

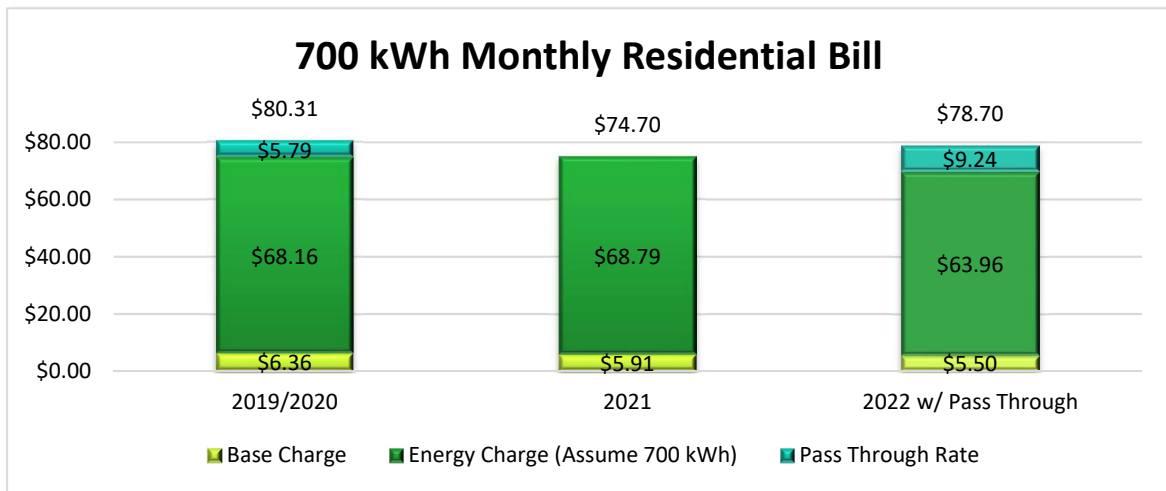
January 18, 2022

Electric Utility Wholesale Power Pass Through Summary

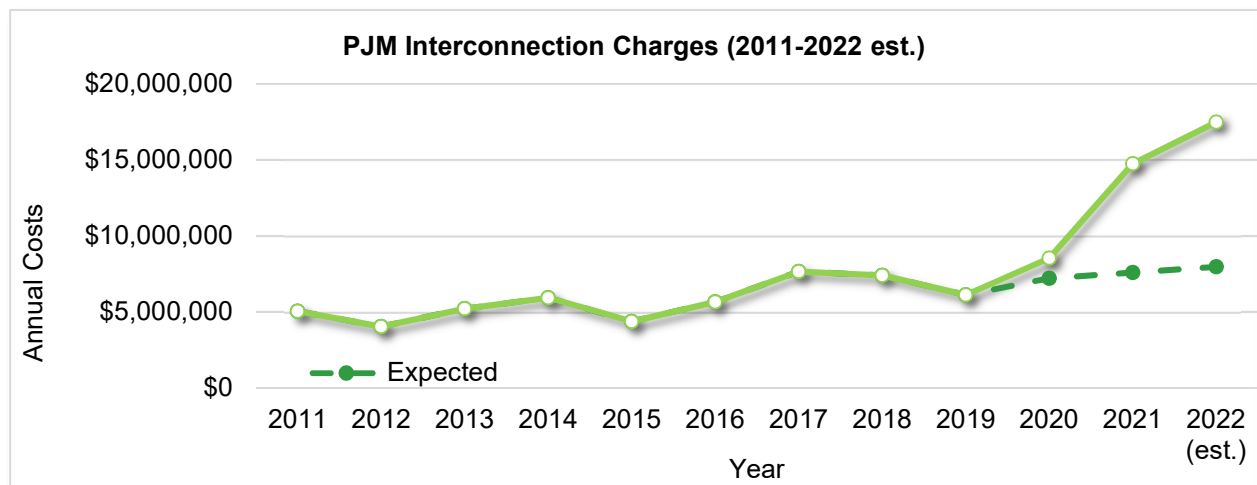
The City has evaluated overall electric costs in light of significant increases in transmission charges from the PJM regional network. AEP is investing over \$1 billion dollars in transmission assets that impact all power customers in the region and are driving cost increases across the board. Annual costs now exceed the allowance in the City's base rates.

