

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER )  
COMPANY, AN INDIANA CORPORATION, FOR )  
(1) AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR ELECTRIC UTILITY SERVICE )  
THROUGH A PHASE IN RATE ADJUSTMENT; (2) )  
APPROVAL OF: REVISED DEPRECIATION )  
RATES; ACCOUNTING RELIEF; INCLUSION IN )  
BASIC RATES AND CHARGES OF QUALIFIED )  
POLLUTION CONTROL PROPERTY, CLEAN ) CAUSE NO. 44967  
ENERGY PROJECTS AND COST OF BRINGING )  
I&M'S SYSTEM TO ITS PRESENT STATE OF )  
EFFICIENCY; RATE ADJUSTMENT )  
MECHANISM PROPOSALS; COST DEFERRALS; )  
MAJOR STORM DAMAGE RESTORATION )  
RESERVE AND DISTRIBUTION VEGETATION )  
MANAGEMENT PROGRAM RESERVE; AND )  
AMORTIZATIONS; AND (3) FOR APPROVAL OF )  
NEW SCHEDULES OF RATES, RULES AND )  
REGULATIONS. )

**SUBMISSION OF STIPULATION AND SETTLEMENT AGREEMENT**

Petitioner, Indiana Michigan Power Company ("Petitioner" or "I&M"), by counsel and on behalf of itself and the following parties, Indiana Office of Utility Consumer Counselor ("OUCC"), I&M Industrial Group (Air Products and Chemicals, Inc., Arcelor Mittal USA, General Motors LLC, I/N Tek L.P., Indiana University South Bend, Marathon Petroleum Company LP, Praxair, Inc., Rea Magnet Wire Company, Inc., The Linde Group and University of Notre Dame du Lac), Joint Municipals (South Bend, Fort Wayne, Marion, Marion Municipal Utilities and Muncie Sanitary District), Joint Intervenors (Citizens Action Coalition of Indiana, Inc., Indiana Coalition for Human Services, Indiana Community Action Association, and Sierra Club), the Kroger Company, ("Kroger"), Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Walmart"), and 39 North Conservancy District ("39 North") (collectively the "Settling

Parties” and individually “Settling Party”), submits the attached Stipulation and Settlement Agreement (“Settlement Agreement” or “Settlement”).

Respectfully submitted on behalf of the above parties,



\_\_\_\_\_  
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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 14th day of February, 2018 to:

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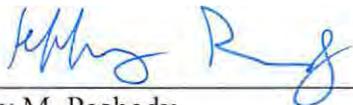
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STIPULATION AND SETTLEMENT AGREEMENT

Indiana Michigan Power Company (“I&M” or “Company”), the Indiana Office of Utility Consumer Counselor (“OUCC”), I&M Industrial Group (Air Products and Chemicals, Inc., Arcelor Mittal USA, General Motors LLC, I/N Tek L.P., Indiana University South Bend, Marathon Petroleum Company LP, Praxair, Inc., Rea Magnet Wire Company, Inc., The Linde Group and University of Notre Dame du Lac) (“Industrial Group”), Joint Municipals (South Bend, Fort Wayne, Marion, Marion Municipal Utilities and Muncie Sanitary District), Joint Intervenors (Citizens Action Coalition of Indiana, Inc., Indiana Coalition for Human Services, Indiana Community Action Association, and Sierra Club), the Kroger Company, (“Kroger”), Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Walmart”), and 39 North Conservancy District (“39 North”) (collectively the “Settling Parties” and individually “Settling Party”), solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”)<sup>1</sup> without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement

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<sup>1</sup>“Final Order” as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

**I. TERMS AND CONDITIONS.**

**A. Revenue Deficiency.<sup>2</sup>**

**1. Tax Reform.**

1.1 Test Year Tax Expense Before Increase.

- (a) I&M's test year tax expense will be adjusted to reflect the 2017 Tax Cuts and Jobs Act ("TCJA").
- (b) This reduces I&M's test year revenue deficiency by approximately \$6.8 million.<sup>3</sup>

1.2 Loss of Bonus Depreciation.

- (a) I&M's end of test year accumulated deferred income tax ("ADIT") balance will be adjusted to reflect the loss of bonus depreciation due to the TCJA. I&M's end-of-year 2017 ADIT balance will be used in the capital structure component of the cost of service study to account for this impact.
- (b) This increases I&M's test year revenue deficiency by approximately \$6.2 million.

1.3 Gross Revenue Conversion Factor.

- (a) I&M's gross revenue conversion factor will be adjusted to 1.36 to reflect the TCJA.
- (b) This reduces I&M's test year revenue deficiency by approximately \$43.8 million.

1.4 Normalized Excess ADIT.

- (a) Normalized excess ADIT created by the TCJA will be amortized over the remaining life of the assets as required by statute, which is

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<sup>2</sup> Settlement Agreement Attachment A updates I&M Exhibit A-1 to reflect the Settlement Agreement.

<sup>3</sup> TCJA impacts presented in this Settlement Agreement are preliminary estimates and are subject to change. Final values will not be available until after I&M's 2017 books close. Amounts in the normalized and non-normalized categories may be revised to align with final accounting values and to avoid any normalization violations. Otherwise, this Settlement Agreement fully incorporates all impacts of the TCJA and represents a complete and final settlement of all issues regarding the impact of the TCJA on I&M's rates after new base rates go into effect (see, for example, the provision for tax impacts listed in Transmission Costs).

estimated to be 24 years. The annual amortization is estimated to be \$8.8 million. I&M's estimated Indiana jurisdictional amortization of excess ADIT and associated revenue requirement impact is provided in Settlement Agreement Attachment B. To the extent that the actual annual amortization differs from the estimated amount, the amortization of the non-normalized excess ADIT will be increased or decreased to ensure that the total amortization of normalized and non-normalized excess ADIT is equal to \$29.9 million.

- (b) This reduces I&M's test year revenue deficiency by approximately \$11.9 million.

1.5 Non-Normalized Excess ADIT.

- (a) Non-normalized excess ADIT created by the TCJA will be amortized over approximately 6 years. The annual amortization will be \$21.1 million.
- (b) This reduces I&M's test year revenue deficiency by approximately \$28.7 million.

1.6 Credit for January-June TCJA Impact.

- (a) I&M will provide a \$4 million credit to customers from July 1, 2018, through December 31, 2018, to reflect the impact of the TCJA on I&M's rates for the period before new base rates go into effect.
- (b) The Settling Parties agree that as set forth in this Settlement Agreement the impact of the TCJA is incorporated into new base rates and that the provision of the \$4 million credit resolves all issues they may have raised in Cause No. 45032 with respect to I&M.
- (c) Following the Prehearing Conference in Cause No. 45032, I&M may file a motion in that Cause seeking:
  - (i) To be removed from that Cause; and
  - (ii) To be relieved of the obligation to continue the regulatory accounting treatment required by the Commission's January 3, 2018 Order in that Cause.
- (d) Settling Parties will not oppose I&M's motion in Cause No. 45032 and I&M may submit the testimony supporting the Settlement Agreement, I&M's response to the Commission's January 3, 2018

Docket Entry in this Cause, and this Settlement Agreement in support of the motion or request administrative notice thereof.

- (e) This agreement as to Cause No. 45032 is contingent upon the Commission's approval of all TCJA issues, including the issuance of a customer credit for the TCJA impact on I&M's rates, prior to the effective date of new base rates, contained in this Settlement Agreement.

