ORIGINAL

Commissioner	Yes	No	Not Participating
Zay	√		
Deig	√		
Swinger	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF AEP INDIANA MICHIGAN TRANSMISSION COMPANY, INC. FOR ALL NECESSARY AUTHORITY IN CONNECTION WITH A $750,000,000 FINANCING PROGRAM INVOLVING THE ISSUANCE OF SECURED OR UNSECURED PROMISSORY NOTES OF ONE OR MORE NEW SERIES.	)	**CAUSE NO. 46324** **APPROVED: MAR 11 2026**

ORDER OF THE COMMISSION

Presiding Officers:
Anthony F. Swinger, Commissioner
Steve Henke, Administrative Law Judge

On November 12, 2025, AEP Indiana Michigan Transmission Company, Inc. ("Petitioner" or "IM Transco") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") initiating this Cause. Through its tenth financing filing, IM Transco requests authority to issue and sell long-term debt securities (collectively, the "Proposed Financing Program"). In support of its request, on November 13, 2025, IM Transco filed its case-in-chief, including the testimony and exhibits of Marc B. Hunter, Managing Director for American Electric Power Service Corporation. On January 21, 2026, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of John W. Hanks, with the OUCC's Electric Division. On January 23, 2026, IM Transco filed a notice indicating that it would not be filing rebuttal testimony. On February 4, 2026, with the consent of the OUCC, Petitioner amended its Verified Petition to comply with Ind. Code § 8-1-2-79(a). On February 5, 2026, the OUCC substituted the testimony of Mr. Hanks for substantively identical testimony of Michael D. Eckert, also of the OUCC's Electric Division.

The Commission held an evidentiary hearing in this cause on February 5, 2026, at 1:00 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. IM Transco and OUCC both appeared and participated by their respective counsel. At the hearing, the Presiding Officers granted IM Transco's unopposed motion for leave to file an Amended Petition to correct a signature deficiency under Ind. Code § 8-1-2-79(a). Thereafter, the testimony and attachments of IM Transco and the OUCC were admitted into the record at the hearing without objection.

Based upon the applicable law and the evidence presented, the Commission now finds:

1. <u>Commission Notice and Jurisdiction</u>. Notice of the hearing was published as required by law. IM Transco is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-76 through 8-1-2-81, the Commission has jurisdiction over a public utility's

issuance of bonds, notes, or other debt payable at periods of more than one year. Therefore, the Commission has jurisdiction over IM Transco and the subject matter of this proceeding.

2. IM Transco's Characteristics. IM Transco is a transmission only public utility organized and existing under Indiana law, with its principal executive office at 1 Riverside Plaza, Columbus, Ohio, and an office at 110 East Wayne Street, Fort Wayne, Indiana 46801, authorized to operate as a public utility in Cause No. 44000. IM Transco is a wholly-owned subsidiary of American Electric Power Transmission Company, LLC ("AEP Transmission"), which is a wholly owned subsidiary of AEP Transmission Holding Company, LLC ("AEP Holdco"). American Electric Power Company, Inc. ("AEP") is the parent company of AEP Holdco. IM Transco develops, owns, and operates certain transmission facilities interconnected to existing facilities owned by Indiana Michigan Power Company ("I&M"), AEP Transmission, other AEP operating companies, and other unaffiliated companies within the PJM footprint.

3. Relief Requested. IM Transco requests authority to issue and sell up to $750,000,000 aggregate principal amount of long-term debt securities consisting of first mortgage bonds and/or unsecured or secured promissory notes of one or more new series, through December 31, 2027.

4. Evidence of the Parties.

A. IM Transco's Evidence.

i. **Description of Proposed Financing Program.** Marc B. Hunter, Managing Director of Corporate Finance for AEP Service Corporation, testified about IM Transco's proposal to issue up to $750,000,000 in long-term debt through December 2027. Mr. Hunter also testified about IM Transco's current financial status and proposed issuance of securities. Mr. Hunter stated that the securities will be used, together with other available funds, to finance transmission capital expenditures, to repay short-term borrowings (through IM Transco's participation in a money pool with other AEP entities—the "AEP System Utility Money Pool"), to meet working capital needs (including construction expenditures), and for other general corporate purposes of IM Transco.

