STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **INDIANA MICHIGAN POWER COMPANY** for reconciliation of its power supply cost recovery plan (Case No. U-21427) for the 12 months ended December 31, 2024.	)	Case No. U-21428

At the July 16, 2026 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Shaquila Myers, Commissioner

ORDER

History of Proceedings

On March 31, 2025, Indiana Michigan Power Company (I&M) filed an application in this docket pursuant to Section 6j of Public Act 304 of 1982 (Act 304), MCL 460.6j, with supporting testimony and exhibits, requesting approval to reconcile its costs incurred and revenues collected pursuant to its power supply cost recovery (PSCR) plan for the 12-month period ended December 31, 2024. I&M's application indicated that the company recorded a PSCR underrecovery of $11,431,687. Application, pp. 4-5.

A prehearing conference was held on May 15, 2025, before Administrative Law Judge Sally L. Wallace (ALJ). At the prehearing conference, the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General) and granted petitions to intervene filed by the Sierra Club and the Citizens Utility Board of Michigan (CUB).[1] I&M and the Commission Staff (Staff) also participated in the proceeding.

On December 17, 2025, Administrative Law Judge Katherine E. Talbot conducted an evidentiary hearing at which testimony and exhibits were bound into the record. On January 23, 2026, the parties filed initial briefs, and on February 20, 2026, the parties filed reply briefs.

On April 28, 2026, the ALJ issued a Proposal for Decision (PFD) in this matter. On May 19, 2026, I&M filed exceptions to the PFD. On June 2, 2026, AG/SC/CUB and the Staff filed replies to the company's exceptions.

The record in this case consists of 330 pages of transcript and 23 exhibits, some of which are marked confidential.

Proposal for Decision

The ALJ provided an overview of the testimony and positions of the parties in this case at pages 2-10 of the PFD, which will not be extensively repeated here. The ALJ noted there was no dispute on the record regarding several issues in the case. As such, the ALJ concluded that the uncontested aspects of the company's PSCR reconciliation should be approved. PFD, p. 10. No party filed exceptions regarding this recommendation. The Commission agrees with the ALJ's analysis and adopts the recommendation to approve the uncontested aspects of I&M's proposed PSCR reconciliation.

In addition, the ALJ found that there were three contested issues in the case: (1) Demand Response (DR) program costs, (2) the Intercompany Power Agreement (ICPA) with Ohio Valley

[1] The Attorney General, the Sierra Club, and CUB jointly filed testimony, exhibits, briefs, and replies to exceptions. Therefore, like the ALJ, the Commission jointly refers to the Attorney General, the Sierra Club, and CUB as AG/SC/CUB.

Electric Corporation (OVEC) costs, and (3) the Unit Power Agreement (UPA) costs. Similar to the ALJ, the Commission will further address each disputed item below.

Discussion

1. Demand Response Program Costs

The company indicated that it did not incur any expenses in 2024 relating to the curtailment of energy but requested to recover energy-related costs relating to DR programs in PSCR cases on a going forward basis. 2 Tr 53; I&M's initial brief, p. 19. The Staff noted that I&M has similarly requested "Curtailment Costs" in Case No. U-21262 but that "[t]he Company has not included any information in the instant case that would change Staff's position regarding these issues." Staff's initial brief, p. 19. Further, the Staff recommended "that the Company seek proper recovery of these costs as a part of its O&M [operations and maintenance] expenses in a rate case proceeding." *Id*.

The ALJ recommended that "the Commission affirm that DR-related curtailment costs should not be included in future PSCR proceedings and instead review whether recovery of these costs is appropriate as part of the Company's O&M expense in a future rate case proceeding." PFD, pp. 10-11.

I&M takes exception and argues that the ALJ's recommendation is misplaced. Specifically, the company contends that:

> [d]emand response energy-related costs vary year-to-year, while I&M does not file base rate cases on an annual basis. As a result, relegating recovery of these volatile costs to rate cases would prevent timely and accurate cost recovery. By contrast, PSCR proceedings are specifically designed to address annually fluctuating power supply expenses.

