STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **INDIANA MICHIGAN POWER COMPANY** for *ex parte* accounting authority to change the methodology for allocating between Indiana and Michigan retail jurisdictions the costs of current generation resources.	)))))))	Case No. U-21968

At the April 30, 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 APPROVING SETTLEMENT AGREEMENT

On October 3, 2025, Indiana Michigan Power Company (I&M) filed an application in this case, with supporting pre-filed testimony, requesting *ex parte* approval for accounting authority to change the methodology for allocating the cost of current generation resources between the company's Michigan and Indiana retail jurisdictions. On October 6, 2025, I&M filed an amended application, with supporting pre-filed testimony, which amended the caption only (October 6 application).

Pursuant to the October 6 application, I&M provides retail electric service to approximately 618,000 customers in Michigan and Indiana and owns substantial generation facilities to provide such service. October 6 application, p. 3. I&M asserts that state regulatory proceedings in both Michigan and Indiana generally determine what assets are used and useful in providing service to customers with regard to the recovery of the company's generation costs in retail rates. *Id*. According to the company, the jurisdictional allocation of costs can vary from base rate case to base rate case and are not necessarily consistent at a given point. *Id*., pp. 3-4. The company avers that differing state energy policies between Michigan and Indiana, along with rapidly diverging rates of load growth in the two states, are increasingly challenging the feasibility of this approach to the jurisdictional allocation of generation resources. *Id*. As a result, I&M is requesting approval of a proposed methodology for how the jurisdictional allocation of the costs of its current generation resources will be determined in the future, as outlined in its October 6 application. *Id*., p. 8.

On November 25, 2025, the Michigan Department of Attorney General (Attorney General) filed a notice of intervention and request for a contested case proceeding. On December 4, 2025, the Association of Businesses Advocating Tariff Equity (ABATE) filed a petition to intervene in this matter. On December 10, 2025, I&M filed a response to the Attorney General's request for a contested proceeding. In its response, I&M indicated that it would stipulate to convert this case to a contested proceeding provided the parties agree to an expedited schedule that aligns with a parallel case pending before the Indiana Utility Regulatory Commission. The company also proposed a case schedule, which contemplated the Commission reading the record. *See*, Mich Admin Code, R 792.10406(10). The Commission issued an order in this case on January 15, 2026, that granted the Attorney General's request to convert this case to a contested case proceeding and approved I&M's request for an accelerated schedule.

On February 26, 2026, a prehearing conference was held before Administrative Law Judge Christopher S. Saunders (ALJ Saunders). At the prehearing conference, ALJ Saunders recognized the intervention of the Attorney General and granted intervenor status to ABATE. I&M and the Commission Staff also participated in the proceeding.

On March 3, 2026, a protective order for use in this matter was entered. On March 5, 2026, this docket was reassigned to Administrative Law Judge Jonathan F. Thoits. 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 the settlement agreement, attached as Exhibit A, is approved.

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 April 30, 2026.

Lisa Felice

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 *ex parte* accounting authority to change the methodology for allocating between Indiana and Michigan retail jurisdictions the costs of current generation resources.	)))))))	Case No. U-21968

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969, MCL 24.278, and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission ("Commission"), R 792.10431, the undersigned Parties hereby stipulate and agree as follows:

This Settlement Agreement between Indiana Michigan Power Company ("I&M" or the "Company"), Association of Businesses Advocating Tariff Equity ("ABATE") and Commission Staff ("Staff") (collectively, the "Parties") is intended by the Parties as a final settlement and resolution of all issues before the Commission regarding I&M's application for ex parte accounting authority to change the methodology for allocating between Indiana and Michigan retail jurisdictions the costs of current generation resources, subject to the express reservations set forth herein.

1. On October 3, 2025, I&M filed its application with the Commission, including supporting testimony and exhibits of its witnesses, requesting Commission approval for its proposed methodology for jurisdictionally allocating the cost of generation resources as well as fuel costs for those resources, effective June 1, 2025. I&M also requested *ex parte* review of the case by the Commission in order to resolve the case without the time and expense of a public hearing. I&M's filing included testimony and exhibits sponsored by Company witnesses Andrew

J. Williamson and Jason M. Stegall in support of the Company's request and to explain the accounting methodology proposed by the Company.

2. I&M's retail electric business in Michigan is subject to the Commission's jurisdiction pursuant to a number of Michigan laws, including provisions of 1909 PA 106, as amended, MCL 460.551 et seq., 1919 PA 419, as amended, MCL 460.54 et seq., and 1939 PA 3, as amended, MCL 460.1 et seq.