## **2. Cost of Capital.**

### **2.1 Return on Equity.**

- (a) As a compromise of the Settling Parties' positions, I&M's ROE will be 9.95%, which reduces I&M's test year revenue deficiency by \$13.1 million.
- (b) Beginning January 1, 2019, the return on equity ("ROE") component of the weighted average cost of capital ("WACC") used in all of I&M's capital riders will be 9.85% until it receives an order in its next base rate case.

### **2.2 Cost of Debt.**

- (a) In response to the testimony of Industrial Group witness Gorman regarding the debt cost for the \$300 million Series L bonds, I&M's cost of long term debt will be adjusted to 5.04%, as supported in Exhibit A-7R attached to the rebuttal testimony of Company witness Messner.
- (b) The cost of capital will be adjusted to reflect refinancing of the \$475M in Series I Bonds (March 2019 Maturity) at an estimated rate of 4.7% on or before July 1, 2018, and amortization of an estimated \$15 million make whole call premium over the life of the replacement debt. The reduction in the embedded cost of long term debt will be reflected in base rates that take effect July 1, 2018. The Settling Parties recognize that the Commission has jurisdiction over financing matters and agree that no Settling Party will oppose a request by the Company for any necessary increase in the Company's authority to issue debt necessary to refinance the Series I Bonds, in any cause initiated for this purpose.

- 2.3 Cost of Customer Deposits. Based on Industrial Group witness Gorman's position, the cost rate of customer deposits will be adjusted to 2% (which assumes Commission approval of the Company's request to lower the interest rate on such deposits).

## **3. Transmission Costs.**

3.1 PJM Network Integration Transmission Services (“NITS”) costs. I&M may recover 100% of Indiana jurisdictional PJM NITS costs as follows:

- (a) I&M may recover 100% of its Indiana jurisdictional NITS charges through its annual PJM Rider.
- (b) I&M will cap its NITS cost recovery (until the tracker sunsets as described below) using an Annual Cumulative Cap based upon the Indiana jurisdictional forecasted NITS expense (accounts 4561035 and 5650016) for July 1, 2018, through December 31, 2021, as derived from I&M’s response to the OUCG data request 26-07 as shown in the following table.

Table 1

Year	Indiana Jurisdictional NITS Expense	
	Forecast Annual NITS Expense	Annual Cumulative Cap
Jul. 1 – Dec 31, 2018	\$94,566,922	\$94,566,922
2019	\$212,865,869	\$307,432,791
2020	\$240,596,419	\$548,029,209
2021	\$275,087,962	\$823,117,171

- (c) I&M will have a rolling cumulative cap that recognizes costs in any year may be over or under the Annual Cumulative Cap. Costs in excess of the cumulative cap for any particular year may be recovered in subsequent years so long as the total amount recovered does not exceed the cumulative total through the relevant annual period. For example, if the costs through the July-December 2018 period exceed the cap of \$94,566,922 then those costs above the cap could be recovered in future period, such as 2020, so long as the Annual Cumulative Cap for that period (\$548,029,209 in this example) is not exceeded (and if it is exceeded, then such costs above the cap could be recovered in 2021, so long as the Annual Cumulative Cap for that period (\$823,117,171 in this example) is not exceeded).
- (d) I&M will reimburse the OUCG up to a total amount of \$100,000 for the costs of a consultant, travel expenses, or other non-salary costs for the OUCG to review PJM matters related to I&M and AEP during the sunset period. OUCG will certify its actual expenses.
- (e) As the impacts of the TCJA are reflected in I&M’s PJM costs, they will be flowed through to customers in I&M’s annual PJM Rider factor updates.

(f) Beginning in 2018, I&M will provide to the OUCC and other interested Settling Parties an annual projection of I&M and I&M Transco NITS capital projects expected to be started in the forthcoming year. For each project, specific information will be provided as to: project identifying number, AEP entity responsible for the project, project location, project description, actual or projected construction start date, projected capitalized cost, projected in-service date and projected project category (e.g. baseline, supplemental, and, if separately identified, “non-topology” projects, as the term “non-topology” is used in I&M’s response to OUCC DR 51-01). Each annual period thereafter, I&M and I&M Transco capital project variances in excess of 10% and \$10 million will also be reviewed and discussed. In addition, I&M will provide aggregate data concerning other NITS capital projects by AEP operating companies or Transcos in the AEP East Zone. This report will be submitted to the OUCC and other interested Settling Parties each year during the Sunset Period as defined in Section 3.3 below.

3.2 PJM non-NITS and administrative costs. I&M will embed its Indiana jurisdictional test year amount of \$34,312,433 in base rates and then track up and down any incremental amount through the PJM Rider.

3.3 Sunset.

- (a) Tracking of PJM costs will sunset.
- (b) The sunset date will be the earlier of December 31, 2021, or the date rates go into effect in I&M’s next base rate case.
- (c) The sunset will not preclude I&M from proposing to continue PJM cost tracking in I&M’s next base rate case or other proceeding.

#### **4. Depreciation.**

4.1 Rockport Unit 1 Depreciation. I&M’s proposal to depreciate Unit 1 through 2028 will be accepted.

4.2 Rockport Unit 2 Depreciation.

- (a) The Unit 2 Dry Sorbent Injection (“DSI”) project will continue to be depreciated through 2025 as it is currently.
- (b) The Settling Parties agree that if the Unit 2 lease is not renewed, any remaining net plant associated with the Unit 2 DSI will be recovered through Unit 1 depreciation. (This is similar to the solution for Tanners Creek.)

- (c) All remaining Unit 2 plant will continue to be depreciated through 2022 as it is currently.

4.3 Meter Depreciation.

- (a) Account 370 will have a depreciation rate set at 6.78% as calculated by Industrial Group witness Andrews, which assumes an allocated accumulated depreciation of \$40.4 million and a remaining life of 11.46 years.
- (b) I&M will reallocate its Indiana distribution plant accumulated depreciation balances by utility account using the theoretical reserve methodology set forth in Column VII of Settlement Agreement Attachment C.

4.4 Remaining Depreciation Rates. All remaining depreciation rates will be approved as proposed by I&M.

5. Vegetation Management.

5.1 \$16,191,103 million will be embedded in base rates for vegetation management.

5.2 There will be no over/under deferral accounting for vegetation management.

6. Major Storms. I&M's request to continue its existing over/under deferral accounting authority for major storms will be accepted.

7. Payroll Expenses.

7.1 Based on OUCC witness Morgan's position, as corrected by the rebuttal testimony of Company witness Lucas, I&M's Indiana jurisdictional payroll expenses will be reduced by \$5,470,787.

7.2 Based on OUCC witness Morgan's position, as corrected by the rebuttal testimony of Company witness Lucas, I&M's Indiana jurisdictional employee benefits expenses will be reduced by \$827,401.

8. Off-System Sales Margins. I&M will share 95% of off-system sales margins above zero (on an annual basis) with customers (with zero margins embedded in base rates).