I&M's exceptions, p. 11. Thus, I&M reiterates its request to recover the energy-related costs in PSCR proceedings going forward to "ensure accurate, timely, and equitable treatment of demand response costs—and to protect customers from cost mismatches . . . ." *Id*. Noting that the costs are not "*per se*" PSCR costs, the company explains that they are, nevertheless, costs that were incurred as a direct result of energy usage or non-usage. *Id*. The company reiterates its position that, given it does not annually file rate cases, the ALJ's recommendation would effectively delay recovery of these costs for multiple years. I&M, therefore, requests that the Commission reject the ALJ's recommendation. *Id*., pp. 12-13.

The Staff replies that the ALJ properly found that DR-related energy costs should be addressed in future rate cases rather than PSCR proceedings. More specifically, the Staff indicates that "[t]o remain consistent with standard industry cost recovery methods in Michigan, Staff advises that the Company seek proper recovery of these costs as a part of its O&M expenses in a rate case proceeding." Staff's replies to exceptions, p. 9. Therefore, the Staff requests that the Commission adopt its position and require I&M to seek recovery of these costs as O&M expenses in future rate cases.

The Commission finds that the ALJ properly recommended that DR-related energy costs should be reserved for general rate cases. As acknowledged by the company and explained by the Staff, the costs I&M is seeking to recover are not PSCR costs. Therefore, the Commission adopts the ALJ's findings and recommendations on this issue. I&M should seek recovery of these DR-related costs in its next general rate case.

2. Intercompany Power Agreement with the Ohio Valley Electric Corporation

The Commission first notes that there is a long history associated with the ICPA and the OVEC plants, which was reviewed by I&M at 2 Tr 110-116, and will not be extensively repeated here. The ALJ acknowledged the company's review and noted that the record demonstrates that the Commission has:

> repeatedly determined that costs for the OVEC plants under the ICPA are subject to the Commission's Code of Conduct because I&M and OVEC are affiliates. As affiliated companies, I&M has an ongoing obligation to support its long-term contract with OVEC, and compensation under the ICPA is limited to "the lower of market price or 10% over fully allocated embedded cost."

PFD, p. 12 (footnotes omitted). The ALJ further noted that the Commission has previously issued five warnings under MCL 460.6j(7) (Section 7 warnings) and disallowed some OVEC costs determined to exceed market price. The ALJ further indicated that the reasonableness of OVEC costs is once again at issue in this proceeding.

I&M indicates its primary exceptions to the PFD relate to the recommended disallowance of ICPA-related costs. Specifically, the company claims "that it reasonably and prudently managed the ICPA in the 2024 PSCR Plan year, consistent with the Commission's Order approving I&M's Plan." I&M's exceptions, p. 4 (citing October 4, 2024 order in Case No. U-21427 (October 4 order)). I&M sets forth three specific objections to the ALJ's recommendations, which are individually addressed below.

a. Benchmark Calculations for the Intercompany Power Agreement

I&M proposed to "exclude the debt service costs billed to the Company from the costs subject to its benchmark calculation under the Michigan Code of Conduct." 2 Tr 108. The Staff disagreed with the proposed adjustment to the benchmarking calculation and indicated that the proposal "is not supported by any evidence in past PSCR Reconciliation proceedings and is not supported by the record evidence in this case." 2 Tr 188. Similarly, AG/SC/CUB argued that the proposal was "unsupported by anything the Company has provided in the record in this case." 2 Tr 230.

The ALJ agreed with the Staff and AG/SC/CUB, noting that the Commission has addressed and rejected recommendations from I&M relating to the inclusion of an imputed rate of return for the Michigan Public Power Agency (MPPA) contracts. As to the instant request regarding debt servicing costs, the ALJ rejected the company's proposal, instead adopting the Staff's analysis as follows:

> (1) I&M has raised the ownership structure of OVEC compared to the MPPA units on numerous occasions and presents no new information here; (2) the investment that MPPA made in Campbell and Belle River is also not new information; and (3) the component level cost information [I&M] provided has also been presented before.

