

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
INDIANA MICHIGAN POWER COMPANY	)	
for approval of modifications to its Large	)	Case No. U-21986
Power Tariff – Tariff LP.	)	
_____	)	

At the August 27, 2026 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

ORDER

History of Proceedings

On October 17, 2025, Indiana Michigan Power Company (I&M) filed an application in this docket requesting approval to update its Large Power Tariff (Tariff LP) “to incorporate specific terms and conditions to accommodate Large Load Customers whose contract demands equal or exceed 50 MW [megawatts] or [are] reasonably expected to grow to or exceed 50 MW at one or more aggregated premises.” Application, p. 2.

A prehearing conference was held on December 19, 2025, before Administrative Law Judge Christopher S. Saunders (ALJ Saunders). At the prehearing conference, ALJ Saunders recognized the intervention of the Michigan Department of Attorney General (Attorney General) and granted petitions to intervene filed by the Association of Businesses Advocating Tariff Equity (ABATE),

and jointly by the Ecology Center, the Environmental Law & Policy Center, the Union of Concerned Scientists, and Vote Solar (collectively, the Clean Energy Organizations (CEOs)). I&M and the Commission Staff (Staff) also participated in the proceeding.

On March 17, 2026, Administrative Law Judge Jacqueline Langwith (ALJ) conducted an evidentiary hearing at which testimony and exhibits were bound into the record. On April 6, 2026, the parties filed initial briefs, and on April 24, 2026, the parties filed reply briefs.

On May 19, 2026, the ALJ issued a Proposal for Decision (PFD) in this matter. On June 9, 2026, I&M, the Attorney General, and ABATE filed exceptions to the PFD. On June 23, 2026, I&M, the Attorney General, ABATE, and the CEOs filed replies to exceptions.

The record in this case consists of 266 pages of transcript and 44 exhibits marked into evidence.

Proposal for Decision

The ALJ provided an overview of the testimony and positions of the parties in this case at pages 2-7 of the PFD, which will not be extensively repeated here. The ALJ indicated that there was no dispute on the record regarding several issues in the case and recommended that the undisputed issues be approved. PFD, p. 7.

No exceptions were filed regarding the undisputed issues identified by the ALJ.

The Commission agrees with the ALJ's analysis and adopts her recommendations regarding the uncontested issues identified at pages 7 through 10 of the PFD. *See*, PFD, pp. 7-10. In addition, the ALJ found that there were numerous contested issues in the case, which the Commission more fully discusses below.

Discussion

1. Customer Protections Versus Economic Development

I&M indicated in rebuttal that the parties fail to acknowledge that projects relating to large-load customers could bring significant economic development and benefits to the state of Michigan. 2 Tr 90. The Staff responded in briefing that:

the Commission's role is not to prioritize economic development over customer protection, since the risks of large load customers creating stranded assets is well known. The Commission's role is to ensure the costs incurred on the system are recovered appropriately and Staff's case ensures that.

Staff's initial brief, p. 9. In its reply brief, the company contends that its revisions to the tariff strike a balance between customer protection and economic development and that the Staff's recommendation to disregard economic development considerations should be rejected. I&M's initial brief, pp. 1-2.

The ALJ noted agreement with the company, declining to adopt the "Staff's recommendation that the Commission disregard I&M's economic development arguments when considering disputed issues." PFD, p. 13. The ALJ explained that the Commission is best served in considering a full and complete record and that the company should be permitted to present its arguments. Citing the November 6, 2025 order in Case No. U-21859 (November 6 order), the ALJ indicated that the Commission has recognized the importance in considering customer protections and economic development of balancing competing risks. *Id.* (citing November 6 order, pp. 107-108).

The Commission finds that no exceptions were filed on this issue and finds that the ALJ's recommendation is reasonable and is adopted.

2. Cost-Shifting Concerns

The parties presented evidence regarding potential cost-shifting concerns relating to the addition of large-load customers. Specifically, the Attorney General indicated that the company plans to pool costs of serving new large-load customers and use allocation methods that could cause increased costs for existing customers and not require the large-load customer to be responsible for its direct costs. *See*, 2 Tr 145. ABATE raised similar concerns regarding existing customers providing subsidies to large-load customers and that the company should provide annual reports, cost allocation and rate design proposals, and *ex parte* filings consistent with the November 6 order. 2 Tr 112.

The ALJ found the Attorney General's evidence to be compelling regarding increased generation and transmission costs and the potential for shifting costs. As such, the ALJ found "that cost-shifting risks are significant and must be addressed in any large load terms and conditions and/or tariffs." PFD, p. 20. The ALJ also noted that the Commission held that large-load customers must fully cover the costs to serve them and guidelines are required to avoid potential cross-subsidization. *Id.* (citing November 6 order, p. 103). The ALJ further noted that the specific proposals regarding cost allocation, rate design, and a standalone data center tariff are separately addressed below. With respect to the Attorney General's recommendations that all costs to serve large-load customers should be directly assigned to them and adding a requirement to separately track costs associated with large-load customers, the ALJ found that "the record is insufficient to make a recommended determination on these issues." PFD, p. 21.

The Attorney General takes exception, arguing that the ALJ did not explain the conclusion that her recommendations were not fully developed. She avers that it is within the Commission's discretion to direct the company to establish a direct-assignment framework and cost tracking and

states that there is nothing in the record to demonstrate this would not be possible. Attorney General's exceptions, p. 6. Further, the Attorney General states that the recommendation would provide a guardrail against cross-subsidization. Therefore, the Attorney General states that the Commission should reject the ALJ's finding on this issue and adopt her proposals.

The Commission finds that, excluding the proposals addressed elsewhere in this order, it is not convinced that it is prudent to adopt the Attorney General's recommendations in this case that establishes a generally applicable tariff for large-load customers. Specifically, the Commission is not persuaded to direct I&M to specifically demonstrate all costs are directly assigned to individual large-load customers or to present additional cost tracking as part of its direct evidence in the company's next rate case. Therefore, the Commission adopts the ALJ's recommendation. The Commission notes, however, that parties are not precluded from addressing these recommendations within future proceedings including any future special contract approval requests or rate cases. The Commission has expressed support in other cases for assigning costs caused by individual large-load customers directly to the customers causing those costs. *See*, November 6 order; *see also*, December 18, 2025 order in Case No. U-21990.

3. Standalone Data Center Tariff

ABATE proposed a separate standalone tariff for large-load customers, reasoning that the current customers on Tariff LP "are all below 50 MW in size, generally do not require extensive new major generation, transmission or distribution investments to serve them, and only have a limited level of stranded asset risk associated with them due to their dependence on local skilled employees and local supply chain networks." 2 Tr 108. ABATE stated this is in direct contrast to large-load customers with 300 MW or larger and greater stranded cost risk. I&M opined that making revisions to Tariff LP is more appropriate because "the load characteristics of these

customers is not dissimilar to other customers currently served under Tariff LP and the rate design of Tariff LP can accommodate a wide range of load factors,” and that using the existing tariff would provide consistency. 2 Tr 44. The Attorney General and the Staff supported the creation of a standalone tariff for large data center loads. *See*, 2 Tr 155; Staff’s initial brief, pp. 7-8. In reply briefing, the company reiterated its position to revise Tariff LP and argued that the creation of a new tariff is contrary to the calls to analyze various rate designs in its next rate case. I&M’s reply brief, pp. 4-6.

The ALJ noted the concerns related to cost-shifting risks, but declined “to adopt ABATE’s proposal, as supported by Staff, for a standalone large data center tariff.” PFD, p. 26. The ALJ quoted page 104 of the November 6 order, wherein the Commission declined to create a separate rate class based upon that record and concluded that “the records in this case largely similar to the record in Case No. U-21859.” PFD, p. 26. The ALJ, therefore, was not inclined to recommend a standalone data center tariff based upon the Commission’s rationale in the November 6 order. Further, the ALJ explained that there was not sufficient load data on this record and that customers can be protected in the interim by adding special conditions to the company’s Tariff LP. *Id.*, p. 27. Finally, the ALJ recommended “that if large load customers do materialize in the future, that I&M be required to analyze actual load data to determine whether a separate tariff is advisable.” *Id.*

In exceptions, the Staff indicates that it disagrees with the ALJ’s findings that: (1) the record here is substantially similar to the record in Case No. U-21859, and (2) that there is a lack of sufficient load data in the current record. Staff’s exceptions, p. 1 (citing PFD, pp. 26-27).

