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 authority to increase its rates for sale of electric energy and other related matters.	)))))	Case No. U-21461

At the July 2, 2024 meeting of the Michigan Public Service Commission in Lansing, Michigan.

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

ORDER

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I. HISTORY OF PROCEEDINGS

On September 15, 2023, Indiana Michigan Power Company (I&M) filed an application requesting authority to increase its annual Michigan jurisdictional electric sales revenues by $34 million. I&M also requested other forms of regulatory relief, including new and modified tariffs and riders, changes to its distributed generation (DG) program, as well as deferred accounting authority for its eligible low-income rate and its new customer information system (CIS). I&M further requested approval of costs related to asset renewal, risk mitigation, and grid modernization, and included requests for financial support for new technology projects, storm expense, and its voluntary prepay billing program (PowerPay). Other regulatory relief sought by I&M includes financial support for the company's efforts to renew its license for the Cook Nuclear Power plant (Cook plant). The company is currently providing service pursuant to rates established by a settlement agreement approved in the January 23, 2020 order in Case No. U-20359 (January 23 order). I&M's current depreciation rates were also established by the January 23 order.[1] In addition, I&M included in its billing various surcharges approved by the Commission. I&M's application, pp. 1-9.

According to I&M, the rate increase sought in this case is based on the company's projections from relevant items of investment, expense, and revenue for a test year covering the 2024 calendar year. I&M explained in its application that its rates are cost-based and that its revenue deficiency

[1] On April 27, 2023, I&M filed an application in Case No. U-21412 requesting that the Commission approve revised depreciation rates. The Commission issued an order in the case on October 12, 2023 (October 12 order), approving a corrected settlement agreement wherein the parties agreed that the corrected depreciation rates would be effective concurrently with the effective date of the new base rates in Case No. U-21461 and applied to test year plant balances, as well as included in the calculation of rates ordered by the Commission in Case No. U-21461. October 12 order, corrected settlement agreement, p. 2.

determination was based on the historical data established by the settlement agreement approved in the January 23 order. Application, pp. 2-3.

I&M stated that its requested rate increase is necessary to cover "revenue requirement changes related to (i) rate base; (ii) sales forecasts; (iii) operation and maintenance ('O&M') expense; (iv) Open Access Distribution Service; and (v) other expenses, including amortization and recovery of certain deferred assets." *Id*., p. 3. I&M proposed a return on equity (ROE) of not less than 10.5% and an overall rate of return (ROR) of 6.42%. The company stated that "[t]he requested overall rate of return is the minimum necessary to enable I&M to attract, at a reasonable cost, the capital which is required to maintain its property in good operating condition, to construct its required new facilities and to continue to provide safe, adequate and dependable service to its Michigan jurisdictional customers." *Id*., p. 10.

On October 12, 2023, Administrative Law Judge Katherine E. Talbot (ALJ) held a prehearing conference, at which the ALJ granted petitions to intervene filed by the Association of Businesses Advocating Tariff Equity (ABATE); the Michigan Department of Attorney General (Attorney General); Citizens Utility Board of Michigan (CUB); City of Auburn, Indiana (Auburn); the Ecology Center, the Environmental Law & Policy Center,[2] and Vote Solar (collectively, the Clean Energy Organizations or the CEOs); Energy Michigan[3] (Energy Michigan); Great Lakes Renewable Energy Association (GLREA); Michigan Energy Innovation Business Council, the Institute for Energy Innovation, and Advanced Energy United (collectively, MEIU); and Wabash

[2] Although typically referred to as the Environmental Law & Policy Center, the entity's true name per the Office of the Illinois Secretary of State is the Environmental Law and Policy Center of the Midwest.

[3] In this proceeding, Energy Michigan is sometimes referred to as Energy Michigan, Inc. However, the entity is registered with Michigan Department of Licensing and Regulatory Affairs as Energy Michigan.

Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance (WVPA). I&M and the Commission Staff (Staff) also participated in the proceeding.

On October 13, 2023, the ALJ adopted a protective order for use in the matter.

By March 4, 2024, direct testimony and exhibits were filed by I&M, ABATE, the Attorney General, Auburn, the CEOs, the Staff, CUB, Energy Michigan, MEIU, and WVPA. By February 22, 2024, I&M, ABATE, the Staff, and MEIU filed rebuttal testimony. Evidentiary hearings were held on February 22, 23, 26, and 27, 2024, wherein testimony and exhibits were bound into the record and cross-examination took place. Thereafter, the parties filed initial briefs on March 21, 2024, and reply briefs on April 5, 2024. The Attorney General filed a corrected initial brief on March 22, 2024, and the Staff filed an amended reply brief on April 17, 2024.

On April 12, 2024, MEIU filed a motion to strike and, alternatively, a motion for leave to file a sur-reply brief. On April 16, 2024, MEIU requested to withdraw its motion which the ALJ granted on April 18, 2024.

On May 10, 2024, the ALJ issued a proposal for decision (PFD). On May 30, 2024, ABATE, the Attorney General, CUB, I&M, MEIU, and the Staff filed exceptions to the PFD. A portion of I&M's exceptions were filed under seal and are not available on the public record. On June 11, 2024, ABATE, the Attorney General, the CEO's, I&M, MEIU, and the Staff filed replies to exceptions. A portion of the Staff's replies were filed under seal and are not available on the public record.

II. OVERVIEW OF THE RECORD

The record consists of witness's testimony contained within 2,765 pages of transcript in six volumes, along with 395 exhibits admitted to the record. The docket also contains public comments that are available for public viewing in the Commission's E-Dockets, Case

No. U-21461. Portions of the transcript and exhibits were designated as confidential and not available on the public record. The ALJ provided an overview of the parties' positions on pages 8 through 19 of the PFD and provided an extensive summary of the record for each disputed issue throughout the PFD, which will not be repeated here.

III. LEGAL STANDARDS

In brief, I&M opined on the appropriate standards of evidence and burden of proof in rate cases. The company argued that substantial evidence is the proper standard of proof when evaluating whether the company's proposals and recommendations are reasonable and prudent,[4] but conceded that a preponderance of the evidence standard should be used when evaluating the case. Thus I&M differentiated the standard of proof required for its proposals and recommendations as opposed to the case as a whole. I&M's initial brief, pp. 10-11.

However, the Staff argued that substantial evidence is the standard used by the appellate courts when reviewing actions taken by government agencies and that a preponderance of the evidence is the appropriate standard for each and every factor in the entirety of the utility's case. The Staff pointed out that the Commission has repeatedly rejected I&M's substantial evidence premise.[5] Staff's amended reply brief, pp. 2-3, 6.