3. On November 25, 2025, the Attorney General gave her notice of intervention in this case and requested that the Commission order a full contested case proceeding rather than *ex parte* review. On December 4, 2025, ABATE filed a petition to intervene in this case.

4. On January 15, 2026, the Commission ordered the conversion of this case to a contested case proceeding and permitting the Administrative Law Judge ("ALJ") to set an accelerated schedule for the case.

5. On February 26, 2026, a prehearing conference was held before ALJ Christopher S. Saunders. At the prehearing, the ALJ granted ABATE's petition to intervene and issued a schedule.

6. The Parties entered settlement discussions in an attempt to effectively resolve the matter before the Commission. As a result of those settlement discussions, the Parties have agreed to resolve all issues in this case as set forth in the following paragraphs.

a. The Parties agree that Commission approval of this Settlement Agreement will promote the public interest, is consistent with applicable law, and represents a fair and reasonable resolution of the issues in this proceeding.

b. The Parties agree that the following Current Generation Resources and jurisdictional allocation factors will be used for the allocation of non-fuel and fuel costs to the Michigan retail jurisdiction subsequent to the approval by the Commission:

i. The Current Generation Resources will be based on the generation resources identified in Mr. Williamson's direct testimony and Figure AJW-4, which is also included as Appendix A to this agreement.

ii. I&M represents that the Current Generation Resources comply with current applicable Michigan law and future additions will comply with applicable Michigan law.

iii. Non-fuel costs: Non-fuel costs include all costs associated with the Current Generation Resources that are not fuel related. Going forward, I&M will apply the following Michigan jurisdictional non-fuel allocation factors utilizing the Primary Allocation Factor (PAF) and will only adjust this PAF to the extent I&M's wholesale demand energy percentages change up to the Retail factors shown below.

Jurisdictional Allocation Factors		
	Indiana - Cause No. 45933 (2024 Test Year)	Michigan - Case No. U-21461 (2024 Test Year)
Demand	71.39096%	15.78026%
Energy Excluding Shopping	70.36898%	14.25703%
Retail Demand	81.89740%	18.10260%
Retail Energy Excluding Shopping	83.15290%	16.84710%

iv. Appendix B includes the Primary Allocation Factors from the table above applicable to each Current Generation Resource.

v. Fuel costs and PJM revenues: I&M will allocate fuel costs and PJM revenues, beginning June 1, 2026, the beginning of the 2026/2027 PJM Planning Year, using the Primary Allocation Factor for each Generation Resource. For PJM energy settlement purposes, I&M will create two jurisdictions, Michigan Retail and Indiana Retail, and assign each jurisdiction a share of each Current Generation Resource using the appropriate Retail Only Allocation factors shown in the table above. Each jurisdiction will also include its proportional share of I&M's wholesale load, also based on the appropriate Retail Only Allocation factors. I&M will provide PJM with allocation factors for its Current Generation Resources to be applied to each resource, owned and contracted. Additionally, I&M will provide the load data for each jurisdiction, Michigan Retail and Indiana Retail, that will be used to calculate PJM purchases and Off System Sales for each jurisdiction. The net fuel revenues from wholesale customers will be credited to each retail jurisdiction representing the amount of fuel costs and OSS applicable to I&M's wholesale contracts.

c. The parties also agree to the following:

i. As discussed in the direct testimony of Company witness Williamson, the Company's jurisdictional allocation proposal contemplates future changes in its three existing long-term wholesale generation contracts. Two of the three contracts currently have terms ending on May 31, 2034 and the remaining contract has a term ending May 31, 2038. Each contract contains provisions allowing for renegotiations prior to the end of the contract with no obligation on either party regarding the outcome of those negotiations. The Retail Demand and Retail Energy Excluding Shopping Primary Allocation Factors (PAF) reflect the three wholesale contract's expiration and total jurisdictional allocation of Current Generation Resources. To the extent one or more of the three wholesale contracts are extended under their current terms, the PAFs will continue to reflect this load and therefore a lower Michigan jurisdictional allocation.

ii. I&M will take all reasonable steps to utilize any excess capacity from its Michigan retail jurisdiction to meet capacity needs in its Indiana retail jurisdiction, and vice versa. Parties agree that in the event one retail jurisdiction relies on the excess long-term capacity of the other jurisdiction to meet its capacity obligation, the short jurisdiction would compensate the long jurisdiction at a price equal to the clearing price of the base residual auction (BRA) for that corresponding PJM Delivery Year. In an example where I&M's Indiana retail jurisdiction relies on excess long-term capacity from I&M's Michigan retail jurisdiction, I&M would include a credit in its Michigan PSCR for use of that capacity and then include a corresponding charge in I&M's Indiana jurisdiction.