Specifically, the Staff states that the data in Exhibit S-8.2:

demonstrates that a large load customer, even at the minimum threshold of 50 MW, is much larger than the Company’s current largest customer at approximately 30 MW. It also shows that as a percentage of the Company’s total Michigan retail

load of only 520 MW, these large load customers would have a much greater impact on the system than in U-21859.

Staff's exceptions, p. 1. The Staff continues, arguing that "if a new rate class is not created at this time and new large-load customers execute contracts with the Company to take service under Rate LP, it may not be possible to move them to a new rate class even if one were to be created later." *Id.*, pp. 1-2. The Staff contends, therefore, that the Commission should require I&M "to establish a new separate, standalone rate for large data center customers in its next rate case, along with Staff's six cost of service and rate design scenarios." *Id.*, p. 2 (citing 2 Tr 235). Further, the Staff recommends that any large load contracts executed and approved by the Commission include a clause allowing flexibility to move the customer to the new rate until the new rate is established. Staff's exceptions, p. 2.

The Attorney General also takes exception, arguing that the record reflects "that I&M already serves at least one large-load data center in its Indiana service territory" and, therefore, "at the time of the Commission's order in this case, I&M will presumably have representative load data for these customers." Attorney General's exceptions, pp. 2-3. Relying on her arguments in briefing, the Attorney General further states that the Commission should reject the ALJ's recommendation and "instead adopt the Attorney General's recommendation to direct I&M to create a new rate class for all large load customers with maximum demands equal to or exceeding 50 MW at least as soon as part of I&M's next electric rate case." *Id.*, p. 3.

ABATE excepts and contends that it is not necessary to wait to see if large-load customers materialize to create a standalone tariff for large-load customers. Specifically, ABATE reiterates that "customers currently taking service from Tariff LP operate industrial manufacturing facilities which simply do not have the size, characteristics, or risks associated with their service that necessitate the additional tariff provisions being proposed for these Large Load Customers" and

“the addition of a typical super-scalar data center load (e.g., 300 MW or larger) would result in the actual characteristics of I&M’s existing Tariff LP customers being overwhelmed by the characteristics of the new large load addition(s).” ABATE’s exceptions, p. 3 (citing ABATE’s initial brief, pp. 3-5). In that regard, ABATE argues that such an addition to Tariff LP would result in inappropriately allocated costs to existing customers, which it states is in direct violation of cost-of-service principles. ABATE, therefore, concludes that the Commission should:

direct I&M to establish a separate, standalone rate with initial rates, terms, conditions, and applicable riders the same as Tariff LP (for now), but subject to I&M’s proposed Large Load Provisions approved in this proceeding, while Tariff LP should be closed to those large load additions. The rates under the new tariff can diverge from simply mimicking Tariff LP once new load starts taking service under the new tariff and sufficient historical meter data has been collected such that I&M can reasonably allocate the load costs based on its specific characteristics.

ABATE’s exceptions, pp. 3-4. ABATE avers that this would provide the same outcome as recommended by the PFD for the interim while also providing certainty for existing customers that they will not be subject to additional intra-class subsidization.

I&M replies to exceptions, arguing that the Staff’s proposal exceeds the scope of this proceeding and that “[a] new rate class, the terms and conditions for that rate class, and rate design considerations are more appropriately determined in future proceedings once there are customers that could actually take service under that rate class.” I&M’s replies to exceptions, p. 2. The company further references the Commission’s review of special contracts to reiterate that this proceeding is not the single forum to resolve all of the issues relating to large-load customers. In response to ABATE, I&M argues that the Commission should not engage in speculation given there are no current customers of 300 MW or larger and, therefore, it is not prudent at this time to develop rate classes that have no customers. *Id.* I&M responds that the Attorney General did not demonstrate how data pertaining to an Indiana customer would be relevant to its Michigan

customers or system. Further, the company alleges that the Attorney General did not raise this reasoning in testimony and briefing. Overall, the company reiterates its position that the Commission should not require a standalone rate in this proceeding. *Id.*, p. 4.

The Commission respectfully disagrees with the ALJ and finds that the record in this proceeding is distinguishable from that of Case No. U-21859. Specifically, the Commission finds that the record in this case provides sufficient data to demonstrate that a large-load customer (even at a 50 MW threshold) would have a significant impact on I&M's Michigan service territory (with a retail load of only 520 MW). *See*, Exhibit S-8.2. The Commission finds this is quite distinguishable from the facts of Case No. U-21859. In addition, I&M's position that the rates should be considered in additional proceedings is actually consistent with the Staff's recommendation to "require the Company to establish a new separate, standalone rate for large data center customers in its next rate case, along with Staff's six cost of service and rate design scenarios." Staff's exceptions, p. 2 (citing 2 Tr 235).

The Commission finds that the Staff's proposal for a new standalone rate to be presented in the company's next general rate case is reasonable. The Commission further adopts the Staff's recommendation that any applicable special contracts executed prior to the company's next rate case should include language providing flexibility in moving customers to the new rate once it is fully established. The Commission again finds that this requirement is congruous with the company's position that contract clauses will be reviewed by the Commission in future proceedings. *See*, I&M's replies to exceptions, pp. 2-3 (citing MCL 460.6a(3)). Therefore, the Commission directs I&M to establish and present a new standalone rate for large-load customers in its next rate case proceeding.

4. Large-Load Customer Threshold

The company proposed using a 50 MW threshold as it is approximately 10% of I&M's total Michigan retail load and that "[a]t this level of potential new load, I&M expects to need to make significant financial commitments to secure new generation resources." 2 Tr 45. The CEOs argued that relying on a MW-based threshold was not appropriate and, instead, that a large load should be defined as a load that can pose reliability risks. 2 Tr 211-212. ABATE proposed that the Commission "periodically review the MW threshold and types of new load additions that are subject to large load provisions such as I&M is proposing in this proceeding for its Tariff LP." 2 Tr 107.

The ALJ agreed with the company "that 50 MW represents a reasonable threshold for large-load customers given that it is equivalent to 10% of the Company's Michigan-based retail load and given the significant costs that would be required to serve a 50 MW load" and "recommended that the threshold also be applicable to customers reasonably expected to grow to exceed 50 MW at one or more aggregated premises, each of 1 MW or larger, with I&M having discretion in determining when to aggregate premises." PFD, p. 36. In that regard, the ALJ declined to adopt the CEOs' recommended threshold range, finding "it would introduce unnecessary steps and review and is too vague" *Id.*, p. 37. Further, the ALJ noted ABATE's position that data centers are distinguishable from traditional industrial and manufacturing facilities but found that the MW-based threshold accounts for the unique feature of large-load customers. In addition, the ALJ declined to recommend a formal review of the 50 MW threshold but recommended "that if the 50 MW threshold is found to be unreasonable . . . I&M may seek to modify it." *Id.*

ABATE takes exception, arguing that the 50 MW threshold is significantly lower than established for other utilities and, therefore, “may ultimately result in excessively broad applicability beyond relevant customers; i.e., customers with significantly larger load additions.” ABATE’s exceptions, pp. 1-2. ABATE further reiterates its record position that the Commission should implement a process to “periodically review the MW threshold and types of new load additions that are subject to Large Load Customer tariff provisions at issue in this proceeding.” *Id.*, p. 2.

I&M replies that the ALJ’s recommendation is well reasoned on this issue. Specifically, the company states that while “the addition of new data center loads over the next few years may lead to a better understanding, it is not necessary to hold the Commission to a specific review period.” I&M’s replies to exceptions, p. 8.

The Commission finds the ALJ’s recommendation is well-supported on the record. As noted on the record, the 50 MW threshold is approximately 10% of I&M’s Michigan retail load, which is distinguishable from other Michigan utilities. 2 Tr 45. In that regard, the Commission finds that the lower threshold of 50 MW is reasonable for I&M’s Michigan service territory and should be adopted. In addition, the Commission adopts the ALJ’s recommendation “that the threshold also be applicable to customers reasonably expected to grow to exceed 50 MW at one or more aggregated premises, each of 1 MW or larger, with I&M having discretion in determining when to aggregate premises.” PFD, p. 36.

Notwithstanding the above, the Commission declines to implement a timeline for formal review of the threshold. The ALJ appropriately indicated that the company may seek revision of the threshold in a future proceeding, if necessary. PFD, p. 37. Moreover, the record is insufficient to demonstrate an appropriate timeline or the need for additional review.