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[4] In support of its position, I&M cited *Great Lakes Steel v Pub Serv Comm*, 130 Mich App 470, 481; 334 NW2d 321 (1983); *Monroe v State Employees' Retirement Sys*, 293 Mich App 594, 607; 809 NW2d 453 (2011); *Huron Behavioral Health v Dep't of Community Health*, 293 Mich App 491, 497; 813 NW2d 763 (2011) wherein the opinion quotes *Great Lakes Sales, Inc. v State Tax Comm.,* 194 Mich App 271, 280, 486 NW2d 367 (1992); and Const 1963, art 6, § 28.

[5] In support of its argument, the Staff cited the May 8, 2020 order in Case No. U-20561 (May 8 order), pp. 3-4, and the January 31 order, pp. 5-8. The Staff noted that in the January 31 order, the Commission adopted the ALJ's finding that the utility's argument for the substantial evidence standard was incorrect and had been confused with the appellate standards. Staff's amended reply brief, p. 3 (citing January 31 order, pp. 5-8).

The Attorney General agreed with the Staff that I&M erroneously confused its burden of proof by a preponderance of the evidence in this proceeding with the substantial evidence appellate standard of proof. Attorney General's reply brief, p. 1.

Regarding the burden of proof applied to parties to the proceeding, I&M argued that once the utility has proved its case by a preponderance of the evidence, the burden of proof shifts to parties that are offering challenges to I&M's position. In support of its position, I&M cited the October 25, 2017 order in Case No. U-18224 (October 25 order), wherein the Staff was reported to have stated without challenge that even once the utility has satisfied its burden of proof, other parties may challenge the evidence but the burden of proof shifts to the opposing party to prove its position is correct. I&M's initial brief, p. 11 (citing October 25 order, pp. 14-15). However, in the instant case, the Staff stressed that the Commission has held that the utility has the burden of proof by a preponderance of the evidence to prove that each and every test year projection is accurate, is reasonable and prudent, and will be incurred in the projected test year. Staff's amended reply brief, p. 6 (citing January 31, 2017 order in Case No. U-18014 (January 31 order), p. 9).

The Attorney General pointed out that, regardless of other evidence submitted by the parties, I&M must prove its case by a preponderance of the evidence. Attorney General's reply brief, pp. 1-2. The Attorney General also pointed out "that when the burden of proving a fact falls on one party, the other party does not have the burden of proving the opposite fact; and the Commission may reject even uncontradicted evidence." *Id*. The Attorney General stated that the Commission has addressed this issue in a number of cases[6] and that the conclusion to be drawn is that:

[6] *See*, November 21, 2016 order in Case No. U-18014, p. 45; *Antrim Resources v Pub Serv Comm*, 179 Mich App 603, 620-621; 446 NW2d 515 (1989); January 31 order, pp. 3, 8; December 22, 2021 order in Case No. U-20963 (December 22 order), p. 3.

> the utility's submission of evidence regarding an issue does not shift the burden of proof from the utility to other parties. The Commission must determine whether the utility proved its case by a preponderance of the evidence. That determination requires the Commission to weigh conflicting evidence where there is conflicting evidence and determine how the evidence preponderated. However, the ultimate determination remains whether the utility met its burden.

Id., p. 3.

The ALJ discussed the legal standards applicable to rate cases on pages 19 through 25 of the PFD. She initially noted that "[t]he Commission applies the preponderance of the evidence standard when making findings of fact or weighing conflicting evidence [and] is required to set rates that are just and reasonable when exercising its ratemaking authority." PFD, p. 19 (citing January 31 order, p. 8, and MCL 460.557(4)).[7] The ALJ also noted "that the Commission has broad discretion in determining the appropriate amount of investment on which a return will be computed" and that ratemaking is a legislative function that "is not bound by any particular method or formula in the exercise [of] this legislative function." PFD, p. 20. She noted that it is the result reached, i.e. rates that are just and reasonable, rather than the methods employed that is controlling. *Id*., (citing *Federal Power Comm v Hope Natural Gas Co*, 320 US 591, 602; 64 S Ct 281; 88 L Ed 333 (1944)).

The ALJ concluded that, "[g]iven the Commission's broad discretion in the ratemaking process, and in the absence of any issues rising to the level of constitutional concern, [the ALJ] will primarily look to past decisions of the Commission for guidance in determining how to resolve disputed issues involving rate case elements." PFD, p. 21. Additionally, she recommended that:

> the Commission clarify that the Company has the burden of proof, based on a preponderance of the evidence, to establish that its forecast is reasonable and prudent and that the utility must also demonstrate that the costs will be incurred

[7] In pertinent part, MCL 460.557(4) provides that "[t]he rates of an electric utility shall be just and reasonable[.]"

> before the end to the test year. If the Company does not provide sufficient support for a [particular] item, the Commission can choose an alternative method . . . proposed by the parties, including use of historical data. However, other parties do not share the same burden of proof as the Company. And the Commission has repeatedly rejected I&M's claims that demonstrating a project is "used and useful" is not sufficient to meet its burden of proof. This [ALJ] recommends the Commission explain that compliance with the filing requirements . . . is obligatory and does not support the Company's projections or sustain its burden of proof. The Commission should make it clear to the Company that it is not entitled to submit new or emergent projects during the pendency of a rate case. And the Commission should disabuse I&M of the notion that the Commission has a duty to support its financial well-being. The Commission's only obligation to the Company is to make sure that the Company's rates are reasonable and prudent.

Id., pp. 24-25.

In exceptions, CUB asserts that I&M alone has the burden to prove its case by a preponderance of the evidence and that other parties do not bear the same preponderance of the evidence burden to prove their proposed disallowances are reasonable. CUB states that "[i]f the Commission . . . finds merit in CUB's and the other intervenors' arguments that I&M's proposed expenditures are unsupported, it has both the power and the obligation to make appropriate adjustments." CUB's exceptions, p. 3.

No other exceptions were filed on this issue. No party filed replies to this exception.

The Commission finds the ALJ's findings and recommendations to be supported in the record and reasonable and, thus, adopts the ALJ's recommendations in whole. The Commission agrees with the ALJ that other parties to the case do not have the same burden of proof as does the utility but reiterates that the Commission employs the preponderance of the evidence standard when making findings of fact or weighing conflicting evidence. *See*, PFD, pp. 19, 24-25. The Commission is tasked with weighing and evaluating the evidence of each party to the proceeding and may choose the evidence that results in a reasonable and just outcome. The preponderance of the evidence standard may be appropriately applied to evidence offered by parties to the case that

conflicts with the utility's evidence but should not be construed to mean that if the utility presents evidence, it may then shift the burden of proof to the parties to the case to disprove that evidence. As stated by the Attorney General:

> the utility's submission of evidence regarding an issue does not shift the burden of proof from the utility to other parties. The Commission must determine whether the utility proved its case by a preponderance of the evidence. That determination requires the Commission to weigh conflicting evidence where there is conflicting evidence and determine how the evidence preponderated. However, the ultimate determination remains whether the utility met its burden. This does not alter the utility's burden of proving its case by a preponderance of the evidence.