9. Prepaid Pension Asset. I&M will continue to include its prepaid pension asset in rate base.

10. Nuclear Decommissioning Trust. Annual nuclear decommissioning expense will be \$2 million.

11. **Updated Load Forecast.** I&M's forecasted test year revenues will be adjusted by \$12.8 million, as raised in the testimony of OUCC witness Morgan and corrected in the rebuttal testimony of Company witness Burnett.
12. **Resource Adequacy Rider (RAR).**
  - 12.1 Sunset.
    - (a) The RAR will sunset.
    - (b) The sunset date will be the earlier of December 31, 2021, or the date rates go into effect in I&M's next base rate case.
    - (c) The sunset will not preclude I&M from proposing to continue the RAR in I&M's next base rate case or other proceeding.
  - 12.2 As the impacts of the TCJA are reflected in I&M's purchase power costs, they will be flowed through to customers in I&M's annual RAR factor updates.
  - 12.3 Costs subject to recovery through the RAR will be capped, on a cumulative basis, at the total Indiana jurisdictional forecasted expenses (for July 1, 2018, through the sunset date) as derived from I&M's response to OUCC DR 12-4, which is \$393,024,722 (with the second half (July-December) of the forecasted 2018 amount (\$55,390,714) reflected in the cap for 2018.
13. **Consumables and Emissions Allowances.**
  - 13.1 I&M will embed \$11,546,212 (on an Indiana jurisdictional basis) in base rates for emissions allowances and consumables for projects completed and included in rate base in this Cause.
  - 13.2 I&M will track emissions allowances and consumables costs related to new projects approved by the Commission.
  - 13.3 This provision will not preclude I&M from seeking Commission approval to track all emissions allowances and consumables costs in I&M's next base rate case or other proceeding.
14. **Dry Cask Storage.**
  - 14.1 I&M's requested deferral authority for non-reimbursed dry cask storage costs will be adopted (without carrying costs).
  - 14.2 All deferred costs will be subject to review for reasonableness before they are reflected in rates.

**15. Interruptible Revenue and Reduction of I&M Revenue Deficiency.**

- 15.1 Revenue from interruptible customers will be allocated as proposed by I&M.
- 15.2 As proposed by Industrial Group witness Andrews, the amortization period of the Cook turbine deferral (DEF-1) will be extended from three years to the life of the facility (17.92 years). The Cook turbine deferral will remain in I&M's rate base until it is fully amortized.
- 15.3 As proposed by Industrial Group witness Andrews, the amortization period of the deferred 20% Rockport DSI non-FMR costs (DEF-2) will be extended from three years to the remaining life of the DSI (8.35 years). The Rockport DSI deferral will remain in I&M's rate base until it is fully amortized.

**16. Normalization of Office Supplies and Expenses.** As proposed by OUCC, I&M will normalize Account 921, Office Supplies and Expenses, to its three-year average.

**17. Phase-In Rider.**

- 17.1 I&M will certify its net plant at test-year-end and calculate the resulting Phase II rates.<sup>4</sup>
- 17.2 Phase II rates will go into effect on the date that I&M certifies its test-year-end net plant, or January 1, 2019, whichever is later.
- 17.3 Net plant for Phase II rates will not exceed the lesser of (a) I&M's forecasted test-year-end net plant or (b) I&M's certified test-year-end net plant.
- 17.4 OUCC and intervening parties will have 60 days from the date of certification to state any objections to I&M's certified test-year-end net plant.
- 17.5 If there are objections, a hearing will be held to determine I&M's actual test-year-end net plant, and rates will be trued-up (with carrying charges) retroactive to January 1, 2019.
- 17.6 For purposes of this section, "certify" means I&M has determined it has completed the amount of forecasted net plant indicated in its certification and the corresponding net plant additions have been placed in service and

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<sup>4</sup> "Phase II rates" means rates following the reduction of I&M's proposed Phase-In Credit. That is, when I&M's new base rates are first effective, they will include I&M's Phase-In Credit. The Phase-In Credit will then be reduced as proposed by I&M, and as modified here, to establish "Phase II" rates.

are used and useful in providing utility service as of the date of certification. I&M will serve all Settling Parties with its certification.

18. **Riders Not in Use.** Riders not currently in use will be extinguished.

**B. Revenue Allocation**

1.1 The Settling Parties agree that rates should be designed in order to allocate the revenue requirement to and among I&M's customer classes in a fair and reasonable manner. For settlement purposes, the Settling Parties agree that Settlement Agreement Attachment E specifies the revenue allocation agreed to by all Settling Parties. This revenue allocation is determined strictly for settlement purposes and is without reference to any particular, specific cost allocation methodology.

1.2 For purposes of allocating recovery of any future, approved, TDSIC expenditures and costs pursuant to IC 8-1-39-9(a) prior to its next base rate case, the Settling Parties agree that Settlement Agreement Attachment F presents the "customer class revenue allocation factor[s] based on firm load," as that phrase is used in IC 8-1-39-9(a)(1) for recovery of distribution-related plan costs (Column (2)). The Settling Parties agree that all revenues and allocation factors on Settlement Agreement Attachment F have had interruptible load removed.

The Settling Parties agree that Settlement Agreement Attachment F does not reflect the "customer class revenue allocation factor[s] based on firm load," as that phrase is used in I.C. 8-1-39-9(a)(1) for recovery of transmission-related plan costs. If I&M would seek to recover any transmission-related costs in a TDSIC rider prior to establishing new base rates in its next base rate case, the parties agree that allocation factors for such transmission-related revenue requirement would need to be adjudicated at that time.

1.3 All other components of I&M's filed cost allocation and rate design shall be as I&M filed in its case-in-chief.

**C. Additional Terms.**

**1. Customer Charge.**

1.1 I&M's residential customer charge will be set at \$10.50 for Tariff RS and \$11.50 for Tariff RS-TOD.

1.2 The monthly service charges for Tariff W.S.S. (Water and Sewer Service) in this proceeding will reflect the same percentage increase as the increase to the Tariff RS customer charge.

**2. Low Income Arrearage Forgiveness Pilot Program.**

- 2.1 I&M will implement a two-year Low Income Arrearage Forgiveness Pilot Program that will provide an opportunity for low income customers to catch up on their electric bills.
- 2.2 To be eligible to participate, a customer must be a LIHEAP participant or a LIHEAP qualified applicant who carries an overdue balance.
- 2.3 Program details will be established in good faith through a collaborative process with I&M and interested stakeholders, which would commence no later than 90 days after a Final Order in this Cause. I&M will work in good faith to implement the program within 180 days after a Final Order in this Cause.
- 2.4 Non-administrative Pilot Program costs for arrearage forgiveness will not exceed \$500,000. Once this limit is met, I&M will cease enrolling new participants for the Pilot Program. I&M's revenue deficiency in this Cause will not be adjusted to include any incremental costs of this Pilot Program.

**3. Neighbor to Neighbor Pilot Program.**

- 3.1 I&M will implement the Neighbor to Neighbor Program, on a two-year pilot basis, under which I&M's customers will be given an opportunity to voluntarily contribute on their electric bills to a fund that will be used to offset the bills of eligible LIHEAP participants and LIHEAP qualified applicants.
- 3.2 Program details will be established in good faith through a collaborative process with I&M and interested stakeholders, which would commence no later than 90 days after a Final Order in this Cause. I&M will work in good faith to implement the program within 180 days after a Final Order in this Cause.
- 3.3 I&M will contribute \$50,000 to help fund the non-administrative costs of the Neighbor to Neighbor Pilot Program. I&M's revenue deficiency in this Cause will not be adjusted to include any incremental costs of this program.

**4. Energy Share Pilot Program.** I&M will establish a program, such as its Energy Share Program, on a two-year pilot basis, under which I&M will provide \$250,000 to the community action program network of Indiana Community Action Association for use in assisting low income customers in I&M's Indiana service area in paying winter electricity bills (and possibly summer electricity bills). I&M's revenue deficiency in this Cause will not be adjusted to include any incremental costs of this Pilot program.

**5. Remote Disconnection of Customers Who Pose Safety Risk to I&M Personnel.**

- 5.1 I&M will not remotely disconnect a customer who has demonstrated a safety risk to I&M personnel and is otherwise subject to disconnection if the temperature is forecasted to be below 25 degrees or above 95 degrees during the following 24 hours.
- 5.2 In this docket, I&M will file public, semiannual reports that will include the following information: the total number of customers disconnected remotely without a site visit, the dates these customers were disconnected remotely without a site visit, the reason for remote disconnection (*i.e.*, the category of activity that threatened or caused endangerment to an employee's personal safety, examples of which are "verbal and physical abuse, use of vicious animals, brandishing or reference use of weapons, [or] purposefully creating unsafe working environment on premise" as described in Attachment KCC-2 at page 8), the amount owed by the customer, and the customer's zip code.
- 5.3 I&M will provide to interested Settling Parties in this proceeding a copy of training materials for those employees making these determinations.

