

I&M Exhibit: _____

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INDIANA UTILITY
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Cause No. 45576

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

NANCY A. HEIMBERGER

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**DIRECT TESTIMONY OF NANCY A. HEIMBERGER
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY**

I. Introduction of Witness

1 **Q1. Please state your name and business address.**

2 My name is Nancy A. Heimberger and my business address is 1 Riverside
3 Plaza, Columbus, OH 43215.

4 **Q2. By whom are you employed and in what capacity?**

5 I am employed by American Electric Power Service Corporation (AEPSC) as a
6 Financial Analyst Senior Staff in Corporate Planning and Budgeting. AEPSC
7 supplies engineering, accounting, planning, advisory, and other services to the
8 subsidiaries of the American Electric Power (AEP) system, one of which is
9 Indiana Michigan Power Company (I&M or the Company).

10 **Q3. What are your responsibilities as Financial Analyst Senior Staff?**

11 I assist in the preparation of financial forecasts in conjunction with operating
12 company personnel, variance analyses, regulatory filings, and other ad hoc
13 analysis for the AEP System's utility companies.

14 In this role, I assist in the preparation and review of short- and long-term
15 forecasts for I&M, as well as monthly analyses of budget to actual variances.
16 With respect to this filing, I am responsible for development of I&M's financial
17 forecast.

1 **Q4. Briefly describe your educational background and professional**
2 **experience.**

3 I earned a Bachelor of Business Administration Degree in Accounting from Ohio
4 University in 1986. I am a Certified Public Accountant (Inactive) in the state of
5 Ohio. I was first employed by Arthur Andersen & Co. in 1986 in the Audit section
6 where I performed audits of financial statements and internal controls for various
7 clients.

8 From 1988 to 1997, I was employed by Columbia Energy Group, Inc. and held
9 positions in the Internal Audit, Accounting, and Tax Departments. From 1997 to
10 the present, I have been employed by AEPSC. I have held positions in the Tax,
11 Regulated Pricing and Analysis, and Corporate Planning and Budgeting (CP&B)
12 Departments.

13 **Q5. Have you previously testified before any regulatory commissions?**

14 Yes, I have testified and/or submitted testimony before the Indiana Utility
15 Regulatory Commission (IURC or Commission) on behalf of I&M in base rate
16 case¹, rider², and fuel cost³ proceedings.

17 I have also testified or submitted testimony before the Michigan Public Service
18 Commission (MPSC) on behalf of I&M in base rate case and power supply cost
19 recovery proceedings, before the Public Service Commission of West Virginia
20 on behalf of Appalachian Power Company (APCo) and Wheeling Power
21 Company in fuel cost proceedings, and the Virginia State Corporation
22 Commission on behalf of APCo in fuel factor proceedings.

¹ Cause No. 45235.

² Cause Nos. 43827 DSM 3, 43827 DSM 4, 44182 LCM 4, 44422, 44331 ECR 1, and 44555.

³ Cause Nos. 38702-FAC75 through 38702-FAC78, and 38702-FAC80 through 38702-FAC86.

II. Purpose of Testimony

1 **Q6. What is the purpose of your testimony?**

2 The purpose of my testimony is to present I&M's 2022 Test Year financial
3 forecast, which is unadjusted, and discuss the forecast process.

4 The financial forecast I present is necessarily informed by a number of subject
5 matter experts that are also being presented by the Company. I also support
6 several adjustments to the Test Year cost of service as well as the Fuel
7 Adjustment Clause (FAC) basing point.

8 **Q7. Are you sponsoring or co-sponsoring any exhibits?**

9 I am sponsoring the following exhibits:

- 10 • I&M Exhibit A-2 – Balance Sheet
- 11 • I&M Exhibit A-3 – Statement of Cash Flows
- 12 • I&M Exhibit A-4 – Income Statement

13 **Q8. Are you sponsoring any attachments?**

14 Yes, I am sponsoring the following attachments:

- 15 • Attachment NAH-1 – Operating Income Comparison
- 16 • Attachment NAH-2 – Revenue Comparison
- 17 • Attachment NAH-3 – Fuel, Consumables, Allowances and Purchased
18 Power Expenses
- 19 • Attachment NAH-4 –Transmission Revenues and Expenses
- 20 • Attachment NAH-5 – Historical Functional Plant Activity
- 21 • Attachment NAH-6 – I&M Plant Summary

- 1 • Attachment NAH-7 – UI Model Overview
- 2 • Attachment NAH-8 – Fuel Adjustment Clause (FAC) Basing Point

3 **Q9. Are you sponsoring any workpapers?**

4 Yes, I am sponsoring:

- 5 • WP NAH-1 Retail and FERC Sales Detail
- 6 • WP NAH-2 Off-System Sales Detail
- 7 • WP NAH-3 Transmission and Other Electric Revenue Detail
- 8 • WP NAH-4 Purchased Power Detail
- 9 • WP NAH-5 Net Plant Balance Sheet
- 10 • WP NAH-6 Testimony Figures
- 11 • WP NAH-7 Net Energy Cost
- 12 • WP NAH-8 Nuclear Fuel Summary

13 **Q10. Are you sponsoring any other workpapers in this proceeding?**

14 Yes. I am also sponsoring the following workpapers and corresponding rate
15 base and cost of service adjustments as included in I&M Exhibit A:

- 16 • WP-A-DEP-1: Accumulated Depreciation and Depreciation Expense
17 (supports Adjustments DEP-1 and DEP-2)
 - 18 ○ Accumulated Depreciation Adjustment Summary
 - 19 ○ Depreciation Expense Adjustment Summary
 - 20 ○ Depreciation Adjustment Details
 - 21 ○ 2020 Accumulated Depreciation for Indiana
- 22 • WP-A-O&M-2: Value Advertising (supports Adjustment O&M-2)

- 1 • WP-A-O&M-3: Lobbying (supports Adjustment O&M-3)
- 2 • WP-A-RB-8: AMI plant and related Accumulated Amortization and
- 3 Amortization Expense (supports Adjustment RB-8)

4 **Q11. Were the exhibits, attachments, and workpapers that you sponsor**
5 **prepared by you or under your direction and supervision?**

6 Yes.

7 **Q12. Please summarize your testimony.**

8 I&M's Test Year financial forecast is the result of a thorough forecasting process
9 which supports each element presented in the jurisdictional cost of service. The
10 forecast accurately reflects the data and inputs provided at the time it was
11 developed, is reasonable, and is representative of I&M's going forward cost of
12 providing service.

13 **III. I&M's Forecasting Process**

14 **Q13. Please describe the forecasting process used to develop I&M's financial**
15 **forecast.**

16 The forecasting process used in this proceeding is the same that was used in
17 I&M's last basic rate case, Cause No. 45235. I&M's financial management team
18 and CP&B work collaboratively throughout the process to prepare I&M's
19 financial forecast.

20 I&M, CP&B, and other corporate groups involved in developing the forecast
21 utilize the best information and data available at the time the forecast is
22 prepared to incorporate the latest underlying assumptions. The established
23 assumptions include items such as kilowatt-hour sales, fuel expense, interest
24 rates, and cost projections based on each of I&M's business unit work plans.

1 The final result of the forecasting process is what is referred to as I&M's Budget
2 and Long Range Plan. The Budget represents the forecast for the next calendar
3 year, and the Long Range Plan represents the forecast for subsequent periods.
4 The Budget and Long Range Plan are collectively referred to as the financial
5 forecast. The completion of the forecast also produces forward-looking financial
6 statements similar to financial statements based on actual results.

7 **Q14. Please describe the financial model used in the forecasting process.**

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

12 The model contains a number of algorithms that apply assumptions and logic to
13 the forecast inputs and generate forward looking financial statements and ratios.
14 Please refer to Attachment NAH-7 for an overview of the UI financial model.

15 **Q15. Please discuss the timeline for establishing the financial forecast.**

16 Each year CP&B establishes the timeline for preparing the annual financial
17 forecast. The 2020 annual process started in February 2020 with identifying
18 assumptions and preparing initial elements of the forecast.

19 During June through September, each of I&M's business units established and
20 incorporated their work plans into the proposed forecast. During May through
21 October, CP&B coordinated inputs from various corporate groups and
22 performed the modeling process. I&M's management team participated in
23 reviews of the major components throughout the process before the proposed
24 forecast was finalized in October.

25 I&M presented this proposed forecast to the AEP Investment Review Committee
26 (IRC) in late October. Final updates to the forecast and underlying assumptions

1 resulting from the IRC meetings were incorporated, and the forecast was locked
2 down in December 2020.

3 **Q16. What forward-looking Test Year has I&M proposed for setting rates in this**
4 **proceeding?**

5 I&M has proposed rates based on a forward-looking calendar year Test Year of
6 January 1, 2022 through December 31, 2022.