Attorney General's reply brief, p. 3.

As evidenced by the numerous Commission orders cited by the parties to this case, the Commission has repeatedly and exhaustively addressed the appropriate burden of proof and standard of evidence in contested proceedings before the Commission. The Commission has repeatedly held that the proper standard of evidence in a rate case is a preponderance of the evidence and that this standard applies to individual proposals and recommendations set forth in the utility's case. *See*, discussion, above. Additionally, although I&M cited the Michigan Constitution in support of its substantial evidence argument, the Constitution actually refers to the standard of review by the courts:

> All final decisions, findings, rulings and orders of any administrative officer or agency existing under the constitution or by law, which are judicial or quasi-judicial and affect private rights or licenses, shall be subject to direct review by the courts as provided by law. This review shall include, as a minimum, the determination whether such final decisions, findings, rulings and orders are authorized by law; and, in cases in which a hearing is required, whether the same are supported by competent, material and substantial evidence on the whole record.

Const 1963, art 6, § 28. Clearly, this provision instructs the courts as to their standard of proof when evaluating actions taken by administrative agencies. It does not instruct administrative agencies as to their appropriate standard of proof. Furthermore, MCL 460.6a(1) provides, in pertinent part, that "[t]he utility shall place in evidence facts relied upon to support the utility's

petition or application to increase its rates and charges, or to alter, change, or amend any rate or rate schedules." Given these legal authorities that clearly support the Commission's position in this matter, the Commission finds that unless significant new evidence is presented, it is settled that a utility has the burden of proof to provide evidence to support each element of its rate case application and a preponderance of the evidence is the standard by which that evidence is evaluated. The submission of evidence by the utility does not shift the burden of proof to the other parties to the case to disprove the utility's evidence.

I&M argued that the Commission is obligated to facilitate I&M's financial health for the benefit of shareholders and customers. I&M's initial brief, p. 3. In response, the Attorney General stated that the authorities cited by I&M in support of this premise were incorrect, not applicable, and/or nonexistent[8] and "that the Commission has no duty to facilitate the financial health of a utility, beyond the obligation to avoid setting confiscatory rates." Attorney General's reply brief, pp. 4-5.

The ALJ agreed that the Commission does not have an obligation to facilitate the financial health of a utility. PFD, p. 24.

No party filed exceptions on the matter.

The Commission finds the ALJ's conclusion on this issue to be supported in the record and reasonable. Accordingly, the Commission adopts the ALJ's conclusion that the Commission does not have a duty to facilitate the financial health of a utility beyond ensuring that the rates of a utility are just and reasonable. MCL 460.557(4).

Concerning the "used and useful" standard, I&M argued "that expenses associated with programs that are 'used and useful' are necessarily reasonable and recoverable." Staff's amended

[8] *See*, Attorney General's reply brief, p. 4.

reply brief, p. 5 (quoting March 29, 2018 order in Case No. U-18322, p. 5). The Staff pointed out numerous instances of this argument in I&M's initial brief: "'For example, on page 90 of its initial brief, the Company states '[t]he AMI meters are in-service, and used and useful in providing electric service to Michigan customers, and therefore its associated capital costs are reasonable and necessary.'" Staff's amended reply brief, p. 4, n. 1 (alteration in original); *see also*, I&M's initial brief, pp. 90-94, 99, 101, and 112. The Staff indicated that past Commission orders do not support this premise and that, "at most one might say that when the 'used and useful' doctrine applies, it is a necessary, but not sufficient, condition. The applicant still bears the burden to show that each and every expense is reasonable and prudent." Staff's amended reply brief, p. 5 (citing November 2, 2009 order in Case No. U-15645 (November 2 order), pp. 8-9); *see also*, I&M's initial brief, pp. 13-16.[9]

The ALJ agreed with the Staff. *See*, PFD, p. 24 (citing Staff's amended reply brief, p. 5).

No party filed exceptions on this issue.

The Commission finds the ALJ's opinion regarding the used and useful doctrine as related to expenditures for projects that have been determined to be used and useful is supported in the record and reasonable. The Commission finds that a project that has been deemed used and useful does not necessarily mean that all expenses related to that project are reasonable and recoverable. The utility must meet its burden of proof on such costs.

According to the ALJ, I&M argued that compliance with the rate case filing requirements (RCFRs) should be accepted by the Commission as being all the information necessary to evaluate the application. The ALJ found this premise to be incorrect, stating that "[c]ompliance with the

[9] In support of its argument, I&M cited the May 2, 2019 order in Case No. U-20162 (May 2 order), p. 3; the May 8 order, pp. 7-13; and the December 22 order, pp. 4-10. *See*, I&M's initial brief, p. 15.

RCFRs is a condition precedent to the Commission's evaluation, and does not, in and of itself, establish the reasonableness and prudence of any Company proposals." PFD, p. 24.

No party filed exceptions on this issue.

The Commission agrees with the ALJ's conclusion related to RCFR compliance and finds that a utility's compliance with the filing requirements is obligatory and is not considered to be sufficient, in and of itself, to fully support the utility's projections or sustain its burden of proof. All parties to the case may file exhibits and present testimony. The Commission must weigh all the evidence admitted to the record and determine how that evidence preponderates. *See*, May 18, 2023 and April 25, 2024 orders in Case No. U-18238; *see also*, July 31, 2017 order in Case No. U-18238.

IV. TEST YEAR

In the instant case, the ALJ stated that establishing a 12-month test year period is the starting point when determining rates that are just and reasonable for both the company and its customers. The ALJ further stated that a 12-month period must be established to be used throughout the rate case and a determination made as to how the Commission establishes values for the components in the rate-setting formula, i.e. revenues, expenses, rate base, and capital structure. The ALJ expressed that the Commission is not bound by any one formula so long as the resultant rates are just and reasonable for the company and its customers. *See*, PFD, pp. 25-26; *see also*, January 11, 2010 order in Case No. U-15678 (January 11 order), p. 9; MCL 460.6a; and MCL 460.557(4).

In developing rates for this case, I&M relied on a projected test year from January 1, 2024 through December 31, 2024. 5 Tr 1706; 6 Tr 1967. Additionally, the company established calendar year 2022 as the historical test year and provided historical data for that year. 5 Tr 1706; 6 Tr 1968. Accordingly, the bridge period is calendar year 2023. I&M's projections were

prepared using past financial and business information from 2022 and 2023, as well as long range future plans through 2030, and represent the company's business and financial operations for calendar year 2024 when the new rates will be in effect. 5 Tr 1706-1707; 6 Tr 1967-1968; *see also*, I&M's initial brief, p. 14. I&M arrived at the filed projected "revenue deficiency of $41 million based on its rate base, adjusted net operating income, rate of return, revenue conversion factor, Open Access Transmission Tariff ('OATT') cost adjustment, and certain agreed upon adjustments to the revenue deficiency. Exhibit A-11, Schedule A1, line 20; Appendix A, p. 1." I&M's initial brief, p. 21. However, I&M noted that "a credit associated with unprotected excess of Accumulated Deferred Federal Income Taxes ('ADFIT') that resulted from the [federal] Tax Cut and Jobs Act . . . of 2017 [TCJA]" will reduce the company's projected revenue deficiency by about $7 million to a total revenue deficiency of $34 million. *See*, 6 Tr 1976; *see also*, I&M's initial brief, pp. 20-21, and Exhibit A-11, Schedule A1, line 22.