5. Assignment of Rights

I&M proposed tariff language that a large-load customer “shall not assign any of its rights or delegate any of its obligations under the Contract without the prior written consent of the Company. An assignment will not relieve the Large Load Customer of its financial obligation hereunder unless the Company so consents in writing.” 2 Tr 50. The Staff, however, proposed that customers may not assign capacity to another customer at its own discretion. 2 Tr 243. Similarly, the Attorney General averred that large-load customers “should be prohibited from reassigning contract capacity to other customers on their own” and that “[a]ny assignment of contract rights must be subject to Commission review and approval in a contested case proceeding.” 2 Tr 162-163.

The ALJ noted that she agreed with the Staff and the company. Therefore, the ALJ recommended “that a large load customer is not allowed to assign capacity to another customer under its own discretion, that is that I&M’s written consent is required.” PFD, p. 40. The ALJ further declined to adopt the Attorney General’s recommendation that assignment of capacity may only be done with prior Commission approval.

No exceptions were filed on this issue.

The Commission finds that the ALJ’s determination is reasonable and supported on this record. Therefore, the Commission finds that large-load customers may not reassign contract capacity on their own and I&M’s proposed language is adopted.

6. Contract Term and Contract Renewal

I&M proposed an initial contract term of 15 years, with a ramp up period of 5 years, and a requirement that “[e]ither party shall give at least 60 months written notice to the other party of the intention to discontinue service under the terms of this tariff.” 2 Tr 47. The Staff noted that the

company did not propose specific provisions for renewal and additionally proposed automatic contract extensions of 5-years, which the Staff contends will “allow for proper planning purposes at the utility.” 2 Tr 253. The Attorney General recommended “a minimum contract term of 20 years to better align with the useful life of generating assets” and “an evergreen provision that would automatically extend the contract term in the event that a customer does not provide notice of contract termination within sixty months of the initial contract period.” 2 Tr 156-157.

The ALJ reviewed the positions of the parties at pages 40 through 49 of the PFD before finding that I&M’s proposal for a “15-year initial contract term beginning after the conclusion of a 5-year ramp-up period,” provides a balance “between protecting the Company’s existing customers from stranded assets and incentivizing economic development.” PFD, p. 49. The ALJ also found that this term was consistent with the Commission’s decision in the November 6 order where the Commission found that 15 years approximated the life of the necessary investments to serve large-load customers. With respect to automatic five-year contract extensions, the ALJ stated “that an evergreen provision would provide an appropriate incentive for the provision of notice and a consequence if notice is not provided.” PFD, pp. 49-50. Finally, the ALJ declined to adopt the Attorney General’s recommendation for an additional penalty provision. *Id.*, p. 50.

I&M takes exception, arguing that “the Tariff LP already contains a deterrent for termination without the five-year notice” and, therefore, an evergreen provision is unnecessary. I&M’s exceptions, p. 3. Continuing, the company contends that it is not reasonable to adopt an evergreen provision merely because it had been adopted by the Commission in a prior case. I&M also opines that:

the evergreen contract renewal does not impact only the large load customer. Unnecessarily requiring large load customers to continue service beyond the five years that the Commission considers reasonable to plan for that customer’s exit also requires the Company to plan for and procure the generation necessary to provide

that service.

Id., p. 4. Therefore, the company requests the Commission reject the ALJ's recommendation on this issue.

In exceptions, the Attorney General argues that the ALJ did not provide analysis to support the conclusion that the 15-year initial term after a 5-year ramp up period provides balance. In addition, the Attorney General claims that the ALJ ignored her analysis "showing a potential difference of more than \$100 million between likely incremental costs associated with a 50 MW incremental generation asset and minimum contract revenues under I&M's proposals." Attorney General's exceptions, p. 7. The Attorney General further requests that the Commission require a minimum contract term of 20 years.

I&M replies to the Attorney General, arguing that the Attorney General's exceptions are inaccurate because the ALJ fully addressed the Attorney General's evidence. I&M's replies to exceptions, p. 6 (citing Attorney General's exceptions, pp. 7-8; PFD, pp. 41-43). Further, the company states that "[t]he record also demonstrates that the Company does not procure [sic] a single specific resource to serve a large load customer and that the figures to approximate generation costs were provided only for demonstrative purposes." I&M's replies to exceptions, p. 6 (citing 2 Tr 66-67).

The Attorney General also replies to the company's exceptions and contends that the Commission should affirm the PFD regarding the evergreen provision. Specifically, the Attorney General reiterates that:

the end of the contract term presents a distinct stranded asset risk given that the Company will likely be investing in longer-lived incremental assets to serve these customers (for example 30 years, compared to a 15-year contract term); the evergreen provision helps to ensure a buffer period that might allow the Company to line up another customer to use those assets once the initial customer departs.

Attorney General's replies to exceptions, p. 2 (footnote omitted).

The Commission finds that the ALJ fully addressed the positions of the parties, contrary to the Attorney General's exceptions. *See*, PFD, pp. 40-49. Further, the Commission agrees with the ALJ's finding that a 5-year ramp up followed by a 15-year initial contract term is reasonable and strikes the necessary balance. With regard to the evergreen provision, the Commission finds that it is reasonable to adopt the five-year automatic renewal which provides an "incentive for the provision of notice and a consequence if notice is not provided." PFD, p. 50. Therefore, the Commission adopts the ALJ's findings and recommendations on this issue, consistent with the November 6 order and the Staff's proposed tariff language regarding the evergreen provision. *See, id.*, p. 50; *see also*, 2 Tr 253.

7. Capacity Reductions/Increases and Firm Load Shedding

I&M proposed the allowance of a 20% one-time reduction in capacity with no penalty provided the large-load customer provides the company with 5-years notice. 2 Tr 48. The Staff, however, recommended only a 10% reduction with four-years notice, without Commission approval, and indicated that the Commission should review, through an *ex parte* proceeding, any other requests for capacity reduction. 2 Tr 243. The Staff further recommended that I&M be required to:

update its emergency electric procedures and any other relevant procedures to require that in the event that firm load shedding is directed by the regional transmission organization, the Company will shed firm load from any new large-load customers served on Rate LP prior to shedding firm load of any of the Company's other customers, provided that shedding the load of these new large-load customers will prevent shedding load of existing customers. This would only occur if voluntary load reductions were insufficient to prevent a capacity shortfall.

2 Tr 244. Alternatively, the Staff proposed that the Commission require I&M to "develop and execute the necessary agreements required to enable a mandatory load reduction from the large-

load customer to prevent firm load shedding of other customers.” 2 Tr 245. The Staff also recommends that I&M rename its “Contract Capacity Reductions” section to “Contract Capacity” and to include language addressing how the company will handle a large-load customer who exceeds its contracted capacity. 2 Tr 233-234.

The ALJ reviewed the positions of the parties at pages 50 through 60 of the PFD, which are not fully restated here. The ALJ recommended that the Commission allow large-load customers “a one-time reduction without penalty of no more than 10% of contracted capacity, with a four-year written notice requirement,” finding this to be consistent with the November 6 order. PFD, p. 60. The ALJ found that the company did not provide adequate evidence to demonstrate that a 20% capacity reduction with five years notice was more reasonable; therefore, she declined to deviate from the capacity reduction approved by the Commission in the November 6 order. The ALJ recommended that, in instances of capacity reduction “where the Company has determined that it is unnecessary for the customer to pay the exit fee,” she recommended “that the reduction should be subject to Commission review and approval in an *ex parte* proceeding.” PFD, p. 60.

In addition, the ALJ recommended that the Commission adopt the Staff’s proposed language, with modifications, addressing large-load customers exceeding the contracted capacity. Specifically, she found the language should be “modified with the threshold of the lesser of 10% change in maximum load or 50 MW,” and the “additional language that the customer may take interruptible service.” *Id.*, pp. 60-61. Notwithstanding this, the ALJ did not recommend adoption of the “Staff’s recommended firm load shedding requirements for large load customers,” finding it to be unnecessary and that “applying these requirements on all large load customers may be challenging to implement and could pose unnecessary burdens without providing any enhanced reliability.” *Id.*, p. 61. Finally, the ALJ found the Staff’s alternative proposal to be reasonable and

recommended that “I&M be required to develop and execute the necessary agreements required to enable a mandatory load reduction from the large load customer to prevent firm load shedding of other customers.” *Id.*

In exceptions, I&M argues that the ALJ erroneously adopted the Staff’s recommendation and that the primary rationale for the adoption of a 10% reduction was based upon the Commission’s decision in the November 6 order. The company avers that the ALJ’s sole reliance upon that decision is not reasonable when considering I&M’s lower threshold for large-load customers and the smaller service territory. I&M’s exceptions, p. 5. I&M further objects to the ALJ’s recommendation to reduce the notice requirement from the company’s suggested five years to a four-year notice requirement. Specifically, the company claims that it is more appropriate to align the notice requirement with the other provisions of the tariff and that it reviews the “potential impacts of such reductions on generation procurement and planning [using] a five-year horizon for a number of functions.” *Id.*, p. 5 (citing 2 Tr 70). Finally, I&M argues that any requirement for *ex parte* filings should be considered compliance filings, which it contends is consistent with the Staff’s briefing. I&M’s exceptions, pp. 5-6 (citing Staff’s initial brief, p. 28).