7 **Q17. What period has I&M used as a Historical Period?**

8 For a Historical Period, I&M used the most recent calendar year for which
9 audited financial statements were available at the time of this filing, which is the
10 2020 calendar year.

11 **Q18. How were I&M's forecasted income statement and balance sheet**
12 **developed?**

13 The forecasted income statement as shown on Exhibit A-4 and balance sheet
14 as shown on Exhibit A-2 were prepared in accordance with AEP's normal
15 forecasting processes. They are based on the consolidation of data provided by
16 business units and various corporate departments. The forecast is fully
17 integrated between the income statement, balance sheet, and cash flows.

18 **Q19. Does I&M's forecasted balance sheet fairly and reasonably reflect the**
19 **account balances expected for the Company during the Test Year?**

20 Yes. The forecasted balance sheet is based on the capital expenditures,
21 operating costs, and capital structure reasonably necessary for the going
22 forward operation of the utility. The forecasted balance sheet contains the
23 components of rate base as shown on Exhibit A-6 – Rate Base Summary.

1 **Q20. How was I&M's forecasted statement of cash flows developed?**

2 The forecasted statement of cash flows as shown on Exhibit A-3 is a function of
3 the items reflected in the forecasted balance sheet. Cash needs dictate the
4 extent of debt and equity that is necessary to operate the business, given the
5 timing of cash inflows and outflows.

6 **Q21. Please discuss the major components of I&M's financial forecast used for**
7 **the Test Year.**

8 I&M's financial forecast contains the following major components:

- 9 1) *Load and Demand Forecast* – I&M's load projection, sponsored by
10 Company witness Burnett, reflects an analysis of the economy and the
11 unique factors that influence individual customers or customer classes in
12 I&M's Indiana jurisdiction.
- 13 2) *Retail and Wholesale Federal Energy Regulatory Commission (FERC)*
14 *Revenue Projections* – Company witness Duncan is presenting the
15 Indiana retail revenues by tariff class utilizing current rates, including
16 riders and the FAC. Revenues for large wholesale customers are
17 developed in detail in accordance with the terms of the contract, including
18 demand, energy, and fuel adjustment charges.
- 19 3) *Off-System Sales (OSS) Forecast* – The OSS (also referred to as non-
20 firm sales) projections are developed by the Resource Planning and
21 Operational Analysis Department. The OSS Forecast includes both cost
22 to serve the sale and the resulting margins. Company witness Seger-
23 Lawson discusses the ratemaking treatment of OSS margin.
- 24 4) *Generation Forecast* – I&M's generation forecast is developed by the
25 Resource Planning and Operational Analysis Department. I&M's
26 forecasted generation, together with planned energy purchases, is
27 sufficient to meet the system's anticipated total energy requirements. This

1 is the same forecasting methodology used in the Company's semi-annual
2 FAC filings. The cost of fuel consumed is based on the generation
3 forecast for each of the generating units in the AEP System. In addition to
4 fuel costs, I&M incurs other variable costs of production, such as
5 consumable materials, at our generating stations for the operation of
6 environmental equipment, emission allowances, and purchased power
7 costs.

8 5) *O&M Forecast* – O&M expenses, excluding energy costs, are based
9 upon work plans for each of I&M's business units. These plans include
10 expenditures for scheduled maintenance programs, as well as the cost of
11 operations. These plans take into consideration staffing levels, including
12 budgeted increases in compensation as well as material costs necessary
13 to perform each planned program.

14 6) *Construction Expenditure Forecast* – The various engineering and
15 planning groups supporting each of I&M's business units develop the
16 construction expenditure budget. That budget reflects expenditures and
17 in-service dates of major projects as well as amounts approved to fund
18 blanket work (smaller projects grouped together), which is essential in
19 estimating depreciation as well as the allowance for funds used during
20 construction (AFUDC).

21 7) *Financing Plan* – Company witness Messner is presenting the financing
22 program to meet the Company's forecasted O&M and capital
23 requirements. In determining the Company's financing program,
24 consideration is given to regulatory requirements, access to capital, credit
25 metrics, capital structure, short-term debt limitations, and corporate
26 objectives and guidelines.

1 **Q22. Who are the Company witnesses supporting the O&M and capital**
2 **expenditure work plan activities for the financial forecast?**

3 The following individuals will provide testimony supporting the O&M and capital
4 expenditure work plan activities for the financial forecast:

- 5 • Dave Lucas – Overall work plan
- 6 • Tim Kerns – Fossil, Hydro & Solar Generation
- 7 • Q. Shane Lies – Nuclear Generation
- 8 • Dave Isaacson – Distribution
- 9 • Nick Koehler – Transmission

IV. Operating Revenues

10 **Q23. Please describe the major components of I&M's operating revenues.**

11 The major components of I&M's operating revenues are Indiana and Michigan
12 retail sales, FERC wholesale sales, OSS, transmission revenues, and other
13 operating revenues.

14 **Q24. Please provide an overview of the retail and FERC wholesale sales**
15 **included in the forecast.**

16 As shown on Attachment NAH-2, Total Company retail and FERC wholesale
17 sales are projected to be \$2,186 million for the Test Year. Total Company retail
18 and FERC wholesale sales include Indiana retail revenues, Michigan retail
19 revenues, and FERC municipal and cooperative wholesale revenues.

20 Total Test Year Indiana retail revenues, excluding any ratemaking adjustments
21 or the requested change in base rates, are projected to be \$1,654 million.

1 **Q25. How do the projected Test Year Indiana retail revenues compare to the**
2 **historical revenues for 2020?**

3 As reflected in Attachment NAH-2, in 2020 actual Indiana retail revenue was
4 \$1,501 million, and the projection for the Test Year is \$1,654 million. The
5 projected revenue increase of approximately \$153 million is due to a \$116
6 million projected increase in non-fuel revenues primarily stemming from the
7 ongoing implementation of rate adjustment mechanisms approved by the
8 Commission, and a projected increase in fuel revenue of \$37 million.

9 The projected changes from the rate adjustment mechanisms, including fuel
10 revenues, are directly related to projected changes in the costs they track and
11 recover.

12 **Q26. How do the Test Year FERC wholesale revenues compare to the historical**
13 **revenues from 2020?**

14 As shown in Attachment NAH-2, in 2020 actual FERC wholesale revenues were
15 \$194 million, and the projection for the Test Year is \$183 million, excluding any
16 ratemaking adjustments. The projected decrease of \$11 million is primarily due
17 to lower FERC wholesale sales.

18 **Q27. Please describe the level of OSS in the forecast and how it compares with**
19 **the Historical Period.**

20 OSS include sales made in PJM at market prices during hours when generation
21 from I&M's generating units exceeds the Company's internal load. Total OSS
22 include both cost to serve the sale and the resulting margins.

23 As shown in Attachment NAH-2, excluding any ratemaking adjustments, OSS in
24 2020 were \$100 million compared to \$124 million in the Test Year. The increase
25 in OSS is primarily due to higher projected market prices.

1 **Q28. Please provide an overview of other operating revenues.**

2 Other operating revenues include forfeited customer discounts, reconnection
3 and other service fee revenue, pole attachment revenues and other rents,
4 associated business development income, gains on the sale of emission
5 allowances, and transmission revenues. Transmission revenues and O&M
6 expenses will be discussed later in my testimony regarding operations and
7 maintenance expense.

8 **Q29. Please discuss the level of other operating revenue in the Test Year
9 forecast and how it compares with the Historical Period.**

10 As shown in Attachment NAH-2, total other operating revenues for the Test
11 Year, excluding any ratemaking adjustments and excluding transmission
12 revenues, are projected to be \$24 million, whereas the level in 2020 was \$19
13 million. The increase in other operating revenues is primarily due to an increase
14 in projected forfeited discounts.

15 **Q30. Is the level of operating revenues included in the forecast provided by I&M
16 accurate, reasonable, and representative of the Test Year?**

17 Yes, the Test Year level of forecasted operating revenues, as adjusted by the
18 Company, is accurate, reasonable, and representative of I&M's going forward
19 cost of providing service.

V. Fuel, Consumables, Allowances, and Purchased Power

20 **Q31. Please discuss the components of the Generation forecast.**

21 The components of the Generation forecast are as follows:

22 1) *Fuel* - Fuel costs include both fossil and nuclear generation costs.

1 2) *Consumables* - I&M currently consumes activated carbon, anhydrous
2 ammonia and sodium bicarbonate at the Rockport Plant. Company
3 witness Kerns discusses this in more detail.

4 3) *Allowances* - I&M uses emission allowances to comply with Title IV of the
5 Clean Air Act Amendments and the USEPA's Cross-State Air Pollution
6 Rule (CSAPR).