ABATE generally objected to the use of a projected test year in rate cases and specifically opposed I&M's use of the projected test year in the instant case. In general, ABATE asserted that the projected test year permits the utility to recover costs that are not only speculative but have not yet been committed to by the utility, have not been proved real and reasonable and prudent, and have not yet been incurred. 3 Tr 51-52; ABATE's initial brief, pp. 2-4. Additionally, ABATE argued that a projected test year lessens utility motivation to reduce costs and permits the utility to recover costs for unnecessary capital expenditures that could not be identified during the rate case pendency, thus benefitting the utility's shareholders at the expense of its customers. ABATE also asserted that the task of reviewing the rate case in the time permitted would not be as daunting if an historical test year were employed. ABATE's initial brief, pp. 4-5. Further, ABATE argued that revenues requested based on a projected test year are at risk of being inadequately supported

by the available evidence and/or too far removed from circumstances. ABATE's initial brief, p. 2 (citing *In re Consumers Energy Co to Increase Rates*, 338 Mich App 239; 979 NW2d 702 (2021)).

Related to the instant case, ABATE argued that use of an historical test year would provide a revenue deficiency that is almost half that of the revenue deficiency that I&M calculated based on its projected test year. 3 Tr 51, 53-54; ABATE's initial brief, pp. 2-4. ABATE further argued that I&M has not provided a sufficiently documented projected test year and recommended that the Commission be "highly vigilant" should it continue to permit I&M to use a projected test year when requesting to increase its rates. 3 Tr 52-55. ABATE also noted that on May 14, and August 11, 2021, it filed comments in Case No. U-18238[10] related to improving rate case filing requirements but the Commission did not adopt ABATE's comments. ABATE reiterated its comments and asserted that ABATE's suggestions should be considered and resolutions to the issues discussed in this case should be pursued in Case No. U-18238. 3 Tr 55-56.

I&M objected to ABATE's apparent categorical rejection of projected test year data to determine future rates and pointed out that the practice is supported by law. I&M's initial brief, p. 14 (citing MCL 460.6a(1)). I&M also objected to the suggestions by ABATE, the Attorney General, CUB, and the Staff to substitute historical or actual figures for projected figures, thereby undermining the use of the projected test year and turning it into a "moving target." I&M's initial brief, pp. 14-15 (citing 3 Tr 52; 6 Tr 2185, 2473-2478). I&M asserted that updated information was provided, both to the Commission and in response to intervenors' discovery requests, as it became available, but evaluation of its projected facts and figures should be based on what was

[10] The April 25, 2024 order in Case No. U-18238 revised certain RCFRs. The filing requirements were also modified by the May 18, 2023 order in the case (May 18 order). Prior to the May 18 order, the Commission requested comments from interested persons related to RCFRs. *See*, March 19, 2021 and September 24, 2021 orders in Case No. U-18238.

available at the time of the case filing and whether the information was adequately supported by reasonable assumptions and sound data. *See*, I&M's initial brief, pp. 15-16.

Relatedly, I&M argued that, regarding adjustments to projects in the projected test year, "'[t]o the extent Commission does adopt a party's request to adjust the forecast test year for removed projects the Commission must also add projects and costs that replace those removed projects.[,]'" citing "a 1973 Michigan Supreme Court decision for this proposition[.]" I&M's initial brief, pp. 16-17 (citing *Michigan Consolidated Gas Co v Pub Serv Comm*, 389 Mich 624, 633; 209 NW2d 210 (1973)).

The Staff indicated that MCL 460.6a(1) provides the utility with the *opportunity* to employ a projected test year as a basis for increasing its rates but if items within the projected test year case are not adequately supported, parties to the case may use alternative means to arrive at a reasonable result and that the Commission may reject inadequately supported projections in favor of other means, including the use of historical data, that lead to reasonable and just rates. Staff's amended reply brief, pp. 7-8 (citing November 2 order, pp. 8-9; December 22 order, pp. 9-10; December 1, 2023 order in Case No. U-21297 (December 1 order), p. 6; and September 8, 2016 order in Case No. U-17895, p. 2).

The Attorney General made four points on the use of a projected test year and items included therein: (1) use of a projected test year is authorized by statute, (2) the Commission has authority to use historical data to set projections when the utility does not adequately support its projections, (3) the Commission should remove expenditures that will not take place in the projected test year from the revenue requirement, and (4) the utility is not entitled to have new expenditures substituted for those that are removed. Attorney General's reply brief, p. 6. The Attorney General also pointed out that none of the authorities cited by I&M state that historical data may not be used

as the basis for a test year projection. *Id*., p. 7. Furthermore, the Attorney General stated that the 1973 case "preceded by decades the statute authorizing utilities to use a projected test year: PA 286 of 2008." *Id*.

Related to I&M's use of a projected test year, the ALJ found that the use of the projected test year is supported by law and "well-settled" by the Court of Appeals. PFD, pp. 29-30. Thus, the ALJ recommended that the Commission "set rates for [the] 2024 projected test year proposed by I&M, while scrutinizing the Company's projections consistent with prior Commission orders." *Id*., p. 30.

Related to the replacement of removed projects in the test year, the ALJ agreed with the Staff and the Attorney General that the Commission is not required to replace removed projects with added projects, also pointing out that the 1973 case cited by I&M was decided before "statutory authority for a projected test year existed." PFD, p. 23 (citing Attorney General's reply brief, p. 7); *see also*, January 11 order, p. 9. However, the ALJ explained that a disallowance in this case does not bar the company from seeking recovery in a future rate case. PFD, p. 23 (citing December 17, 2020 order in Case No. U-20697 (December 17 order).

No party filed exceptions on these issues.

The Commission finds the ALJ's analyses on issues related to the projected test year and removed projects from the test year to be well-reasoned and supported in the record and, accordingly, adopts the ALJ's recommendations.

