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 approval to implement a power supply cost recovery plan for the 12 months ending December 31, 2025. | ) ) ) ) ) | Case No. U-21596 |

At the December 5, 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**

History of Proceedings

On September 30, 2024, 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, and the April 25, 2024 order in Case Nos. U-21590 *et al*. (April 25 order),[1] requesting approval of its proposed power supply cost recovery (PSCR) plan and proposed factors for the 12-month period from January 1, 2025 through December 31, 2025, as well as acceptance of its five-year forecast. In its application, I&M requested approval of the continuation of the roll-in methodology that was approved by the Commission in Case No. U-15004, its PSCR plan, and a PSCR factor of

[1] The April 25 order assigned docket numbers and filing deadlines for I&M and other electric providers to file their respective power supply, gas, and steam supply cost recovery plans and reconciliations among other filings. April 25 order, pp. 1-2.

3.74 mills per kilowatt-hour (kWh) to be applied to each of the billing months from January 2025 through December 2025. I&M's application, p. 3. As a new addition to its PSCR plan from previous years, I&M also sought approval of its proposal to allocate demand-related costs based on demand allocators to update transmission allocators on a monthly basis. I&M explained that this new allocation method would better align the PSCR costs with how costs are incurred and is appropriate because I&M anticipates significant load growth in its Indiana service territory in the next few years in a way that will reduce the proportion of its Michigan load in relation to I&M's total load. *Id*., pp. 3-4.

On November 14, 2024, a prehearing conference was held before Administrative Law Judge Christopher S. Saunders (ALJ), at which the ALJ recognized the intervention of the Michigan Department of Attorney General (Attorney General) and granted intervention to the Citizens Utility Board of Michigan (CUB) and the Sierra Club (SC). I&M and the Commission Staff (Staff) also participated in the hearing. On April 14, 2025, I&M filed rebuttal testimony, and on May 12, 2025, I&M filed revised rebuttal testimony.

On December 2, 2024, the ALJ issued a protective order for use in this matter.

On February 10, 2025, I&M filed amended testimony and on March 4, 2025, the Staff and the Attorney General with the Sierra Club and CUB (together as AG/SC/CUB) filed testimony and exhibits.

An evidentiary hearing was held on May 13, 2025 (May 13 hearing), at which the parties agreed to bind testimony and exhibits into the record without the cross-examination of witnesses. On May 21, 2025, I&M notified the parties that the pre-filed testimony of one of its witnesses had been inadvertently omitted from the company's evidentiary presentation at the May 13 hearing and requested that the record be reopened to add the testimony to the record. All parties stipulated to the request, and on May 28, 2025, the ALJ issued a ruling to reopen the record to allow the filing of additional testimony. I&M then filed its previously omitted testimony, and it was added to the record.

I&M, the Staff, and AG/SC/CUB filed initial briefs in this matter on June 9, 2025. On July 2, 2025, the same parties filed reply briefs. The ALJ issued a proposal for decision (PFD) in this matter on August 29, 2025. Exceptions to the PFD were filed by I&M on September 19, 2025, and replies to exceptions were filed by the Staff and AG/SC/CUB on October 3, 2025.

The record in this matter consists of 306 pages of transcript and 27 exhibits admitted into evidence.

Proposal for Decision

Following a recitation of the legal standards applicable to a PSCR plan proceeding pursuant to Section 6 j of Act 304, the ALJ stated that the following issues were contested by the parties: (1) the projected costs for power purchases under the Inter-Company Power Agreement (ICPA) with the Ohio Valley Electric Corporation (OVEC), (2) the issuance of a Section 7 warning[2] for the cost of power purchased from OVEC should those costs exceed the market value price cap, and (3) I&M's commitment practices regarding the Rockport Plant (Rockport) Unit 1 generation facility. *See*, PFD, p. 8. The ALJ then explained that, apart from the issues listed above, the following components of I&M's PSCR plan for five-year forecast were undisputed:

> I&M's expected electric power demand and energy requirements and anticipated sources of power supply monthly for 2025 as well as on an annual basis for the

[2] MCL 460.6j(7) states that "the commission shall evaluate the decisions underlying the 5-year forecast filed by a utility under subsection (4). The commission may also indicate any cost items in the 5-year forecast that, on the basis of present evidence, the commission would be unlikely to permit the utility to recover from its customers in rates, rate schedules, or power supply cost recovery factors established in the future." This is also known as a "Section 7 warning."