**6. Low Income and General Residential Customer Reporting.**

- 6.1 I&M will file a non-confidential annual report with the Commission with the following information by month, in readily accessible spreadsheet format:
  - (a) Low Income Arrearage Forgiveness Pilot Program: number of customer participants, associated costs of the program, and number of applications received but not enrolled into the program. I&M may also include other data points as recommended by the collaborative providing input on the details of this program.
  - (b) Neighbor to Neighbor Pilot Program: number of customers providing contributions to the program, number of customers receiving assistance from the program, associated costs of the program, and number of applications received but not enrolled into the program. I&M may also include other data points as recommended by the collaborative providing input on the details of this program.
  - (c) I&M Indiana jurisdictional data regarding its General Residential Customers including: number of residential accounts, total billed, total receipts, number of unpaid accounts 60-90 days after issuance of a bill, dollar value of unpaid accounts 60-90 days after issuance of a bill, number of unpaid accounts 90+ days after issuance of a bill, dollar value of unpaid accounts 90+ days after issuance of a bill, total number of unpaid accounts, total dollar value of unpaid accounts, number of accounts sent notice of disconnection for non-

payment, number of service disconnections for non-payment, and dollar value of accounts written off as uncollectible.

- (d) I&M Indiana jurisdictional data regarding its low income customers (defined as participants known to be in LIHEAP or other means-tested benefit programs): number of accounts, total billed, total receipts, total receipts paid by LIHEAP, total number of customers known to be receiving LIHEAP, number of unpaid accounts 60-90 days after issuance of a bill, dollar value of unpaid accounts 60-90 days after issuance of a bill, number of unpaid accounts 90+ days after issuance of a bill, dollar value of unpaid accounts 90+ days after issuance of a bill, total number of unpaid accounts, total dollar value of unpaid accounts, number of accounts sent notice of disconnection for non-payment, number of service disconnections for non-payment, and dollar value of accounts written off as uncollectible.

6.2 This reporting requirement will last through the earlier of (a) the date new rates go into effect in I&M's next base case or (b) December 31, 2021.

**7. Ohio Valley Electric Corporation (OVEC) Report.**

7.1 Within 90 days of a Final Order in this proceeding, in this docket I&M will begin making an annual public filing with the Commission that describes I&M's OVEC costs, as described below. Thereafter, the public filing will be updated annually within 90 days of when data for the prior calendar year are available. The information to be filed annually for the most recent calendar year should include the cost of I&M's participation in the Amended and Restated Inter-Company Power Agreement.

7.2 This reporting requirement will last through the earlier of (a) the date new rates go into effect in I&M's next base case or (b) December 31, 2021.

**8. Low Income Weatherization in I&M's Indiana Service Territory.** I&M will provide a \$150,000 contribution to the community action program network of Indiana Community Action Association to facilitate low-income weatherization in I&M's Indiana service territory. I&M's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution.

**9. Low Income Weatherization in South Bend and Fort Wayne.** The City of South Bend and the City of Fort Wayne are establishing weatherization and efficiency programs for low-income residents. As part of their respective programs, each City will refer eligible I&M customers to I&M's existing programs/incentives and facilitate the customer's successful participation. I&M's EE/DSM team will reasonably collaborate with each City's staff to increase the outreach of I&M's existing programs. Collaborations may include locally-

targeted marketing and outreach, training City staff on programs/incentives, and participating in specific energy events or outreach initiatives.

10. **Application of Tariff W.S.S. to Marion Water Facilities.** Marion Utilities will receive a one-time, lump-sum bill credit of \$25,000 to reach compromise and settle the City of Marion's claim regarding the application of non-W.S.S. tariffs to water and wastewater related utility facilities.
11. **Review of Joint Municipals' Accounts.**
  - 11.1 In addition to I&M's current customer rate review service, once per year, upon request, I&M will provide an analysis of Joint Municipals' ten largest accounts to ensure the tariff billed is the most economical based on the previous 12 months' usage data.
  - 11.2 Joint Municipals may elect to switch tariffed services pursuant to the terms of I&M's tariffs.
12. **Electronic Billing Data for Joint Municipals.** Within four business days of the end of the billing period, I&M shall provide on a monthly basis, an electronic file with billing information to Joint Municipals, consistent with the summary billing spreadsheet example provided by I&M. That is, the spreadsheet will include for all Joint Municipally-owned accounts, regardless of name or address on the bill (provided that Joint Municipals will work in good faith with I&M to identify all such accounts): Account Name, Bill Account Number, Service Address, City, Tariff Code, Tariff Description, Billing Date, Total Bill Amount, Billing Demand, Billing kWh, Load Factor, Metered kW, Metered kWh, Power Factor, Annual Revenue, Max Billed Demand, Max kWh. In addition, I&M will work with Joint Municipals and to the full extent practicable will include the following spreadsheet fields: meter number, billing address, service period begin date, service period end date, taxes paid, late fees paid, demand amount billed, and consumption amount billed. Joint Municipals will collaborate with I&M on initial design and set up to make this process efficient, *e.g.*, making changes to account names or billing dates, or reconciling the list of Joint Municipal accounts to I&M's data.
13. **Tariff S.L.C. (Customer-Owned Streetlighting).**
  - 13.1 I&M will continue its current maintenance of customer-owned streetlighting until January 1, 2019. After that, customers will take over maintenance as proposed by I&M.
  - 13.2 Otherwise, I&M's proposed changes to Tariff S.L.C. will be adopted.
14. **Calculation of DSM Rider Factor for Streetlighting Customers from October 2017 and Discussion With City of South Bend.**

- 14.1 Within 90 days of implementing new rates, I&M will provide a one-time bill credit to streetlighting customers reflecting all DSM Rider charges from October 2017 through the implementation of new rates.
- 14.2 I&M will defer the total credit amount until the 2018 DSM reconciliation, when it will be allocated to all members of the Commercial and Industrial Class who did not opt out prior to January 1, 2017 (including streetlighting customers) and recovered through the 2018 DSM Rider reconciliation.
- 14.3 Joint Municipals reserve the right to request, subject to Commission approval, to opt out of the application of the DSM Rider to any streetlight tariff. This provision is without waiver of each Settling Party's respective rights to make arguments in any proceedings regarding Joint Municipals' request.
- 14.4 Within 90 days of the Final Order approving settlement in this Cause, I&M will provide South Bend an explanation and documentation of the underlying capital and O&M costs, revenue requirements and terms of I&M's Public Efficient Streetlighting ("PES") LED conversion tariff, for cooperative joint evaluation and discussion by I&M and South Bend.

**15. Electric Vehicles.**

- 15.1 I&M and South Bend, along with appropriate regional partners, will collaborate on the design and possible implementation of a voluntary electric vehicle charging program for South Bend. I&M will seek any necessary Commission approval prior to implementation of any program.
- 15.2 I&M and Fort Wayne, along with appropriate regional partners, will collaborate on the design and possible implementation of a voluntary electric vehicle charging program for Fort Wayne. I&M will seek any necessary Commission approval prior to implementation of any program.

