



City Light Lease Settlement Announcement



FACTSHEET: City Light Lease Settlement History

In 1974, the City of Fort Wayne's electrical power grid needed capital improvements. The City leased its electric utility to Indiana Michigan Power (I&M) for 35 years. The Lease allowed I&M to "retire" or replace portions of the Leased Property or make improvements to it. At the end of the Lease, all Leased Property was to be returned to the City, and the City had the option to purchase from I&M the betterments made by I&M at their net original cost.

During the Lease, I&M made annual rent payments to the City, which increased over the term of the Lease. When the Lease ended, I&M was paying the City \$1,740,000 per year. Part of the rental payments financed the City Light Lease Trust Fund, which can be used by the City after termination of the Lease. The Trust Fund is currently valued at nearly \$36 million. In addition to paying rent, I&M agreed to be responsible for the City pension that covered City Light employees.

Over the term of the Lease, disputes between the City and I&M arose and were unresolved as the date for termination neared. In 1980, the Indiana General Assembly enacted the Service Area Assignments Act, which created exclusive service territories for Indiana electric utilities. The Act complicated Lease issues between the City and I&M, with the City contending that I&M should provide compensation under the Act for acquiring former City Light customers, and I&M asserting that no payment was due because the Commission had assigned the City of Fort Wayne territory to I&M in the early 1980s.

The City and I&M also did not see eye to eye regarding what would happen at the termination of the Lease. The City contended that I&M was required to provide it with a complete electric utility system upon Lease termination, while I&M contended the City was able to obtain only certain betterments and what remained of the Leased Property in use at that time. Both parties also disputed the scope of each other's obligations and rights under the Lease.

Despite these disputes, both the City and I&M agreed their top priority was assuring Fort Wayne residents would continue to receive uninterrupted, high-quality electric service. Therefore, in 2007 they began discussing what would occur upon the termination of the Lease in March 2010. When those discussions broke down, a lawsuit was filed in 2009, and the parties were ordered to attempt to mediate their differences. While these settlement discussions took longer than either party desired, the City and I&M have reached an agreement that resolves all of the disputes between them.

The negotiated settlement is subject to the approval of the Fort Wayne City Council and the Indiana Utility Regulatory Commission. The City and I&M are working together to obtain these approvals.