

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY)	
for reconciliation of its 2022 demand response)	Case No. U-21457
and load management program costs.)	
_____)	

At the September 5, 2024 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Alessandra R. Carreon, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 29, 2023, Indiana Michigan Power Company (I&M) filed an application in this case, with supporting testimony and exhibits, for approval of its 2022 demand response reconciliation, pursuant to Public Act 295 of 2008, as amended, MCL 460.1001 *et seq.*; the February 2, 2023 order in Case No. U-21189; and the September 15, 2017 order in Case No. U-18369.

A prehearing conference was held on December 5, 2023, before Administrative Law Judge Christopher S. Saunders. I&M and the Commission Staff participated in the proceeding. Subsequently, the parties filed a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission

further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Indiana Michigan Power Company is authorized to defer and recover its demand response costs in the amount of \$1,090,649, plus carrying costs, as a regulatory asset in the company's next general rate case.

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 requirement 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 sheacl@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 Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of September 5, 2024.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
INDIANA MICHIGAN POWER COMPANY)
 for reconciliation of its 2022 demand response and)
 load management program costs.)

Case No. U-21457

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, § 78; MCL 24.278), and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“Commission”), R 792.10431, Indiana Michigan Power Company (“I&M” or the “Company”) and the Michigan Public Service Commission Staff (“Staff”) (collectively, the “Parties”) stipulate and agree as follows:

1. On February 2, 2023, in Case No. U-21189 (the Company’s most recent Integrated Resource Plan (“IRP”)), the Commission issued an Order Approving Settlement Agreement which provided that the Company would begin filing Demand Response (“DR”) reconciliation cases in 2023, with the first reconciling calendar year 2022. *See*, MPSC Case No. U-21189 Settlement Agreement, p. 7. As part of the approved Settlement Agreement, the Company agreed to establish a regulatory asset or liability for the difference between I&M’s actual DR costs incurred and the DR costs included in I&M’s rates. *Id.*

2. On September 29, 2023, I&M filed an Application and supporting testimony and exhibits in this case (MPSC Case No. U-21457) requesting that the Commission commence a DR Reconciliation proceeding to reconcile I&M’s 2022 DR costs with amounts approved for the calendar year ended December 31, 2022.

3. I&M’s Application requested that the Commission approve the reconciliation of its 2022 DR costs with amounts approved in Case No. U-20938, including: (i) a finding that the DR

costs were reasonably and prudently incurred; (ii) approving exclusion of the Residential Home AC Pilot and the Residential Water Heater Pilot from the overall DR portfolio score; (iii) and approving deferred regulatory accounting treatment of the actual revenue requirement for DR Program O&M expenses incurred in 2022 compared to authorized DR budgets resulting in the creation of a regulatory asset of \$354,952 (which was reflected in I&M's most recent general rate case, Case No. U-21461).

4. At an initial prehearing conference on December 5, 2023, Administrative Law Judge ("ALJ") Christopher S. Saunders presiding, I&M presented proof of compliance with the Executive Secretary's order to publish a Notice of Hearing, and mail the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service territory and to prior Intervenor in Case No. U-20359.

5. Only Staff and I&M participated in this proceeding. No other parties requested to intervene or otherwise participate. This proceeding was conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969 PA 306.

6. Prior to and following the December 5, 2023 prehearing, the Parties exchanged information and discussed I&M's filing at length. Staff thoroughly reviewed the Company's DR Reconciliation through a number of means including the submission of audit requests and reviewed the submittals from the Company. These requests included support for revenues, expenses and the other information listed within the Company's testimony and exhibits. During this review, Staff reviewed load management performance, a comparison of the Company's load management budget and costs, load management savings, and an evaluation of the Company's pilots. Staff was able to discuss specific questions with the Company regarding the 2022 DR Reconciliation. Additionally, Staff reviewed bill credits for 2018 through 2022.