**16. City of Fort Wayne Streetlighting.**

- 16.1 I&M and City of Fort Wayne will work together to conduct a physical inventory of the City of Fort Wayne's streetlights over a six month period from approximately February 2018 through August 2018.
- 16.2 After the inventory, I&M will reconcile streetlighting counts in good faith with Fort Wayne and correct any billing discrepancies effective to the known date of error but no further back than January 1, 2017. The appropriate refund amount will be credited to Fort Wayne's streetlighting billing no later than the October 2018 billing.
- 16.3 After the inventory, Fort Wayne will provide I&M a monthly report of all lights that have changed (by light number) in order to ensure the accuracy of the light map. I&M and Fort Wayne will work together in good faith to

develop a technology solution to keep the maps up to date in real time and minimize duplicate entry.

- 16.4 Within 45 days of a Final Order approving this Settlement Agreement, I&M will work in good faith with Fort Wayne to establish and file revisions to Tariff F.W.-S.L. under the Commission's 30-day filing process to add appropriate line items for LED lamps used by Fort Wayne.

**17. Economic Impact Grant Program.**

- 17.1 I&M will establish an Economic Impact Grant ("EIG") program to assist with economic development in the communities within its service territory.
- 17.2 I&M's EIG program will be open to communities, including the Cities of South Bend, Marion, Muncie, and Fort Wayne, other governmental entities, such as 39 North Conservancy District, and non-profit economic development organizations, within the Company's service territory investing in economic development projects that are an integral part of the community's or organization's strategic plan to attract new companies, grow existing businesses, and develop talented employees.
- 17.3 Communities and economic development organizations may submit proposals for strategic, tangible projects that will have a life span greater than one year. Proposals demonstrating collaboration with regional or partner organizations may be preferred. Priority will be given to projects that clearly show value to economic development efforts in the I&M service area and include metrics, timelines, and identification of responsible persons or entities. The project should also receive private, community, state, local, or federal assistance.
- 17.4 Potential uses ("Qualifying Projects") will include, but are not limited to, industrial and headquarter site development due diligence, workforce development initiatives, housing development initiatives, spec building development, and job creation and retention.
- 17.5 Ineligible uses will include, but are not limited to, funding new employees, new employee training, operational budget, travel costs, memberships, or registrations.
- 17.6 Applications must meet minimum guidelines that will be established by I&M and must receive final approval from I&M's Economic & Business Development staff.
- 17.7 I&M will provide \$700,000 to fund the EIG program grants, to be used as follows:

- (a) As part of this program, I&M will award grants of a) \$185,000 total to the Joint Municipal Group to be allocated to the Group members (Cities of South Bend, Marion, Muncie, and Fort Wayne) as they agree amongst themselves; and b) \$35,000 to 39 North Conservancy District. These funds will be used by these customers to support economic development efforts without the need for these customers to make a grant application. I&M will provide these funds within 30 days of a Final Order approving this Settlement Agreement.
- (b) Each of the Joint Municipals shall also be entitled to apply for and receive their allocated portion of an additional total amount of \$240,000 to support one or more Qualifying Projects subject to the review and approval of I&M, which approval shall not be unreasonably withheld.
- (c) The remaining \$240,000 shall be available for grants to all eligible customers, including members of the Joint Municipal Group and 39 North Conservancy District, to support Qualifying Projects.
- (d) In reviewing potential uses of this fund, priority may be given to grant applications that include matching funds. Such matching funds may come from local, state, federal or private sources.

17.8 I&M's revenue deficiency in this Cause will not be adjusted to include any incremental costs of this program.

17.9 The EIG grant program will terminate on the earliest of the following: allocation of \$700,000 fund; December 31, 2021; or the date rates go into effect in I&M's next base rate case. This sunset provision will not preclude I&M from proposing to continue the EIG program in I&M's next base rate case or other proceeding.

**18. Nonresidential Deposits.** The Settling Parties agree to Commission approval of the revised nonresidential deposit tariff language set forth in Settlement Agreement Attachment D. I&M will not seek to change this language until the Company's next base rate case. Prior to proposing any change in its nonresidential deposit tariff language in such future proceeding, I&M will discuss the proposal with the Industrial Group.

**D. Remaining Issues.**

- 1.1 Any matters not addressed by this Settlement Agreement will be adopted as proposed by I&M in its direct and rebuttal case, including the response to the Commission's January 3 and 10, 2018 docket entries.
- 1.2 The Settling Parties agree to seek Commission approval, as described in Part II, below so that I&M may complete the compliance filing process and be able to place new rates into effect July 1, 2018.

**II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.**

- 1.1 The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement. This Settlement Agreement is not severable and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party.
- 1.2 The Settling Parties agree to the admission of the following evidence in support of the Settlement Agreement: the direct, cross-answering, rebuttal and any settlement evidence prefiled by I&M, the OUCC, and Intervenors, including I&M's and Industrial Group's responses to the Docket Entries dated January 3 and 10, 2018. The Settling Parties will work collaboratively in the preparation of the testimony supporting the Settlement Agreement. Such evidence shall be admitted into the record without objection and the Settling Parties hereby waive cross-examination of each other's witnesses. If the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Settling Party, the Settlement Agreement shall be withdrawn and the Commission will continue to hear Cause No. 44967 with the proceedings resuming at the point immediately prior to the filing of this Settlement Agreement.
- 1.3 A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

**III. EFFECT AND USE OF SETTLEMENT AGREEMENT**

- 1.1 It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except to the extent necessary to implement and enforce its terms. It is also understood that

each and every term of this Settlement Agreement is in consideration and support of each and every other term.

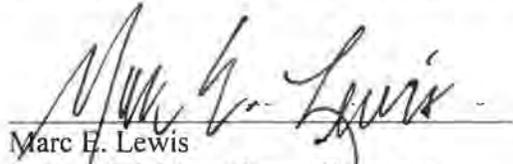
- 1.2 Neither the making of this Settlement Agreement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of this Settlement Agreement), nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.
- 1.3 This Settlement Agreement shall not constitute and shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce this Settlement Agreement.
- 1.4 This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any Settling Party may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.
- 1.5 The evidence in support of this Settlement Agreement constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Settling Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible after the filing of this Settlement Agreement and the final evidentiary hearing.
- 1.6 The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise. Sierra Club will only be liable for monetary damages resulting from a breach of this Section if it files, submits, or otherwise publishes confidential settlement material. If any Settling Party believes that Sierra Club has violated this Section in such a way, then such Settling Party shall provide Sierra Club with written notice of the violation and describe it with sufficient information to allow Sierra Club an opportunity to cure it, and such Settling Party shall allow Sierra Club fourteen (14) business days to cure the alleged violation. Notice shall be sent to undersigned counsel for Sierra Club. Sierra Club shall not be entitled to monetary damages for any alleged breach of this Settlement Agreement, and the other Settling Parties shall not be entitled to monetary damages for a breach of this provision by Sierra Club involving filing,

submission or publication of settlement material, that is cured according to the terms of this section. However, any uncured breach by Sierra Club employees shall extinguish I&M's obligations under Section I.B.7 (OVEC Report) of this Settlement Agreement. "Cure" as used in this section shall mean to formally withdraw any filed or submitted statement and to publish a retraction or disavowal of any published statement (via the same media outlet through which the statement was made). Sierra Club will provide the Settling Parties a nonbinding comfort letter stating that it has no intention of making public statements that ask the Commission to not approve the Settlement Agreement and that Sierra Club will not fund litigation by any other organization or person that is adverse to Commission approval of this Settlement Agreement.

- 1.7 The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their respective clients, and their successor and assigns, who will be bound thereby.
- 1.8 The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of the Commission Order approving this Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement).
- 1.9 The provisions of this Settlement Agreement shall be enforceable by any Settling Party before the Commission and thereafter in any state court of competent jurisdiction as necessary.
- 1.10 This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED and AGREED this 14th day of February, 2018.