In exceptions, ABATE contends that the ALJ’s recommendation is problematic. Specifically, ABATE states that:

if all new 50 MW or larger customers are required to enter agreements that require a mandatory reduction of their firm load to prevent firm load shedding of other firm customers, it would have the same outcome as if I&M was required to shed the firm load of these customers prior to the firm load shedding of other customers. In both cases, these firm customers would generically be required to accept a lower quality of firm service than other firm customers despite the lack of evidence demonstrating a generic need for such a lower level of firm service quality.

ABATE’s exceptions, p. 4. ABATE avers that the Commission should instead only implement firm load shedding requirements on a case-by-case basis. ABATE further posits that this could be

done through the *ex parte* proceedings proposed to review each large-load customer prior to connection.

In reply, the Attorney General indicates that the company's exceptions do not adequately address the scale of large-load customers. More specifically, the Attorney General states that, for large-load customers, "even a 10% change in capacity for such customers could easily reflect a difference of hundreds of millions of dollars in planned incremental cost." Attorney General's replies to exceptions, p. 3. Therefore, the Attorney General opines that the Commission should reject the company's 20% capacity reduction. Further, the Attorney General argues that the Commission should similarly reject the request that the company's filing with the Commission regarding capacity reduction be limited to a compliance filing. The Attorney General indicates that such a deviation affects revenues and can result in cost-shifting, which is not reasonable. The Attorney General again emphasizes that the large size of the customer affects the risk of cost-shifting, which should be fully evaluated by the Commission. *See, id.*, p. 4.

The Commission finds that the ALJ's recommendation to allow a one-time capacity change of no more than 10% capacity is reasonable. While the company focuses on a customer with a load of 50 MW, it also acknowledges that such a customer is on the low end and, as pointed out by the Attorney General, such a reduction still will have a significant impact on planned incremental costs. *See*, I&M's exceptions, p. 5; *see also*, Attorney General's replies to exceptions, p. 3. Further, the Commission finds that the Staff's proposal to require a four-year notice is reasonable and appropriate. While I&M indicates that consistency between its Indiana and Michigan service territories would be beneficial for the company, the Commission finds that consistency for Michigan ratepayers is a more appropriate consideration. As noted by the Staff, "[e]stablishing consistent protections for Michigan ratepayers across large-load tariffs/provisions should take

priority over maintaining consistent policies with a different state, in which the Commission has no jurisdiction.” Staff’s initial brief, p. 25. Therefore, the Commission adopts the recommendation to allow a one-time change in capacity of no more than 10%, with a four-year written notice requirement.

With regard to firm load shedding requirements, the Commission adopts the Staff’s alternative proposal and finds that I&M should “develop and execute the necessary agreements required to enable a mandatory load reduction from the large-load customer to prevent firm load shedding of other customers.” 2 Tr 245. The Commission additionally notes that the application of this requirement must be consistent with the regional transmission organization’s requirements.

The Commission further finds that the Staff’s additional recommendations are reasonable and should be adopted. Specifically, the company’s “Contract Capacity Reductions” section should be renamed “Contract Capacity” and I&M must include language addressing how the company will handle a large-load customer who exceeds its contracted capacity. *See*, 2 Tr 233-234. Further, the Commission finds that customers seeking capacity reductions, other than the one-time discretionary reduction addressed above, should be subject to Commission review through an *ex parte* proceeding. The Commission also finds that a large-load customer may not assign capacity to another customer within its own discretion.

The Commission notes the Attorney General’s request to require contested case proceedings rather than *ex parte* proceedings. In that regard, the Commission finds that *ex parte* proceedings, when appropriate, are administratively efficient and authorized under MCL 460.6a(3). However, upon review of a case as filed, the Commission has the authority to modify the proceeding to a contested case, when it is deemed appropriate and necessary. Mich Admin Code, R 792.10415(1). This determination will be made on a case-by-case basis.

8. Minimum Charge

I&M described its proposed minimum charge modification and indicated that the revised “provision ensures the Large Load Customers are responsible for at least at 90% of their requested contract capacity and 65% of their expected energy usage to provide reasonable financial support for the significant transmission and generation infrastructure needed to serve large loads.”

2 Tr 54. In briefing, the Attorney General argued that “the Company has been unable or unwilling to explain why 65% of contract capacity is a sufficient factor to apply to that end.” Attorney General’s initial brief, p. 30.

The ALJ found that I&M’s proposed minimum charge was not disputed in testimony and that the Attorney General’s position was not sufficient to demonstrate “that a different energy charge would be more (or less) reasonable than I&M’s proposed 65%,” therefore, she declined “to adopt the Attorney General’s recommendation that I&M explain its proposal in more detail in its next rate case or in a standalone case.” PFD, p. 64.

The Attorney General takes exception and argues that I&M did not meet its burden of proof to demonstrate its proposal was reasonable and prudent. The Attorney General contends that the company’s inability to explain why 65% is more appropriate is concerning. Attorney General’s exceptions, p. 10. As such, the Attorney General indicates the Commission should require the company to file additional evidence to demonstrate reasonableness of its proposed minimum charge in its next rate case. *Id.*, p. 11

The company replies, indicating that the Attorney General’s arguments are not well developed or supported by other parties to this proceeding. I&M’s replies to exceptions, p. 8. Further, I&M states that its “direct testimony explains why 65% was selected. The record demonstrates that this provision is necessary due to the structure of I&M’s Michigan retail rates wherein a portion of

capacity-related charges are included in I&M's retail energy rates." *Id.* Reiterating its testimony, the company explains that the ALJ demonstrated the consideration of the evidence and that the Commission should adopt the ALJ's recommendation.

The Commission finds, contrary to the Attorney General's position, that the company did present support for its selection. Specifically, I&M indicates that:

to determine the minimum charge for a Large Load Customer, I&M has included terminology to ensure the Tariff LP Power Supply Non-Capacity Energy Charge, as well as all energy charges in all applicable riders are calculated at 65% of monthly billing hours at a minimum. This provision is necessary due to the structure of I&M's Michigan retail rates wherein a portion of capacity-related charges are included in I&M's retail energy rates. Specifically, I&M's Power Supply Cost Recovery (PSCR) rate includes capacity-related costs and transmission costs that are typically allocated on a demand basis but recovered on an energy rate. This minimum charge further ensures protections for I&M's customers supporting the recovery of fixed costs from Large Load Customers.

2 Tr 52-53. The Commission further finds that the ALJ's recommendation is reasonable and should be adopted. PFD, p. 64. The Commission declines, at this time, to proactively require I&M to file additional information regarding its selected minimum charge, as requested by the Attorney General. Nevertheless, the Commission notes that a party to a rate case proceeding is able to review the company's case and challenge the company's position in those proceedings.

9. Exit Fee

I&M proposed that a large-load customer that terminates its contract, elects to take service from a qualified alternative energy supplier, or reduces its contract capacity beyond 20% at any time during the contract term be subject to an exit fee that is "equal to the remaining Minimum Charge for the terminated/reduced capacity in excess of the 20% allowed reduction for the remainder of the Contract Term." 2 Tr 48. The Staff argued that a capacity reduction provision should not offset the exit fee. Therefore, the Staff contends that:

the purpose of an exit fee in large load tariffs is to ensure that in the event the customer ceases service from the utility, the costs associated with serving the customer do not become stranded assets and are not borne by the utility or its ratepayers. Therefore, Staff recommends that the exit fee should require the full minimum charge to be assessed against the full contract capacity for the remainder of the contract term, consistent with the November 6 order.

2 Tr 244. The Attorney General argued that:

[f]irst, the exit fee should be applicable from the point the Company executes an Electric Service Agreement with a Large Load Customer, and should apply during the ramp-up period. . . . Second, the exit fee should be due and payable to the Company upon the effective date of contract termination, upon notice of election to take service from an alternative electric supplier, or upon the effective date of a capacity reduction. Third, any waiver or reduction of the exit fee should be subject to Commission review and approval as part of a contested case proceeding to ensure that such modifications do not harm other customers or create stranded assets. Fourth, the exit fee should be calculated including any contract extension due to the evergreen provision.