In compliance with MCL 460.6a(1), the Commission permits utilities that allege a revenue deficiency to "use projected costs and revenues for a future consecutive 12-month period in developing its requested rates and charges." *See*, MCL 460.6a(1). The Commission has a considerable record of acceptance of the use of projected costs and revenues, i.e. the use of a

projected test year, in its rate case decision making. As the Commission stated in the May 8 order, "[t]he statute contains no limitation on the future consecutive 12-month period, no requirement to use an historical test year, and no information or limitation regarding the relationship between the date of the application and the test year." May 8 order, p. 11; *see*, May 2 order, p. 2. Thus, the Commission examines the projected test year "to establish representative levels of revenues, expenses, rate base, and capital structure for use in the rate-setting formula." September 8, 2016 order in Case No. U-17895 (September 8 order), p. 3. However, if items within the projected test year are not adequately supported, intervenors may use alternative means to arrive at a reasonable result and the Commission may reject inadequately supported projections in favor of other means, including the use of historical data, that lead to reasonable and just rates. *See*, November 2 order, pp. 8-9; December 22 order, pp. 9-10; December 1 order, p. 6; and September 8 order, p. 2.

The Commission accepts I&M's projected test year of calendar year 2024. However, the Commission will evaluate each and every projection in light of its supporting evidence, and notes that "[h]istorical data may play a role, but ordinarily will not be the controlling factor except in circumstances that clearly demonstrate that it is a more fair and reasonable reflection of the utility's cost of service, relative to projected data." May 8 order, p. 13.

V. RATE BASE

Rate base consists of the capital invested in used and useful utility plant less accumulated depreciation, plus the utility's working capital requirements. Rate base is the amount upon which the utility is permitted to earn a specified rate of return. The majority of I&M's service territory lies outside of Michigan, meaning that the Michigan jurisdictional amount of a proposed capital expenditure is a fraction of the total amount. This order focuses on Michigan jurisdictional amounts, though for certain capital expenditure issues total company amounts may also be

provided. I&M projected a Michigan jurisdictional electric rate base of $1.25 billion (total rate base is projected at $7.4 billion). Exhibit A-12, Schedule B1.

A. Net Utility Plant

Net utility plant is comprised of plant held in service, plant held for future use, and construction work in progress (CWIP), less the depreciation reserve. As noted above, I&M's historical year is 2022, the bridge period is 2023, and the test year is 2024. I&M sometimes refers to the two-year period from January 1, 2023 through December 31, 2024, as the capital forecast period.

1. Generation and Distribution Contingency Expenditures

I&M proposed contingency expenditures for generation production plant (steam, hydraulic, solar, distribution, and intangible & general) of $936,000 for 2023 and $358,000 for 2024 and the Staff proposed a full disallowance of these amounts based on voluminous Commission precedent finding that contingency amounts are not appropriate for inclusion in rate base because their reasonableness and prudence cannot be determined and they may not be incurred. 6 Tr 2174-2175; Exhibit S-16.1, pp. 9-10. The Staff noted that the company may seek recovery of unexpected expenditures in a future rate case, but argued that it is not reasonable to earn a return on contingency budgeting which is, by definition, uncertain. The Attorney General agreed with the Staff. I&M countered that if contingency funds are not available and such expenditures arise, then funds will have to be diverted from other projects.

The ALJ recommended that the proposed disallowances be approved based upon the "plethora of authority" emanating from the Commission. PFD, pp. 32-33; *see*, *e.g.*, December 17 order, p. 9.

No exceptions were filed on this issue and the Commission adopts the findings and recommendations of the ALJ.

2. Fossil, Hydro, and Solar (Non-Nuclear) Generation Capital Expenditures

I&M projected capital expenditures for this entire cost category to be $21.8 million for 2023 and $28 million for 2024. 6 Tr 1915; Exhibit A-12, Schedules B1 and B5.1. I&M stated that its fossil, hydro, and solar generation fleet consists of Rockport Unit 1, six run-of-river hydro facilities, and five solar generation facilities. 6 Tr 1902-1906. I&M explained that Rockport Unit 2 has transitioned to a merchant plant and was not included in any forecasts. The Major Projects category for these generation expenditures consists of projects that exceed $10 million and I&M forecasted spending of $13.2 million in 2023 and $22.2 million in 2024. 6 Tr 1915. For the Other Capital Investments category, I&M projected spending of $8.6 million in 2023 and $5.7 million in 2024.

a. Canceled or Postponed Projects

The Staff proposed several adjustments to this capital expenditure category based on information supplied by I&M in discovery indicating that the company had canceled or postponed 26 projects that were included in its original evidentiary filing. Exhibit S-19.2. The Staff recommended a disallowance of $2.52 million for 2023 and $792,513 for 2024, for which the Michigan jurisdictional disallowance would total $523,000. 6 Tr 2182. The Attorney General also proposed a disallowance of 2023 Michigan jurisdictional capital expenditures of $192,000 associated with the Elkhart Unit 2 Turbine Replacement Capital Upgrade project because I&M indicated, in discovery, that the project has been postponed and the planned funds would be redistributed to other projects. 6 Tr 2396-2397. The Staff and the Attorney General noted that new projects introduced after the initial filing cannot be properly reviewed, and the Commission has long held that cancelled projects do not belong in rate base. The Attorney General asserted that I&M added 54 new projects to its rate request without sufficient evidentiary support.

I&M countered that the Commission should approve the original capital forecast because it is unreasonable to base disallowances on a more recent forecast provided in discovery. I&M complained that the Staff and the Attorney General focused on disallowances related to updated forecasts and failed to consider the information showing that there are new costs and emergent projects to which the funds need to be reallocated. 6 Tr 1925-1930; Exhibit IM-75R. I&M indicated that its capital expenditures will actually have to increase rather than decrease as a result of the updated information. I&M cited the dynamic nature of the management of a generation facility and the need to redistribute funds as necessary.

The ALJ recommended that the Commission adopt the Staff's proposed disallowance, which encompasses the Attorney General's proposal. Citing the January 31 order, pp. 8-9, and the December 17 order, p. 20, the ALJ found that the Commission requires the applicant utility to "show not only that its projected expenses are reasonable and prudent, but also that the funds will be spent in the projected test year[,]" and the Commission has found that "it is inappropriate for a utility to attempt to substitute new projects after filing its initial application in a ten-month rate case." PFD, p. 39; *see also*, September 8 order, p. 4.

In exceptions, I&M addresses both canceled projects and changes based on updated spending data (addressed by the ALJ under a separate heading, below) together. The company argues that the Commission should make its decisions based on the company's as-filed case, which included support for each forecasted capital expenditure in I&M's Project Life File in Exhibit IM-22. I&M's exceptions, p. 6. I&M notes that it provided updated spending for fossil, hydro, and solar generation current through September 2023 in Exhibit IM-75R, pp. 6-9, (and updated nuclear spending was provided in Exhibit IM-74R), but argues that this updated data should not be relied upon. I&M contends that this updated information provided in discovery has resulted in one-sided

adjustments based solely on the timing of a projected cost. The company argues that it is not practical to evaluate a forecasted test year in this manner because "the Commission will either endure perpetual rate cases or, in essence, eliminate statutorily authorized forecasted rate cases." I&M's exceptions, p. 7. I&M asserts that reliance on updated actual data forecloses the possibility of using a fully projected test year, and the company also contends that the Commission should clarify when updates are appropriate. *Id*., p. 7, n. 5. I&M states that the PFD contains no analysis of the company's direct case, and the company argues that "if an applicant meets its initial burden in its direct case, it is inappropriate to set rates based on an alternative calculation offered by another party." *Id*., p. 8. I&M maintains that it supported its as-filed projections in 6 Tr 1914-1919, 3 Tr 1029-1034, and 5 Tr 1710-1713, along with Exhibit IM-22, and that the sufficiency of its direct evidence is not in dispute.