**INDIANA MICHIGAN POWER COMPANY**

  
\_\_\_\_\_  
Marc E. Lewis  
Indiana Michigan Power Company  
Vice-President Regulatory and External Affairs  
Indiana Michigan Power Center  
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**INDIANA OFFICE OF UTILITY  
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**CITIZENS ACTION COALITION OF  
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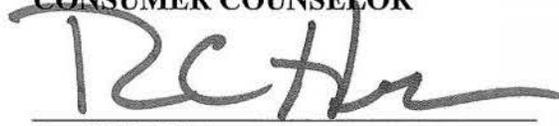
**SIERRA CLUB**

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Casey Roberts, Attorney for Sierra Club  
Sierra Club  
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Attorney for Sierra Club

ACCEPTED and AGREED this 14th day of February, 2018.

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CONSUMER COUNSELOR**



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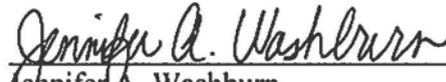
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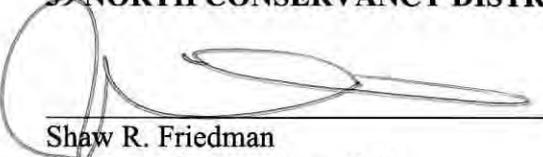
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**39 NORTH CONSERVANCY DISTRICT**



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**CITY OF SOUTH BEND, INDIANA**

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**THE KROGER CO.**

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**CITY OF MARION, INDIANA; MARION MUNICIPAL UTILITIES; AND THE MUNCIE SANITARY DISTRICT**

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**WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

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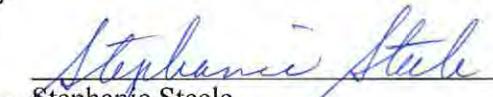
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INDIANA MICHIGAN POWER COMPANY  
INDIANA JURISDICTIONAL PROJECTED REQUIRED RATE RELIEF SUMMARY  
TEST YEAR ENDED DECEMBER 31, 2018

( 1 )	( 2 )	( 3 )	( 4 )
<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Indiana Jurisdictional Amount</u>
1	Adjusted Original Cost Rate Base	Exhibit A-6	\$ 4,206,643,198
2	Required Rate of Return	Exhibit A-7	5.51%
3	Income Requirement	Line 1 x Line 3	<u>\$ 231,786,040</u>
4	Less: Net Electric Operating Income	Exhibit A-5	\$ 121,758,922
5	Income Deficiency	Line 3 - Line 4	\$ 110,027,118
6	Gross Revenue Conversion Factor	Exhibit A-8	<u>1.3600</u>
7	Jurisdictional Revenue Deficiency	Line 5 x Line 6	\$ 149,636,880
8	Remove Transmission Owner Costs, Revenues	Attachment MWN-1	\$ 16,645,604
9	Remove Revenue Effect of Load Increase	Settlement	\$ (12,846,000)
10	Total Required Rate Relief	Line 7 + Line 8	<u><u>\$ 153,436,484</u></u>
11	Less: Current Revenue for Ongoing Riders	Attachment MWN-2	\$ (259,760,550)
12	Plus: Proposed Rider Revenue	Attachment MWN-2	\$ 203,147,072
13	Total Rate Change Before Phase-In Credit	Line 9 + Line 10 + Line 11	<u><u>\$ 96,823,006</u></u>
14	Forecasted Revenues Before Increase	Attachment MWN-2	\$ 1,333,255,521
15	Percent Increase	Line 12 / Line 14	7.26%

INDIANA MICHIGAN POWER COMPANY  
EXCESS ACCUMULATED DEFERRED FEDERAL INCOME TAX  
AS OF DECEMBER 31, 2017

(1)	TOTAL COMPANY NORMALIZED PROPERTY EXCESS ADFIT (Method/Life) (2)	JURISDICTIONAL PERCENTAGE (3)	JURISDICTIONAL FACTOR (4)	INDIANA NORMALIZED PROPERTY EXCESS ADFIT (Method/Life) (5) = (2) x (3)	AMORTIZATION PERIOD (YEARS) (6)	INDIANA ANNUAL AMORTIZATION EXPENSE (7)=(5) ÷ (6)	GRCF (8)	Annual Revenue Requirement (9)=(7) x (8)
<b>Normalized Property Excess ADFIT</b>								
	(106,259,626)	80.29218%	Distribution Plt	(85,318,170)	24	(3,554,924)	1.36	(4,834,697)
	(26,428,652)	65.21029%	Production Plt	(17,234,201)	24	(718,092)	1.36	(976,605)
	(165,104,348)	65.21029%	Production Plt	(107,665,024)	24	(4,486,043)	1.36	(6,101,018)
	<u>(297,792,626)</u>			<u>(210,217,395)</u>		<u>(8,759,059)</u>		<u>(11,912,320)</u>
<b>Non-Normalized Excess ADFIT</b>								
	(35,847,731)	80.29218%	Distribution Plt	(28,782,925)	6	(4,797,154)	1.36	(6,524,129)
	(67,065,678)	65.21029%	Production Plt	(43,733,723)	6	(7,288,954)	1.36	(9,912,977)
	(82,927,951)	65.21029%	Production Plt	(54,077,557)	6	(9,012,926)	1.36	(12,257,579)
	<u>(185,841,360)</u>			<u>(126,594,205)</u>		<u>(21,099,034)</u>		<u>(28,694,686)</u>
<b>Total Excess ADFIT</b>								
	(341,526,629)			(222,710,505)		(21,506,015)		(29,248,180)
	<u>(142,107,357)</u>			<u>(114,101,095)</u>		<u>(8,352,078)</u>		<u>(11,358,826)</u>
	<u>(483,633,986)</u>			<u>(336,811,600)</u>		<u>(29,858,093)</u>		<u>(40,607,006)</u>

**INDIANA MICHIGAN POWER COMPANY**  
**SCHEDULE I - CALCULATION OF DISTRIBUTION DEPRECIATION RATES BY THE REMAINING LIFE METHOD**  
**BASED ON DEPRECIABLE PLANT IN SERVICE AT DECEMBER 31, 2016**  
**AVERAGE LIFE GROUP (ALG) METHOD ACCRUAL RATES**

