

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY)	
for approval of revised depreciation rates for)	Case No. U-15162
its electric utility plant.)	
_____)	

In the matter, on the Commission’s own motion,)	
to review the adequacy of Indiana Michigan Power)	Case No. U-15276
Company’s annual decommissioning provision)	
for the Cook Nuclear Power Plant.)	
_____)	

At the September 25, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 28, 2006, Indiana Michigan Power Company (I&M) filed an application in Case No. U-15162 for approval of revised depreciation rates for its electric plant in service. Pursuant to due notice, a prehearing conference was conducted by Administrative Law Judge James N. Rigas (ALJ) on April 17, 2007.

On April 24, 2007, the Commission issued an order commencing Case No. U-15276 and directing the ALJ to conduct a hearing into the adequacy of I&M’s annual decommissioning fund provision relating to the Cook Nuclear Power Plant. Pursuant to due notice, a prehearing conference was conducted by the ALJ on June 5, 2007. On August 3, 2007, the Indiana and

Michigan Municipal Distributors Association (IMMDA) filed a petition for late intervention in this case.

Subsequently, the Commission Staff and I&M entered into a settlement agreement resolving all issues in both cases. The settlement agreement was filed on August 10, 2007. On September 14, 2007, IMMDA filed a statement that it did not object to the settlement agreement.

In the settlement agreement, attached as Exhibit A, the parties agreed to the following:

1. I&M's new depreciation rates as filed with its application.
2. The Staff's recommended level of decommissioning costs in rates, \$3,000,000 annually.
3. I&M's obligation to provide the Staff with annual jurisdictional earnings level reports, with the first report provided to the Staff by March 31, 2008 for the preceding year.
4. To waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1923 PA 238, as amended, MCL 486.251 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*
- b. The settlement agreement, attached as Exhibit A, is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.

B. Indiana Michigan Power Company shall provide the Commission Staff with annual jurisdictional earnings level reports, with the first report provided to the Staff by March 31, 2008, for the preceding year.

C. Indiana Michigan Power Company shall file a tariff sheet within 30 days from the date of the order that reduces the company's nuclear decommissioning surcharges to reflect the new funding level.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Orjiakor N. Isiogu
Chairman

(S E A L)

/s/ Monica Martinez
Commissioner

/s/ Steven A. Transeth
Commissioner

By its action of September 25, 2007.

/s/ Mary Jo Kunkle
Its Executive Secretary

B. Indiana Michigan Power Company shall provide the Commission Staff with annual jurisdictional earnings level reports, with the first report provided to the Staff by March 31, 2008, for the preceding year.

C. Indiana Michigan Power Company shall file a tariff sheet within 30 days from the date of the order that reduces the company's nuclear decommissioning surcharges to reflect the new funding level.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of September 25, 2007.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to review the adequacy of Indiana Michigan Power) Case No. U-15276
Company's annual decommissioning provision for)
the Cook Nuclear Power Plant.)
_____)

In the matter of the Application of)
Indiana Michigan Power Company for) Case No. U-15162
approval of revised depreciation rates for)
its electric utility plant.)
_____)

SETTLEMENT AGREEMENT

On December 28, 2006, Indiana Michigan Power Company ("IMPC") filed an Application in Case No. U-15162 for approval of revised depreciation rates for its electric utility plant. The parties to this case are IMPC and the Michigan Public Service Commission ("Commission") Staff. On May 2, 2007, a prehearing was held in front of Administrative Law Judge James N. Rigas.

On April 24, 2007, the Commission filed an Opinion and Order in Case No. U-15276 ordering the Administrative Law Judge to conduct a hearing into the adequacy of IMPC's annual decommissioning fund provision relating to the Cook Nuclear Power Plant. The parties to this case are IMPC and the Commission Staff. On June 5, 2007, a prehearing was held in front of Administrative Law Judge James N. Rigas.

The parties have subsequently agreed to enter into this Settlement Agreement, which addresses both cases. It is the opinion of the parties that this Settlement Agreement will promote the public interest, will aid the expeditious conclusion of this case, and will minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and

IMPC. This Settlement Agreement is for the sole purpose of resolving these cases, is not severable, and all provisions of the same are dependent upon all other provisions contained herein.

For the purpose of settling the issues in the above-captioned proceedings only, pursuant to Rule 333(3) of the Commission's Rules of Practice and Procedure, subject to the acceptance and approval of the Commission without modification, and without prejudice to the pre-negotiation positions of the parties in this or any other proceeding, the parties hereto agree and stipulate as follows:

1. The parties agree to IMPC's new depreciation rates as filed with IMPC's application.

2. The parties agree to Staff's recommended level of decommissioning costs in rates, three million dollars annually, as discussed in the Commission's Own Motion in this case, dated April 24, 2007.

3. IMPC agrees to provide Staff with annual jurisdictional earnings level reports, with the first commencing March 31, 2008 for the preceding year.

4. This Settlement Agreement is intended for final disposition of this proceeding, and the parties hereto join in respectfully requesting the Commission to grant approval of the same. The Staff has reviewed this Settlement Agreement and has found it to be reasonable and in the public interest. IMPC agrees not to appeal, challenge, or contest the rates approved by the Commission in this case if they are the result of an Order of the Commission in this proceeding accepting and approving this Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purposes whatsoever.

5. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the parties to this proceeding. All offers of settlement and discussions relating hereto are and shall be privileged, and this Settlement Agreement and the Commission order approving this Agreement shall not be used as precedent or in any other manner, not be admissible, in connection with this proceeding or any other judicial or administrative proceeding for any purpose other than enforcing the agreement.

6. The parties hereto agree to waive Section 81 of the Administrative Procedures Act of 1969 MCL 24.281.

INDIANA MICHIGAN POWER COMPANY

Dated: effective as of August 3, 2007

Richard J. Aaron (P-35605)
Sarah E. Wohlford (P-70567)
Honigman Miller Schwartz and Cohn LLP
Attorneys for Indiana Michigan Power Company

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: effective as of August 3, 2007

Angie A. Fadly (P-64831)
Assistant Attorney General
Attorney for Michigan Public Service
Commission Staff in Case No. U-15276

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: effective as of August 3, 2007

Emmanuel B. Odunlami (P-66255)
Assistant Attorney General
Attorney for Michigan Public Service
Commission Staff in Case No. U-15162