7 4) *Purchased Power* – Purchased power includes purchases from AEP
8 Generating Company (AEG), purchases from the Ohio Valley Electric
9 Corporation (OVEC), wind purchases and other system purchases.

10 Also included in purchased power are:

11 a. *PJM Ancillaries* - Include charges and credits, where
12 applicable, for ancillary services such as operating reserves,
13 reactive services, black start, spinning reserves, and regulation
14 service.

15 b. *Financial Transmission Rights (FTR) Revenue Net of*
16 *Congestion* - Within the PJM RTO, members receive FTR
17 revenues and incur congestion costs which may or may not
18 offset each other. FTRs are financial instruments that entitle the
19 holder to receive compensation for certain congestion-related
20 costs that arise when the transmission grid is heavily used.
21 Simply put, FTRs are a partial hedge against transmission
22 congestion costs. Congestion costs are measured as the
23 difference in the price of megawatts for the generators in PJM
24 versus the load serving entities.

25 c. *Transmission Losses* - PJM transmission losses include costs
26 and credits associated with the financial settlement of physical
27 losses (power losses due to resistance) on the transmission
28 system within PJM.

1 **Q32. Please discuss the level of fuel, consumables, allowances, and purchased**
2 **power expense included in the Test Year.**

3 As shown on Attachment NAH-3, fuel, consumables, allowances, and
4 purchased power expense, excluding any ratemaking adjustments, is projected
5 to be \$575 million for the Test Year compared to \$522 million in 2020. The \$53
6 million projected increase is primarily due to an increase in purchased power
7 expense.

8 **Q33. Is the level of fuel consumables, allowances and purchased power**
9 **expense included in the Test Year reasonable, accurate, and**
10 **representative of I&M's going forward costs?**

11 Yes. The Test Year level of fuel, consumables, allowances and purchased
12 power expense, as adjusted by the Company, is accurate, reasonable, and
13 representative of I&M's going forward cost of providing service.

VI. Operations and Maintenance Expense

14 **Q34. Please discuss the O&M expenses included in the Test Year.**

15 The O&M expenses, excluding energy costs, are based upon work plans for
16 each of I&M's business units.

17 Company witnesses Lucas, Kerns, Lies, Isaacson, and Koehler provide further
18 support for the projected level of O&M expenses included in the Test Year.

19 **Q35. Please discuss the level of transmission revenues and expenses in the**
20 **Test Year forecast and how it compares to the Historical Period.**

21 In Attachment NAH-4, I show the operating revenues and expenses associated
22 with all transmission activities in order to reflect the net effect of various

1 offsetting accounts to provide a Total Company view of the transmission
2 revenue and expenses. The net transmission expenses can be broken down
3 into two categories.

4 The first category is the Load Serving Entity (LSE) - PJM OATT transmission
5 expenses, which includes the costs incurred by I&M for use of the PJM
6 transmission system to serve its customers. The PJM OATT expenses were
7 \$288 million in 2020 and are expected to increase in the Test Year to \$373
8 million. The increase is primarily related to the Network Integration Transmission
9 Service (NITS) expenses reflecting the projected growth in transmission
10 investments made within PJM. Company witness Koehler discusses this in more
11 detail.

12 The second category, transmission-related revenue and expenses, is
13 associated with transmission owner revenues and other transmission O&M
14 expenses, the majority of which are the traditional embedded costs for I&M to
15 operate and maintain its own transmission assets. This category is removed
16 from the Company's cost of service, as discussed by Company witness Fischer.

17 **Q36. Is the level of operations and maintenance expense included in the Test**
18 **Year reasonable, accurate and representative of I&M's going forward**
19 **costs?**

20 Yes. The Test Year level of operations and maintenance expense, as adjusted
21 by the Company, is accurate, reasonable, and representative of I&M's going
22 forward cost of providing service.

VII. Depreciation and Amortization

1 **Q37. What are the major components of depreciation and amortization expense**
2 **that are included in the Test year?**

3 The major components of depreciation and amortization expense included in the
4 Test Year are depreciation expense, amortization of plant, and regulatory debits.

5 **Q38. What is the level of depreciation and amortization expense that is included**
6 **in the Test Year?**

7 As shown on Attachment NAH-1, depreciation and amortization expense is
8 projected to be \$471 million for the Test Year, excluding ratemaking
9 adjustments compared to \$412 million in 2020.

10 The depreciation expense projection was developed, on a Total Company basis,
11 by applying the composite depreciation rates approved by this Commission, the
12 MPSC, and FERC to projected monthly plant in service balances.

13 As shown on Attachment NAH-6, I&M's plant in service is projected to increase
14 by approximately \$718 million from 2020 through the Test Year, excluding
15 ratemaking adjustments. Based upon this plant in service projection, the
16 approximately \$59 million increase in depreciation and amortization expense is
17 reasonable.

18 **Q39. Is the level of depreciation and amortization expense included in the Test**
19 **Year reasonable, accurate and representative of I&M's going forward**
20 **costs?**

21 Yes. The Test Year level of depreciation and amortization expense, as adjusted
22 by the Company, is accurate, reasonable, and representative of I&M's going
23 forward cost of providing service.

VIII. Taxes

1 **Q40. What are the major components of taxes other than income taxes that are**
2 **included in the Test Year?**

3 The major components of taxes other than income taxes are revenue taxes,
4 payroll taxes, and property taxes. These Test Year expenses are sponsored by
5 Company witness Criss.

6 **Q41. What is the level of taxes other than income taxes included in the Test**
7 **Year?**

8 Taxes other than income taxes, as shown on Attachment NAH-1, are projected
9 to be \$116 million for the Test Year, excluding any ratemaking adjustments,
10 compared to \$104 million in 2020. The primary driver of the increase is
11 associated with property taxes on the new utility plant in service.

12 **Q42. What are the major components of income taxes that are included in the**
13 **Test Year?**

14 The major components of income taxes are federal income taxes, including both
15 current and deferred taxes, state income taxes, and investment tax credits.
16 These Test Year expenses are sponsored by Company witness Criss.

17 **Q43. What is the level of income taxes included in the Test Year?**

18 As shown on Attachment NAH-1, income taxes are projected to be a benefit of
19 \$5 million for the Test Year, excluding any ratemaking adjustments, compared
20 to a benefit of \$5 million in 2020.

IX. Plant in Service**1 Q44. How was the forecasted Test Year Plant in Service balance developed?**

2 In order to develop the Test Year plant in service balance, forecasted transfers
3 from Construction Work in Progress (CWIP) are added to – and retirements are
4 subtracted from – the beginning actual plant in service balance. The forecast
5 begins with actual account balances as of December 31, 2020 and adds
6 forecasted capital expenditures for the Capital Forecast Period, which is defined
7 as January 1, 2021 through December 31, 2022.

8 Forecasted transfers from CWIP are a function of both the forecast of capital
9 expenditures in each year and forecasted in-service dates for each construction
10 project based upon the work plans. Forecast retirements are based upon a five-
11 year rolling average of retirements for each function except for major
12 retirements, such as a generating unit or software project, which are forecasted
13 individually.

14 Attachment NAH-5 provides an historical overview of the closings from CWIP,
15 retirements, and depreciation and amortization expense from 2016 through
16 2020. Attachment NAH-6 then provides an unadjusted, forward-looking forecast
17 of plant in service, CWIP, and accumulated depreciation balances for the
18 Capital Forecast Period.

19 Q45. Please describe the balance of Plant in Service included in the Test Year.

20 As shown on Attachment NAH-6, the balance of plant in service is projected to
21 be \$10,664 million at the end of 2022, excluding any ratemaking adjustments.
22 Plant in service increased by \$718 million during the Capital Forecast Period.

1 *Figure NAH-1* provides a Total Company summary of the functional projected
 2 activity during the entire Capital Forecast Period of January 1, 2020 through
 3 December 31, 2022.

Figure NAH-1. Net Plant in Service Activity

Function	In \$Millions		
	Transfers from CWIP	Retirements	Net
Fossil and Hydro	\$84	(\$305)	(\$221)
Nuclear	\$217	(\$113)	\$104
Transmission	\$235	(\$51)	\$184
Distribution	\$587	(\$43)	\$544
General & Intangible	\$165	(\$58)	\$107
Total Company	\$1,288	(\$570)	\$718

4 **Q46. Is the projected Plant in Service balance in the forecast reasonable,**
 5 **accurate, and representative of I&M's going forward costs?**

6 Yes. The Test Year plant in service balance, as adjusted by the Company, is
 7 reasonable, accurate, and representative of I&M's going forward cost of
 8 providing service.

X. Construction Work in Progress

9 **Q47. How is the forecast of CWIP developed, and what is its importance in this**
 10 **case?**

11 The forecasted balance of CWIP in any given month is developed by starting
 12 with the beginning balance, adding in capital expenditures, adding AFUDC

1 accruals, and deducting transfers to plant in service. The transfers to plant in
2 service occur upon a project's forecasted completion or in-service date.

