECR rates in 2021 to remove the Rockport Unit 2 SCR after it is reflected in I&M's base rates.

Q. What are I&M's Step 1 and Step 2 revenue requirements?

A. As shown on Attachment TLG-1, Page 1, the Step 1 revenue requirement is $8,457,908 and the Step 2 revenue requirement is ($5,621,931).

Q. Do I&M's revenue requirements include a forecast of consumables and allowances expenses?

A. Yes. Consistent with the 45235 Final Order, I&M has included for recovery in the ECR a forecast of the cost of consumables and allowances costs. Company witness Pifer supports I&M's 2021 consumable and allowance costs forecast.

Q. Please explain how the GRCF is calculated on Attachment TLG-1.

A. The GRCF is calculated as follows:

1. I&M calculates the product of the rates associated with certain Revenue Taxes and Fees, which are the Indiana Utility Receipts Tax and the Public Utility Assessment Fee for the IURC (Indiana Utility Regulatory Commission).
2. The total Revenue Taxes and Fees rate is discounted for the Uncollectible Revenue Factor.
3. The Final GRCF is the sum of the discounted total Revenue Taxes rate and the Uncollected Revenue Factor.
4. The Final GRCF is then applied to the Indiana Jurisdictional ECR Cost to arrive at the GRCF Revenue Required which is then added to the Indiana Jurisdictional ECR Cost to arrive at the Total ECR Revenue Requirement.

Q. If approved by the Commission, when does I&M propose to implement the ECR factors requested in this proceeding?

A. I&M seeks to make the ECR Step 1 factors, as provided in Attachment SH-1, effective with the first billing cycle for the billing month of January 2021 (which begins December 30, 2020). I&M proposes to keep the Step 1 factors in effect until the first billing cycle of the month following a Commission Order approving the Phase II base rates in Cause No. 45235. For the Step 2 factors, I&M is requesting the Commission's order in this proceeding authorize I&M to implement the Step 2 factors with the first billing cycle of the month following the implementation of the Phase II rates in Cause No. 45235. Any variability between the revenues received and the actual costs will be reconciled in a future ECR reconciliation.

Q. How does I&M propose to update the ECR?

A. I&M will continue to file annual ECR reconciliation filings to track the ongoing costs associated with the SCR Project, consumables, and allowances, as approved in Cause Nos. 44871 and 45235.

Q. Will I&M add the approved return on its SCR Project to its net operating income, as authorized by the Commission for the purposes of Ind. Code § 8-1-2-42(d)(2) and (d)(3) in subsequent FAC proceedings?

A. Yes, I&M's future FAC filings will adjust the authorized net electric operating income to reflect the approved return on the SCR Project over the appropriate period of time it effects net electric operating income.

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

A. Yes.

VERIFICATION

I, Tanner L. Guthrie, Regulatory Consultant for Indiana Michigan Power Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: 7-8-20

Tanner L. Guthrie

Tanner L. Guthrie

Proposed ECR Revenue Requirements

Forecast

			Step 1		Step 2[1]	
			Energy	Demand	Energy	Demand
1	Depreciation expense	Page 4		$9,007,263		$79,228
2	Consumables expense	Page 6	($2,823,673)		($2,823,673)	
3	Finance expense (on PIS)	Page 8		$4,940,263		$45,775
4	Finance expense (on CWIP)	Page 10		$0		$0
5	Charge/(credit) for reg asset/(liability)	Page 2		($2,820,517)		($2,820,517)
6	Revenue (net)	Sum(Ln1 - Ln5)	($2,823,673)	$11,127,009	($2,823,673)	($2,695,514)
7	Gross revenue conversion factor	Page 12	1.8275%	1.8275%	1.8275%	1.8275%
8	Tax gross up	Ln6 x (1/(1-Ln7)-1)	($52,565)	$207,137	($52,565)	($50,179)
9	**Revenue (gross)**	Ln6 + Ln8	**($2,876,238)**	**$11,334,146**	**($2,876,238)**	**($2,745,693)**

[1] I&M will request new Phase-in Rate Adjustment Rider factors in January 2021 to effectively align its base rates with its December 31, 2020 rate base. The Step 2 revenue requirement in this filing supports the Step 2 ECR factors that I&M is requesting to implement after the Phase II rates are effective.