PFD, p. 27. Further, the ALJ found persuasive AG/SC/CUB's position that "capital investments in the Campbell and Bell[e] River units are subject to Commission review for reasonableness and prudence, whereas investments in OVEC are not." *Id*., p. 28.

In exceptions, I&M specifically argues that its proposal to adjust the market proxy calculation to account for debt-related billing was improperly rejected by the ALJ, as the company contends this specific issue was not previously addressed by the Commission, contrary to the ALJ's findings. I&M's exceptions, p. 5 (citing PFD, pp. 27-28). More specifically, I&M states that while it has previously proposed adjustments to the MPPA agreements, and "the Commission has never rejected an adjustment outright." I&M's exceptions, p. 5. Quoting page 10 of the September 26, 2024 order in Case No. U-21053 (September 26 order), the company explained that the Commission has specifically indicated that the company was not precluded from presenting the claim again but that it must be supported by "'appropriate and reliable evidence'" which I&M contends it has done in the present case. I&M's exceptions, p. 5.

I&M next reiterates its record evidence regarding the MPPA agreements to argue that "[r]emoving the debt service costs results in an 'excess' cost of $1.87 per Megawatt-hour [MWh], corresponding to a disallowance of $209,496 for the ICPA costs that are above the Commission's accepted market proxies." I&M's exceptions, p. 6 (citing 2 Tr 106-108). I&M further claims that the ALJ erroneously rejected its position because the ownership structures are not new facts. I&M contends its analysis is not dependent upon the novelty of the information and that proper market analysis "must reasonably reflect the cost characteristics of the resources being compared in the proceeding at hand." I&M's exceptions, p. 6. Further, I&M states that the ALJ also "misses the point" in relying on the distinction between Commission-reviewed MPPA contracts and the non-reviewed OVEC investments, specifically that "[t]he purpose of the benchmark is not to enforce symmetry in regulatory oversight, but to assess whether OVEC costs are reasonable relative to comparable alternatives." *Id*., p. 7. In sum, the company states that the ALJ improperly rejected its adjustment based on "procedural history and labels" rather than "whether the benchmark reasonably reflects comparable costs." *Id*.

The Staff replies, arguing that the Commission should adopt the ALJ's recommendation. Reiterating its brief, the Staff states that the company is relying on essentially the same record evidence as previously submitted and relied upon in prior cases. In that regard, the Staff argues that the company's position is similarly uncompelling in this case. The Staff further disputes that the ALJ merely relied upon prior Commission rulings. The Staff reiterates its record position and notes that AG/SC/CUB demonstrated the significant gaps in the company's presentation. Staff's replies to exceptions, pp. 3-4 (citing 2 Tr 230).

AG/SC/CUB reply to the company's exceptions, disputing the claim that I&M has now presented sufficient evidence to support its position. Specifically, AG/SC/CUB indicate that "there is nothing new here – I&M has just repackaged what is essentially the same information it presented in previous cases." AG/SC/CUB's replies to exceptions, p. 4. Further, AG/SC/CUB indicate that the company did not explain or provide evidence to support "its assumption that OVEC debt service costs are equivalent to imputing a rate of return for the MPPA contracts such that removing them would improve the benchmarking calculation." *Id*., p. 5. AG/SC/CUB conclude that the ALJ reasonably and appropriately based her recommendation "on competent, material, and substantial evidence in the record" and further "reasonably and appropriately applied Commission precedent and rejected I&M's 'wholly novel' debt service cost proposal." *Id*., p. 6 (footnote omitted).