2 Tr 160-161. I&M clarified its position, indicating that it proposed that the exit fee apply during the ramp-up period. 2 Tr 71.

The ALJ recommended adoption of the Staff's and the Attorney General's recommendations to set the exit fee based upon the large-load customer's full contract capacity and found that the exit fee should not be offset by any allowed capacity reduction. PFD, p. 70. The ALJ noted agreement with the Attorney General "that reducing contracted capacity and permanently departing are discrete and distinct events" and that "[t]he purpose of the exit fee is to ensure that a departing customer is responsible for the costs incurred by I&M to serve that customer, and these costs are based on the original contract." *Id.* Therefore, the ALJ recommended that the company be permitted to reduce or mitigate an exit fee only with Commission approval, as part of a contested case. Finally, the ALJ stated that "the exit fee should be applicable from the point the Company executes an agreement to take service, apply during the ramp-up period, and be calculated including any contract extension due to the evergreen provision." *Id.*

I&M filed exceptions and notes that it:

is not proposing that a large load customer should be permitted to invoke a capacity reduction at the time it is exercising its right to terminate the contract—when the exit fee is imposed. Given the limitations on allowable contract reductions, the difference in the amount of the exit fee will be incremental relative to the overall amount of the exit fee.

I&M's exceptions, p. 6. The company further argues that Commission review of reduced or mitigated exit fees through a contested case proceeding is “duplicative of the purpose of the Tariff LP,” but, if the Commission finds it to be necessary, “it should do so through a compliance filing rather than a contested case proceeding.” *Id.*, p. 7.

The Attorney General replies that the Commission should reject the company's exceptions regarding the exit fee. Specifically, the Attorney General indicates that I&M's position through the proceeding appears “to permit by default a reduction in contract capacity as part of the Company's proposed exit fee calculation.” Attorney General's replies to exceptions, p. 5. She further explains that she “does not contend that a reduced contract capacity previously approved—under the terms recommended by the Attorney General including through review in a contested case—should not subsequently be used in calculating the exit fee.” *Id.*, pp. 5-6. Reiterating her record testimony, the Attorney General explains that, to the extent the company disputes that large-load customers should not by default receive a reduced exit fee, the Commission should reject the company's exceptions. The Attorney General further posits the “muddled” arguments on this issue demonstrate why contested case proceedings are necessary and states that “the Commission should also reject I&M's exception to the PFD's recommendation that determinations of potential exit fee mitigation be reviewed through contested cases.” *Id.*, pp. 6-7.

The Commission agrees with the ALJ's recommendation that the exit fee be based upon the large-load customer's full contract capacity and her finding that “reducing contracted capacity and

permanently departing are discrete and distinct events.” PFD, p. 70. The Commission also finds that I&M may be allowed to reduce or mitigate exit fees, but only with Commission review and approval. However, the Commission respectfully disagrees that all reviews must be required to be part of a contested case proceeding. Requests to reduce or mitigate exit fees may be reviewed as part of an *ex parte* proceeding before the Commission if it is determined by the Commission that *ex parte* treatment is appropriate. Additionally, as it has been noted elsewhere, the Commission has the authority to modify a proceeding to a contested case, when it deemed such to be appropriate and necessary. This determination will be made on a case-by-case basis. Therefore, the Commission modifies the ALJ’s recommendation on this issue, limited to the recommendation to always require a contested case proceeding for the review of proposed reductions or modifications to exit fees.

10. Collateral Requirements

I&M proposed that the “amount of collateral to be provided within 10 business days of contract signing is equal to twenty-four (24) multiplied by the maximum expected monthly non-fuel bill based on the Large Load Customer’s maximum contract capacity.” Exhibit IM-1, p. 9. The Staff recommended modifying the proposal for collateral to be consistent with the November 6 order. 2 Tr 256-257. The Attorney General similarly recommended modifications consistent with the November 6 order. 2 Tr 161-162. On rebuttal, I&M noted agreement to the collateral being “due within 10 business days of contract signing and to recalculating the amount due annually, and if the recomputed amount is more than 10% of the current amount held by the Company, requesting that additional collateral from the customer.” 2 Tr 77. Further, I&M indicated that, if the Commission adopts collateral terms similar to Case No. U-21859, it should

add the term that “the Company may, at its discretion, accept a different form of collateral subject to Commission review and approval.” 2 Tr 78.

The ALJ reviewed the positions of the parties on this issue at pages 71-78 of the PFD, which will not exhaustively be repeated here. The ALJ found the Staff’s recommended modifications to the company’s proposed collateral requirement to be well-supported on the record. Therefore, the ALJ recommended adoption of the modifications as follows:

1) the default collateral amount is equal to 50% of the exit fee; 2) a standby irrevocable letter of credit or cash, which would earn interest, are acceptable default forms of collateral; 3) I&M may require a different collateral amount or accept a form of collateral other than the default provisions, subject to Commission review and approval.

PFD, p. 78. The ALJ further found that the Staff’s modifications are consistent with the November 6 order and are also supported by the Attorney General. The ALJ further stated that “I&M’s request that it be able to seek approval of a different form of collateral is adopted and while the Attorney General recommended a collateral amount equal to 100% of the exit fee, she supported an amount equal to 50% of the exit fee if her proposal was declined.” *Id.*, pp. 78-79.

In exceptions, the company argues that the ALJ’s recommendation will likely be an economic deterrent with increased collateral requirements and additional Commission review. I&M’s exceptions, p. 13. I&M further argues that the ALJ’s recommendation requires Commission approval to utilize a parental guarantee, which the company contends is a departure from the Staff’s position. I&M states that “[p]roviding flexibility with regard to the form of collateral allows creditworthy customers to take advantage of that creditworthiness and provide the same level of protection to the Company’s existing customers.” *Id.*, pp. 13-14. Overall, the company claims that the ALJ focused on the Commission’s ruling in Case No. U-21859, and the Commission should instead focus on the evidence presented in this proceeding, which

demonstrates “that the use of a parental guarantee is appropriate in some circumstances, at the discretion of the Company.” *Id.*, p. 14.

The Attorney General takes exception, arguing that the ALJ’s conclusion “does not provide any explanation for why a calculation based on 50% of the exit fee as compared to 100% (the Attorney General’s primary recommendation) would be more appropriate.” Attorney General’s exceptions, p. 13 (citing PFD, p. 79). Reiterating her briefing, the Attorney General states that the calculation for collateral should be based on the entirety of the exit fee.

The Attorney General replies that I&M presented “no evidence to explain how a collateral requirement calculated as two years of non-fuel bills would cover any meaningful portion of costs expected from the massive customers at issue.” Attorney General’s replies to exceptions, p. 9 (citing Attorney General’s reply brief, pp. 13-15). She posits that, absent such evidence, the Commission should adopt a collateral amount to be calculated based on 100% of the exit fee, consistent with previous Commission decisions. Therefore, the Attorney General avers that the Commission should reject the company’s exceptions on this issue and adopt her recommendation. Attorney General’s replies to exceptions, pp. 9-10.

The company also replies, indicating again that the Attorney General’s recommendations are unsupported. Further, I&M states that the Attorney General reiterates her record position “but makes no new arguments and relies on her briefs on this issue.” I&M’s replies to exceptions, p. 10.

The Commission finds that the ALJ’s recommendation is well-reasoned and supported on this record. The Commission, therefore, adopts the ALJ’s findings and recommendations regarding collateral, consistent with the November 6 order and the Staff’s proposed tariff language. PFD, pp. 78-79; *see also*, 2 Tr 257-259.

11. Administrative Fee, Facilities Allowance, Interconnection Requirements, Large Load Interconnection Workgroup

The ALJ addressed the positions of the parties and issues pertaining to the company's interconnection provision including proposed administrative fees, facility allowance proposals, updating the interconnection requirements, and the proposal for a large load interconnection workgroup at pages 79 through 100 of the PFD, which will not be exhaustively repeated here. The Commission addresses the individual disputed issues within this section more fully below.

a. Administrative Fee

The Staff recommended that an upfront administrative fee of \$100,000, with reconciliation, be applied to large-load customers. 2 Tr 255. The company responded that the Staff's fee would be disproportionate to many inquiries and that a more predictable flat rate "would better align fees with the level of effort required across load requests, enhances transparency for prospective customers, and reduces administrative burden of reconciling actual costs while maintaining cost discipline." 2 Tr 94.