> five-year forecast period (2025-2029); I&M's major contracts and power supply arrangements for providing power supply; for the period of 2025 through 2029, the annual and monthly projections of: actual and forecasted seasonal peak internal demands, energy requirements, and load factors through 2029; annual and average rates of growth in demand and energy for the historical and forecast periods; annual energy requirements for the residential, commercial, and industrial classes, other internal requirements, and the total internal energy requirements for I&M; month-by-month projections for 2025 and for the five-year forecast period 2025-2029 of I&M's energy sales into the PJM [PJM Interconnection, L.L.C.] market; I&M's expected capacity resources for the 2025 summer peak and I&M's committed capacity/energy purchase agreements; a projected PJM view of summer peak demands, capabilities, and margins for I&M for the 2025/26 PJM planning year through the 2029/30 planning year as well as I&M's capacity position within PJM; the relevant environmental requirements affecting I&M; a summary of the major contracts for the supply and disposal of nuclear fuel; forecasts of delivered coal costs; forecasts of power supply costs and net energy requirements; transmission expenses; and PSCR factor calculations. I&M is requesting a PSCR factor of 3.74 mills per kWh for each of the billing months of January 2025 through February 2025 and 3.58 mills per kWh for each of the billing months of March 2025 through December 2025. Further, I&M is requesting to roll in its under recovery from 2024 which, including $844,889 in interest, is $13,289,282.
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> Additionally, I&M has proposed a revision to its demand cost allocation factors, as explained by [I&M] witness Caleb Loveman. There were no objections to this proposed change, and Staff recommends that the Commission approve I&M's proposed use of demand allocators to calculate its demand-related PSCR costs. Further, I&M has proposed to update its allocation factors for PJM transmission expenses on a monthly basis as opposed to an annual basis. Staff supports this proposed change and recommends the Commission approve the use of monthly PJM transmission cost allocators in calculating the PSCR factor.

PFD, pp. 9-10 (footnotes omitted).

The ALJ stated that I&M provided extensive record evidence in support of its projections for the uncontested portions of its PSCR plan and five-year forecast for the 2025 PSCR plan year, and the ALJ recommended that the Commission accept the company's proposed PSCR factor and the uncontested issues described in the PFD. *Id*., p. 10. Finding the ALJ's recommendation to be well-reasoned and supported on the record and noting the absence of dispute between the parties on the issues enumerated above, the Commission adopts the PFD with respect to the uncontested portions of I&M's PSCR plan and five-year forecast described on pages 9-10 of the PFD.

This order summarizes and addresses the contested issues below in the same order as the PFD.

Discussion

1. The Inter-Company Power Agreement with the Ohio Valley Electric Corporation

The ALJ addressed the ICPA costs and the issuance of a Section 7 warning together. This order does the same.

The ICPA is a power agreement dating back to 1953 for OVEC to sell power to the 13 sponsoring companies of OVEC, which include I&M, and was approved by the Federal Energy Regulatory Commission (FERC). The ICPA was amended in 2006 and then again in 2010 to extend the expiration date of the agreement from March 13, 2026, to June 30, 2040. 2 Tr 111-113. I&M purchases 7.85% of OVEC's capacity and energy pursuant to the ICPA, and the company uses the capacity purchased to meet its PJM capacity requirements and sells the energy purchased into PJM's energy markets. 2 Tr 114. I&M testified that the costs of the ICPA are reasonable, that its ratepayers benefit from the ICPA, and that it has made several attempts in recent years to renegotiate or exit the contract. 2 Tr 115-121.

AG/SC/CUB argued that the $86.74 per megawatt hour (MWh) in costs passed onto I&M's customers for I&M's 7.85% share of the OVEC power output is excessive in comparison to market alternatives. 2 Tr 172-173; *see also*, AG/SC/CUB's initial brief, p. 13. AG/SC/CUB pointed out that while I&M has projected the utilization rate for the OVEC plant to increase from 47% in 2025 to 57% by 2029 (in contrast to the company's previous projections that the utilization rate for OVEC would drop significantly by 2028), the OVEC plant still experiences high outage rates and issues with its coal supply. 2 Tr 175. AG/SC/CUB testified that I&M's explanation for the increased utilization relied on the PLEXOS® simulation model but did not reveal what real world factors were considered. AG/SC/CUB asserted that I&M's projections for monthly market prices were substantially higher than other industry forecasts reviewed by AG/SC/CUB. 2 Tr 178-179.

Relying on their own analysis of data provided by I&M and OVEC, AG/SC/CUB projected that from 2025 through 2029, the OVEC units will cost Michigan ratepayers $6 million more than the market value of services, which amounts to $1.4 million annually. 2 Tr 180. For the ICPA to be economic and to remain below the cost of new entry (CONE), AG/SC/CUB asserted that the capacity portion would have to be valued at $368.68 per megawatt (MW)-day over the PSCR plan period. 2 Tr 181-182. However, AG/SC/CUB argued that even if OVEC's capacity was valued at the 2025/2026 clearing price for the PSCR plan period, the cost of power would still exceed its market value in every year. 2 Tr 183-184, Table 2. As to metrics of comparison to determine the reasonableness of the ICPA costs and compliance with the Code of Conduct, AG/SC/CUB listed the following:

> (1) the costs billed or paid by other entities for similar services provided under short- and long-term PPAs [power purchase agreements]; (2) the cost of replacement capacity resources as represented by the cost of new entry ("CONE"); (3) the cost of replacement capacity and energy resources as represented by responses to requests for proposals ("RFP") and other Company information; and (4) the PJM short-term capacity and energy market.

