



# City Light Lease Settlement Announcement



## **FREQUENTLY ASKED QUESTIONS: City Light Lease Settlement**

### How much is I&M paying to the City to finalize the City Light lease?

Upon approval from both the Fort Wayne City Council and the Indiana Utility Regulatory Commission (IURC), I&M would pay the City a total of \$39.2 million over 15 years, with \$5 million of that coming as an upfront payment.

### Based on what has been said by both parties in the last 2-3 years, did I&M pay too much or did the City get too little for the City Light Lease?

The final financial agreement between the City and I&M is the result of hard fought negotiations over the last few years.

The agreement resolves complex legal issues and avoids costly litigation with an uncertain outcome. All sides benefit from a solid agreement that avoids the greater cost and risk of litigation that might take years to resolve.

The City would receive a total of \$39 million with this agreement and the ability to access the City Light Trust Fund, currently valued at nearly \$36 million. The Fort Wayne community will have a lasting legacy with the ability to leverage those dollars. In addition, I&M will continue to provide uninterrupted, high-quality service its customers in Fort Wayne.

### What could happen if the agreement is not approved by the City Council or the IURC?

If the City Council or the IURC does not approve the agreement, then all negotiations and agreements to date will be ignored. The matter could return to litigation or another agreement based on revised terms could be negotiated.

No one wants this to happen. Both the City and I&M believe this negotiated settlement provides an end to the complex legal fight, provides a revenue stream for the city for the next 15 years and assures a continuation of quality I&M electric service to the Fort Wayne area.

### Will rates go up as a result of this settlement?

If approved, there will be no immediate effect on rates. The transfer of property and settlement of claims are recoverable under utility regulations, similar to how the lease payments were recovered over the past 35 years. Going forward rates may go up slightly to cover the increasing level of payments, but will be lower than if there was no agreement.

*What will happen to the Trust Fund that the City built with rental payments under the Lease?*

Once the settlement agreement is approved by the Fort Wayne City Council and the IURC, the money from the Fund, currently valued at nearly \$36 million, will be released for the City to use. The City will go to the residents and through an active public participation process decide the best use for the Trust Fund money and the revenue from the settlement. The money from the Trust Fund has already supported key economic development projects, and the balance along with the settlement money will leave a lasting legacy for Fort Wayne's citizens.

*Does the final settlement figure include the \$145,000 per month that I&M has been paying in an escrow account since the Lease expired?*

Yes. The money deposited in the escrow account will be credited against the amount owed by I&M to the City under the agreement.

*When should the approval process be concluded?*

The process begins with the approval of the City Council. That approval could take up to a month to obtain. After the City Council approves the agreement, the parties will seek the approval of the IURC. The IURC approval process will take several months.

*How is this agreement good for the citizens of Fort Wayne?*

Once the agreement is approved, the City can invest not only the \$39 million gained from the settlement, but also the nearly \$36 million in the City Light Trust Fund on behalf of the residents of Fort Wayne. The ability to leverage those dollars will leave a lasting legacy to the Fort Wayne community.

In addition, Fort Wayne residents can be confident of continued electric service from a good corporate citizen like I&M. Among investor-owned utilities, I&M rates for residential customers are some of the lowest in the state.\* The company's home office is in Fort Wayne, and it provides hundreds of hours of volunteer work and makes donations to local charities.

Finally, the agreement avoids costly litigation with an uncertain outcome. All sides benefit from a solid agreement that avoids the greater cost and risk of litigation that might take years to resolve.

\* I&M rates for residential customers using an average of 1,000 kilowatt hours are the lowest in the state at 0.08145 cents.\*\* (Overall, I&M ranks fifth lowest with four small municipal utilities having lower rates) \*\* 2010 Residential Bill Survey, July 2010