7. Staff's review concluded that I&M's filing did not include a reconciliation of DR costs to DR revenues recovered in rates and that the Company had included the 13-month average of the cumulative DR costs from 2018 through 2022 in its general rate case filing in MPSC Case No. U-21461. The Commission in its July 2, 2024 Order in the general rate case, found that the deferred regulatory assets related to DR, should not be included until an order is issued in the instant case. As a result of this Commission finding, Staff reviewed all DR costs from 2018 through 2022, as provided by the Company in response to an audit request, which totaled \$1,072,907. Staff's audit revealed that the 2018 and 2022 bill credit costs were not booked to the Company's general ledger and thus not included in the total DR costs to be recovered by the Company. Staff included these bill credits totaling \$17,745 in its calculated total DR program costs of \$1,090,649. Since Staff included the 2018 and 2022 bill credits for recovery in this case, the Company shall ensure that double recovery of these costs is not requested in any future proceedings. The result of the audit findings and discussions are reflected in this executed Settlement Agreement.

8. The parties agree that I&M's DR program expenses were reasonable and prudent. I&M will continue to utilize the Residential Home AC Pilot and the Residential Water Heater Pilot consistent with the order in MPSC Case No. U-21461.; I&M can defer and recover DR costs, as a regulatory asset in the next general rate case, in the amount of \$1,090,649 plus carrying costs, which are the total DR program expenses from 2018 through 2022.

9. It is the opinion of the Parties that the Settlement Agreement is reasonable, will promote the public interest, will aid the expeditious conclusion of this case, and will minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and

the Parties. This Settlement Agreement is for the purpose of final resolution of this case and all provisions of this Settlement Agreement are interdependent.

10. In view of the foregoing, and pursuant to Section 78 of the APA (MCL 24.278), the Parties hereby stipulate and agree that the Commission should:

- a. Approve as reasonable and prudent I&M's reconciliation of DR program costs amounts with amounts approved in Case No. U-20938; and
- b. Approve a regulatory asset in the amount of \$1,090,649 plus carrying costs to be included in the Company's next general rate case.

11. The parties respectfully request that the Commission issue an order accepting and approving this Settlement Agreement. If the Commission issues an order accepting and adopting the Settlement Agreement without modification, no party will appeal, challenge, or contest the Commission's Order accepting and approving this Settlement Agreement. If the Commission does not accept and approve this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

12. This Settlement Agreement has been made for the sole and express purpose of reaching compromise among the positions of the signatory parties in Case No. U-21457 without prejudice to their rights to take new and/or different positions in other proceedings. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to or use the Settlement Agreement or the order approving it as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in this case or any other cases or proceedings;

provided, however, such reference or use may be made to enforce the Settlement Agreement and order.

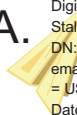
13. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to this Settlement Agreement.

Dated: August 20, 2024



Nicholas Q. Taylor (P81020)
Alena Clark (P73252)
Anna B. Stirling (P84919)
Assistant Attorneys General
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917
(517) 284-8140

Theresa A.
G. Staley



Digitally signed by: Theresa A.G. Staley
DN: CN = Theresa A.G. Staley
email = TASTaley@dykema.com C = US
Date: 2024.08.20 15:39:04 -04'00'

Dated: August 20, 2024

Richard J. Aaron (P35605)
Jason T. Hanselman (P61813)
Hannah E. Buzolits (P84702)
Theresa A. G. Staley (P56998)
Dykema Gossett PLLC
201 Townsend St. Suite 900
PO Box 30221
Lansing, Michigan 48933


PROOF OF SERVICE

STATE OF MICHIGAN)

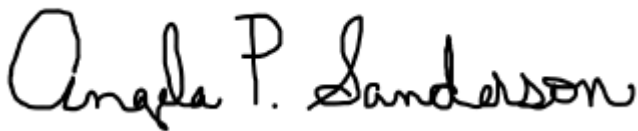
Case No. U-21457

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on September 5, 2024 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 Brown

Subscribed and sworn to before me
this 5th day of September 2024.



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

Service List for Case: U-21457

Name	On Behalf Of	Email Address
Alena M. Clark	MPSC Staff	clarka55@michigan.gov
Anna B. Stirling	MPSC Staff	stirlinga1@michigan.gov
Christopher S. Saunders	ALJs - MPSC	saundersc4@michigan.gov
Hannah E. Buzolits	Indiana Michigan Power Company	hbuzolits@dykema.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
Jason T. Hanselman	Indiana Michigan Power Company	jhanselman@dykema.com
Nicholas Q. Taylor	MPSC Staff	taylorn10@michigan.gov
Olivia R.C.A. Flower	Indiana Michigan Power Company	oflower@dykema.com
Richard J. Aaron	Indiana Michigan Power Company	raaron@dykema.com