Regulatory (asset)/liability

Reconciliation

		Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
Beginning balance		$4,649,510	$4,307,152	$3,940,347	$3,549,004	$3,088,367	$2,629,483	$2,201,626	$2,361,466	$2,374,077	$2,365,104	$2,378,804	$2,355,931
Revenue													
Gross		($142,463)	($142,625)	($151,170)	($205,492)	($189,360)	($144,635)	$477,831	$344,178	$331,126	$375,142	$348,323	$342,995
GRCF	ECR 2,3	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7060%	1.7296%	1.7296%	1.7296%	1.7296%	1.7296%	1.7296%
Taxes [1]		($2,430)	($2,433)	($2,579)	($3,506)	($3,230)	($2,467)	$8,255	$5,953	$5,727	$6,488	$6,025	$5,932
Adjustment [2]		($1,792)	($913)	($3,049)	($1,879)	($1,773)	($1,984)	$4,530	$4,656	$4,652	$4,560	$4,608	$7,536
Net revenue		($138,241)	($139,279)	($145,542)	($200,108)	($184,357)	($140,184)	$465,046	$333,569	$320,747	$364,093	$337,691	$329,527
Expense													
Depreciation	Page 3	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
O&M expense	Page 5	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($566,286)
Finance (on EPIS)	Page 7	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Finance (on CWIP)	Page 9	$204,117	$227,525	$245,801	$260,529	$274,527	$287,673	$305,207	$320,957	$329,720	$350,393	$360,564	$366,533
Total expense		$204,117	$227,525	$245,801	$260,529	$274,527	$287,673	$305,207	$320,957	$329,720	$350,393	$360,564	($199,753)
Ending balance		$4,307,152	$3,940,347	$3,549,004	$3,088,367	$2,629,483	$2,201,626	$2,361,466	$2,374,077	$2,365,104	$2,378,804	$2,355,931	**$2,885,211**

Regulatory (asset)/liability from Reconciliation approved in ECR-3 revenue requirement [3]	$107,823
ECR-3 regulatory (asset)/liability applicable to ECR-4 reconciliation period	$43,129
Remaining ECR-3 regulatory (asset)/liability balance prior to ECR-4 rate implementation [4]	**$64,694**
Net regulatory (asset)/liability in ECR-4 revenue reqirement	**$2,820,517**

[1] Taxes equal to *gross* - [*gross* /(1/(1-*GRCF*))]

[2] For interruptible power not subject to rider

[3] ECR-3 was approved for billing in October 2019 and is expected to continue billing through December 2020

[4] ECR-4 rates are proposed for billing beginning the first billing cycle January 2021

Depreciation expense

Reconciliation

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
Plant - Beginning of Month (BOM)												
I&M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Juris. factor (demand)	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.21029%	65.90345%
IN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Depreciation												
Accumulated (BOM)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
											Total	**$0**

Depreciation expense
Forecast

Step 1

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Plant (BOM)												
I&M	$112,330,254	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704	$113,417,704
Juris. factor (demand)	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%
IN	$74,400,292	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549	$75,120,549
Depreciation												
Accumulated (BOM)	$4,397,830	$5,141,833	$5,893,039	$6,644,244	$7,395,450	$8,146,655	$8,897,861	$9,649,066	$10,400,272	$11,151,477	$11,902,683	$12,653,888
Rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Expense	$744,003	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205
											Total	**$9,007,263**

Step 2

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Plant (BOM)												
I&M	$0	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450
Juris. factor (demand)	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%	66.23353%
IN	$0	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257
Depreciation												
Accumulated (BOM)	$0	$0	$7,203	$14,405	$21,608	$28,810	$36,013	$43,215	$50,418	$57,621	$64,823	$72,026
Rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Expense	$0	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203	$7,203
											Total	**$79,228**

O&M expense

Reconciliation

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
Lime hydrate	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$11
Environmental allowances	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$22,476
Anhydrous ammonia	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$8,701
Sodium bicarbonate	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$333,854
Activated carbon	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$49,420
Gross expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$414,462
Base rate expense (I&M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,229,825
Net expense (I&M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($815,362)
Juris. factor (energy)	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	63.77%	69.45%
Net expense (IN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($566,286)
											Total	**($566,286)**