Mr. Hunter testified regarding IM Transco's current indebtedness and financing. As a participant in the AEP System Utility Money Pool, IM Transco has incurred short-term indebtedness, though, as of the date of his testimony, IM Transco had no indebtedness (and, in fact, had advanced $4.5 million to its affiliates). However, Mr. Hunter testified that IM Transco is forecasted to spend approximately $1.1 billion in capital expenditures between 2026 and 2027.

Mr. Hunter testified regarding the new notes for the Proposed Financing Program. The notes that may be issued in the form of senior or subordinated notes or other types of promissory notes, including notes sold to IM Transco's parents, AEP Transmission, AEP Holdco, or AEP. In the case of long-term borrowing from a parent, Mr. Hunter stated that the interest rates and maturity dates will be designed to parallel the cost of debt of such parent. The notes: (a) will have maturities up to 60 years, (b) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above the principal amount thereof, (c) may be entitled to mandatory

or optional sinking fund provisions, (d) may provide for reset of the coupon pursuant to a remarketing arrangement, (e) may be subject to tender or the obligation of the issuer to repurchase at the election of the holder or upon the occurrence of a specified event, (f) may be called from existing investors by a third party, and (g) may be entitled to the benefit of affirmative or negative financial or other covenants. The interest rates of the notes may be fixed or variable and will be sold: (i) by competitive bidding, (ii) in negotiated transactions with underwriters or agents, or (iii) by direct placement with a commercial bank or other institutional investor. Petitioner's Ex. 1, pp. 4–5.

Mr. Hunter testified that, based on recent transactions, IM Transco does not expect the yield to maturity of the Notes to exceed by more than 3.0% the yield to maturity on United States treasury bonds of comparable maturity at the time of pricing. If IM Transco agrees to a fluctuating rate of interest on the notes, it will not exceed 6% at the time of issuance. Mr. Hunter stated that IM Transco may agree to specific redemption provisions, including redemption premiums, at the time of pricing. The notes may mature as soon as one year, but will likely be of a longer term. They will likely be issued under an indenture, to be supplemented and amended by one or more supplemental indentures or other similar documentation. According to Mr. Hunter, IM Transco may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions, (ii) creating indebtedness except as specified therein, (iii) failing to maintain a specified financial condition, (iv) entering into certain mergers, consolidations, and disposition of assets, and (v) permitting certain events in connection with pension plans.

Mr. Hunter testified that, as the basis for issuing the notes, IM Transco would use its judgment on market conditions—principally the lowest cost, the best terms available, and the needs of a sound capital structure. Mr. Hunter asserted that the public interest supports giving IM Transco flexibility to adjust its financing program to developments in the markets for long-term debt securities. Accordingly, per Mr. Hunter, IM Transco's flexibility regarding the future number, maturity, pricing, and redemption provisions for the Notes. Further, to reduce and manage interest costs for the Notes, Mr. Hunter stated that IM Transco requests authority to use interest rate hedging and pre-hedging transactions, including, but not limited to, interest rate swaps, caps, collars, floors, options, or hedging products such as forwards, futures, or similar products. These agreements, explained Mr. Hunter, are expected to be with counterparties that are highly rated financial institutions. Additionally, if appropriate, IM Transco may provide credit enhancement (such as a letter of credit, surety bond, or other insurance) for a fee.

According to Mr. Hunter, the Proposed Financing Program is in the public interest. In describing the manner of expected financing, Mr. Hunter stated that AEP Transmission would issue long-term debt, and then lend a portion of the proceeds through an inter-company loan to IM Transco. This approach has been used by AEP for many of its operating subsidiaries, including IM Transco, to obtain more attractive terms due to AEP's larger size and diversification. Per Mr. Hunter, the terms and conditions of the inter-company loan will mirror the pricing, terms, and conditions obtained by AEP Transmission. IM Transco anticipates borrowing about $190 million in 2026 and $360 million in 2027, but, for operational flexibility in financing, IM Transco requests a total of $750 million in financing authority. IM Transco targets a capital structure of

approximately 45% debt and 55% equity, and the Proposed Financing Program would be in line with its stated target.