2 Tr 187-188, Table 3. AG/SC/CUB stated that reasonable alternatives to the ICPA include current fossil fuel resources.

AG/SC/CUB also took issue with I&M's net present value (NPV) analysis in Case No. U-20529, which the company relied on to contend that terminating the ICPA in 2030 would cost $28 million more than continuing it until 2040, and then updated to show a cost savings of

$54 million. 2 Tr 193. AG/SC/CUB contested I&M's assumptions for the NPV analysis in that case, including the assumption that ratepayers would be responsible for OVEC's remaining debt and the cost of upgrades for federal effluent limitation guidelines and coal combustion residuals requirements. 2 Tr 195-203. Lastly, AG/SC/CUB argued that I&M has made only minimal effort to reduce its power costs under the ICPA and that a Section 7 warning is appropriate. 2 Tr 206.

I&M rebutted AG/SC/CUB's positions, arguing that AG/SC/CUB's analysis is flawed and based on misunderstandings of how I&M participates in the PJM market. I&M disagreed with AG/SC/CUB's analysis that used a single dollar per MWh to express resource capacity value, arguing that doing so skews costs and manipulates comparisons of resources. I&M also contended that AG/SC/CUB did not recognize the difference between short- and long-term resources recognized in fixed resource requirement plans and stated that the Commission has previously rejected the use of short-term capacity market resources in comparisons with the ICPA in Case Nos. U-20224 and U-20529. I&M also touted that OVEC's capacity price cleared at $269.92 per MW-day for 2025/2026, up from $28.92 per MW-day in the prior year and argued that AG/SC/CUB disregarded the capacity value. 2 Tr 131-137.

The ALJ first noted that the ICPA with OVEC has been repeatedly addressed by the Commission and recited portions of the Commission's findings and conclusions from previous PSCR plan and reconciliation cases, namely I&M's 2019 PSCR reconciliation, 2020 PSCR plan, and 2020 PSCR reconciliation. PFD, pp. 34-36.[3] The ALJ explained that the Commission has a

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[3] *See*, June 23, 2021 order in Case No. U-20224 (June 23 order); May 13, 2021 order in Case No. U-20529 (May 13 order); and February 2, 2023 order in Case No. U-20530 (February 2 order).

duty to continuously evaluate the reasonableness of I&M's PSCR plan, which includes the costs of the ICPA, and that the company is obligated to respond to market conditions and make good faith efforts to renegotiate contract provisions to ensure value for customers. PFD, p. 34 (citing May 13 order, pp. 14-15, 18-19). Per the ALJ, the Commission has also clearly stated that the Code of Conduct, established pursuant to MCL 460.10ee and the Commission's rules,[4] is applicable to the ICPA. The ALJ explained that the Commission has applied the additional scrutiny of the Code of Conduct in reconciliation proceedings given that the costs of the ICPA had not been previously adjudicated under the Code of Conduct despite prior approval for the associated costs of the ICPA. PFD, pp. 34-36 (citing May 13 order, pp. 17-18 and February 2 order, pp. 10, 12-13, 18).

The ALJ also recalled that in I&M's most recent 2024 PSCR plan case, Case No. U-21427, the Commission repeated the applicability of the Code of Conduct to the ICPA and issued a Section 7 warning to I&M. The Commission warned in that case that the company may not recover the full costs of the ICPA without evidence demonstrating good faith efforts to minimize the costs of the ICPA, which may include contract renegotiation. PFD, p. 36 (citing October 10, 2024 order in Case No. U-21427 (October 10 order), p. 23). In the instant case, the ALJ found that I&M has produced no evidence that warrants reexamination of the applicability of the Code of Conduct to the ICPA as an affiliate transaction between I&M and OVEC. PFD, p. 36.

The ALJ then recounted that in briefing, the Staff disagreed with I&M's assertion that the reasonable and prudent standard did not apply to the five-year forecast provided under

[4] MCL 460.10ee authorizes the Commission to establish a code of conduct to prevent cross-subsidization, preferential treatment, and unlawful information sharing between a utility's regulated electric, steam, or natural gas services and unregulated programs and services. *See*, MCL 460.10ee(1). The Commission has promulgated rules pursuant to this statutory authority at Mich Admin Code, R 460.10101 through R 460.10113, referred to as the Code of Conduct.

MCL 460.6j(5). In its reply brief, the Staff pointed out that I&M had cited the March 29, 1990 order in Case No. U-9172 (March 29 order) in support of its assertion, but the Staff countered that the March 29 order acknowledged that the reasonable and prudent standard applies to the five-year forecast and thus, does not support I&M's argument. PFD, p. 36 (citing Staff's reply brief, p. 4). The ALJ agreed with the Staff regarding the conclusion in the March 29 order, stated that I&M did not present an alternative standard to apply to the five-year forecast, and therefore agreed with the Staff that the reasonable and prudent standard applies to the five-year forecast. PFD, pp. 36-37.

