S T A T E   O F   M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **INDIANA MICHIGAN POWER COMPANY** for reconciliation of its 2023 and 2024 demand response program costs.	)))))	Case No. U-21841

At the November 6, 2025 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 APPROVING SETTLEMENT AGREEMENT

On March 31, 2025, Indiana Michigan Power Company (I&M) filed an application in this case, with supporting testimony and exhibits, pursuant to Public Act 295 of 2008, as amended, for approval of its 2023 and 2024 demand response reconciliation. On April 8, 2025, I&M filed a revised application with supporting testimony and exhibits.

A prehearing conference was held on May 14, 2025, before Administrative Law Judge Lesley C. Fairrow. 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 demand response costs as a regulatory asset in the company's next general rate case, in the amount of $1,216,630 (consisting of $757,219 for 2023 and $459,411 for 2024) plus carrying costs.

C. Indiana Michigan Power Company is authorized to defer and recover a financial incentive, as a regulatory asset, in the company's next general rate case, in the amount of $165,164 (consisting of $112,423 for 2023 and $52,741 for 2024).

D. As set forth in the settlement agreement, Indiana Michigan Power Company shall propose a shared savings mechanism for 2026 in the company's next demand response reconciliation filing.

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 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 Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of November 6, 2025.

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 2023 and 2024 demand response program costs.	))))	Case No. U-21841

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. The Commission-approved Settlement Agreement also adopted Staff's incentive proposal which made I&M eligible to earn an incentive on DR beginning with the 2023 calendar year. *Id.* The Commission-approved Settlement Agreement also provided that the Company 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 March 31, 2025, I&M filed an Application and supporting testimony and exhibits in this case (MPSC Case No. U-21841) requesting that the Commission commence a DR Reconciliation proceeding to reconcile I&M's 2023 and 2024 DR costs with amounts approved

for the calendar years beginning January 1, 2023, and ended December 31, 2024. On April 8, 2025, I&M filed a Revised Application and supporting testimony and exhibits in this case.

3. I&M's Application requested that the Commission approve the reconciliation of its 2023 and 2024 DR costs with amounts approved, including: (i) a finding that the DR costs were reasonably and prudently incurred; (ii) approving conversion of the Residential Home AC DLC pilot to a full DR program; (iii) approving exclusion of the Residential Home AC DLC program from the overall DR portfolio score: (iv) approving changes to the Small Business DLC Thermostat Program and Residential Smart Thermostat Program; (v) approving tariff modifications to the Rider HEM (Home Energy Management Rider) and Rider WEM (Work Energy Management Rider) to incorporate updates to the program offerings; and (vi) approving deferred regulatory accounting treatment of the actual revenue requirement for DR Program O&M expenses incurred in 2023 and 2024 compared to authorized DR budgets resulting in the creation of a regulatory asset of $2,247,686 plus carrying costs, which will be included in the Company's next general rate case as a regulatory asset.

4. At an initial prehearing conference on May 14, 2025, Administrative Law Judge ("ALJ") Leslie C. Fairrow presiding, I&M presented proof of compliance with the Executive Secretary's directive to publish and mail Notice of Hearing.

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 May 14, 2025 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 DR performance, a comparison of the Company's DR budget and costs, DR savings, and an evaluation of the Company's pilots. Staff was able to discuss specific questions with the Company regarding the 2023-2024 DR Reconciliation. The result of the audit findings and discussions are reflected in this executed Settlement Agreement.

7. Staff's review concluded that $215,235 of 2022 program costs related to the Company's Residential Home AC DLC pilot were booked in 2023. In addition, $22,167 associated with 2024 accruals was inadvertently omitted from I&M's under recovery balance. These costs were not previously approved for deferral with recovery in a future base rate case. Additionally, Staff noted the overpayment of $16,442 in customer incentives related to the iControl program identified by the Company. The result of the audit findings and discussions are reflected in this executed Settlement Agreement.

8. The parties agree the Commission should approve: (i) changes to the Small Business DLC Thermostat Program and Residential Smart Thermostat Program as outlined in I&M's testimony, including moving from a per DR event bill credit payment structure to a seasonal bill credit; and (ii) tariff modifications to the Rider HEM (Home Energy Management Rider) and Rider WEM (Work Energy Management Rider) to incorporate updates to the program offerings as filed in I&M's direct case. Additionally, the parties agree that the Commission should approve I&M's eligibility for DR program financial incentives consistent with the Commission's February 2, 2023 Order Approving Settlement Agreement in Case No. U-21189 (the Company's most recent Integrated Resources Plan ("IRP")). The parties agree that I&M's DR pilot and program expenses were reasonable and prudent and should be approved by the Commission, and

I&M can defer and recover DR costs, as a regulatory asset in the next general rate case, in the amount of $1,216,630 (consisting of $757,219 for 2023, and $459,411 for 2024, plus carrying costs). The parties agree that I&M can defer and recover a financial incentive, as a regulatory asset in the next general rate case, in the amount of $165,164 (consisting of $112,423 for 2023, and $52,741 for 2024).

9. Staff acknowledges that the Residential Home AC DLC pilot (and proposed program) meets the Societal Cost Test ("SCT") but continues to be concerned with its inability to meet the Utility Cost Test ("UCT"). Because the Residential Home AC DLC pilot has not approached acceptable cost-effectiveness levels or otherwise demonstrated quantifiable justification for continuation, the pilot will end for new enrollments upon a Commission order in this matter. The Residential Home AC DLC will remain open to existing customers until they can be transitioned to another program. Any remaining Residential Home AC DLC transition and removal costs may be included for review in the annual deferral.

10. I&M's DR savings target and financial incentives will remain at the 2025 level of 5.591 MWs ongoing unless or until modified by a Commission-approved IRP. I&M will propose a shared savings mechanism for 2026 in its next DR Reconciliation filing.

11. 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.

12. 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.

13. 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-21841 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.

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

Monica M. Stephens
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Dated: October 9, 2025

Heather M.S. Durian ((P67587)
Monica M. Stephens (P73782)
Assistant Attorneys General
Michigan Public Service Commission
7109 West Saginaw Highway
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Date: October 7, 2025

Richard J. Aaron Digitally signed by: Richard J. Aaron DN: CN = Richard J. Aaron email = raaron@dykema.com C = AD O = Dykema OU = Dykema Date: 2025.10.07 13:12:48 -04'00'

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

STATE OF MICHIGAN)

Case No. U-21841

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on November 6, 2025 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 6th day of November 2025.

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-21841

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