I&M further contends that the Staff incorrectly concluded that the company is no longer seeking recovery for some projects based on the updated data. I&M points out that a degree of uncertainty is unavoidable when using a projected test year. But, the company argues, the evidence supporting the updated forecast is identical to the evidence supporting the direct case, stating that "[t]he only difference is the updated forecast has more recent information that was not available to the Company when it filed its application. To conclude that I&M's as-filed forecast is not supported but the same forecast developed later is supported is illogical." *Id*., p. 10. I&M acknowledges that budget planning is fluid but avers that it continues to be reasonable to expect that the company will incur the original level of forecasted costs. I&M argues that reliance on the updated data will result in a rate base that does not reflect the actual level of investment on which shareholders are entitled to a fair return. I&M notes that the updated data in Exhibit IM-75R shows that capital spending increased by over $4 million for both 2023 and 2024, and the

company argues that this demonstrates that the as-filed projections were reasonable and that the company would clearly spend what it originally projected. *Id*., p. 11. Finally, I&M argues that, if the Commission relies on the updated forecast, then it should consider the whole updated forecast which includes new and emergent projects (as the Staff did for nuclear generation). However, I&M emphasizes, it is not substituting new projects for old ones. Rather, the company contends that the direct case should provide the basis for the Commission's decisions.

In reply, the Staff argues that the ALJ was correct with regard to the Staff's proposed adjustments to fossil, hydro, and nuclear generation based on projects that have been canceled or postponed beyond the test year, or for which updated actual costs are available. The Staff contends that it is appropriate to rely on actual data, particularly when projections are not adequately supported. The Staff notes that the utility is entitled to use a projected test year but it carries the burden of proving that its projections are reasonable. The Staff argues that the introduction of new projects late in the case "is inappropriate as a matter of order of proofs and notice." Staff's replies to exceptions, p. 16. The Staff also notes that its adjustments were not one-sided as I&M contends, but rather took into account both increases and decreases to costs by recommending increases to 66 original projects for the bridge year and 24 original projects for the test year, thus increasing 2023 recommended amounts by $3.54 million and decreasing 2024 amounts by $3.48 million, for an overall increase to jurisdictional rate base of $256,000. *Id*., pp. 16-17.

Also in reply, the Attorney General contends that I&M's "attempt to substitute spending on new projects is inconsistent with Commission precedent." Attorney General's replies to exceptions, p. 3. The Attorney General notes that her proposed disallowance was included within the Staff's proposed disallowances. *Id*., n. 11. The Attorney General states that I&M argues that

projects supported in its direct case should be approved "irrespective of the fact that the company is no longer [planning] to undertake the projects during the test year." *Id*., p. 4. The Attorney General argues that the ALJ did analyze the evidence and found that I&M's direct case did not support the inclusion of projects that have since been canceled. The Attorney General asserts that it is solely the utility's choice to use a projected test year, and there are risks associated with that choice when plans change. She also contends that Exhibit IM-75R includes 54 projects which are the subject of the redistributed expenditures and "the exhibit contains no explanations or evidentiary support for the specifics of these projects[,]" and Exhibit IM-74R is only slightly better, offering one sentence explanations. Attorney General's replies to exceptions, p. 6. The Attorney General contends that new projects should not be added in the midst of discovery because the rate case timeline does not allow for an adequate review.

I&M asks the Commission to base its determinations on the company's direct case. In determining just and reasonable rates, the Commission requires the utility to show that proposed capital expenditures will actually be made in the year for which the utility projects the spending to occur. Having provided updated forecasts for the capital forecast period, I&M could no longer credibly make that showing. After a rate case applicant indicates that projects proposed in the direct evidence will no longer be occurring (or will be occurring according to different timelines or costs), the Commission can no longer find that the direct evidence is competent, material, and substantial. *See*, Mich Const 1963, art 6, § 28. It is also, in most cases, inappropriate to attempt to introduce new projects in discovery or rebuttal, because the case has often progressed to the point where it is no longer procedurally possible for all parties to complete a satisfactory review of the new evidence for reasonableness and prudency and mount a challenge to that evidence within the 10-month statutory timeline. The Commission finds that the ALJ described and considered I&M's

direct evidence, but, of course, she was required to consider *all* of I&M's evidence including evidence provided in response to discovery. The Commission adopts the findings and recommendations of the ALJ.

b. Changes in Actual Updated Data

As just discussed, the Staff also proposed adjustments to this cost category based on updated cost forecasts and evidence showing actual spending provided by I&M during discovery. The Staff compared the updated amounts to the original projections and proposed an increase to generation capital expenditures of $3.54 million for 2023 and a reduction of $3.48 million for the 2024 test year. 6 Tr 2182-2183; Exhibit S-19.3. I&M again countered that the Commission should approve the original capital forecast and reject the use of adjusted forecasts that are based on actual spending due to the fluid nature of utility budgeting.

As with the cancelled projects, the ALJ recommended that the Commission approve the Staff's proposed disallowance, finding that:

> I&M has repeatedly relied on the erroneous assertion that it is not required to provide project specific support, and that it appropriately relies on budget, to meet its burden to prove projected expenditures are reasonable and prudent. Staff correctly argue that it is appropriate to consider updated information when the utility does not appropriately support its projections.

PFD, p. 41.

While the PFD includes a separate heading for this issue, the exceptions and replies to exceptions filed by the parties address this issue together with the issue of canceled or postponed projects, discussed above. As above, the Commission adopts the findings and recommendations of the ALJ.

c. Cost Class Estimates

I&M assigned cost class estimates to each capital project in this cost category, consistent with the estimation classes recommended by the Association for the Advancement of Cost Engineering

(AACE). The estimates are classified from 1 to 5, with 5 being the least well-defined. The Staff proposed an adjustment to capital expenditures based on the level of uncertainty associated with a particular estimate. 6 Tr 2183-2185; Exhibit S-19.4. Focusing on capital projects that exceed $1 million and for which the engineering specifications were uncertain, the Staff proposed a disallowance of $1.14 million associated with the Elkhart Spillway Cutoff Wall (Elkhart) project. Based on its Class 2 cost estimate and updated expenditure request, the Staff proposed a 15% reduction to this projected spend because a Class 2 estimate has an accuracy range of +20% to -15%. 6 Tr 2185. I&M countered that the project is already being executed and will be completed in November 2024.