ACCOUNT		ORIGINAL COST (1)	NET SALVAGE RATIO	TOTAL TO BE RECOVERED	CALCULATED DEPRECIATION REQUIREMENT	ALLOCATED ACCUMULATED DEPRECIATION	REMAINING TO BE RECOVERED	AVG REMAIN LIFE	RECOMMENDED ANNUAL ACCRUAL	
NO.	TITLE	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	AMOUNT	%
(I)	(II)								(X)	(XI)
<b>DISTRIBUTION PLANT</b>										
360.1	Land Rights	13,770,217	1.00	13,770,217	2,798,636	3,044,000	10,726,217	51.79	207,110	1.50%
361.0	Structures & Improvements	14,811,177	1.10	16,292,295	2,790,557	3,035,213	13,257,082	62.15	213,308	1.44%
362.0	Station Equipment	244,926,449	1.03	252,274,242	36,122,689	39,289,662	212,984,580	42.84	4,971,629	2.03%
363.0	Storage Battery Equipment	5,488,900	1.00	5,488,900	2,743,560	2,984,095	2,504,805	7.50	333,974	6.08%
364.0	Poles, Towers, & Fixtures	259,353,877	1.78	461,649,901	108,848,960	118,392,043	343,257,858	25.22	13,610,542	5.25%
365.0	Overhead Conductor & Devices	416,967,574	1.10	458,664,331	81,633,703	88,790,749	369,873,582	27.13	13,633,379	3.27%
366.0	Underground Conduit	86,716,318	1.00	86,716,318	18,879,086	20,534,266	66,182,052	41.46	1,596,287	1.84%
367.0	Underground Conductor	228,330,495	1.00	228,330,495	43,827,082	47,669,520	180,660,975	40.40	4,471,806	1.96%
368.0	Line Transformers	306,878,569	1.06	325,291,283	126,605,665	137,705,524	187,585,759	12.22	15,350,717	5.00%
369.0	Services	172,328,184	1.20	206,793,821	57,039,568	62,040,380	144,753,441	27.52	5,259,936	3.05%
370.0	Meters (2)	91,342,472	1.22	111,437,816	37,086,661	40,445,835	70,991,981	11.46	6,194,763	6.78%
371.0	Installations on Custs. Prem.	26,350,180	1.23	32,410,721	11,035,669	12,003,196	20,407,525	8.57	2,381,275	9.04%
373.0	Street Lighting & Signal Sys.	<u>20,562,372</u>	1.12	<u>23,029,857</u>	<u>12,588,570</u>	<u>13,692,244</u>	<u>9,337,613</u>	8.16	<u>1,144,315</u>	5.57%
<b>Total Distribution Plant</b>		<b><u>1,887,826,784</u></b>	<b>1.18</b>	<b><u>2,222,150,197</u></b>	<b><u>542,000,406</u></b>	<b><u>589,626,727</u></b>	<b><u>1,632,523,470</u></b>	<b>23.53</b>	<b><u>69,369,040</u></b>	<b>3.67%</b>

**Non-Residential Deposit Language for Inclusion in  
I&M Tariff Terms and Conditions of Service No. 4**

Nonresidential

The Company shall determine the creditworthiness of new and existing non-residential customers in an equitable and nondiscriminatory manner.

A new or existing non-residential customer will be deemed non-creditworthy if either (a) it has had three delinquent payments, had two consecutive delinquent payments, or been disconnected for nonpayment within the last 24 months; or (b) its credit rating is B+ or below for S&P or B1 or below for Moody's.

For purposes of this rule, a new customer does not include a customer who changes its corporate name or corporate structure, or an existing customer who establishes a new account.

The Company may require a deposit from a non-creditworthy customer as a condition of providing or continuing to provide service.

In the event that the Company requires a deposit as a condition for providing or continuing to provide service, then the Company must: (a) provide notice to the new or existing customer stating the precise facts upon which the Company based its decision; (b) provide the new or existing customer with an opportunity to rebut the Company's decision including, but not limited to, the presentation of information such as payment history to other utilities and verifiable data such as independently audited financial statements, analyses of leverage, liquidity, profitability, cash flow and other credit related information; and (c) monitor the customer's account annually (or upon customer request) for deposit requirements validating the customer's creditworthiness with prompt repayment upon customer request once the customer meets the criteria for creditworthiness set forth in this rule. This provision, including the right to contest the need for a deposit, is without prejudice to the customer's right to challenge the deposit demand before the Indiana Utility Regulatory Commission.

Any deposit demanded under this rule will be equal to no more than 1/6<sup>th</sup> the annual billing for a current customer or 1/6<sup>th</sup> expected annual billings of a new customer. The Company shall not aggregate customer accounts for purposes of calculating a deposit, but shall instead calculate a deposit based only on annual billings of an existing customer's delinquent account.

Deposits may be paid in cash, through the provision of a Surety Bond or Irrevocable Letter of Credit, through another method of security approved by the Company, or in three (3) equal monthly payments unless the customer is delinquent, in which case the full deposit is due.

Interest on a deposits shall be earned as follows:

- (1) Deposits held for more than twelve (12) months shall earn interest from the date of the deposit to the date of refund at an annual interest rate to be determined by the Indiana Utility Regulatory Commission.
- (2) The deposit shall not earn interest after the date it is mailed, personally delivered to the customer or otherwise lawfully disposed of.

## Settlement Agreement Attachment D

In addition to refunds upon the annual review of a customer's creditworthiness by the Company, deposits will be refunded:

- (1) Upon the customer's written request, made not more than once a year, and upon establishment of creditworthiness as defined above; or
- (2) Within sixty (60) days following termination of service with the deposit applied to any delinquent bills and the remainder paid to the customer.

In the event a customer disputes a portion of a bill in writing to I&M, provided the customer pays all undisputed portions, the bill shall not be considered delinquent. I&M will promptly review the dispute, and the disputed portion of the bill will not be considered delinquent while the bill remains subject to review, including any complaint process initiated at the Indiana Utility Regulatory Commission.

For customers who have made arrangements with I&M for electronic billing, the date the bill will be considered delinquent shall be calculated from the date of electronic transmission of the bill, or such other date as agreed to by the Company and the customer.

I&M shall be able to decline imposition of a deposit that may otherwise be required under this rule based on the individual circumstances of the customer.

**\*\* Values represent total (base rate + rider) revenues and percentages**

<u>Line No.</u>	<u>Class Description</u>	<u>Present Revenue</u>	<u>Proposed Revenue</u>	<u>Revenue Increase</u>	<u>Settlement Percent Increase</u>
1	Total Residential	\$521,919,177	\$563,262,179	\$41,343,002	7.92%
2	Total GS	\$222,373,903	\$239,796,534	\$17,422,630	7.83%
3	Total LGS	\$207,969,942	\$223,753,623	\$15,783,682	7.59%
4	Total IP	\$244,471,017	\$264,595,845	\$20,124,828	8.23%
5	Total SL	\$5,464,144	\$5,701,459	\$237,314	4.34%
6	OL	\$6,576,865	\$6,578,819	\$1,955	0.03%
7	Total WSS	\$10,324,733	\$10,749,700	\$424,967	4.12%
8	EHG	\$786,804	\$826,201	\$39,397	5.01%
9	IS	\$191,135	\$228,134	\$36,999	19.36%
10	MS	\$3,297,880	\$3,716,287	\$418,407	12.69%
11	Total IRP	\$161,108,717	\$162,401,711	\$1,292,994	0.80%
12	<b>Total Indiana</b>	<u>\$1,384,484,318</u>	<u>\$1,481,610,493</u>	<u>\$97,126,175</u>	7.02%
13	Juris IRP	\$90,328,027	\$90,948,647	\$620,620	
14	Non-Juris IRP	\$51,228,797	\$51,544,193	\$315,396	0.62%
15	<b>Indiana Juris</b>	<u>\$1,333,255,521</u>	<u>\$1,430,066,299</u>	<u>\$96,810,779</u>	7.26%