Summary of Key Results:

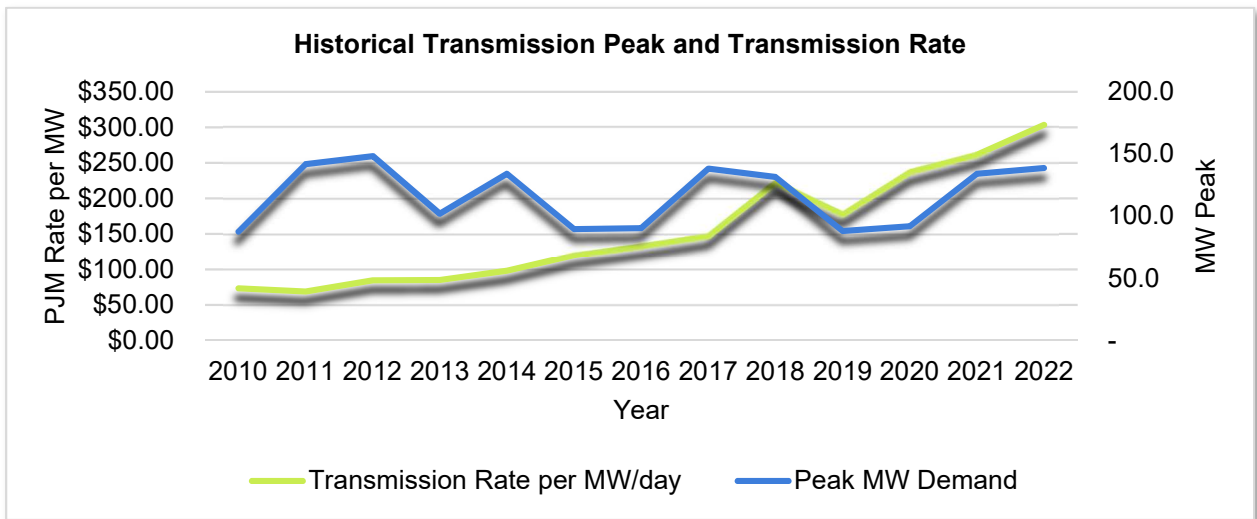
- Suggested pass-through adjustment \$0.013200/kWh
 - Typical 700 kWh Residential Bill Impact: **\$9.24/month**
 - Impact to bill in 2022 is about a \$4 increase from 2021 because of the phase II reduction.
 - Rates will still be ~\$11 lower than under the old I&M rates.
 - I&M retail customers pay a PJM rider of \$0.023283/kWh on top of base rates that are \$25 higher than the city's rates



- Rates would have remained at or over \$90 if the City stayed with I&M for wholesale power.
- PJM Transmission charges could not be locked in through the Wolverine agreement 2 years ago and are driving 100% of the pass-through need today.
 - PJM Charges are up 185% from 2019 levels



- Sharp increases in transmission rates combined with increases in peak loads for the City are driving the bottom line transmission cost growth.
 - Transmission Rate x Peak Demand x Days in Month = Transmission Charges
 - All AEP zone IMMUDA members are seeing the same rate increases but did not have the same level of peak demand growth (several had demand peaks fall) so their overall percentage changes are muted.
 - AEP transmission investment in Indiana is in the billions of dollars and is driving the rapid acceleration of costs.



- Despite the transmission changes energy and demand charges have fallen over 50% with Wolverine and are providing lower rates even with these changes than two years ago.
 - Transmission now accounts for 40% of the total bill instead of less than 15% so it will continue to play a larger role in rates.
- The City's rates have a baseline PJM component and as costs exceed that \$10 million allowance a pass-through adjustment will be needed annually to recover the difference.