The ALJ found that the Staff's recommendation for a collection of an administrative fee was appropriate "given the unique size of large load customers, the number of studies that may be required before interconnection, and that I&M may receive innumerable interconnection inquiries from prospective large loads that do not lead to the establishment of service." PFD, p. 96. With respect to the amount of the administrative fee, the ALJ found the company's proposed tiered fee to be a reasonable compromise that was also consistent with the November 6 order. Therefore, the ALJ recommended the Commission adopt I&M's "tiered fee of \$50,000 for large loads of 50 MW up to 99 MW and \$100,000 for loads of 100 MW or more, finding it a reasonable compromise that balances consumer protection with attracting large load customers." PFD, p. 96. In addition, the ALJ recommended that the fee be reconciled with the company's actual costs.

The Staff takes exception to the ALJ's recommendation to adopt I&M's tiered administrative fee. Specifically, the Staff states that the company did not cite evidence on the record that "would suggest that inquiry costs are different for smaller load customers versus larger load customers. In fact, Staff believes no such evidence exists within the record." Staff's exceptions, p. 3. Thus, the Staff requests that the Commission "maintaining its position in [Case No.] U-21859 to approve an administrative fee equal to \$100,000 to be reconciled against actual costs." *Id.*

I&M replies, reiterating its record position that an administrative fee is not necessary. The company again states that, if the Commission finds an administrative fee is appropriate, "the tiered fee is supported by the record and is the best approach." I&M's replies to exceptions, p. 7.

The Commission finds the Staff's proposal for an administrative fee is the most reasonable and prudent approach on this record. Specifically, the Commission finds that the proposed \$100,000 administrative fee is an appropriate starting point. Given there is no evidence to demonstrate differing costs based on the load requests, the Commission does not find the tiered structure to be more appropriate. Moreover, the Commission finds that the Staff's proposal includes reconciliation of the administrative fee, which the Commission finds to be reasonable and prudent for both large-load customers and the company. Therefore, the Commission adopts the Staff's proposed tariff language and proposal for "a \$100,000 upfront administrative fee to be reconciled at the completion of any and all studies performed by the Company for potential large load tariff customers—not only interconnection studies." 2 Tr 255-256.

b. Facilities Allowance

The Attorney General noted concerns regarding the company's facilities allowance policy, indicating that there is a significant risk of cost-shifting to existing customers. Thus, the Attorney

General proposed that direct connect facility costs be covered by the large-load customer or that socialized costs be separately tracked and monitored to ensure there is no cost shifting. 2 Tr 151.

Regarding the facilities allowance, the ALJ recognized the intervenors' concerns regarding cost-shifting risks of direct connect facilities but found that the instant record was not developed well enough to determine whether the company's current contributions in aid of construction (CIAC) policies will lead to cost shifting. The ALJ also stated that the Commission has previously found CIAC issues are more appropriately considered within the context of a rate case "and that at least one of the six cost allocation and rate design proposals that the Commission ordered in Case No. U-21859, which are also recommended in this case, would be based on direct assignment of costs and include CIAC issues." PFD, p. 97 (citing November 6 order, pp. 114-115).

The Attorney General takes exception, arguing that the ALJ's recommendation reverses the burden of proof. Specifically, the Attorney General states that "I&M has the burden of proof to show that its requests are reasonable and prudent" and, "[i]f the ALJ believes there is not sufficient evidence to determine the cost-shifting outcomes for large load customers under I&M's existing facility allowance policies, then I&M has failed to prove how those policies will reasonably and prudently protect its ratepayers." Attorney General's exceptions, pp. 4-5. In sum, the Attorney General requests that the Commission adopt her recommendation to "require direct-assignment of large-load customer interconnection costs." *Id.*, p. 5 (citing Attorney General's brief, p. 3).

The company replies that the Attorney General's position is speculative and not supported. I&M argues that, contrary to the Attorney General's exceptions, the ALJ's recommendation is reasonable and based upon the lack of evidence provided by the Attorney General for her alternative proposals. I&M's replies to exceptions, p. 5. Therefore, the company states that "[t]he Commission should reject the [Attorney General's] proposal to direct assign customer

interconnection costs and should reject the [Attorney General's] claims that the Company has not met its burden of proof on this issue.” *Id.*

The Commission finds that the ALJ's recommendation is well-reasoned on this issue. The Commission agrees that the most appropriate venue to fully consider CIAC is within the context of a rate case. *See*, PFD, p. 97. The Commission also notes that special contracts for large-load customers may also address alternative CIAC provisions. Therefore, the Commission adopts the ALJ's recommendation on this issue.

c. Large Load Interconnection Workgroup and Updated Requirements

The CEOs recommended that the Commission create a large load interconnection workgroup, which should:

- Summarize the reliability risks related to interconnection of large loads and existing guidance from relevant authorities and stakeholders for addressing these risks.
- Develop a set of recommended technical interconnection requirements for large loads to address these risks. Such recommendations should be suitable to be adapted by utilities or implemented directly.
- Develop a process including criteria beyond load size to determine when a large load should be subject to the above requirements in order to address reliability risks.
- Recommend specific approaches to implementing flexible interconnection and/or bring your own generation pathways for bringing large loads online more quickly without sacrificing grid reliability.
- Recommend pathways for statewide implementation of the above recommendations and requirements.

2 Tr 182. In addition to the workgroup recommendation, the CEOs proposed that I&M “should update its ‘Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System’ to improve its voltage ride-through requirements and add operational ramp rate limits.” 2 Tr 198. I&M argued that the workgroup recommendation was “well beyond the scope of this proceeding as this proceeding is for establishing terms and conditions of service for Large Load Customers.” 2 Tr 76. ABATE also disagreed with the

recommendation for a workgroup, arguing that it is premature to begin a workgroup at the state level. 2 Tr 125.

The ALJ recommended that the Commission adopt the CEOs' proposal to establish a large load interconnection workgroup including the Staff, regulated utilities, and technical experts. The ALJ found that the arguments that the work group recommendation was premature or outside the scope of this proceeding were effectively rebutted by the CEOs. PFD, p. 98. The ALJ further stated that the workgroup should:

address the reliability impacts of large load customers on the grid, review existing data to understand the technical challenges of interconnecting large loads, follow efforts elsewhere, discuss how Michigan's approach should relate to and interact with standards or recommendations from NERC [North American Electric Reliability Corporation], FERC [Federal Energy Regulation Commission], MISO [Midcontinent Independent System Operator, Inc.], and PJM [PJM Interconnection, L.L.C.], identify best practices for large load interconnection, develop a set of proposed technical requirements for the interconnection of large loads, and provide a roadmap for implementation of the requirements. Further, the workgroup should make recommendations on the implementation of flexible interconnection and BYOG [bring your own generation] and review large load thresholds.

Id., pp. 99-100.

Additionally, the ALJ found that the CEOs have:

demonstrated that I&M's interconnection requirements are likely not robust enough to manage large load customers and adopts its recommendation that I&M should update its "Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System" to improve its voltage ride-through requirements and add operational ramp rate limits. The arguments against this recommendation failed to rebut the CEO's assertion that adding these two requirements would be "simple and straightforward to implement, have industry precedent, and can protect against many near-term reliability risks caused by large data center loads."

Id., p. 97.

In exceptions, I&M contends that the CEOs' proposal is undeveloped and duplicative of the existing efforts of NERC, FERC, MISO, and PJM. I&M's exceptions, p. 8. The company

specifically states that the “record reflects that adopting such a working group at this point is premature and would likely result in policies that diverge from other regulatory jurisdictions.” *Id.* Therefore, the company requests that the Commission decline to require a workgroup. The company further excepts to the ALJ’s recommendation to update its interconnection standards. I&M states that it “has acknowledged the need to update those standards and the record reflects that the Company is already in the process of updating those standards.” I&M’s exceptions, p. 7 (citing 2 Tr 75).

In exceptions, ABATE argues that it is premature to implement a large load interconnection workgroup. Further, ABATE states that the ALJ’s recommendation regarding the proposed workgroup “is imprudent and unnecessary given the recent updates to interconnection standards in Michigan and the potential direction to be provided on this issue at the transmission level.” ABATE’s exceptions, p. 6. Pointing to the Commission’s decision in the November 6 order, ABATE states that the Commission, due to the recently updated interconnection standards, was not persuaded that a workgroup was necessary. Further, ABATE indicates that this “determination was less than a year ago and the applicable standards cannot be said to have grown outdated since that time.” *Id.* ABATE avers that it is premature to address standards from NERC and the regional transmission organizations because such standards do not yet exist. Therefore, ABATE indicates that the recommendation should be rejected at this time. *Id.*, p. 7.