Noting that the Commission approved a similar disallowance in the March 1, 2024 order in Case No. U-21389, p. 54, the ALJ recommended that the Commission adopt the disallowance, finding that I&M failed to properly support the proposed expenditure. PFD, p. 43. The ALJ found that simply claiming that a project has a Class 2 estimate is not sufficient and the Staff's proposed 15% disallowance is reasonable.

In exceptions, I&M argues that the 15% reduction to this Class 2 project is mistaken because the project is already under construction. I&M asserts that MCL 460.6a(1) allows for the use of a projected test year and does not require certainty. I&M's exceptions, p. 14. I&M adds that use of the AACE classes is standard for the industry for large projects and "Michigan's new practice of treating a Class II estimate as uncertain for a projected test year is unusual and impracticable." *Id*. I&M states that this project is currently being executed and will be complete during the capital forecast period in November 2024. *Id*. (citing 6 Tr 1918).

In reply, the Staff argues that, as a Class 2 estimate, this project has an accuracy range of +20% to -15%, and thus a 15% adjustment is appropriate. The Staff also notes that it did not

suggest a categorical reduction to all Class 2 estimates, but rather its proposal was limited to fossil and hydro projects over $1 million and in the test year only. Staff's replies to exceptions, p. 22.

The Commission adopts the findings and recommendations of the ALJ. The fact that a project has commenced is not a guarantee that the cost projections for the project are accurate. The company assigned the Class 2 cost estimate, and, based on the Staff's analysis, the Commission finds that the 15% reduction to this single project is reasonable. As with other capital disallowances tied to projected costs, I&M may seek recovery of such costs in a future rate case upon a showing that the costs incurred were, in fact, reasonable and prudent.

d. Solar Facilities

The Attorney General proposed a complete disallowance of capital expenditures associated with the Lake Trout and Mayapple solar projects. I&M projected capital costs for the Lake Trout project in the amounts of $1.4 million for 2023 and $1.39 million for 2024, and for the Mayapple project in the amounts of $2.18 million for 2023 and $2.66 million for 2024. 6 Tr 2394-2396; Exhibit A-12, Schedule B5.1, p. 2. I&M expects the two projects to be in operation in 2025. The Attorney General noted the 2025 date and also noted that the engineering, design, and procurement activities are not being performed by I&M but rather by the third-party project developers. The Attorney General also argued that I&M had not spent anything on these projects as of December 2023. 6 Tr 1942-1949, 1948-1949; Exhibits AG-28, AG-112. The costs are classified as CWIP. While acknowledging that CWIP is generally allowed in rate base, the Attorney General argued that the costs have not been supported in the record nor is there evidence that the costs are likely to be incurred in 2023 or 2024. The Attorney General calculated that the Michigan jurisdictional costs associated with these two projects are $559,000 for 2023 and $640,000 for 2024. 6 Tr 2395-2396; Exhibit AG-11.

I&M countered that both projects have been approved by the Commission (in Case Nos U-21189 and U-21377) and the proposed costs have been reviewed for reasonableness and prudence in these other dockets. The company argued that an additional review is duplicative and unnecessary and the costs should be included in CWIP. Additionally, I&M noted that CWIP is offset by an allowance for funds used during construction (AFUDC) and thus is revenue neutral, and the company argued that MCL 460.6s(9) specifies that the Commission shall not disallow costs incurred for a generation facility or a power purchase agreement for which a certificate of necessity (CON) has been granted if the costs do not exceed the costs approved by the Commission in granting the certificate. 5 Tr 1724.

The ALJ agreed with the company and recommended that the Commission reject the Attorney General's proposed disallowance, finding that:

> [t]he Commission has approved the projects in separate proceedings, including costs. The Company persuasively cites MCL 460.6s, quoted above. Clearly the costs included in CWIP do not exceed the total project costs at this point. And, equally significant, the capital expenditures are classified as CWIP, with an AFUDC offset, which in this case renders the expenditures revenue neutral.

PFD, p. 47 (footnote omitted).

In exceptions, the Attorney General argues that I&M provided insufficient support for this $7.6 million proposed expenditure. Noting that the two projects are being developed by third parties, the Attorney General argues that I&M is essentially reviewing paperwork and will not take ownership until 2025 at the earliest. The Attorney General also notes that, while the Lake Trout project was approved via a CON proceeding under MCL 460.6s, the Mayapple project was approved in a proceeding following from I&M's integrated resource plan (IRP) approvals pursuant to MCL 460.6t. Attorney General's exceptions, p. 2. The Attorney General adds that I&M's evidence showed that the company's activities are related only to general project oversight, and

that no detail was provided in the form of linking specific dollar amounts to specific tasks. *See*, 6 Tr 1942-1946; Exhibit AG-14. The Attorney General also notes that I&M had apparently spent nothing as of December 2023. Thus, the Attorney General contends, the ALJ's reasoning is faulty because MCL 460.6s(9) refers to costs a utility incurs and not to projected costs (and none have been incurred), and, in any case, MCL 460.6s(9) does not even apply to the Mayapple project (which was approved under MCL 460.6t). Attorney General's exceptions, pp. 4-5. Finally, the Attorney General contends that the fact that there is an AFUDC offset is not relevant, because the company is still seeking approval of the costs in this case. The Attorney General concludes that I&M failed to support the proposed expenditures and failed to demonstrate that the costs will actually be incurred in 2023 and 2024. *See*, Exhibit AG-14, p. 4.

In reply, I&M argues that the Attorney General "continues to confuse the type of costs at issue here." I&M's replies to exceptions, p. 3. I&M states that, contrary to the Attorney General's assertion, the fact that these costs are in CWIP and accrue an AFUDC offset is the most relevant fact of this disputed issue. I&M contends that the Attorney General simply opposes costs in order to achieve the lowest possible rates and fails to consider whether they are just and reasonable as required under the law. I&M argues that "CWIP is revenue neutral, so the Attorney General's proposal to exclude CWIP will serve only to increase costs for customers in the long term because the alternative is deferring these costs as a regulatory asset." *Id*. I&M further notes the Commission's approval of these projects pursuant to MCL 460.6s (Lake Trout) and MCL 460.6t (Mayapple), and points out that these statutes include identical language allowing for financing cost recovery which the Attorney General failed to address.