3 Then the project's total forecasted balance of CWIP, including AFUDC, is
4 transferred into plant in service. While CWIP is not a component of rate base in
5 the Indiana jurisdiction, these calculations determine the size and timing of total
6 transfers to plant in service.

7 **Q48. Please discuss the level of the CWIP balance that is included in the**
8 **forecast.**

9 As shown on Attachment NAH-6, I&M's CWIP balance was \$374 million as of
10 December 31, 2020 and is forecast to decrease to \$180 million by the end of
11 2022. *Figure NAH-2* provides a Total Company summary of the functional
12 projected activity during the entire Capital Forecast Period.

Figure NAH-2. Construction Work in Progress Activity

Function	In \$Millions				
	Cash Construction	AFUDC	Cash Const. w/AFUDC	Transfers to EPIS	Net
Fossil and Hydro	\$67	\$2	\$69	(\$84)	(\$15)
Nuclear	\$142	\$5	\$147	(\$217)	(\$70)
Transmission	\$177	\$3	\$180	(\$235)	(\$55)
Distribution	\$528	\$3	\$531	(\$587)	(\$56)
General & Intangible	\$166	\$1	\$167	(\$165)	\$2
Total Company	\$1,080	\$14	\$1,094	(\$1,288)	(\$194)

13 The forecast of cash construction or capital expenditures shown above includes
14 many projects for each function.

15 Company witnesses Lucas, Kerns, Lies and Isaacson discuss and support the
16 capital expenditures during the Capital Forecast Period.

XI. Accumulated Depreciation

1 Q49. How did you develop the forecasted accumulated depreciation balance?

2 In order to develop a forecast of accumulated depreciation, depreciation and
 3 amortization expenses are added – and retirements and removal expenditures
 4 are subtracted – from the December 31, 2020 actual accumulated depreciation
 5 balance.

6 Q50. Please discuss the accumulated depreciation balance that is included in 7 the Test Year.

8 As shown on Attachment NAH-6, I&M's accumulated depreciation and removal
 9 reserve was \$3,473 million as of December 31, 2020 and is projected to be
 10 \$3,745 million at the end of 2022, excluding any ratemaking adjustments.

11 *Figure NAH-3* provides a Total Company summary of the functional projected
 12 activity during the entire Capital Forecast Period of January 1, 2021 through
 13 December 31, 2022.

Figure NAH-3. Depreciation Reserve

Function	In \$Millions			
	Depreciation/ Amortization Expense	Retirements	Removal Expenditures	Net
Fossil and Hydro	\$222	(\$305)	\$0	(\$83)
Nuclear	\$289	(\$113)	(\$10)	\$166
Transmission	\$87	(\$51)	(\$19)	\$17
Distribution	\$205	(\$43)	(\$28)	\$134
General & Intangible	\$111	(\$58)	(\$15)	\$38
Total Company	\$914	(\$570)	(\$72)	\$272

XII. Ratemaking and Forecast Adjustments

1 **Q51. Which of the net operating income adjustments included in I&M Exhibit A-**
2 **5 and rate base adjustments included in I&M Exhibit A-6 do you sponsor**
3 **or co-sponsor?**

4 I support the following adjustments in I&M Exhibit A-5 to I&M's Test Year net
5 operating income, and in I&M Exhibit A-6 to I&M's Test Year rate base:

- 6 • Depreciation Adjustment No. DEP-1 – To adjust accumulated
7 depreciation and depreciation expense by applying Indiana jurisdictional
8 depreciation rates approved by the Indiana Utility Regulatory Commission
9 to projected depreciable plant balances.
- 10 • Depreciation Adjustment No. DEP-2 – To adjust accumulated
11 depreciation and depreciation expense by applying Indiana jurisdictional
12 depreciation rates proposed in this case to projected depreciable plant
13 balances.
- 14 • O&M Expense Adjustment No. O&M-2 –To remove the expenses
15 associated with Value Advertising.
- 16 • O&M Expense Adjustment No. O&M-3 – To remove lobbying expenses
17 associated with the I&M State Office.
- 18 • Rate Base Adjustment No. RB-8 – To adjust AMI Electric Plant in Service
19 (EPIS) by reclassifying Distribution Plant to Intangible Plant and General
20 Plant, add additional Intangible Plant, and recognize the related
21 Intangible Amortization Expense and Accumulated Provision for
22 Amortization.

1 **Q52. What is the purpose of Depreciation Adjustment No. 1 of Exhibit A-5 and**
2 **Exhibit A-6?**

3 Depreciation Adjustment No. 1 “Adjust accumulated depreciation and
4 depreciation expense by applying Indiana jurisdictional depreciation rates
5 approved by the Indiana Utility Regulatory Commission to projected depreciable
6 plant balances” - decreases I&M’s depreciation expense by \$22,635,969 and
7 accumulated depreciation by \$60,171,001.

8 First, the adjustment restates the accumulated depreciation through December
9 31, 2020, for the difference between depreciation accruals based on
10 depreciation rates approved by this Commission and the rates utilized for book
11 account purposes, which are composites of the depreciation rates approved by
12 this Commission, the MPSC, and FERC.

13 Second, the adjustment recalculates accumulated depreciation and the related
14 depreciation expense through the end of the Test Year, based on Total
15 Company plant in service at depreciation rates currently approved by this
16 Commission as compared to a composite depreciation rate used in the
17 forecasting model. If this adjustment were not made, the expenses would be
18 overstated and rate base would be understated in the Company’s calculation of
19 the required rate relief.

20 **Q53. What is the purpose of Depreciation Adjustment No. 2 of Exhibit A-5 and**
21 **Exhibit A-6?**

22 Depreciation Adjustment No. 2 “Adjust accumulated depreciation and
23 depreciation expense by applying Indiana jurisdictional depreciation rates
24 proposed in this case to projected depreciable plant balances” increases I&M’s
25 depreciation expense by \$30,776,286 and accumulated depreciation by
26 \$34,927,290.

1 This adjustment recalculates accumulated depreciation and the related
2 depreciation expense beginning January 1, 2022 through the end of the Test
3 Year, based on Total Company plant in service at rates proposed by the
4 Company and presented by Company witness Cash. If this adjustment were not
5 made, the expenses would be understated and rate base would be overstated in
6 the Company's calculation of the required rate relief.

7 **Q54. Does Depreciation Adjustment No. 1 and No. 2 incorporate other**
8 **adjustments that impact the depreciable plant balances?**

9 Yes. I have incorporated the following adjustments when calculating
10 Depreciation Adjustment No. 1 and No. 2 which are supported by Company
11 witnesses Ross, Auer, Duncan and myself:

RIDER-3 To reduce Total Company investment, accumulated depreciation, and expenses related to the Saint Joseph Solar Facility (SJSF) that will continue to be fully recovered in the Solar Power Rider and also remove the related Indiana retail revenue.

RB-1 Adjust Total Company rate base to reflect treatment of Rockport Unit 1 legacy test energy and CWIP ratemaking related to Rockport Unit 1 pollution control facilities on an Indiana basis.

RB-2 Remove asset retirement obligation (ARO) plant in service and ARO accumulated depreciation from rate base related to the original cost of ledger removal obligations for ash ponds, asbestos, nuclear decommissioning recorded with the implementation of FASB ASC 410 since costs for removal have not yet been incurred.

- RB-3 Remove EPIS and Accumulated Depreciation balances for all assets associated with the South Bend Smart Meter Pilot Project.
- RB-4 Adjust plant and accumulated depreciation related to CWIP ratemaking approved in Indiana for Cook Plant LCM, Rockport Plant DSI and SCR and IURC approved LCM Indiana depreciation rates.
- RB-7 Remove land costs related to St. Joseph Solar Farm.
- RB-8 Adjust AMI EPIS by reclassifying Distribution Plant to Intangible Plant and General Plant, add additional Intangible Plant, and recognize the related Intangible Amortization Expense and Accumulated Provision for Amortization.

1 **Q55. What is the purpose of O&M Expense Adjustment No. 2 of Exhibit A-5?**

2 O&M Expense Adjustment No. 2 “Remove the expenses associated with Value
3 Advertising” - decreases I&M’s O&M expense by \$424,801 to remove value
4 advertising expenses from the Test Year forecast.

5 Eliminating value advertising expenses is consistent with past ratemaking
6 practices of this Commission for I&M. If this adjustment were not made, the
7 expenses would remain in the Company’s calculation of the required rate relief.