The ALJ then turned to the appropriate benchmark price comparisons cited by AG/SC/CUB and noted that several of those comparisons have been previously addressed by the Commission. Per the ALJ:

> In [Case No.] U-21427, the Commission found that, while not perfect comparisons, the benchmarks provided by Sierra Club in that case were appropriate to determine comparable market prices. Additionally, the Commission stated, "While I&M argues that the Sierra Club's methodology to convert dollars per MW-day to dollars per MWh creates a skewed result depending on the capacity factor selected, the Commission is not persuaded that the company showed an actual error resulting from the conversion." Furthermore, the Commission has held that "the capacity cost comparison based on economic evaluations of the PJM BRA [base residual auction] capacity price is a reasonable point of comparison on which to judge the reasonableness of the ICPA."

PFD, p. 37 (quoting October 10 order, p. 16 and May 13 order, p. 19) (footnotes omitted). The ALJ thus rejected I&M's arguments in opposition to the methodology used by AG/SC/CUB in comparing the costs of the ICPA and agreed that AG/SC/CUB's analyses showed that the costs of the ICPA are excessive compared to other market options. The ALJ declined to find that the excess ICPA costs should be disallowed in this proceeding and stated that the recovery of those costs is properly addressed in the affiliated reconciliation proceeding. However, the ALJ agreed with the Staff and AG/SC/CUB that a Section 7 warning is appropriate. PFD, pp. 37-38. The

ALJ reasoned that the record demonstrated that the ICPA costs are excessive and should be examined under the Code of Conduct.

Further, despite I&M's assertions, the ALJ did not find evidence in this case that the company has taken meaningful steps to minimize the costs of the ICPA. According to the ALJ:

> Table TAJ-1 in Mr. Johnston's direct testimony (2 Tr 116-117) shows dates and subject matter in relation to I&M's attempts to renegotiate or exit the ICPA. The table shows two attempts to sell I&M's share of the OVEC in 2024, one on January 29 and one on July 25, but no communication dates subsequent to the Commission's October 10, 2024 Order. I&M also points to cost saving measures implemented by OVEC since 2015, resulting in over $26 million in savings. However, as the Commission noted in [Case No.] U-21427, these are measures undertaken by OVEC, not I&M, and how such measures translate to concrete savings in terms of the ICPA have not been articulated.

PFD, p. 38. Thus, the ALJ recommended that the Commission issue a Section 7 warning regarding the ICPA costs in excess of the market value price cap. *Id*.

I&M takes exception to the PFD, arguing that the ALJ erred in recommending that the Commission issue a Section 7 warning for several reasons. First, I&M contends that the ALJ ignored the present evidence in this case and found a Section 7 warning appropriate merely because the Commission issued a Section 7 warning in previous cases. I&M's exceptions, pp. 2-3. Second, I&M asks that the Commission reject the PFD because the ALJ improperly relied on AG/SC/CUB's conversion of the PJM BRA as the determinative market comparison to the ICPA. I&M asserts that the ALJ, with little explanation, relied on past cases to accept the PJM BRA capacity price as a comparison point and ignored I&M's explanations of the flaws due to the improper conversion of that capacity cost from MW-day to dollars per MWh. *Id*., pp. 3-4. I&M then repeats its perceived flaws with the PJM BRA comparison:

> It is undisputed that PJM records capacity prices on a dollar per-Megawatt-day basis. As discussed in the Company's Initial and Reply Brief, [AG/SC/CUB witness] Ms. Glick's capacity conversion calculation is designed to make the ICPA appear to be an uneconomic resource by converting the capacity costs from

> a Megawatt-per-day metric to a Megawatt hour metric. Doing so is not appropriate because it skews the costs and manipulate[s] the comparison. As Company witness Johnston explained, capacity is distinct from energy. Ms. Glick's approach of presenting capacity costs on a dollar-per Megawatt-hour basis misleadingly makes resources with high net capacity factors, or greater energy output per Megawatt of capacity, seem less expensive in comparison to similar resources with lower load factors or those that may produce energy but do not contribute significantly to meeting PJM capacity requirements.
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> As Company witness Johnston explained, Ms. Glick's methodology fails to provide an accurate representation of the ICPA and the current market conditions. In 2025/2026, the capacity price cleared at a **record setting $269.92/MW-day** for [sic] up from $28.92/MW-day. The significant increase in cost shows that the PJM market is tightening, meaning additional capacity is needed to serve the region. Company witness Johnston explained that a large number of units that have retired and the hyperscale load growth due to e-commerce and artificial intelligence has created a tighter band between the load and energy needs. This, along with market changes, has signaled to the market to maintain or build additional generation resources.

I&M's exceptions, pp. 4-5 (citing 2 Tr 135-138) (emphasis in original) (footnotes omitted). I&M then raises the company's concerns regarding potential capacity shortages to argue that, "[w]hile the Commission has recently deviated from its historic position that PJM BRA capacity prices [are] not a sufficient market comparison, the level of uncertainty [regarding capacity needs] during the Plan Year demonstrates why PJM BRA capacity pricing is an unreliable basis to value long-term contracts like the ICPA." I&M's exceptions, p. 6. I&M then cites the Commission's finding in the May 13 order that the comparison to the PJM capacity market on its own did not warrant a Section 7 warning. *Id.*, pp. 6-7 (citing May 13 order, p. 18).