ABATE also excepts to the ALJ’s recommendation for the company to “update its ‘Requirements for Connection of New Facilities or Changes to Existing Facilities Connected to the AEP Transmission System’ to improve its voltage ride-through requirements and add operational ramp rate limit.” ABATE’s exceptions, p. 7 (quoting PFD, p. 97). Specifically, ABATE contends that the recommendation is premature and should be delayed “until the requirements at the NERC

and PJM level are established, known, and subject to implementation.” ABATE’s exceptions, p. 7.

The CEOs reply that a workgroup should be established because the “overlapping issues of large-load interconnection processes and technical requirements are not yet being adequately addressed in existing dockets, state-wide policies, or [by] other regulators such [as] the North American Electric Reliability Corporation (‘NERC’).” CEOs’ replies to exceptions, p. 1. The CEOs further allege that it is not premature and that there are advantages to working in parallel with other regulatory agencies. *Id.*, p. 2. The CEOs contend that this case is distinguishable from Case No. U-21859 because the parties in that case did not provide testimony on the need for a workgroup and there is substantial testimony in this case. Additionally, the CEOs claim that the record reflects that the interconnection rules are outdated and that there have been “recent developments related to large load reliability impacts, including NERC’s Level 2 Alert and proposed reliability guidelines.” *Id.* (citing 2 Tr 189). Therefore, the CEOs continue to propose the adoption of the ALJ’s recommendation to establish a workgroup.

Continuing, the CEOs argue that I&M’s exceptions are contradictory given I&M’s claim that it is unnecessary to update the standards while further noting that the company is already updating its standards. CEOs’ replies to exceptions, p. 4 (citing I&M’s exceptions, p. 7). Similarly, the CEOs argue that ABATE’s objections are not persuasive because the “evidence in the record establishes that these requirements are necessary to manage the risks posed by the interconnection of large load customers,” and “[w]ithout voltage ride-through requirements governing how large loads respond to dips or surges in voltage, large load customers can pose significant risk to the stability and reliability of the grid.” CEOs’ replies to exceptions, p. 4 (citing CEOs’ initial brief, p. 6, and 2 Tr 198).

The Commission respectfully disagrees with the ALJ's recommendation at this time. As noted above, other regulatory bodies are also reviewing and considering the implementation of standards in this area. *See*, 2 Tr 125. The Commission finds that additional discussions in this area may be prudent in the future. However, the Commission agrees that implementation of a workgroup is premature. *See, id.* Notwithstanding this, the Commission finds that the CEOs' proposal to require I&M to modify its interconnection requirements, which the company notes is already underway, is reasonable. Therefore, the Commission adopts the ALJ's recommendation to require an update to the company's technical interconnection requirements. PFD, p. 97.

12. Cost Allocation and Rate Design Proposals

The Staff proposed:

that if any customer with a contract capacity at or exceeding 50 MW comes on to the Company's system before the Company files its next rate case, that the Company be required to include the following cost allocation and rate design proposals in its filing: (1) one under traditional ratemaking as exemplified by I&M's current COSS [cost of service study] from its most recent rate case order including the expected full contract capacity of any large load customer(s) on Rate LP; (2) same as (1), but with the inclusion of a new large load customer rate class (50 MW or greater, with a 50 MW threshold for aggregation of loads from the same customer); (3) same as (2), but using 12CP [coincident peak] to allocate costs instead of 4CP where 4CP is currently being utilized; (4) one under traditional ratemaking utilizing the most recently approved COSS without the large load customer(s) in service; (5) one utilizing a direct assignment of costs to a new large load customer rate class, including transmission, generation, and distribution costs; and (6) if the Company serves more than one large load customer on the rate, one utilizing a direct assignment of costs to the individual large load customers, again including transmission, generation, and distribution costs. Staff recommends that I&M be required to provide all the data necessary to allow the Staff and intervenors to recreate the proposals, which may be filed under seal if necessary, including a workpaper listing of all assumptions used to create the proposals.

2 Tr 235. The Attorney General and ABATE also recommended the filing of the same six cost allocation and rate design proposals. 2 Tr 112, 154. I&M responded that presentation of the six

proposals is unduly burdensome and that some of the analyses the parties proposed are in violation of the FERC-approved tariffs. 2 Tr 79.

The ALJ agreed with the “Staff, the Attorney General and ABATE that I&M should be required to file six cost allocation and rate design proposals to illustrate the impact on test year costs, including surcharges, for existing customers and large load customers.” PFD, p. 105. Thus, she recommended that the Commission adopt the Staff’s proposal including the requirement to file the six cost of service and rate design proposals, “include a workpaper listing all assumptions used to create the proposals, and a summary exhibit comparing the impacts of the proposals on all customer classes on a side-by-side basis.” *Id.* With regard to the company’s concerns regarding FERC-approved tariffs, the ALJ stated requiring the submission is not a violation and that the burden of producing the analyses is outweighed by the cost-shifting concerns which can be addressed through the review of the proposals. *Id.*, pp. 105-106.

In exceptions, I&M disagrees with the ALJ’s recommendation, arguing that it does not fully address the company’s concerns regarding the burden of presenting the proposals and “merely parrots Staff’s justification that the studies themselves would not violate FERC cost allocations although the underlying cost allocations may do so.” I&M’s exceptions, p. 9 (citing PFD, pp. 105-106). Further, I&M states that the ALJ does not address its position that the parties to the company’s next rate case proceeding are able to request these analyses as part of that proceeding. I&M’s exceptions, p. 9 (citing 2 Tr 80). The company contends that, given the underlying cost calculations violate FERC-approved tariffs, performing these studies is not practical for the company and, in turn, is neither a reasonable nor prudent use of company resources. I&M’s exceptions, p. 9.

The Attorney General also filed exceptions on this issue with respect to the timing of the requirement. The Attorney General states that the requirement to file the proposals in the company's rate case following I&M's first customer of 50 MW or more coming online is inconsistent with prior Commission orders. Specifically, she indicates that the Commission has previously required the utility to file within the next rate case—irrespective of whether a large-load customer has come online. Attorney General's exceptions, pp. 3-4. Therefore, the Attorney General requests that the Commission clarify and require the company to file the six cost allocation and rate design proposals in its next rate case. *Id.*, p. 4.

The Attorney General replies to the company, indicating that I&M's exceptions misstate her position. Specifically, the Attorney General contends that she “discussed at length in her exceptions why a direction of the Commission for I&M to file the six proposals should not require waiting for a 50MW customer in the Company's Michigan service territory.” Attorney General's replies to exceptions, p. 7 (citing Attorney General's exceptions, pp. 3-4). The Attorney General further argues that the company did not explain how the six proposals with direct cost allocation would violate FERC-approved cost allocation, why costs could not be tracked and directly assigned, or why I&M “could not parse each large load customer's contribution to incremental generation resource costs either individually or on a by-class basis under a direct-assignment framework.” Attorney General's replies to exceptions, pp. 7-8 (citing Attorney General's reply brief, pp. 9-10). In that regard, the Attorney General argues that the Commission should reject the company's position on this issue.

ABATE replies to the company's exceptions, indicating that the Commission required other utilities to file the six cost allocation and rate design proposals and notes that “[t]hese studies are necessary to demonstrate the rate impact of adding these loads.” ABATE's replies to exceptions,

p. 1. Reiterating its briefing on this issue, ABATE avers that requiring the company to file this information “is imperative to protect existing customers and clarify rate impacts as these types of customers come online.” *Id.*, p. 3. Therefore, ABATE requests that the Commission affirm the PFD on this issue.

The Commission finds that the ALJ’s recommendation is well-reasoned on this issue. The Commission finds it is reasonable to require the filing of the six cost allocation and rate design proposals outlined by the Staff and that this informational requirement is not in violation of FERC guidelines. When balancing customer and utility interests, providing these analyses is not overly burdensome for the company and requiring the company to file the information is administratively efficient. Therefore, the Commission adopts the ALJ’s findings and recommendations with respect to filing the six cost allocation and rate design proposals. *See*, PFD, pp. 105-106; *see also*, 2 Tr 235.

13. Commission Filing for Large-Load Customers

The Staff proposed that the Commission require I&M to file an *ex parte* docket prior to each large-load customer taking service in which the company demonstrates “compliance with the new large load tariff and demonstrate that costs caused by interconnecting the large-load customer are not being paid by other customers. Requests to adjust the collateral requirement to something other than what is outlined in the large load tariff would be included in the filing.” 2 Tr 259-260 (citing November 6 order, p. 117). ABATE similarly recommended adopting such a requirement, consistent with the November 6 order. 2 Tr 112. I&M responded that such a requirement would be “unnecessary, unduly burdensome, and contrary to the purpose of having tariff provisions in the first place.” 2 Tr 81.