8 **Q56. What is the purpose of O&M Expense Adjustment No. 3 of Exhibit A-5?**

9 O&M Expense Adjustment No. 3 “Remove the lobbying expenses associated
10 with the I&M State Office” - decreases I&M’s O&M expense by \$282,951 to
11 remove the expenses of the Company’s State Government Affairs department
12 that are related to lobbying activities and are included in the Test Year forecast.
13 I was provided the percentage of lobbying expenses to exclude from the State
14 Government Affairs department expenses.

1 Eliminating the portion of government relations expenses that is related to
2 lobbying activities is consistent with past ratemaking practices of this
3 Commission for I&M. If this adjustment were not made, the expenses would
4 remain in the Company's calculation of the required rate relief.

5 **Q57. What is the purpose of Rate Base Adjustment No. 8 of Exhibit A-5 and**
6 **Exhibit A-6?**

7 Rate Base Adjustment No. RB-8 "Adjust AMI EPIS by reclassifying Distribution
8 Plant to Intangible Plant and General Plant, add additional Intangible Plant, and
9 recognize the related Intangible Amortization Expense and Accumulated
10 Provision for Amortization" – net increase to I&M's plant in service of \$569,500,
11 increase to amortization expense of \$1,731,311, and increase to accumulated
12 amortization of \$1,892,981.

13 This adjustment:

- 14 1) correctly reflects AMI related plant in service as intangible plant and
15 general plant rather than distribution plant;
- 16 2) reflects the increase in AMI intangible plant in service related to CVR
17 (Conservation Voltage Reduction) as provided to me by Company
18 witness Walter; and
- 19 3) recognizes the accumulated amortization and amortization expense for
20 the intangible plant through the end of the Test Year.

21 If this adjustment were not made, the expenses would be understated and rate
22 base would be overstated in the Company's calculation of the required rate
23 relief.

XIII. Fuel Adjustment Clause Basing Point

1 **Q58. What is the projected Test Year FAC basing point?**

2 The FAC basing point for the Test Year is 13.110 mills per kWh, as shown on
3 Attachment NAH-8. The Total Company fuel costs computed on an Indiana
4 basis are estimated to be \$267.1 million with a net energy requirement of 20,372
5 GWh.

6 **Q59. Please provide a general description of the methodologies and**
7 **assumptions used in the development of I&M's forecasted fuel costs and**
8 **net energy requirements for the Test Year.**

9 The projected costs consist of FERC Account 151 fossil and Account 518
10 nuclear fuel costs, as well as the allowable portion of purchased power,
11 calculated in a manner typically called the FERC Net Energy Cost method.

12 In addition, the total cost of wind purchases and the associated energy are
13 included, consistent with the Commission Orders in Cause Nos. 43328, 43750,
14 44034, and 44362. The components of the net energy requirements and costs
15 are shown on Attachment NAH-8.

16 To the extent that I&M incurs costs to supply energy to non-affiliates, those
17 costs are removed from I&M's net energy costs. This is the same methodology
18 I&M used in Cause No. 45235 and the methodology I&M traditionally uses in
19 Indiana fuel cost adjustment filings, a methodology the Commission has found
20 to be reasonable.


21 **Q60. Does this conclude your pre-filed verified direct testimony?**

22 Yes.

VERIFICATION

I, Nancy A. Heimberger, Financial Analyst Senior Staff of American Electric Power Service Corporation, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: June 18, 2021


Nancy A. Heimberger

Indiana Michigan Power Company - Corp Consolidated
Operating Income Comparison
For the Unadjusted Test Year Ended December 31, 2022 As Compared to 2020 Historical Period
Amounts in (\$000)

Line No.	Description	TY - 2022	2020 Actuals	Difference
1	Operating Revenues			
2	Retail Sales	\$ 2,003,162	\$ 1,834,976	\$ 168,186
3	FERC Wholesale Sales	\$ 183,260	\$ 194,694	\$ (11,434)
4	Off System Sales	\$ 123,830	\$ 99,975	\$ 23,855
5	Other Operating Revenues	\$ 54,002	\$ 51,417	\$ 2,585
6	Gains from Disposition of Allowances	\$ 36	\$ 132	\$ (97)
7	Total Operating Revenues	<u>\$ 2,364,289</u>	<u>\$ 2,181,195</u>	<u>\$ 183,094</u>
8				
9	Fuel Related and Purchased Power Expense			
10	Fuel	\$ 139,071	\$ 143,603	\$ (4,532)
11	Consumables	\$ 6,635	\$ 7,721	\$ (1,086)
12	Allowances	\$ 158	\$ 386	\$ (228)
13	Purchased Power	\$ 429,335	\$ 370,534	\$ 58,801
14	Total Fuel Related and Purchased Power Expense	<u>\$ 575,199</u>	<u>\$ 522,244</u>	<u>\$ 52,955</u>
15				
16	Operating and Maintenance Expense			
17	Steam Generation (Non-Fuel)	\$ 91,199	\$ 94,495	\$ (3,297)
18	Nuclear Generation (Non-Fuel)	\$ 243,111	\$ 240,256	\$ 2,855
19	Hydraulic Generation	\$ 4,572	\$ 3,206	\$ 1,367
20	Other Generation & Power Supply	\$ 2,001	\$ 4,680	\$ (2,679)
21	Transmission	\$ 244,160	\$ 180,960	\$ 63,200
22	Regional Market Expense	\$ 4,819	\$ 4,203	\$ 616
23	Distribution	\$ 77,892	\$ 74,701	\$ 3,191
24	Customer Information	\$ 37,692	\$ 51,676	\$ (13,984)
25	Sales	\$ 354	\$ 435	\$ (81)
26	Administrative and General	\$ 120,796	\$ 96,746	\$ 24,051
27	Factored Accounts Receivable	\$ 9,549	\$ 7,853	\$ 1,696
28	Accretion	\$ 6,106	\$ 4,980	\$ 1,126
29	Line of Credit Fees	\$ 127	\$ 1,039	\$ (912)
30	Gain/Loss Disposition of Utility Plant	\$ -	\$ (419)	\$ 419
31	Total Operating and Maintenance Expense	<u>\$ 842,379</u>	<u>\$ 764,811</u>	<u>\$ 77,568</u>
32				
33	Depreciation and Amortization Expense			
34	Depreciation	\$ 407,868	\$ 366,950	\$ 40,918
35	Amortization of Plant	\$ 62,942	\$ 46,941	\$ 16,001
36	Regulatory Debits/Credits	\$ -	\$ (2,155)	\$ 2,155
37	Total Depreciation and Amortization Expense	<u>\$ 470,809</u>	<u>\$ 411,735</u>	<u>\$ 59,074</u>
38				
39	Taxes Other than Income Taxes			
40	Revenue Taxes	\$ 24,509	\$ 21,506	\$ 3,003
41	Payroll Taxes	\$ 13,404	\$ 11,830	\$ 1,573
42	Property Taxes	\$ 75,469	\$ 67,645	\$ 7,824
43	Regulatory Fees	\$ 2,967	\$ 2,720	\$ 247
44	Other	\$ 48	\$ 48	\$ 0
45	Total Taxes Other than Income Taxes	<u>\$ 116,396</u>	<u>\$ 103,748</u>	<u>\$ 12,648</u>
46				
47	Allowance For Funds Used During Construction			
48	AOFUDC	\$ (9,641)	\$ (11,537)	\$ 1,896
49	ABFUDC	\$ (4,095)	\$ (5,671)	\$ 1,576
50	Total Allowance For Funds Used During Construction	<u>\$ (13,736)</u>	<u>\$ (17,208)</u>	<u>\$ 3,472</u>
51				
52	Income Taxes			
53	Current Federal Income Taxes	\$ 4,184	\$ 14,829	\$ (10,645)
54	Deferred Federal Income Taxes	\$ (2,566)	\$ (15,780)	\$ 13,215
55	Investment Tax Credit	\$ (3,791)	\$ (4,485)	\$ 694
56	State Income Tax	\$ (2,712)	\$ 721	\$ (3,433)
57	Total Income Taxes	<u>\$ (4,885)</u>	<u>\$ (4,716)</u>	<u>\$ (169)</u>
58				
59	Total Operating Expenses	<u>\$ 1,986,163</u>	<u>\$ 1,780,615</u>	<u>\$ 205,548</u>
60				
61	Regulatory Operating Income	<u>\$ 378,126</u>	<u>\$ 400,580</u>	<u>\$ (22,454)</u>

Indiana Michigan Power Company - Corp Consolidated
Revenue Comparison
For the Unadjusted Test Year Ended December 31, 2022 As Compared to 2020 Historical Period
Amounts in (\$000)