Third, I&M argues that the ALJ's finding that the company did not take meaningful steps to reduce the costs of the ICPA is flawed. I&M recalls that the ALJ claimed that despite evidence of I&M's efforts to sell its shares, the company did not take any further steps following the October 10 order. I&M insists that it has made numerous attempts to renegotiate or divest its Michigan-jurisdictional share of OVEC, citing five separate occasions between 2021 and 2024 where the company communicated to the OVEC Board and other sponsoring companies that it sought to renegotiate or sell its portion of the ICPA. However, per I&M, these attempts were unsuccessful. I&M's exceptions, pp. 7-8 (citing 2 Tr 116-117). I&M argues that the ALJ did not explain why additional communication after the October 10 order would have been considered meaningful nor did he acknowledge that I&M filed the application in this case on September 30, 2024, prior to the October 10 order, and therefore, could not have included any subsequent communication efforts in its direct case. I&M's exceptions, p. 8. Further, I&M contends that the ALJ ignored I&M's past attempts to renegotiate or divest from the ICPA. *Id*.

I&M adds that since the company's last filing in this case on July 2, 2025, its request pending before the Indiana Utility Regulatory Commission (IURC) for the company's Indiana jurisdiction to assume the Michigan share of the OVEC energy and capacity was approved in a July 23, 2025 order. Thus, the ICPA costs will no longer be included in rates for Michigan customers. I&M questions how this action could not be considered a meaningful step when it achieves the Commission's goal. *Id*., pp. 8-9 (citing 2 Tr 117; IURC July 23, 2025 order in Cause No. 45164 RA 5, p. 17 (IURC order)). For these reasons, I&M asks the Commission to reject the PFD's recommendation to issue a Section 7 warning.

In its replies to exceptions, the Staff reaffirms its support for a Section 7 warning. The Staff repeats that it is well established that the ICPA constitutes an affiliate transaction under the Code of Conduct and states that I&M did not contest the applicability of the Code of Conduct or the Commission's previous findings that the ICPA constitutes an affiliate transaction in its exceptions. Thus, the Staff contends that there is no question that the Code of Conduct and market price cap apply to the ICPA. Staff's replies to exceptions, pp. 1-3. The Staff also replies to I&M's argument in exceptions that the ALJ erred in finding that the company had not taken meaningful steps to reduce the costs of the ICPA because the IURC has now approved I&M's request for its Indiana jurisdiction to assume the Michigan share of the ICPA. *Id*., p. 4 (citing I&M's exceptions, p. 1). The Staff points out that while I&M explained in its initial brief that it had filed a petition with the IURC, the IURC order that the company relies upon was not issued until after the close of the record in this matter, and I&M's plan does not reflect the removal of the ICPA from the Michigan portfolio. Further, the IURC's order contains an effective date of June 1, 2025, for the inclusion of Michigan's share of the ICPA capacity, energy, and associated costs into the Indiana jurisdiction, and the instant PSCR plan is for all of 2025. Thus, according to the Staff, I&M may still seek recovery for the costs of the first five months of 2025, though the Staff maintains that this is uncertain given that the record does not contemplate the IURC order and the plan does not reflect the removal of the ICPA costs from Michigan's jurisdiction. Staff's replies to exceptions, pp. 4-5.

In AG/SC/CUB's replies to exceptions, AG/SC/CUB ask the Commission to reject the arguments I&M made in exceptions. First, AG/SC/CUB argue that I&M is incorrect that the ALJ recommended a Section 7 warning largely because the Commission has done so in I&M's past PSCR plan cases. Rather, AG/SC/CUB contend that the ALJ's recommendation was based on the evidence in this proceeding, the parties' arguments, the Commission's orders addressing similar evidence and arguments, and the well-supported conclusion that a Section 7 warning is appropriate. Per AG/SC/CUB, the ALJ finding I&M's evidence to be lacking does not equate to ignoring I&M's evidence. AG/SC/CUB also state that looking to past Commission orders addressing the ICPA for insight into how the Commission would address the ICPA in the instant proceeding is appropriate. AG/SC/CUB's replies to exceptions, pp. 1-2.

Second, AG/SC/CUB contend that the ALJ did not err in finding that capacity prices presented in dollars per MWh is appropriate to perform a comparison for the ICPA. AG/SC/CUB state that I&M's arguments in exceptions mirror those in its briefing and that the ALJ finding the company's evidence to be lacking again does not amount to ignoring such evidence. AG/SC/CUB also argue that the Commission has already considered and rejected I&M's position on this issue and that the company has presented nothing new that would warrant a different conclusion. *Id*., pp. 2-3.