iii. If I&M were to enter into new long-term wholesale contracts that include service from generation resources used to serve Michigan retail customers, I&M will include the impact of such contracts on the jurisdictional allocation factors agreed to in this Settlement Agreement when setting Michigan retail rates following the execution of such agreements.

iv. The Parties recognize that nothing in this agreement affects the allocation of PJM transmission costs. I&M proposed to allocate PJM transmission costs to its Michigan retail jurisdiction utilizing monthly jurisdictional allocation factors in Case U-21596 and I&M's proposal was approved by the Commission in its order dated December 5, 2025.

d. In I&M's next Integrated Resource Plan filing following the conclusion of Case No. U-22069 (I&M's 2027 Integrated Resource Plan), I&M will provide an evaluation, in accordance with Michigan law at the time this settlement agreement was filed, of the Michigan jurisdictional share of the non-fuel and fuel costs associated with the Current Generation Resources billed to Michigan customers resulting from this Settlement Agreement in comparison to a hypothetical scenario in which the allocation of the costs of Current Generation Resources was not made pursuant to this Settlement Agreement. The parties agree that this evaluation shall not be utilized to support any retroactive ratemaking.

e. Nothing in this Settlement Agreement will cause alteration or amendment to the Company's current rates or rate schedules or result in an increase to the cost of service to the Company's customers.

f. This Settlement Agreement is made based on the Company's expectation that the Indiana Utility Regulatory Commission ("IURC") will issue an order that, taken together with this Settlement Agreement, reaches a reasonable and prudent result. The Company will not implement this Settlement Agreement until the IURC implements its related order. Once the IURC issues such an order, the Company will notify Parties and the Commission that it has accepted the terms of the IURC order and provide the date that the Settlement Agreement will become effective. If, however, the Company determines that the IURC order and this Settlement Agreement, when taken together, reach an unreasonable or imprudent result and cannot be feasibly implemented, the Company will make a filing to the Michigan Public Service Commission to such effect and propose a resolution. Such a filing may include, or later be supplemented by, a further settlement agreement amongst the Parties to this agreement if a mutually agreeable resolution can be reached. The Company anticipates that a settlement conference would take place in Indiana with the parties to the Indiana allocation proceeding in such an event. As a result of the proceeding contemplated by this subparagraph, the Commission may direct the parties to hold a second phase of this proceeding with a settlement proposal (if not already submitted) or, if necessary, additional evidence from the Parties.

7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the Parties and resolves all issues in this case. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under Michigan Rules of Evidence 408. If the Commission approves this Settlement Agreement without modification, neither the Parties to this settlement nor the Commission shall make any reference to, or use this 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 any other case or proceeding; provided however, such references may be made to enforce or implement the terms of the Settlement Agreement and the order approving it.

8. So long as the Commission approves this Settlement Agreement without any modification, the Parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the Parties agree and

understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings or appeals related thereto.

9. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement.

10. It is the opinion of the Parties that approval of this Settlement Agreement by the Commission would be in the public interest, consistent with applicable law, will aid in the expeditious conclusion of the issues in this case, and will minimize the time and expense associated with litigating this matter.

11. The Parties agree to waive Section 81 of 1969 PA 306, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

12. The Parties respectfully request that the Commission promptly 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 rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation position of the Parties.

13. The stipulations and agreements contained in this Settlement Agreement shall constitute the record needed to support the Commission order in this case.

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Nicholas Taylor
2026.04.13 08:13:15
-04'00'

Dated: April 13, 2026

Adam M. Cozort (P78363)
Nicholas Q. Taylor (P81020)
Anna B. Stirling_(P84919)
Michigan Public Service Commission
7109 W. Saginaw, 3rd Floor
Lansing, MI 48917
(517) 284-8140

INDIANA MICHIGAN POWER COMPANY

Jason T. Hanselman

Digitally signed by: Jason T. Hanselman
DN: CN = Jason T. Hanselman email = jhanselman@dykema.com C = AD O = Dykema OU = Dykema
Date: 2026.04.09 09:09:08 -04'00'

Dated: April 9, 2026

Richard J. Aaron (P35605)
Jason T. Hanselman (P61813)
Dykema Gossett PLLC
201 Townsend St., Suite 900
Lansing, MI 48933
(517) 374-9100

ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

Stephen Campbell

Digitally signed by: Stephen Campbell
DN: CN = Stephen Campbell email = scampbell@clarkhill.com C = US O = Clark Hill PLC
Date: 2026.04.17 12:53:08 -04'00'

Dated: April ___, 2026

Michael J. Pattwell (P72419)
Stephen A. Campbell (P76684)
Clark Hill PLC
500 Woodward Ave, Suite 3500
Detroit, MI 48226
517-965-8300

By signing below, the Attorney General does not join but affirms that she does not object to this settlement agreement.