The Commission finds that, contrary to the company's assertions, the information presented to support I&M's proposal to adjust the benchmark calculation was not "supported by appropriate and reliable evidence." September 26 order, p. 10. In that regard, the Commission, like the ALJ, agrees with the Staff and AG/SC/CUB that the record in this case is insufficient to support the company's proposal. Therefore, the Commission adopts the ALJ's findings and conclusions on this issue.

b. Alternative Benchmarking Proposal

In rebuttal, I&M presented an alternative benchmarking proposal. Specifically, the company indicated that, rather than removing the debt servicing costs, the Belle River benchmark costs could be adjusted "to include the contributions from its customers as well as the interest cost and issuance cost of its 2024 debt issuance, the Commission's benchmark cost increases to $68.36 per Megawatt-hour, which then reduces the cost in excess of the Michigan Code of Conduct benchmark to $1,358,026." 2 Tr 160. The Staff indicated support for the company's proposal and recommended that the Commission include an adjustment. *See*, Staff's initial brief, pp. 18-19.

However, AG/SC/CUB opined that this alternative proposal was improperly introduced for the first time in rebuttal and was unsupported with evidence in the record. AG/SC/CUB's initial brief, pp. 20-21.

The ALJ noted agreement with AG/SC/CUB, finding "that the proposal could have been provided in direct testimony and its presentation as part of the Company's rebuttal case was too late in the proceedings for the parties to address the recommendation. Therefore, this recommended adjustment to the benchmark calculation is rejected." PFD, p. 28.

I&M takes exception to the ALJ's determination that its alternative benchmarking proposal was untimely. The company avers that the ALJ's reasoning is flawed because "[t]he timing of the adjustment's introduction does not undermine its reasonableness" and that I&M witness "Mr. Stegall identified the relevant differences in investment and cost structure in his direct testimony." I&M's exceptions, p. 8. Further, the company claims that the alternative proposal was made in direct response to a claim raised and used publicly available information. *Id.* (citing 2 Tr 157-160, 230). In sum, I&M contends that the adjustment should not be deemed untimely but should be evaluated on its merits "to ensure a fair and economically accurate comparison among resources." I&M's exceptions, p. 8.

In reply, the Staff states, "if the Commission agrees to adjust the benchmarking calculation for better comparison, that this alternative is based on quantifiable, publicly available information and information that specifically shows the cost impacts of analogous financing costs on MPPA's Belle River contract costs during the reconciliation period." Staff's replies to exceptions, pp. 4-5. Nevertheless, the Staff notes its double-counting error, indicating it:

> added back $1,220,926 in costs to I&M's Adjusted Operating Costs. I&M's new Adjusted Operating Costs for 2024 becomes $63,125,578 or $80.51 per MWh. The new difference between the benchmark and the ICPA becomes $12.15/MWh, when multiplied by the generation purchased under the ICPA (784,028 MWhs), I&M's

> ICPA costs are $9,526,341 above the newly adjusted benchmark. These costs are then multiplied by 14.3% (Michigan Jurisdictional Allocation) to calculate the final Michigan Jurisdictional disallowance of $1,358,456. This disallowance amounted to essentially the same as the disallowance calculated by the Company for the benchmarking alternative involving recognition of the Belle River debt servicing costs.

Id., p. 5.

AG/SC/CUB reply that I&M provided an alternative benchmarking proposal in rebuttal to "add 2024 bond issuance costs and customer contributions for capital projects at Belle River to the MPPA costs, thereby reducing the amount of excess OVEC costs to $1,358,026." AG/SC/CUB's replies to exceptions, p. 6 (citing 2 Tr 160). AG/SC/CUB contend that the alternative benchmarking proposal was not directly in response to testimony and was used "out of context as a springboard for introducing a proposal that I&M neglected to include in its direct case." AG/SC/CUB's replies to exceptions, p. 8. Further, AG/SC/CUB argue that they were deprived of the opportunity to have their expert evaluate and present evidence on the proposal, and as such, they contend that the ALJ's finding of untimeliness was reasonable and should be upheld.