Next, AG/SC/CUB argue that the ALJ did not err in finding that I&M did not take meaningful steps to reduce the costs of the ICPA. In exceptions, I&M states that the ALJ did not explain why additional attempts at renegotiation after October 10, 2024, would have been adequate, which suggests that one more communication post October 10, 2024, would have changed the ALJ's conclusion. AG/SC/CUB respond as follows:

> It does appear that the [ALJ] assumed the Commission considered I&M's January and July 2024 attempts to sell its OVEC shares before concluding in its October 10, 2024, order that I&M had not taken sufficient steps to renegotiate the ICPA, when the record before the Commission does not appear to have included those attempts. Still, the [ALJ]'s conclusion is reasonable and supported by the record. As AG-CUB-SC explained in their reply brief, two perfunctory attempts to sell its OVEC shares in 2024 do not amount to I&M taking meaningful steps to reduce the costs of the ICPA for Michigan ratepayers. I&M presented no evidence that it reached out to other OVEC Sponsoring Companies, sought FERC approval to modify the ICPA, tried to sell its portion of the ICPA, or took positions on proposed OVEC plant expenditures that would have minimized costs.

AG/SC/CUB's replies to exceptions, pp. 3-4 (footnote omitted).

As to the IURC order, AG/SC/CUB point out that, while I&M contends that the ALJ ignored its effort to shift the Michigan-jurisdictional portion of the ICPA to its Indiana territory, the ALJ expressly referenced I&M's testimony regarding this scenario. *Id*., p. 4 (citing PFD, p. 31). Further, in response to I&M stating that the IURC's approval of the shift of the Michigan share of the ICPA costs to the company's Indiana territory should be considered a meaningful step, AG/SC/CUB argue that the ALJ did not err by not considering events that took place following the close of the record. Per AG/SC/CUB:

> I&M's PSCR Plan – which is for a 12-month period beginning January 1, 2025 – and five-year forecast remain the same as they were on May 13, 2025, and the IURC decision does not appear to take effect until June 1, 2025. I&M has not sought to reopen the record to present the Commission with an amended plan and forecast, and its assertion that "ICPA costs will no longer be included in rates of Michigan customers" in briefing at this late stage does not change the plan and forecast that are before the Commission for consideration.

AG/SC/CUB's replies to exceptions, p. 4 (quoting I&M's exceptions, p. 8) (footnote omitted). AG/SC/CUB aver that the Commission must evaluate the reasonableness and prudence of the decisions underlying the PSCR plan and five-year forecast before it, which include the ICPA costs and do not indicate that I&M will not seek recovery of those costs from Michigan ratepayers. Thus, AG/CUB/SC contend that a Section 7 warning is still warranted. *Id*., pp. 4-5.

Beginning with the applicability of the Code of Conduct, the Commission agrees with the ALJ's findings and conclusion that the Code of Conduct applies to the ICPA with OVEC as an affiliate transaction. *See*, PFD, p. 35. The Commission notes that this issue has been addressed repeatedly by the Commission as well as the Court of Appeals, and, as pointed out by the ALJ, the Commission finds that I&M has not presented any new circumstances that would warrant a departure from the application of the Code of Conduct to the ICPA.[5] The Commission will not rehash its rationale on this well-settled issue and instead incorporates by reference the discussions in the previous orders noted in footnote 4 of this order. Finding the ALJ's

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[5] *See*, June 7, 2019 order in Case U-18404, pp. 7-8; June 23 order, pp. 7-13; November 18, 2021 order in Case No. U-20804, pp. 13-17; May 13 order, pp. 13-21; June 22, 2023 order in Case No. U-21052 (June 22 order), pp. 19-23; May 23, 2024 order in Case No. U-21261, p. 21; October 10 order, p. 21; *see also*, *In re Application of Indiana Michigan Power Co*, ___ Mich App ___; ___NW3d___ (2024), lv den 514 Mich 851 (2024).

recommendation to be well-reasoned, aligned with the Commission's previous orders as well as the opinion of the Court of Appeals, and based on substantial evidence on the record, the Commission adopts the PFD on this issue. *See*, PFD, p. 35.

The Commission also agrees with and adopts the ALJ's assessment that the Commission reviews the five-year forecasts under a reasonable and prudent standard. Applying this standard to the five-year forecast is consistent with MCL 460.6j(5) and (7) and the March 29 order, which was cited by I&M and discusses the Commission's use of the reasonable and prudent standard applying to the PSCR plan and five-year forecast. March 29 order, p. 23.

As to the costs of the ICPA and the cost comparisons, the Commission finds the ALJ's findings and recommendations to be well-reasoned, supported by the record in the instant case, and consistent with the Commission's previous orders that addressed similar contested issues. The Commission agrees with the ALJ that the benchmark price comparisons described by AG/SC/CUB represent reasonable, albeit imperfect, comparisons showing the total ICPA costs to be excessive in terms of the value delivered to ratepayers and in comparison to other long-term market options. *See*, 2 Tr 180-188. I&M touts the high-capacity value OVEC cleared at in 2025/2026 ($269.92 per MW-day) and the profitability of OVEC on an energy-only basis. *See*, 2 Tr 138-139. However, I&M does not sufficiently rebut AG/SC/CUB's testimony that the capacity price is still below the OVEC demand charge, I&M cannot guarantee the market will maintain this higher capacity clearing price for OVEC through the plan period, and the energy-only basis does not consider the total costs imposed on I&M's Michigan customers for the ICPA. *See*, 2 Tr 182-183. Additionally, I&M again takes issues with the MWh conversion methodology used by AG/SC/CUB, but the Commission has previously rejected this argument and finds no change in circumstances or evidence in this case that would warrant a deviation from the Commission's previous conclusion. *See*, October 10 order, p. 16; May 13 order, p. 19. Thus, the record in this case indicates that the costs of the ICPA are excessive in comparison to market prices.