Line No.	Description	TY - 2022	2020 Actuals	Difference
1	Operating Revenues			
2	<u>Indiana Retail Revenues</u>			
3	Non-Fuel Revenues	\$ 1,460,954	\$ 1,345,514	\$ 115,440
4	Fuel Revenues	\$ 192,788	\$ 155,500	\$ 37,288
5	Total	\$ 1,653,743	\$ 1,501,014	\$ 152,729
6				
7	<u>Michigan Retail Revenues</u>			
8	Non-Fuel Revenues	\$ 243,733	\$ 244,636	\$ (902)
9	Fuel Revenues	\$ 105,686	\$ 89,326	\$ 16,360
10	Total	\$ 349,419	\$ 333,962	\$ 15,457
11				
12	<u>FERC Wholesale Revenues</u>			
13	Non-Fuel Revenues	\$ 138,606	\$ 153,716	\$ (15,110)
14	Fuel Revenues	\$ 44,654	\$ 40,978	\$ 3,676
15	Total	\$ 183,260	\$ 194,694	\$ (11,434)
16				
17	Retail, Firm and Interruptible Sales	\$ 2,186,421	\$ 2,029,670	\$ 156,751
18				
19	OSS Margin	\$ 48,141	\$ 8,801	\$ 39,340
20	OSS Cost Recovery	\$ 75,689 [a]	\$ 90,965	\$ (15,276)
21	Other Sales for Resale	\$ -	\$ 209	\$ (209)
22	Off-System Sales	\$ 123,830	\$ 99,975	\$ 23,855
23				
24	Forfeited Discounts	\$ 5,506	\$ 3,392	\$ 2,114
25	Miscellaneous Service Revenues	\$ 3,884	\$ 2,460	\$ 1,425
26	Rent from Electric Property	\$ 10,314	\$ 10,112	\$ 203
27	Other Electric Revenues - ABD & Other	\$ 4,129 [a]	\$ 2,764	\$ 1,365
28	Subtotal	\$ 23,835	\$ 18,728	\$ 5,106
29	PJM OATT Transmission Expense	\$ (148,779)	\$ (116,048)	\$ (32,731)
30	Transmission Owner and Other Revenues	\$ 178,946	\$ 148,737	\$ 30,209
31	Subtotal	\$ 30,167	\$ 32,689	\$ (2,521)
32	Other Operating Revenues/(Expense)	\$ 54,002	\$ 51,417	\$ 2,585
33				
34	Gains from Disposition of Allowances	\$ 36	\$ 132	\$ (97)
35	Total Operating Revenues	\$ 2,364,289	\$ 2,181,195	\$ 183,094

Note: [a] *The forecast includes \$10,877,885 of forecasted fuel expense and offsetting revenue associated with I&M's post-lease operation of Rockport Unit 2 on behalf of the Owner Participants. The \$10,877,885 of expense has been reclassified from OSS Cost Recovery to Other Electric Revenues where the associated revenues are forecasted to allow these to offset for variance reporting and analysis purposes. I&M's post-lease operation of Rockport Unit 2 is further discussed by Company witness Williamson.*

Indiana Michigan Power Company - Corp Consolidated
Fuel, Consumables, Allowances and Purchased Power Comparison
For the Unadjusted Test Year Ended December 31, 2022 As Compared to 2020 Historical Period
Amounts in (\$000)

Line No.	Description	TY - 2022	2020 Actuals	Difference
1	<u>Fuel</u>			
2	Fossil Generation	\$ 57,183	\$ 57,632	\$ (450)
3	Nuclear Generation	\$ 81,888	\$ 85,971	\$ (4,082)
4	Total Fuel Costs	\$ 139,071	\$ 143,603	\$ (4,532)
5				
6	<u>Consumables</u>			
7	Lime Hydrate	\$ -	\$ (0)	\$ 0
8	Activated Carbon	\$ 925	\$ 897	\$ 29
9	Anhydrous Ammonia	\$ 315	\$ 178	\$ 137
10	Sodium Bicarbonate	\$ 5,394	\$ 6,095	\$ (701)
11	DSI Rider Over/Under	\$ -	\$ 552	\$ (552)
12	Total Consumables	\$ 6,635	\$ 7,721	\$ (1,086)
13				
14	<u>Allowances</u>	\$ 158	\$ 386	\$ (228)
15				
16	<u>Purchased Power</u>			
17	Purchased Power Non-Affil	\$ 110,927	\$ 91,604	\$ 19,324
18	Purchased Power - Wind	\$ 83,859	\$ 72,463	\$ 11,396
19	Purchased Power - AEG	\$ 191,031	\$ 172,794	\$ 18,237
20	PJM Ancillaries	\$ 11,770	\$ 9,415	\$ 2,355
21	FTR Revenue Net of Congestion - LSE	\$ 11,345	\$ 8,018	\$ 3,327
22	Transmission Losses	\$ 15,195	\$ 7,094	\$ 8,101
23	Riders - Over-/Under-recovery	\$ 5,208	\$ 9,146	\$ (3,938)
24		\$ 429,335	\$ 370,534	\$ 58,801
25				
26	Total Fuel Related and Purchased Power Expense	\$ 575,199	\$ 522,244	\$ 52,955

Indiana Michigan Power Company - Corp Consolidated
Total Company Net Transmission Expenses Comparison
For the Unadjusted Test Year Ended December 31, 2022 As Compared to 2020 Historical Period
Amounts in (\$000)

Line No.	Description	TY - 2022	2020 Actuals	Difference
1	Network Integration Transmission Service Charges	\$ 338,314	\$ 257,783	\$ 80,531
2	(Accts 4561035, 5650016, 5650021)			
3	Firm and Non-Firm Point to Point Transmission Credits	\$ (3,875)	\$ (3,675)	\$ (200)
4	(Acct 4561005)			
5	Schedule 1A Ancillary Service Charges	\$ 3,217	\$ 1,237	\$ 1,980
6	(Transmission Owner Scheduling, System Control and Load Dispatching)			
7	(Accts 4561036, 5650015)			
8	PJM Transmission Enhancement Charges	\$ 25,612	\$ 24,109	\$ 1,503
9	(Accts 4561060, 5650012, 5650019)			
10	PJM Administrative Charges	\$ 9,361	\$ 8,131	\$ 1,231
11	(Accts 5614001, 5618001, 5757001)			
12	RTO Start-up Cost Recovery Charges	\$ -	\$ (45)	\$ 45
13	(Acct 4561002 Gen only)			
14	Load Serving Entity - PJM OATT Transmission Expenses	\$ 372,629	\$ 287,540	\$ 85,089
15				
16	Transmission Owner and Other Revenues	\$ (178,946)	\$ (148,737)	\$ (30,209)
17	Transmission Owner and Other O&M Expenses	\$ 25,129	\$ 13,671	\$ 11,458
18	Transmission Owner - Transmission Revenues	\$ (153,817)	\$ (135,066)	\$ (18,751)
19				
20	Total Company Net Transmission Expenses	\$ 218,812	\$ 152,475	\$ 66,337

Indiana Michigan Power Company - Corp Consolidated
Historical Functional Plant Activity
Amounts in (\$000)

Line No.	Function	2016	2017	2018	2019	2020
1		Closings from CWIP				
2	Fossil, Hydro, and Other	\$ 46,843	\$ 164,716	\$ 21,591	\$ 13,895	\$ 120,363
3	Nuclear	\$ 203,573	\$ 324,125	\$ 478,358	\$ 287,946	\$ 74,502
4	Transmission	\$ 84,043	\$ 73,541	\$ 106,773	\$ 94,740	\$ 87,129
5	Distribution	\$ 120,617	\$ 187,563	\$ 210,730	\$ 216,142	\$ 189,677
6	General & Intangible	\$ 35,194	\$ 73,464	\$ 66,265	\$ 61,233	\$ 69,023
7	Total	\$ 490,271	\$ 823,409	\$ 883,717	\$ 673,956	\$ 540,694
8						
9		Retirements				
10	Fossil, Hydro, and Other	\$ 5,170	\$ 6,602	\$ 2,679	\$ 2,635	\$ 5,792
11	Nuclear	\$ 43,833	\$ 89,043	\$ 55,454	\$ 88,858	\$ 24,179
12	Transmission	\$ 16,031	\$ 38,199	\$ 33,873	\$ 29,752	\$ 32,481
13	Distribution	\$ 14,000	\$ 21,430	\$ 28,891	\$ 28,272	\$ 32,718
14	General & Intangible	\$ 9,886	\$ 7,284	\$ 15,339	\$ 20,477	\$ 31,498
15	Total	\$ 88,920	\$ 162,557	\$ 136,236	\$ 169,994	\$ 126,669
16						
17		Depreciation & Amortization of Plant Expense				
18	Fossil, Hydro, and Other	\$ 38,725	\$ 44,903	\$ 76,729	\$ 92,735	\$ 109,000
19	Nuclear	\$ 56,184	\$ 59,991	\$ 87,388	\$ 110,027	\$ 133,891
20	Transmission	\$ 24,058	\$ 25,028	\$ 27,946	\$ 30,810	\$ 39,263
21	Distribution	\$ 52,579	\$ 55,631	\$ 69,754	\$ 82,678	\$ 88,320
22	General & Intangible	\$ 19,863	\$ 25,095	\$ 31,245	\$ 33,592	\$ 43,416
23	Total	\$ 191,409	\$ 210,648	\$ 293,061	\$ 349,843	\$ 413,890