O&M expense

Forecast

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Lime hydrate	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Environmental allowances	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750	$35,750
Anhydrous ammonia	$90,995	$48,093	$75,269	$37,236	$175	$40,445	$79,805	$66,836	$27,627	$14,203	$23,478	$71,743
Sodium bicarbonate	$2,351,628	$1,242,898	$1,945,202	$962,300	$4,529	$1,045,246	$2,062,444	$1,727,268	$713,970	$367,055	$606,748	$1,854,091
Activated carbon	$289,389	$152,950	$239,374	$118,420	$557	$128,627	$253,802	$212,556	$87,860	$45,169	$74,666	$228,163
Gross expense	$2,767,763	$1,479,691	$2,295,595	$1,153,706	$41,012	$1,250,068	$2,431,801	$2,042,410	$865,207	$462,178	$740,642	$2,189,747
Base rate expense (I&M)	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456	$1,815,456
Net expense (I&M)	$952,307	($335,764)	$480,140	($661,750)	($1,774,444)	($565,388)	$616,346	$226,955	($950,248)	($1,353,278)	($1,074,814)	$374,292
Juris. factor (energy)	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%	69.45%
Net expense (IN)	$661,396	($233,195)	$333,467	($459,599)	($1,232,387)	($392,673)	$428,065	$157,625	($659,967)	($939,879)	($746,480)	$259,953
											Total	**($2,823,673)**

Finance expense (on PIS)

Reconciliation

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
Plant in Service (I&M)												
BOM	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Additions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
End of Month (EOM)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ADM	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Juris. factor (demand)	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.90%
Average During Month (ADM) - IN	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated depreciation												
BOM (IN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Depreciation expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
EOM	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ADM (IN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Finance expense												
Net plant (ADM, IN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
WACC	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.79%
Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
											Total	$0

Finance expense (on PIS)

Forecast

Step 1

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Plant in service												
BOM (I&M)	$119,935,474	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924
Additions	$1,087,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
EOM	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924
ADM	$120,479,199	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924	$121,022,924
Juris. factor (demand)	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%
ADM (IN)	$79,797,626	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755	$80,157,755
Accumulated depreciation												
BOM (IN)	$4,397,830	$5,141,833	$5,893,039	$6,644,244	$7,395,450	$8,146,655	$8,897,861	$9,649,066	$10,400,272	$11,151,477	$11,902,683	$12,653,888
Depreciation expense	$744,003	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205	$751,205
EOM	$5,141,833	$5,893,039	$6,644,244	$7,395,450	$8,146,655	$8,897,861	$9,649,066	$10,400,272	$11,151,477	$11,902,683	$12,653,888	$13,405,094
ADM (IN)	$4,769,832	$5,517,436	$6,268,642	$7,019,847	$7,771,053	$8,522,258	$9,273,464	$10,024,669	$10,775,875	$11,527,080	$12,278,286	$13,029,491
Finance expense												
Net plant (ADM, IN)	$75,027,794	$74,640,318	$73,889,113	$73,137,907	$72,386,702	$71,635,496	$70,884,291	$70,133,086	$69,381,880	$68,630,675	$67,879,469	$67,128,264
WACC	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%
Expense	$433,641	$431,402	$427,060	$422,718	$418,376	$414,035	$409,693	$405,351	$401,009	$396,668	$392,326	$387,984
											Total	**$4,940,263**

Step 2

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Plant in service												
BOM (I&M)	$0	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450
Additions	$1,087,450	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
EOM	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450
ADM	$543,725	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450	$1,087,450
Juris. factor (demand)	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%	66.23%
ADM (IN)	$360,128	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257	$720,257
Accumulated depreciation												
BOM (IN)	$0	$0	$6,002	$12,004	$18,006	$24,009	$30,011	$36,013	$42,015	$48,017	$54,019	$60,021
Depreciation expense	$0	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002	$6,002
EOM	$0	$6,002	$12,004	$18,006	$24,009	$30,011	$36,013	$42,015	$48,017	$54,019	$60,021	$66,024
ADM (IN)	$0	$3,001	$9,003	$15,005	$21,007	$27,010	$33,012	$39,014	$45,016	$51,018	$57,020	$63,022
Finance expense												
Net plant (ADM, IN)	$360,128	$717,255	$711,253	$705,251	$699,249	$693,247	$687,245	$681,243	$675,240	$669,238	$663,236	$657,234
WACC	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%	6.94%
Expense	$2,081	$4,146	$4,111	$4,076	$4,041	$4,007	$3,972	$3,937	$3,903	$3,868	$3,833	$3,799
											Total	**$45,775**

Finance expense (on CWIP)