DEPARTMENT OF ATTORNEY GENERAL

Lucas Wollenzien

Digitally signed by Lucas Wollenzien
Date: 2026.04.16 15:58:01 -04'00'

Dated: April 16, 2026

Lucas Wollenzien (P86928)
Assistant Attorney General
Department of Attorney General
Special Litigation Division
Sixth Floor Williams Bldg
525 W. Ottawa Street
PO Box 30755
Lansing, MI 48909
(517) 335-7627

Appendix A

Unit Name	Type	C.O.D. [1] or Contract Start Date	Owned/Contract	PJM Nameplate Capacity (MW) [2]
Rockport 1	Coal	1984	Owned	1,318
Montpelier[3]	Gas (Capacity Only)	2027	CPA	210
Berrien Springs 1-12	Hydro	1908	Owned	6
Buchanan 1-10	Hydro	1919	Owned	3
Constantine 1-4	Hydro	1921	Owned	1
Elkhart 1-3	Hydro	1913	Owned	3
Mottville 1-4	Hydro	1923	Owned	2
Twin Branch 1-8	Hydro	1904	Owned	4
Cook 1	Nuclear	1975	Owned	1,014
Cook 2	Nuclear	1978	Owned	1,167
Deer Creek	Solar	2015	Owned	3
Elkhart[3]	Solar	2026	PPA	100
Hoosier Line[4]	Solar	2027	PPA	180
Lake Trout[3]	Solar	2028	Owned	245
Mayapple[3]	Solar	2028	Owned	224
Olive	Solar	2016	Owned	5
St. Joseph Solar	Solar	2021	Owned	20
Twin Branch Solar	Solar	2016	Owned	3
Watervliet	Solar	2016	Owned	5
Fowler Ridge 1	Wind	2008	PPA	100
Fowler Ridge 2	Wind	2009	PPA	50
Headwaters	Wind	2014	PPA	200
Meadow Lake[4]	Wind	2026	PPA	100
Wildcat	Wind	2014	PPA	99
				5,060

(1) Commercial operation date.
(2) Represents installed capacity
(3) 2022 Request for Proposals (RFP) Project
(4) 2023 RFP Project

Appendix B

Unit Name	Primary Allocation Factor	Not Retail Only	Retail Only
Rockport 1	Demand	15.7803%	18.1026%
Montpelier	Demand	15.7803%	18.1026%
Berrien Springs 1-12	Demand	15.7803%	18.1026%
Buchanan 1-10	Demand	15.7803%	18.1026%
Constantine 1-4	Demand	15.7803%	18.1026%
Elkhart 1-3	Demand	15.7803%	18.1026%
Mottville 1-4	Demand	15.7803%	18.1026%
Twin Branch 1-8	Demand	15.7803%	18.1026%
Cook 1	Demand	15.7803%	18.1026%
Cook 2	Demand	15.7803%	18.1026%
Deer Creek	Demand	15.7803%	18.1026%
Elkhart	Energy Excluding Shopping	14.2570%	16.8471%
Hoosier Line	Energy Excluding Shopping	14.2570%	16.8471%
Lake Trout	Demand	15.7803%	18.1026%
Mayapple	Demand	15.7803%	18.1026%
Olive	Demand	15.7803%	18.1026%
St. Joseph Solar	Demand	15.7803%	18.1026%
Twin Branch Solar	Demand	15.7803%	18.1026%
Watervliet	Demand	15.7803%	18.1026%
Fowler Ridge 1	Energy Excluding Shopping	14.2570%	16.8471%
Fowler Ridge 2	Energy Excluding Shopping	14.2570%	16.8471%
Headwaters	Energy Excluding Shopping	14.2570%	16.8471%
Meadow Lake	Energy Excluding Shopping	14.2570%	16.8471%
Wildcat	Energy Excluding Shopping	14.2570%	16.8471%

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-21968

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on April 30, 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 30th day of April 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-21968

Name	On Behalf Of	Email Address
Adam M. Cozort	MPSC Staff	cozorta1@michigan.gov
Anna B. Stirling	MPSC Staff	stirlinga1@michigan.gov
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
Jonathan F. Thoits	ALJs - MPSC	thoitsj@michigan.gov
Lucas Wollenzien	Department of Attorney General	wollenzienl@michigan.gov
Michael J. Pattwell	Association of Businesses Advocating Tariff Equity	mpattwell@clarkhill.com
Nicholas Q. Taylor	MPSC Staff	taylorn10@michigan.gov
Stephen A. Campbell	Association of Businesses Advocating Tariff Equity	scampbell@clarkhill.com