The Commission has reviewed the record on this issue and finds that the company's alternative proposal, while specifically raised on rebuttal, was based upon evidence presented in I&M's direct case. *See*, 2 Tr 106-108. In addition, the proposal was raised in rebuttal in response to intervenor testimony. *See*, 2 Tr 230. Thus, the Commission does not find the proposal to be untimely. Moreover, the Commission finds that the alternative proposal is well-supported and provides quantifiable information showing cost impacts of analogous financing costs during the reconciliation period. Therefore, the Commission adopts I&M's alternative proposal with the Staff's corrected calculations presented in replies to exceptions, as quoted above. Staff's replies to exceptions, p. 5.

c. TES Filer as a Benchmark

I&M proposed utilizing costs associated with the TES Filer City generating station (TES Filer) as part of its benchmarking calculations. 2 Tr 109. The Staff and AG/SC/CUB noted numerous distinctions and argued that TES Filer was not an appropriate comparator for OVEC costs. *See*, Staff's initial brief, pp. 8-13; AG/SC/CUB's initial brief, p. 22.

The ALJ noted agreement with the Staff and AG/SC/CUB that TES Filer was not appropriate for inclusion in the benchmark calculations for OVEC costs. More specifically, the ALJ stated that:

> TES Filer is significantly smaller than OVEC or the MPPA units; it is a merchant plant rather than a utility-owned unit like Belle River and Campbell[;] and its fuel source and operations are quite different than OVEC. Most importantly, TES Filer recovers energy and capacity costs as statutorily mandated under PURPA [Public Utility Regulatory Policies act of 1978] and Michigan law.

PFD, p. 27. Therefore, the ALJ rejected the company's request to include TES Filer for benchmarking purposes.

I&M takes exception, arguing that the Commission should reject the ALJ's "recommendation to exclude the Filer City Generating Station from the market proxy calculation." I&M's exceptions, p. 9 (citing PFD, p. 27). The company avers that the Staff and AG/SC/CUB's position appears to be based upon the impact the inclusion of TES Filer would have on the outcome. Specifically, I&M argues that "neither party offered cost-related evidence placing TES Filer's costs in context relative to the ICPA or MPPA's ownership shares of Campbell Unit 3 or Belle River Units 1 or 2. The absence of any record evidence showing that TES Filer distorts the benchmark undermines the PFD's conclusion." I&M's exceptions, p. 9 (citing Staff's initial brief, pp. 8-13; AG/SC/CUB's initial brief, pp. 22-25). The company states that the Commission has not required comparators to be perfect and that the ALJ's recommendation is not consistent with

Commission precedent. I&M further claims that TES Filer's size also does not justify its exclusion as the benchmark relied upon "already includes resources that are materially dissimilar in size" and that "the market analysis already accounts for differences in size by weighting each resource based on the proportion of energy it supplies relative to other benchmark resources." I&M's exceptions, pp. 9-10 (citing 2 Tr 155). The company claims that the ALJ also erred in relying on TES Filer's status as a merchant plant because "[t]he benchmark does not turn on the regulatory mechanism by which costs are recovered for the unit, but rather whether the resource provides energy and capacity to a Michigan utility and reflects market-relevant costs." I&M's exceptions, p. 10. In sum, I&M argues that TES Filer should be included because it is consistent with prior Commission practice to include imperfect yet reasonable comparators. *Id.*, p. 11.

The Staff replies that TES Filer should not be included in the benchmarking calculation due to "the numerous size, operational, and cost recovery differences." Staff's replies to exceptions, p. 6 (citing 2 Tr 182-184). The Staff explains that:

> the TES Filer cost recovery methodology renders it inappropriate as a comparator in this case. As explained numerous times in past I&M PSCR reconciliation and plan cases, and as affirmed by the Court of Appeals in a published opinion, these comparators are provided for the purpose of adherence to the Commission's code of conduct because OVEC and I&M are affiliates, and as such it is incumbent on the Commission to review such costs for the protection of ratepayers. The methodology by which to do so is an evaluation of the market-based energy prices, as illustrated in the table above. TES Filer is wholly inappropriate because none of its payments are market-based but instead are statutory payments under PURPA. Inclusion of such costs would actually serve to erode the integrity of the market-based comparison provided by the non-TES Filer comparators because it would dilute a more purely market-based comparison with statutory, non-market based costs.

Staff's replies to exceptions, pp. 7-8. Therefore, the Staff reiterates its position that the Commission should reject TES Filer as a benchmark.