Reconciliation

	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
CWIP (BOM)	$52,825,745	$59,465,985	$65,703,622	$69,520,172	$73,806,069	$77,220,616	$81,038,064	$86,866,798	$89,702,910	$91,687,473	$101,075,737	$97,283,186
Additions	$6,640,240	$6,237,637	$3,816,550	$4,285,897	$3,414,548	$3,817,447	$5,828,735	$2,836,112	$1,984,563	$9,388,264	($3,792,551)	$1,940,471
Placed into service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CWIP (EOM)	$59,465,985	$65,703,622	$69,520,172	$73,806,069	$77,220,616	$81,038,064	$86,866,798	$89,702,910	$91,687,473	$101,075,737	$97,283,186	$99,223,657
CWIP (ADM)	$56,145,865	$62,584,803	$67,611,897	$71,663,120	$75,513,342	$79,129,340	$83,952,431	$88,284,854	$90,695,192	$96,381,605	$99,179,462	$98,253,422
Jurisdictional Factor	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.21%	65.90%
CWIP (ADM, IN)	$36,612,881	$40,811,732	$44,089,914	$46,731,728	$49,242,470	$51,600,472	$54,745,624	$57,570,810	$59,142,598	$62,850,724	$64,675,215	$64,752,397
WACC	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.79%
Expense	$204,117	$227,525	$245,801	$260,529	$274,527	$287,673	$305,207	$320,957	$329,720	$350,393	$360,564	$366,533
											Total	**$3,533,546**

Finance expense (on CWIP)

Forecast

	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
CWIP (BOM)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Additions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Placed into service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CWIP (EOM)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CWIP (ADM)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Jurisdictional Factor	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CWIP (ADM, IN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
WACC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
											Total	$0

Cost of capital

Reconciliation

12/31/2018

Source	Balance	Weight	Rate [1]	WACC (net)	Tax gross-up	WACC (gross)
Long-term debt	$2,654,833,358	41.07%	4.45%	1.83%	1.0000	1.83%
Common equity	$2,352,848,356	36.40%	9.85%	3.59%	1.3413	4.81%
Customer Deposits	$35,498,703	0.55%	2.00%	0.01%	1.0000	0.01%
Acc. Def. FIT	$1,391,615,847	21.53%	0.00%	0.00%	1.3413	0.00%
Acc. Def. JDITC	$29,388,700	0.45%	6.99%	0.03%	1.3413	0.04%
Total	$6,464,184,964	100.00%				**6.69%**

Tax gross-up calculation

Earnings before income taxes (E)	1.0000
State tax rate (S)	5.63%
Federal tax rate (F)	21.00%
Tax gross-up [2]	**1.3413**

GRCF calculation

Indiana Utility Receipts Tax (I)	1.4000%
Public Utility Assessment Fee (P)	0.1202%
Uncollectible Revenue Factor (U)	0.2126%
Gross Revenue Conversion Factor [3]	**1.7296%**

[1] Acc. Def. JDITC rate equal to weighted average cost of only permanent capital (long-term debt and equity)

[2] Tax gross up equal to E / (1 - S)*(1 - F)

[3] GRCF = (I+P)*(1-U) + U

Cost of capital

Forecast

3/31/2020

Source	Balance	Weight	Rate [1]	WACC (net)	Tax gross-up	WACC (gross)
Long-term debt	$2,627,722,979	39.67%	4.41%	1.75%	1.0000	1.75%
Common equity	$2,616,217,347	39.50%	9.70%	3.83%	1.3413	5.14%
Customer Deposits	$36,681,667	0.55%	2.00%	0.01%	1.0000	0.01%
Acc. Def. FIT	$1,317,960,717	19.90%	0.00%	0.00%	1.3413	0.00%
Acc. Def. JDITC	$24,991,450	0.38%	7.05%	0.03%	1.3413	0.04%
Total	$6,623,574,161	100.00%				**6.94%**

Tax gross-up calculation

Earnings before income taxes (E)	1.0000
State tax rate (S)	5.63%
Federal tax rate (F)	21.00%
Tax gross-up [2]	**1.3413**

GRCF calculation

Indiana Utility Receipts Tax (I)	1.4000%
Public Utility Assessment Fee (P)	0.1274%
Uncollectible Revenue Factor (U)	0.3048%
Gross Revenue Conversion Factor [3]	**1.8275%**

[1] Acc. Def. JDITC rate equal to weighted average cost of only permanent capital (long-term debt and equity)

[2] Tax gross up equal to E / (1 - S)*(1 - F)

[3] GRCF = (I+P)*(1-U) + U