The ALJ recommended that the Commission adopt the Staff's and ABATE's proposals to require I&M to file an *ex parte* proceeding prior to each large-load customer taking service. She held that these proceedings should "clearly demonstrate[] compliance with the tariff requirements and that costs caused by the interconnecting large load customer are not being paid by other customers." PFD, p. 110. The ALJ indicated that the recommendation is consistent with the Commission's directive in the November 6 order and that the Commission should similarly "endeavor to make a decision on these filings within 90 days of the filing date." *Id.* (quoting November 6 order, p. 117). Further, the ALJ noted the company's concerns regarding increased regulatory burden but stated that the costs are "outweighed by the need to better understand how large loads impact I&M's system and address cost-shifting risks, particularly given that one new large load customer would be equivalent to 10% of I&M's current Michigan load" and that concerns regarding uncertainty should be relieved by the Commission's goal to issue decisions within 90 days of filing. PFD, p. 110.

I&M takes exception, arguing that the ALJ "does not address the fundamental issue that requiring a proceeding for the Commission to approve each contract defeats an essential purpose of Tariff LP." I&M's exceptions, p. 10. The company further contends that customer-by-customer review is inconsistent with the Commission's authority under MCL 460.6 and asserts that the Commission should rest on its approval of the tariff including the terms and conditions to be approved in this case. *Id.*, pp. 10-11. I&M explains that, if the Commission finds a case-by-case review is necessary, the Commission should not require *ex parte* filings requiring formal notice and orders. Rather, the company claims that:

[t]o more closely match Staff's intent and prevent additional administrative burden and regulatory uncertainty, the pre-service compliance filing should actually be a compliance filing rather than an *ex parte* proceeding. Such a compliance filing would provide Staff and the Commission with the transparency and timely

notification that they seek. It also provides Staff and the Commission with confirmation that the large load customer is taking service under Tariff LP and that no costs will be borne by other customers. There is no need for an *ex parte* case because there is no need for a decision—the Commission will determine what it believes the reasonable provisions of the Tariff LP are in this case. Subsequent proceedings simply affirm compliance with those provisions.

I&M's exceptions, p. 12.

The Attorney General also takes exception with regard to a case-by-case review of new customers, requesting contested case proceedings rather than *ex parte* proceedings as recommended by the ALJ. Attorney General's exceptions, p. 11. In support of her position, the Attorney General argues that the ALJ did not cite record evidence to indicate why contested cases would not be workable and claims that, given the size of the customers, contested cases are more appropriate. *Id.*, p. 12.

The company replies to the Attorney General's exceptions, arguing that is untenable to require contested proceedings regarding each large-load customer. Further, I&M states that intervenors have "ample opportunity through rate cases, review of compliance filings, and participation in the wide variety of regulatory proceedings that the Company participates in to examine information related to large load customers." I&M's replies to exceptions, p. 10.

The Attorney General replies to the company's exceptions and states that the company's exceptions miss the intention of the requirement for case-by-case review. Specifically, the Attorney General claims that "a review of each customer would help to better ensure against cost shifting caused by such customers." Attorney General's replies to exceptions, p. 8 (citing November 6 order, p. 117). The Attorney General also reiterates her position that a contested case proceeding should be required.

In reply, ABATE states that the company's claims miss the point that the nature and size of the large-load customers is novel. ABATE quotes the ALJ's recommendation, emphasizing that it

is not possible for the Commission to know the impact on existing customers and if they will be bearing the cost to serve the new large-load customers. ABATE emphasizes that filings are essential to review for potential subsidization and cost-shifting risks. ABATE further indicates that, contrary to the company's claims, the filing is "not simply a tariff compliance box-checking exercise, it provides for evaluating the prospective customer's impact on I&M's system and customers." ABATE's replies to exceptions, p. 4.

The Commission finds that the ALJ's recommendation is well-reasoned and supported. Moreover, the Commission reiterates the importance of additional review to protect existing customers. As noted by the ALJ, the additional regulatory burden upon the company is offset by the need to address potential cost-shifting risks associated with the addition of large-load customers. *See*, PFD, p. 110. Therefore, the Commission adopts the ALJ's recommendation and finds that I&M shall make an *ex parte* filing for each large-load customer to demonstrate compliance with tariff provisions and ensure costs to serve the large-load customers are not being inappropriately subsidized by the utility's other customers. The Commission declines to adopt the Attorney General's recommendation to require contested case proceedings, but notes, as it has in prior parts of this order, that the Commission has the authority to transition any *ex parte* proceeding into a contested case, if appropriate.

14. Costs of Environmental Compliance

The Attorney General proposed that large-load customers be required to cover increased costs of compliance for resource portfolio standards. Specifically, she proposed that "new large load customers should be required to enter into contracts with the Company for procurement of at least 60 percent of their incremental energy requirements to be supplied by renewable resources." 2 Tr 162. The company countered that the Attorney General's recommendation was beyond the

scope of this proceeding and should be addressed in the appropriate future proceedings. 2 Tr 82.

The CEOs supported the Attorney General's position stating that it is "reasonable and necessary to ensure large load customers bear the 'responsibility for the incremental renewable energy procurement costs they cause, rather than socializing these costs to existing customers.'" CEOs' reply brief, pp. 7-8 (quoting 2 Tr 162).

The ALJ recognized the concerns raised by the Attorney General but concluded that "these issues are better addressed in other proceedings." PFD, p. 113. The ALJ did find, however, that the company should discuss the voluntary green pricing program and the renewable BYOG requirements during contract negotiations with potential large-load customers. *Id.*

In exceptions, the Attorney General disputes the ALJ's recommendation and "further reiterates here her arguments and recommendations on these topics as raised in her Initial and Reply Briefs." Attorney General's exceptions, p. 11 (citing Attorney General's initial brief, pp. 38-39; Attorney General's reply brief, pp. 22-23).

The company replies that the Attorney General's exceptions present no new arguments or considerations and that the recommendation is "inappropriate and unsupported by the record." I&M's replies to exceptions, p. 9.

The Commission finds that the ALJ's recommendation is reasonable and supported on the record. In addition, the Attorney General's record position was appropriately considered by the ALJ, and no new arguments were presented in exceptions. Therefore, the Commission adopts the findings and recommendations of the ALJ on this issue. *See*, PFD, p. 113.

THEREFORE, IT IS ORDERED that:

A. Within 30 days of the date of this order, Indiana Michigan Power Company shall file with the Commission tariff sheets reflecting the decisions in this order. After the tariff sheets have been

reviewed and accepted by the Commission Staff for inclusion in the company's tariff books, Indiana Michigan Power Company shall promptly file the final tariff sheets in this docket and serve all parties.

B. Indiana Michigan Power Company shall provide annual reporting in the instant docket, which shall commence no later than 12 months from the date that Indiana Michigan Power Company enters into a contract with a prospective large-load customer. The reporting shall include: (1) the number of executed contract agreements, (2) aggregate large load service in megawatts and megawatt-hours, (3) information on capacity reductions and increases, and (4) information on terminated contracts and exit fees.

C. In its next general rate case, Indiana Michigan Power Company shall establish and present a new standalone rate for large-load customers.

D. In its next general rate case, Indiana Michigan Power Company shall provide the six cost allocation and rate design proposals described in this order and shall, no less than three months prior to the rate case application date, serve the six proposals upon all of the parties to this proceeding, Case No. U-21986.

E. Prior to each large-load customer taking service under the Large Power Tariff—Tariff LP provisions approved with modifications in this order, Indiana Michigan Power Company shall make an *ex parte* filing in a new docket that demonstrates compliance with the tariff requirements approved in this order and that costs caused by the interconnecting large-load customer to be served under the tariff are not being paid for by other customers. Indiana Michigan Power Company shall include in the filing any modeling or cost of service studies that support this demonstration. If setting a collateral amount for a large-load customer under its Large Power Tariff—Tariff LP, above or below the default provision approved in this order, Indiana Michigan

Power Company shall include this information in the application and demonstrate the reasonableness and prudence of the alternative collateral amount.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirements to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General-Public Service Division at 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 Highway, Lansing, Michigan 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of August 27, 2026.

Lisa Felice, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

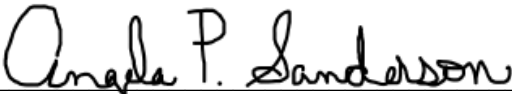
Case No. U-21986

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on August 27, 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 Brown

Subscribed and sworn to before me
this 27th day of August 2026.


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

Service List for Case: U-21986

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