AG/SC/CUB also reply, arguing that:

> the TES plant is not comparable to the OVEC plants in any way, shape, or form. The difference in scale between the tiny 73-MW [megawatt] TES plant and the MPPA and OVEC plants, which each generate 10 times as much as TES, and the fact that its cost recovery is statutorily mandated, not market-driven, renders TES a wholly inappropriate comparator, not just an "imperfect" one.

AG/SC/CUB's replies to exceptions, p. 10 (footnote omitted). Therefore, AG/SC/CUB request that the Commission adopt the ALJ's recommendation.

The Commission finds that the ALJ's recommendation is well-supported on the record. As described by the Staff in replies to exceptions, the record demonstrates that TES Filer is not a reasonable comparator, particularly given the differences in fuel sources and the fact that TES Filer "recovers energy and capacity costs as statutorily mandated under PURPA and Michigan law." PFD, p. 27. Therefore, the Commission adopts the ALJ's findings and recommendation to exclude TES Filer as a benchmark on this record. *See*, *id*.

3. Unit Power Agreement Costs

The ALJ summarized the record on this issue at pages 28 through 34 of the PFD, which will not be repeated here. In addition, the ALJ found that the "evidence and arguments presented by the parties in this case largely mirror that which was presented in I&M's previous reconciliation case, Case No. U-21262" and she recommended no disallowance, consistent with the Commission's prior decision "to limit its review to energy costs only." PFD, p. 35.

No exceptions were filed on this issue.

The Commission has reviewed the record on this issue and finds the ALJ's recommendation to be reasonable and consistent with prior Commission directives. Therefore, the Commission adopts the ALJ's findings and recommendation for no disallowance with respect to the UPA costs. *See*, PFD, pp. 28-35.

THEREFORE, IT IS ORDERED that:

A. Indiana Michigan Power Company's application to reconcile its power supply cost recovery plan costs and revenues for the 12-month period ended December 31, 2024, is approved, as modified by this order.

B. Indiana Michigan Power Company shall reflect a net underrecovery of $10,089,537, inclusive of interest, as the company's 2025 power supply cost recovery reconciliation beginning balance.

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. To comply with the Michigan Rules of Court's requirements to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General-Public Service Division at sheac1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General-Public Service Division at 7109 W. Saginaw Highway, Lansing, Michigan 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of July 16, 2026.

Lisa Felice, Executive Secretary

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-21428

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on July 16, 2026 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Brianna J. Brown

Brianna Brown

Subscribed and sworn to before me
this 16th day of July 2026.

Angela P. Sanderson

Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

Service List for Case: U-21428

Name	On Behalf Of	Email Address
Alena M. Clark	MPSC Staff	clarka55@michigan.gov
Amit T. Singh	MPSC Staff	singha9@michigan.gov
Christopher M. Bzdok	Department of Attorney General	chris@tropospherelegal.com
Hannah E. Buzolits	Indiana Michigan Power Company	hbuzolits@dykema.com
Holly L. Hillyer	Sierra Club	holly@tropospherelegal.com
Holly L. Hillyer	Citizens Utility Board of Michigan	holly@tropospherelegal.com
Holly L. Hillyer	Department of Attorney General	holly@tropospherelegal.com
Indiana Michigan Power Company (1 of 3)	Indiana Michigan Power Company	ajwilliamson@aep.com
Indiana Michigan Power Company (2 of 3)	Indiana Michigan Power Company	msmckenzie@aep.com
Indiana Michigan Power Company (3 of 3)	Indiana Michigan Power Company	mgobrien@aep.com
Jacqueline Langwith	ALJs - MPSC	langwithj@michigan.gov
Jason T. Hanselman	Indiana Michigan Power Company	jhanselman@dykema.com
Michael E. Moody	Department of Attorney General	moodym2@michigan.gov
Olivia R.C.A. Flower	Indiana Michigan Power Company	oflower@dykema.com
Richard J. Aaron	Indiana Michigan Power Company	raaron@dykema.com