The total amount of the Proposed Financing Program, IM Transco's outstanding stock, notes maturing more than 12 months from the date thereof, and other indebtedness would not be above the fair value of IM Transco's utility property. IM Transco expects the $750 million in long-term debt to finance approximately $1.67 billion in operating assets. IM Transco projects investment of approximately $1.1 billion in new transmission projects within Indiana and Michigan in 2026 and 2027. This additional capital is needed to address the condition of the assets, the performance of the infrastructure, cyber and physical security threats, modernization of protection and control equipment, and changes in industry regulations. As these projects are placed into service, these capital projects will be used and useful in providing electric service to Indiana consumers.

Further, Mr. Hunter noted that this Proposed Financing Program contains conditions similar to those proposed by the OUCC and approved by the Commission in Cause No. 45948.

B. <u>OUCC's Evidence</u>. Michael D. Eckert, a Chief Technical Advisor with the OUCC's Electric Division, recommended the Commission grant Petitioner authority to issue the proposed debt, subject to certain reporting requirements and conditions. Mr. Eckert evaluated the amount and use of Petitioner's debt proceeds, interest rate, and remaining financing authority from Cause No. 45948. Mr. Eckert also testified that the OUCC has no objection to the proposed interest rate maximums, so long as the interest rates remain within the stated maximums. Mr. Eckert stated that the OUCC does not oppose the use of interest rate hedging transactions, though Petitioner had not executed such transactions since receiving authority to do so in Cause No. 45948. Mr. Eckert stated that because the specific projects and costs will not be known until the debt is actually issued, the OUCC retains the right to challenge the prudency of specific transactions in an appropriate proceeding.

Mr. Eckert recommended that Petitioner comply with the following reporting requirements:

- Petitioner's issuances pursuant to this authority shall be at competitive market rates. Fixed interest rate debt should not exceed by more than 3.0% the yield to maturity on U.S. Treasury bonds of comparable maturity. In the case of variable interest rate debt, the all-in rate should not exceed 6.0% at the time of issuance.
- The requested financing authority shall have an expiration date of December 31, 2027.
- Petitioner shall provide a written report to both the OUCC and the Commission within 30 days of incurring the debt. The report should include all the terms of the debt, including: the amount and use of debt, maturity period, interest rate, premiums/discounts, issuance expenses, collateral details, repayment terms, and any other terms.
- Petitioner shall continue to provide the Commission and the OUCC an annual informational filing, summarizing investments, operations, and benefits, as approved in Cause No. 45948.

5. <u>Commission Discussion and Findings</u>. Under Ind. Code §§ 8-1-2-76 through 8-1-2-81, the Commission has the authority, after consideration of all information that may be relevant or required, to investigate and approve or disapprove a proposal by a public utility to issue bonds, notes, or other evidences of indebtedness payable at periods of more than one year. The Commission must determine whether the proposed issuance is in the public interest in accordance with the laws addressing the issuance of securities by public utilities and whether the proposed issuance is reasonably necessary in the operation and management of the business of the utility in order that the utility may provide adequate service and facilities.

Under Ind. Code § 8-1-2-78, a public utility may, with the approval of the Commission, issue bonds, notes, or other evidence of indebtedness payable at periods of more than 12 months for: (a) the acquisition of property, material, or working capital; (b) the construction, completion, extension, or improvement of facilities, plant, or distributing system; (c) the improvement of its service; (d) the discharge or lawful refunding of its obligations; and (e) the reimbursement of its treasury as provided by statute. Petitioner's plan to use the funds obtained through the Proposed Financing Program to finance transmission capital expenditures, to repay future short-term borrowings (through IM Transco's participation in the AEP System Utility Money Pool), to meet working capital needs (including construction expenditures), and for other general corporate purposes of IM Transco is supported by sufficient evidence, and these purposes comply with the requirements of Ind. Code § 8-1-2-78. Petitioner's Proposed Financing Program is reasonably necessary in the operation and management of Petitioner's business. Thus, we find the proposed uses of these funds will serve the public interest.