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
Amounts in (\$000)

Indiana Michigan Power Company - Corp I&M Plant Summary		Historical	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
		12/31/2020	1/31/2021	2/28/2021	3/31/2021	4/30/2021	5/31/2021	6/30/2021
Line No.	Amounts in (\$000)							
1	<u>Electric Plant In Service</u>							
2	Production - Fossil, Hydro & Solar	1,328,023	1,343,168	1,375,523	1,377,708	1,378,101	1,378,657	1,379,320
3	Nuclear	3,906,782	3,907,549	3,908,031	3,909,097	3,925,926	3,925,288	3,924,074
4	Transmission	1,696,204	1,712,566	1,718,162	1,724,132	1,727,234	1,734,725	1,750,823
5	Distribution	2,582,348	2,623,415	2,647,127	2,676,307	2,691,760	2,708,390	2,731,136
6	General	176,884	178,734	180,740	182,931	183,047	183,173	183,272
7	Intangible	254,928	257,330	262,300	267,978	275,528	282,984	287,742
	Total Electric Plant In Service Balance							
8	(101 & 106) ^{Note 1}	9,945,171	10,022,762	10,091,883	10,138,152	10,181,597	10,213,216	10,256,367
9	<u>Construction Work in Progress</u>							
10	Production - Fossil, Hydro & Solar activity		(11,887)	(30,519)	(1,267)	1,516	821	1,683
11	Nuclear activity		(1,201)	(1,087)	(1,571)	(14,737)	3,064	1,070
12	Transmission activity		(11,426)	(3,084)	(2,619)	264	(3,664)	(11,284)
13	Distribution activity		(25,321)	(8,141)	(13,933)	1,164	2,516	(2,073)
14	General Plant activity		(1,680)	(1,818)	(1,975)	91	73	33
15	Intangible Plant activity		4,804	2,731	159	(278)	(57)	(59)
16	Total Constr Work in Progress Balance (107)	374,660	327,949	286,032	264,826	252,846	255,598	244,969
17	<u>Accum. Prov for Depr. Amort. Depl</u>							
18	Production - Fossil, Hydro & Solar	(596,689)	(605,448)	(614,304)	(623,297)	(632,306)	(641,321)	(650,309)
19	Nuclear	(1,558,756)	(1,565,453)	(1,572,163)	(1,578,885)	(1,585,620)	(1,592,427)	(1,599,241)
20	Transmission	(463,720)	(464,335)	(464,636)	(464,948)	(465,271)	(465,601)	(465,946)
21	Distribution	(714,189)	(718,402)	(723,124)	(727,889)	(732,762)	(737,658)	(742,605)
22	General Plant	(37,536)	(37,078)	(36,610)	(36,178)	(35,751)	(35,334)	(34,924)
23	Intangible Plant	(101,979)	(105,318)	(108,685)	(110,259)	(113,746)	(117,323)	(118,440)
	Total Accumulated Depreciation Balance							
24	(108, 111, 115) ^{Note 1}	(3,472,869)	(3,496,033)	(3,519,521)	(3,541,456)	(3,565,457)	(3,589,665)	(3,611,465)

Note 1: Does not include leases or plant held for future use. Does include leasehold improvements.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
Amounts in (\$000)

Indiana Michigan Power Company - Corp I&M Plant Summary		Forecasted 7/31/2021	Forecasted 8/31/2021	Forecasted 9/30/2021	Forecasted 10/31/2021	Forecasted 11/30/2021	Forecasted 12/31/2021	Forecasted 1/31/2022
Line No.	Amounts in (\$000)							
1	<u>Electric Plant In Service</u>							
2	Production - Fossil, Hydro & Solar	1,379,932	1,380,413	1,381,055	1,381,893	1,384,974	1,385,629	1,386,163
3	Nuclear	3,922,097	3,921,408	3,919,653	3,934,227	3,932,006	3,930,141	3,927,633
4	Transmission	1,752,199	1,760,352	1,764,227	1,769,524	1,783,651	1,792,717	1,812,864
5	Distribution	2,754,039	2,781,355	2,812,267	2,834,878	2,853,682	2,869,914	2,888,557
6	General	183,340	183,378	183,416	183,462	183,517	183,582	183,681
7	Intangible	294,958	302,045	305,641	312,605	319,574	321,534	328,157
8	Total Electric Plant In Service Balance (101 & 106) ^{Note 1}	10,286,565	10,328,951	10,366,260	10,416,587	10,457,404	10,483,517	10,527,055
9	<u>Construction Work in Progress</u>							
10	Production - Fossil, Hydro & Solar activity	1,308	1,629	2,286	2,963	(378)	818	1,540
11	Nuclear activity	2,254	4,213	1,635	(13,286)	1,822	1,913	4,887
12	Transmission activity	4,518	(3,250)	1,740	4,627	(1,148)	2,263	(16,027)
13	Distribution activity	7,029	9,064	(10,208)	(5,223)	(171)	(2,471)	11,944
14	General Plant activity	40	67	92	85	70	89	63
15	Intangible Plant activity	(218)	(76)	(35)	(35)	59	216	(1,111)
16	Total Constr Work in Progress Balance (107)	259,900	271,547	267,056	256,186	256,440	259,269	260,565
17	<u>Accum. Prov for Depr. Amort. Depl</u>							
18	Production - Fossil, Hydro & Solar	(659,305)	(668,310)	(677,385)	(686,469)	(695,565)	(704,596)	(713,640)
19	Nuclear	(1,606,061)	(1,612,884)	(1,619,715)	(1,626,549)	(1,633,446)	(1,640,345)	(1,647,247)
20	Transmission	(466,324)	(466,704)	(467,100)	(467,504)	(467,919)	(468,362)	(469,346)
21	Distribution	(747,598)	(752,678)	(757,877)	(763,314)	(768,852)	(774,450)	(780,121)
22	General Plant	(34,507)	(34,094)	(33,676)	(33,255)	(32,827)	(32,402)	(31,843)
23	Intangible Plant	(122,154)	(125,953)	(126,444)	(130,358)	(134,356)	(133,305)	(137,396)
24	Total Accumulated Depreciation Balance (108, 111, 115) ^{Note 1}	(3,635,949)	(3,660,623)	(3,682,198)	(3,707,451)	(3,732,965)	(3,753,462)	(3,779,593)

Note 1: Does not include leases or plant held for future use. Does include leasehold improvements.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
 Amounts in (\$000)

Indiana Michigan Power Company - Corp I&M Plant Summary		Forecasted 2/28/2022	Forecasted 3/31/2022	Forecasted 4/30/2022	Forecasted 5/31/2022	Forecasted 6/30/2022	Forecasted 7/31/2022	Forecasted 8/31/2022
Line No.	Amounts in (\$000)							
1	<u>Electric Plant In Service</u>							
2	Production - Fossil, Hydro & Solar	1,386,789	1,387,443	1,388,328	1,390,230	1,391,341	1,392,258	1,392,985
3	Nuclear	3,925,121	3,923,039	3,932,483	3,969,060	3,967,930	3,965,881	3,972,941
4	Transmission	1,817,287	1,817,146	1,822,709	1,823,579	1,837,182	1,842,850	1,843,174
5	Distribution	2,910,750	2,933,320	2,952,523	2,968,392	2,985,491	3,005,226	3,026,809
6	General	183,798	183,925	184,125	184,388	184,705	185,015	185,319
7	Intangible	334,189	331,756	337,085	342,415	341,563	346,855	352,133
8	Total Electric Plant In Service Balance (101 & 106) ^{Note 1}	10,557,934	10,576,630	10,617,253	10,678,065	10,708,213	10,738,085	10,773,361
9	<u>Construction Work in Progress</u>							
10	Production - Fossil, Hydro & Solar activity	1,413	1,847	2,119	1,795	1,542	2,126	2,092
11	Nuclear activity	3,251	3,665	(3,061)	(30,799)	1,181	3,353	(6,233)
12	Transmission activity	(1,832)	3,224	(2,347)	3,240	(7,647)	(2,642)	4,250
13	Distribution activity	2,995	(4,063)	(814)	2,754	2,712	2,736	898
14	General Plant activity	72	78	185	113	42	57	51
15	Intangible Plant activity	(757)	7	(8)	(54)	28	(29)	(46)
16	Total Constr Work in Progress Balance (107)	265,708	270,465	266,540	243,589	241,445	247,045	248,057
17	<u>Accum. Prov for Depr. Amort. Depl</u>							
18	Production - Fossil, Hydro & Solar	(722,696)	(731,720)	(740,850)	(749,999)	(759,219)	(768,372)	(777,549)
19	Nuclear	(1,654,150)	(1,661,054)	(1,667,961)	(1,674,911)	(1,682,003)	(1,689,100)	(1,696,200)
20	Transmission	(470,370)	(471,403)	(472,435)	(473,478)	(474,523)	(475,596)	(476,679)
21	Distribution	(785,866)	(791,668)	(797,564)	(803,534)	(809,559)	(815,655)	(821,816)
22	General Plant	(31,251)	(30,688)	(30,121)	(29,555)	(28,996)	(28,431)	(27,871)
23	Intangible Plant	(141,576)	(138,024)	(142,268)	(146,600)	(144,859)	(149,277)	(153,783)
24	Total Accumulated Depreciation Balance (108, 111, 115) ^{Note 1}	(3,805,909)	(3,824,557)	(3,851,200)	(3,878,078)	(3,899,159)	(3,926,430)	(3,953,899)