INDIANA MICHIGAN POWER COMPANY - INDIANA  
TEST YEAR ENDED DECEMBER 31, 2018  
PROFORMA RATE SUMMARY

Tariff	Test Year Base + Fuel Revenue	Proposed Base Revenue	Difference	% Difference	Total Test Year RevenueE	Total Proposed RevenueE	DifferenceE	% DifferenceE
RS (011,012,013,014,015,016,017,038,039,051,052,053,054, 063)	\$376,328,511	\$476,938,944	\$100,610,433	26.73%	\$518,858,369	\$559,866,003	\$41,007,635	7.90%
RS TOD/OPES (030, 032, 034, 036)	\$1,972,687	\$2,693,338	\$720,650	36.53%	\$2,919,759	\$3,244,365	\$324,606	11.12%
RS TOD2 (021)	\$102,424	\$129,338	\$26,914	26.28%	\$141,049	\$151,811	\$10,762	7.63%
OL Total (090 - 121)	\$6,164,793	\$6,368,544	\$203,751	3.31%	\$6,576,865	\$6,578,819	\$1,955	0.03%
GS LMTOD (223, 225)	\$294,363	\$427,290	\$132,927	45.16%	\$513,313	\$541,491	\$28,178	5.49%
GS TOD 2 (221, 282)	\$7,852	\$12,522	\$4,671	59.49%	\$11,382	\$14,364	\$2,982	26.20%
GS Unmetered (204, 214)	\$59,722	\$85,627	\$25,905	43.38%	\$72,954	\$94,379	\$21,425	29.37%
GS Sec (211, 212, 215, 218, 281, 631)	\$138,776,951	\$189,856,367	\$51,079,416	36.81%	\$210,273,394	\$227,173,109	\$16,899,715	8.04%
GS TOD Sec (229)	\$3,247,233	\$4,606,990	\$1,359,758	41.87%	\$5,364,999	\$5,711,581	\$346,582	6.46%
GS TOD Pri (227)	\$3,789	\$4,794	\$1,004	26.50%	\$5,908	\$5,899	(\$9)	-0.16%
GS Pri (217)	\$3,836,183	\$4,973,541	\$1,137,357	29.65%	\$5,973,307	\$6,096,187	\$122,880	2.06%
GS Sub (236)	\$95,976	\$126,837	\$30,861	32.16%	\$158,647	\$159,525	\$878	0.55%
LGS Sec (240, 242)	\$151,790,466	\$176,406,475	\$24,616,008	16.22%	\$191,024,528	\$204,959,870	\$13,935,342	7.30%
LGS LMTOD (251)	\$536,143	\$763,767	\$227,624	42.46%	\$715,406	\$893,811	\$178,405	24.94%
LGS TOD Sec (253)	\$4,307,859	\$5,831,448	\$1,523,589	35.37%	\$5,502,771	\$6,641,971	\$1,139,200	20.70%
LGS TOD Pri (255)	\$45,893	\$59,591	\$13,699	29.85%	\$59,111	\$70,795	\$11,684	19.77%
LGS Pri (244, 246)	\$8,055,285	\$9,218,420	\$1,163,135	14.44%	\$10,320,972	\$10,824,367	\$503,395	4.88%
LGS Sub (248)	\$244,294	\$277,260	\$32,966	13.49%	\$322,143	\$336,725	\$14,582	4.53%
LGS Tran (250)	\$19,516	\$21,573	\$2,057	10.54%	\$25,010	\$26,084	\$1,074	4.29%
IP Sec (327)	\$35,478,414	\$43,169,514	\$7,691,100	21.68%	\$45,519,598	\$50,328,982	\$4,809,385	10.57%
IP Pri (322)	\$103,108,763	\$123,810,518	\$20,701,755	20.08%	\$134,786,886	\$145,875,654	\$11,088,768	8.23%
IP Sub (323)	\$35,798,462	\$42,962,005	\$7,163,543	20.01%	\$48,216,861	\$51,396,766	\$3,179,905	6.60%
IP Tran (324)	\$11,716,824	\$14,075,488	\$2,358,664	20.13%	\$15,947,673	\$16,994,444	\$1,046,771	6.56%
FWSL (525)	\$703,795	\$776,598	\$72,803	10.34%	\$935,308	\$905,927	(\$29,381)	-3.14%
ECLS (530)	\$3,111,250	\$3,426,735	\$315,484	10.14%	\$3,307,066	\$3,536,122	\$229,056	6.93%
SLC (531)	\$162,119	\$173,761	\$11,642	7.18%	\$191,592	\$190,226	(\$1,366)	-0.71%
SLS (533)	\$453,789	\$501,680	\$47,891	10.55%	\$490,141	\$521,987	\$31,846	6.50%
SLCM (733, 734, 735)	\$439,005	\$490,757	\$51,752	11.79%	\$540,038	\$547,197	\$7,159	1.33%
WSS Sec (545)	\$4,142,546	\$4,982,422	\$839,876	20.27%	\$5,444,635	\$5,714,549	\$269,914	4.96%
WSS Sec TOD (547)	\$469,594	\$608,272	\$138,678	29.53%	\$640,532	\$704,211	\$63,680	9.94%
WSS Pri (546)	\$2,639,788	\$3,111,891	\$472,103	17.88%	\$3,549,281	\$3,633,411	\$84,130	2.37%
WSS Sub (542)	\$504,263	\$591,437	\$87,174	17.29%	\$690,286	\$697,529	\$7,243	1.05%
IS (213)	\$132,701	\$197,930	\$65,228	49.15%	\$191,135	\$228,134	\$36,999	19.36%
EHG (208)	\$516,406	\$691,413	\$175,007	33.89%	\$786,804	\$826,201	\$39,397	5.01%
MS (543, 544)	\$2,368,120	\$3,163,849	\$795,729	33.60%	\$3,297,880	\$3,716,287	\$418,407	12.69%
Interruptible - Firm Portion	\$14,484,046	\$17,072,534	\$2,588,488	17.87%	\$19,551,893	\$19,908,870	\$356,978	1.83%
<b>Total Indiana Firm Revenues</b>	<b>\$912,119,824</b>	<b>\$1,138,609,469</b>	<b>\$226,489,646</b>	<b>24.83%</b>	<b>\$1,242,927,494</b>	<b>\$1,339,117,653</b>	<b>\$96,190,159</b>	<b>7.74%</b>
Interruptible - Jurisdictional	\$83,196,536	\$88,309,758	\$5,113,223	6.15%	\$90,328,027	\$90,948,647	\$620,620	0.69%
<b>Total</b>	<b>\$995,316,359</b>	<b>\$1,226,919,228</b>	<b>\$231,602,869</b>	<b>23.27%</b>	<b>\$1,333,255,521</b>	<b>\$1,430,066,299</b>	<b>\$96,810,779</b>	<b>7.26%</b>
Revenue Verification Difference		\$12,227				\$12,227		
<b>Total</b>	<b>\$995,316,359</b>	<b>\$1,226,931,455</b>	<b>\$231,615,096</b>	<b>23.27%</b>	<b>\$1,333,255,521</b>	<b>\$1,430,078,526</b>	<b>\$96,823,006</b>	<b>7.26%</b>

\*Values represent total (base rate + rider) revenues and percentages

**Table TDSIC-1: Distribution Allocation Factors**

<u>Rate Class</u>	(1)	(2)
	<u>Distribution Firm Revenue (\$)</u>	<u>Distribution Allocation Factor %</u>
RS	\$137,405,647	55.911%
GS-SEC	\$44,811,826	18.234%
GS-PRI	\$620,686	0.253%
GS-SUB	\$993	0.00040%
LGS-SEC	\$32,187,668	13.097%
LGS-PRI	\$1,076,081	0.438%
LGS-SUB	\$5,335	0.0022%
LGS-TRAN	\$2,695	0.0011%
IP-SEC	\$6,413,357	2.610%
IP-PRI	\$13,268,572	5.399%
IP-SUB	\$61,984	0.025%
IP-TRA	\$46,887	0.019%
Total SL	\$2,961,471	1.205%
OL	\$4,694,609	1.910%
WSS-SEC	\$1,026,861	0.418%
WSS-PRI	\$349,162	0.142%
WSS-SUB	\$8,409	0.0034%
EHG	\$162,127	0.066%
IS	\$85,783	0.035%
MS	\$569,039	0.232%
Total Firm	\$245,759,192	

Note: For purposes of recovering approved capital TDSIC expenditures and costs pursuant to IC 8-1-39-9(a), the above distribution allocation factors shall be applied to the respective distribution related revenue requirement to determine each rate class' respective share of the total revenue requirement.