The ALJ found that I&M did not provide sufficient evidence of meaningful steps to negotiate the terms of the ICPA and referenced Table TAJ-1 in I&Ms' direct testimony and 2 Tr 116-117 showing the date, time, and subject matter of communications by I&M to renegotiate or exit the ICPA. PFD, p. 38. The ALJ acknowledged the January 29 and July 25, 2024 communications but noted that I&M provided no evidence of communication attempts after the October 10 order. *Id*. The Commission notes that the January 29 and July 25, 2024 communications occurred during the pendency of the I&M's 2024 PSCR plan case and did not appear on the record in Case No. U-21427 for the Commission's consideration. *See*, e.g., October 10 order, pp. 16-17; PFD in Case No. U-21427, p. 33. In the October 10 order, the Commission agreed with the ALJ in that case that a single letter presented by I&M to OVEC attempting to open negotiation discussions with no accompanying explanation of a response did not constitute a meaningful attempt to renegotiate the ICPA. *See*, October 10 order, pp. 16-17.

In this case, I&M presents a table listing five instances of communication, including the January 29 and June 25, 2024 communications, in which I&M stated that it attempted to renegotiate or divest itself of its OVEC shares. 2 Tr 116-117, Table TAJ-1. The ALJ is correct that there were no additional renegotiation attempts following the October 10 order; however, as pointed out by I&M, the company had already filed its direct case in this matter on September 30, 2024. While I&M could have submitted additional or revised testimony following this date, the Commission acknowledges that good faith negotiations as well as the preparation of testimony and exhibits can be a time-consuming endeavor and therefore, the timing of this case made the submission of such evidence difficult. As to the January 29 and June 25, 2024 communications, the Commission finds that these attempts, which were not previously considered in I&M's last plan case, represent two further attempts by I&M to divest itself of its shares in OVEC, even if such attempts were unsuccessful. I&M testified that it offered a transfer sale and then offered its share of OVEC to any interested party, but its offers were not accepted. *See*, 2 Tr 117. While the Commission finds that I&M could have provided further detail of its efforts (which could have been provided confidentially) beyond the brief descriptions in testimony, these are nonetheless efforts by the company to comply with previous directives to manage the ICPA costs.

I&M then states in its direct testimony that it is considering a filing before the IURC to shift Michigan's jurisdictional share of ICPA costs to I&M's Indiana jurisdiction as an additional option for managing the ICPA. 2 Tr 117. In its initial brief, I&M explains that it filed a petition with the IURC requesting approval of this shift and, in exceptions, I&M announced that the IURC had issued a final order approving its request. I&M's initial brief, p. 36; I&M's exceptions, pp. 8-9. Although I&M argues that a Section 7 warning is not appropriate given that the company will shift Michigan's jurisdictional share of the ICPA costs to its Indiana jurisdiction as a result of the final IURC order, the Commission disagrees. As noted by the Staff in its reply to the company's exceptions, I&M "concedes that the plan it is seeking approval of in this case does not 'reflect removing OVEC from the Michigan portfolio.'" Staff's replies to exceptions, p. 5 (quoting I&M's exceptions, p. 1). Further, even if the Commission were to take judicial notice of the IURC's decision on this issue, the order in that case only purports to transition these costs to I&M's Indiana customers starting on June 1, 2025, five months into the plan year. *See*, IURC Cause No. 45164 RA 5, July 23, 2025 order, p. 19. As such, at least for the first five months of ICPA costs in 2025, the Commission agrees with the PFD that a Section 7 warning is warranted.

Should I&M make changes to its assignment of ICPA costs between its Michigan and Indiana jurisdictions as a result of the IURC order, it may present those changes in the affiliated reconciliation proceeding to this case or in its next PSCR plan case. Given that the record in this case indicates the ICPA costs remain excessive in comparison to market prices, the Commission finds that a Section 7 warning is appropriate. I&M is on notice that it may not recover the full costs of the ICPA in excess of the Code of Conduct market price cap. Further, in agreement with the ALJ, the Commission declines to amend I&M's 2025 PSCR plan to remove the ICPA costs, though the Commission notes that the higher capacity clearing price of $269.92 per MW-day in the 2025/2026 PJM BRA may mitigate the extent to which the ICPA costs exceed the market price cap. *See*, PFD, p. 37.