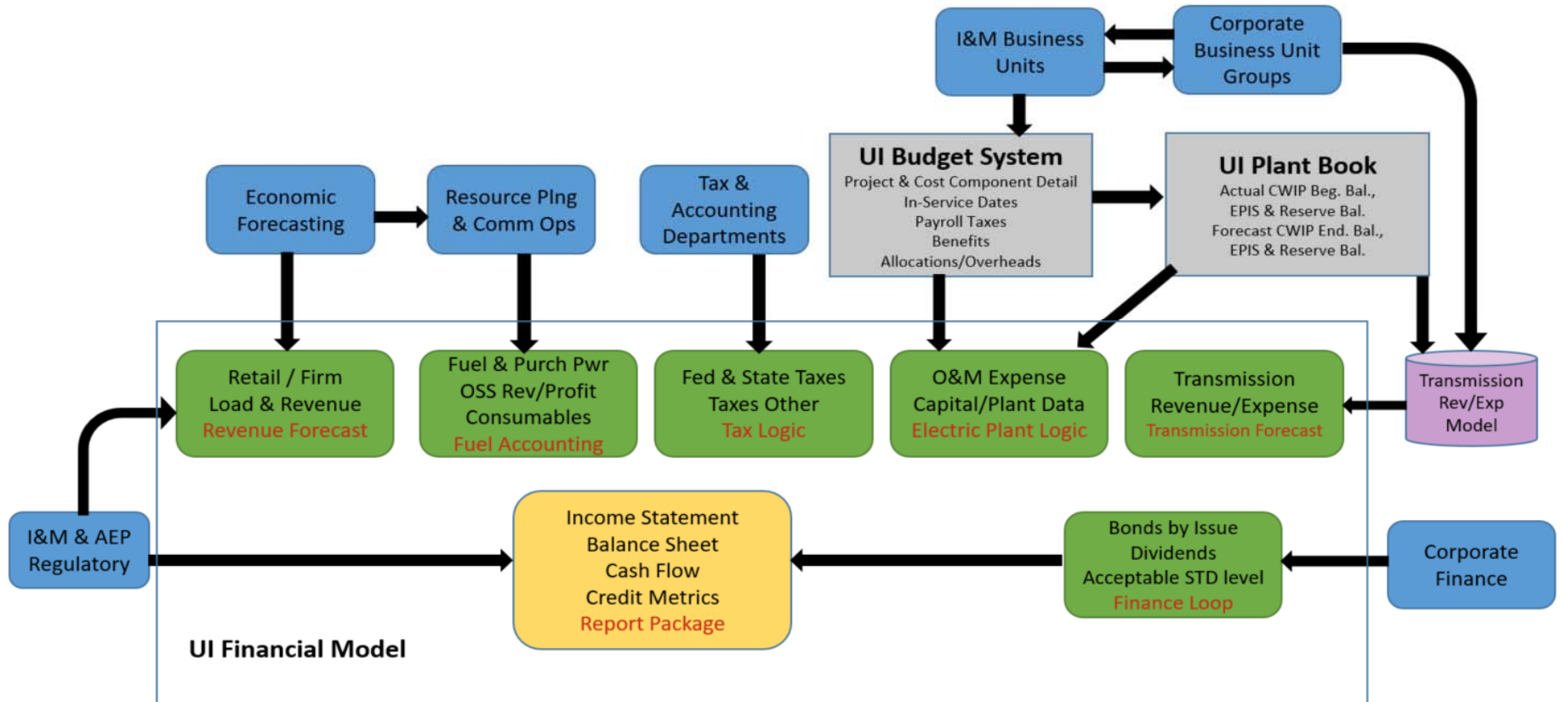
Note 1: Does not include leases or plant held for future use. Does include leasehold improvements.

Indiana Michigan Power Company - Corp Consolidated
Unadjusted Forecasted Functional Plant Balances
Amounts in (\$000)

Indiana Michigan Power Company - Corp I&M Plant Summary		Forecasted 9/30/2022	Forecasted 10/31/2022	Forecasted 11/30/2022	Test Year 12/31/2022
Line No.	Amounts in (\$000)				
1	<u>Electric Plant In Service</u>				
2	Production - Fossil, Hydro & Solar	1,393,777	1,395,517	1,396,295	1,106,666
3	Nuclear	3,970,924	3,969,810	4,011,807	4,011,186
4	Transmission	1,851,964	1,853,010	1,864,907	1,880,329
5	Distribution	3,045,686	3,067,293	3,088,515	3,126,663
6	General	185,625	185,933	186,185	186,383
7	Intangible	353,576	358,849	364,118	352,561
	Total Electric Plant In Service Balance				
8	(101 & 106) ^{Note 1}	10,801,552	10,830,412	10,911,827	10,663,789
9	<u>Construction Work in Progress</u>				
10	Production - Fossil, Hydro & Solar activity	2,087	1,965	2,780	(4,494)
11	Nuclear activity	4,053	8,458	(41,436)	(1,435)
12	Transmission activity	(2,803)	1,111	(3,002)	(7,332)
13	Distribution activity	(266)	(527)	(3,707)	(23,747)
14	General Plant activity	61	76	(70)	4
15	Intangible Plant activity	52	(7)	(48)	41
16	Total Constr Work in Progress Balance (107)	251,241	262,317	216,833	179,869
17	<u>Accum. Prov for Depr. Amort. Depl</u>				
18	Production - Fossil, Hydro & Solar	(786,751)	(795,935)	(805,157)	(513,950)
19	Nuclear	(1,703,336)	(1,710,473)	(1,717,617)	(1,724,921)
20	Transmission	(477,764)	(478,866)	(479,969)	(481,097)
21	Distribution	(828,058)	(834,372)	(840,765)	(847,225)
22	General Plant	(27,307)	(26,742)	(26,169)	(25,564)
23	Intangible Plant	(154,548)	(159,173)	(163,885)	(151,842)
24	Total Accumulated Depreciation Balance				
	(108, 111, 115) ^{Note 1}	(3,977,763)	(4,005,560)	(4,033,563)	(3,744,599)

Note 1: Does not include leases or plant held for future use. Does include leasehold improvements.

UI MODEL OVERVIEW



**Indiana Michigan Power Company
Projected Fuel Adjustment Clause Factor
Basing Point Calculation for 2022 Test Year**

<u>Line No.</u>		<u>TY - 2022</u>
	<u>ENERGY SOURCES - MWh</u>	
1	Fossil Generation	2,220,995
2	Nuclear Generation	16,478,947
3	Hydro Generation	113,192
4	Solar Generation	65,227
5	AEG Purchases	1,634,872
6	OVEC Purchases	998,622
7	Wind Purchases	1,393,075
8	Other System Purchases	2,055,459
9	Less:	
10	Energy To Off-System Sales	3,836,591
11	Energy Losses and Company Use ^{Note 1}	752,007
12	Sales (S)	20,371,791
	<u>FUEL COSTS</u>	
13	Fossil Generation	52,712,052
14	Nuclear Generation	81,737,701
15	Post 4/7/83 Spent Nuclear Fuel	-
16	AEG Purchases	38,786,669
17	OVEC Purchases	22,773,482
18	Wind Purchases	83,858,934
19	Other System Purchases	55,189,357
20	Less:	
21	Energy To Off-System Sales	67,985,120
22	Total Fuel Costs (F)	267,073,075
23	(F) Divided by (S) Mills Per KWh	13.110
24	Current Basing Point (Mills Per KWh)	12.989
25	Fuel Clause Adjustment Factor (Mills Per KWh)	0.121

Note 1: *The 3.56% line loss rate is based upon 2019 actual data per IURC Cause No. 38702-FAC85.*