The evidence shows that IM Transco's proposed financing, together with IM Transco's outstanding stock, notes maturing more than 12 months from the date thereof, and other evidences of IM Transco's indebtedness, will not be in excess of the fair value of IM Transco's utility property. The evidence also shows that IM Transco's proposed parameters for the financing are reasonable and should be approved, as they will allow IM Transco to finance its capital needs on a competitive basis. These terms include flexibility for IM Transco to decide at future dates whether there will be one or more series and on the maturity of each series of the notes; authority for IM Transco to enter into interest rate hedging agreements; and authority to enter into some form of credit enhancement if IM Transco determines that is appropriate for the purposes outlined under Ind. Code § 8-1-2-78(e).

Based on this evidence, as well as evidence concerning the use to which the financing funds will be put, we find that the proposed financing is reasonable and should be granted.

Based on the foregoing, the Commission finds IM Transco's proposed financing is in the public interest and is reasonably necessary in the operation and management of the utility's business so that IM Transco may provide adequate service and facilities. Further, the Commission finds that the conditions proposed by the OUCC and unopposed by IM Transco are reasonable, and approved as follows:

- Petitioner's issuances pursuant to this authority shall be at competitive market rates.

- The financing authority granted in this Cause will expire as of December 31, 2027.

- Petitioner will provide a written report to both the OUCC and the Commission within 30 days of incurring the debt. The report will contain all the terms of the debt, which includes: the amount and use of debt, maturity period, interest rate, premiums/discounts, issuance expenses, collateral details, repayment terms, and any other terms.

- Petitioner shall continue to provide the Commission and the OUCC an annual informational filing, summarizing investments, operations, and benefits, as was agreed to in Cause No. 45948.

Subject to these conditions, the Commission authorizes IM Transco to issue up to $750,000,000 in notes from time to time through December 31, 2027, and to enter into interest rate hedging agreements and/or credit enhancements as proposed and as discussed above subject to the conditions set forth above.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. IM Transco is authorized, during the period from the effective date of this Order through December 31, 2027, to carry out and consummate the issuance of unsecured or secured notes up to an aggregate principal amount of $750,000,000 on terms described above, including entering into and executing appropriate transaction documents and evidences of indebtedness in order to effectuate the issuance of the notes.

2. IM Transco is authorized to:

   a. decide at future dates whether there will be one or more series and the maturity of each series of the notes;

   b. enter into interest rate hedging agreements in connection with the securities;

   c. provide some form of credit enhancement such as a letter of credit, surety bond, or other insurance, if appropriate;

   d. use the proceeds of the notes herein authorized for the purposes set forth in its Verified Petition and testimony, as well as to account for premiums and fees paid in connection with the redemption or reacquisition of the outstanding debt and any interest rate hedges or credit enhancements as described above; and

   e. issue the notes at competitive, market rates.

3. The authority granted to IM Transco by this Order shall expire on December 31, 2027, to the extent it has not been utilized by that date. This Order is the sole evidence of our approval and shall constitute a certificate of authority granted to IM Transco as provided in Ind. Code § 8-1-2-80.

4. IM Transco shall file with the Commission under this Cause and serve on the OUCC a written report within 30 days on each occasion when it exercises its authority to issue notes authorized by this Order. The report shall summarize the terms of the debt financing agreements, including the amount and use of the debt, maturity period, interest rate, premiums/discounts, issuance expenses, collateral details, repayment terms, and any other material terms.

5. Consistent with the annual information filing approved in Cause No. 45948, IM Transco shall provide the Commission and the OUCC an annual informational filing in this Cause, summarizing investments, operations, and benefits.

6. This Order shall be effective on and after the date of its approval.

ZAY, DEIG, SWINGER, VELETA, AND ZIEGNER CONCUR:

APPROVED: MAR 11 2026

I hereby certify that the above is a true and correct copy of the Order as approved.

Regina K. Joyner

Digitally signed by Regina K. Joyner
Date: 2026.03.11 10:26:37 -04'00'

_____ on behalf of

Dana Kosco
Secretary of the Commission