2. Rockport Unit 1

I&M explained that the Rockport plant consists of two 1,300-MW (nominal) coal generating units that are jointly owned or leased by I&M and American Electric Power Generating Company (AEG), an American Electric Power Company (AEP) subsidiary. For Rockport Unit 1, I&M stated that its net capacity resources for 2025 include 1,320 MW in winter and 1,317.5 MW in summer. 2 Tr 31. Under the terms of the Unit Power Agreement (UPA) between I&M and AEG, AEG makes available to I&M up to 100% of the power and associated energy from its share of the Rockport Unit 1. 2 Tr 31. Describing its commitment practices, I&M explained that it uses PLEXOS®, a simulation model, to determine the economic dispatch of Rockport Unit 1 in the PJM footprint based on variable energy costs. 2 Tr 36.

AG/SC/CUB contended that I&M's operation of Rockport is causing excessive costs for ratepayers. AG/SC/CUB noted that I&M projected that power from Rockport will cost between $55.57 per MWh and $64.72 per MWh going forward, which is significantly less costly than what the company has previously projected for the plant in recent years, according to AG/SC/CUB. 2 Tr 207-208 (citing 2 Tr 210, Table 6). Despite I&M's projections that Rockport will operate economically in the PSCR plan period, AG/SC/CUB argued that the company is relying on a high energy market forecast during the plan period, which resulted in an increase in the use of Rockport Unit 1. Thus, AG/SC/CUB contended that I&M is overestimating the unit's performance and asked that the Commission approve I&M's plan only to the extent that Rockport Unit 1 operates economically and does not run when cheaper energy is available. 2 Tr 212-213.

I&M disputed AG/SC/CUB's position, stating that their concerns are not based on evidence and should be rejected. I&M explained that AG/SC/CUB based their determination of value on the reliability pricing model (RPM) auction prices and the Commission previously rejected the applicability of the RPM auction price for comparing resources. I&M maintained that it is aware of its obligation to operate Rockport in its customers' best interests. I&M's initial brief, p. 37.

The Staff addressed Rockport in its initial brief to note that the Commission has previously found that I&M and AEG are wholly owned subsidiaries of AEP and therefore, the UPA is subject to the Code of Conduct pricing provisions. Staff's initial brief, pp. 8-9 (citing February 2 order, p. 15). The Staff also recalled the Commission's decision in the October 10 order to defer decisions regarding I&M's operation of the Rockport units to the PSCR reconciliation proceeding, which the Commission found to be the proper forum. The Staff did not take issue with the reasonableness and prudence of the UPA for the purposes of the company's forecast and setting the PSCR factor but stated that it was not making a long-term recommendation as to the reasonableness and prudence of these costs. Lastly, the Staff asserted that I&M should present evidence of its steps to minimize costs in future PSCR proceedings. Staff's initial brief, p. 9.

Given that the Commission previously addressed the Code of Conduct's application to the UPA in Case No. U-21427, the ALJ found that there was no evidence presented in this case that would warrant a review of the Code of Conduct's applicability in the present case. The ALJ also found that there was no evidence in this case that would justify deviating from the Commission's prior holding that the appropriate forum to address the company's operational decisions for Rockport is in a PSCR reconciliation proceeding. Thus, the ALJ agreed with the Staff that the costs associated with Rockport are reasonable and prudent for the purpose of setting the PSCR factor and developing the five-year forecast and recommended that the Commission decline to issue a Section 7 warning for Rockport. PFD, p. 43.

No party filed exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record in this case the Commission adopts the ALJ's recommendation with respect to Rockport. *See*, PFD, p. 43. The Commission also notes that the AG/CUB/SC did not file exceptions to the PFD and, therefore, has waived any objection to the PFD, including any potential objection on the issue. *See*, Rule 435(2). The Commission shall review I&M's operational decisions for Rockport for reasonableness and prudence in the associated PSCR reconciliation proceeding.

THEREFORE, IT IS ORDERED that:

A. The application filed by Indiana Michigan Power Company for a power supply cost recovery plan for the 12 months ending December 31, 2025, is approved inclusive of the company's requested changes to its demand cost allocation factors and requested change to update its allocation factors for PJM Interconnection, L.L.C., transmission expenses on a monthly basis for calculating the company's power supply cost recovery factor, as set forth in this order.

B. Indiana Michigan Power Company's proposed power supply cost recovery factor of 3.74 mills per kilowatt-hour for each of the billing months of January 2025 through February 2025, and 3.58 mills per kilowatt-hour for each of the billing months of March 2025 through December 2025, is approved, and the company's five-year forecast is accepted.

C. A warning is issued under MCL 460.6j(7) and the Commission's Code of Conduct, Mich Admin Code, R 460.10101 *et seq*., that Indiana Michigan Power Company may not be able to recover its full costs under the Ohio Valley Electric Corporation's Intercompany Power Agreement.

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 December 5, 2025.

Lisa Felice, Executive Secretary

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

STATE OF MICHIGAN )

Case No. U-21596

County of Ingham )

Brianna Brown being duly sworn, deposes and says that December 5, 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 5th day of December 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-21596

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