The Commission adopts the findings and recommendations of the ALJ. As I&M states, these projects were approved in the August 30, 2023 order in Case No. U-21189, pp. 52-56 (Mayapple)

(where the Commission preapproved costs other than contingency costs) and the December 21, 2023 order in Case No. U-21377, pp. 17-20 (Lake Trout) (where the Commission preapproved costs other than contingency costs). Both MCL 460.6s(12) and MCL 460.6t(18) provide that, "The commission may allow financing interest cost recovery in an electric utility's base rates on construction work in progress for capital improvements approved under this section prior to the assets being considered used and useful." As the ALJ notes, the projections provided by I&M in the instant case do not exceed the approved costs. PFD, p. 47; *see*, Exhibit A-12, Schedule 5.1, p. 2. The projects are classified as CWIP and included in rate base with an AFUDC offset. 6 Tr 2006-2007, 5 Tr 1724-1725; 6 Tr 1915, n. 7. The Commission finds that I&M provided evidence of total costs at Exhibit A-12, Schedule B5.1, p. 2, and provided evidence that the costs are for "general project oversight, coordination and reviews of developer submitted design packages and other technical documents to ensure compliance with contracted scope of work and technical specification requirements and review of commercial documents required to reach Notice to Proceed." Exhibit AG-14, p. 4.

3. Nuclear Generation Capital Expenditures

I&M forecasted total capital expenditures for nuclear generation at the Cook plant of $70.8 million in 2023 and $67.9 million in 2024. 3 Tr 1030; Exhibit A-12, Schedule B5.2.

a. The Commission Staff's Adjustments

Based upon evidence produced in discovery that provided actual nuclear capital expenditure data through July 2023, the Staff proposed a disallowance of $2.9 million for 2023 and $384,261 for the test year of 2024, which translates to a reduction of $525,000 for the Michigan jurisdiction. 6 Tr 2186; Exhibit S-19.5. As with other issues, I&M countered that the Commission should base its decisions in this order on the company's original capital forecast presented in its direct case. I&M also noted that the Staff considered the issue of new and emergent projects for this

disallowance, and argued that the Staff should have done so for its other proposed disallowances for fossil, hydro, and solar. The Staff replied that it did change its approach to calculating this disallowance due to the necessity of complying with Nuclear Regulatory Commission (NRC) requirements, and noted that it proposed only a 4% decrease to the bridge period and a small decrease to the test year.

The ALJ recommended that the Commission adopt the Staff's proposal, finding that the "Staff established that I&M's projections were faulty and used actual data from much of 2023 to annualize and calculate a reasonable projection." PFD, p. 50.

No exceptions were filed on this issue and the Commission adopts the findings and recommendations of the ALJ.

b. The Attorney General's Adjustments

i. Local Area Network

The Attorney General proposed four adjustments to I&M's nuclear capital expenditures. First, the Attorney General proposed a disallowance of projected costs associated with the local area network (LAN) project, which is intended to create a wireless infrastructure for the Cook plant. 6 Tr 2399-2401. I&M projected $6.17 million in capital expenditures for 2023 and no expenditures for 2024 because the project is now in service. Exhibit A-10, Schedule 5.2.

The Attorney General noted that the cost estimate for this project had changed from about $12 million when initially proposed (with completion in October 2020) to over $22 million (with completion in June 2024). The Attorney General argued that the $10 million cost increase was not supported on the record, and she proposed a disallowance of all projected capital costs for 2023, which amounts, on a jurisdictional basis, to $974,000. 6 Tr 2400. The Attorney General argued that this still allows I&M a 9% cost increase over the company's original $12 million cost estimate

for the LAN project. The Attorney General also contended that I&M should not recover any amount above her proposed amount in any future rate case. 6 Tr 2401.

I&M countered that it provided extensive evidence to support the new cost estimate through testimony and discovery, and that the Attorney General's witness failed to understand the complex nature of the project. I&M contended that the LAN project will benefit customers and improve safety and reliability by supporting wireless monitoring of conditions and allowing the Cook plant to move to condition-based preventative maintenance. 3 Tr 1048-1054.

The ALJ recommended that the Commission reject the proposed disallowance. PFD, p. 54. She found that I&M provided credible testimony to support the higher projected budget, noting increased equipment needs and labor costs, as well as regulatory requirements.

In exceptions, the Attorney General argues that the cost increase for this project "is so significant that it rises to a level of imprudence by Company management." Attorney General's exceptions, p. 7 (quoting 6 Tr 2400). The Attorney General contends that I&M's stated reasons for the increase amount to generalities about supply chain and resource challenges and lack detail or specificity. The Attorney General asserts that the May 2023 approval document did not provide credible support for the increase nor did the company's witness, who spoke about "as-found" conditions that could not have been predicted. Attorney General's exceptions, p. 8 (quoting 3 Tr 1052). The Attorney General argues that none of the evidence supports a $10 million increase, and that Exhibit IM-73R does not break down the cost increases to the components of the original budget. She further contends that the cost increases included in that exhibit account for less than half of the $10 million increase.

In reply, I&M first notes that the ALJ states that the completion date of this project is June of 2024 on p. 51 of the PFD, but the project was placed in service in December of 2023. I&M's

replies to exceptions, p. 6 (citing 3 Tr 1051). Thus, I&M argues, its projection now represents an actual cost for an investment that is serving customers. I&M also notes that a reasonableness and prudence review involves more than simply cost and the LAN project provides several benefits to customers as demonstrated in the testimony. I&M again argues that the Attorney General simply wants to achieve the lowest possible rates, but this is inconsistent with the standard of review for cost recovery and is irresponsible. I&M contends that the Attorney General's witness failed to do a reasonableness and prudence review and claimed that he did not need to. I&M's replies to exceptions, p. 7 (citing 6 Tr 2563, 2567). I&M urges the Commission to do a balanced review and to rely on competent, material, and substantial evidence.

The Commission adopts the findings and recommendations of the ALJ. The Commission agrees with the ALJ that the record contains adequate evidence showing that the LAN project will improve the safety and reliability of operating the Cook plant, and the cost estimation (which came in phases) was affected by conditions encountered after the work had commenced. 3 Tr 1048-1054. I&M provided sufficient support for the increased costs and the Commission approves the LAN project for inclusion in rate base.

ii. Cook Nuclear Plant Subsequent License Renewal Project

Second, the Attorney General proposed a disallowance associated with I&M's pursuit of a subsequent license renewal (SLR) for Cook Units 1 and 2 (the current licenses will expire in 2034 and 2037, respectively). 3 Tr 1035-1036. The project includes costs of $8.8 million for evaluation and preparation of the applications to the NRC for the license extensions during the test year. 3 Tr 1061, 1071-1072. I&M explains that this is a complex undertaking that will require 4-7 years to complete and the company is working with Enercon Services, Inc. However, I&M states that it will review whether to continue operation of the Cook facility in its next IRP proceeding and thus

it requests to defer SLR costs as a regulatory asset for recovery in future rate case proceedings. 3 Tr 1037-1040.

The Staff supported recovery of the total projected SLR costs in this proceeding, finding that I&M adequately supported the need to begin work on the SLR project in 2024. 6 Tr 2190-2191. The Staff also supported regulatory asset treatment for the costs.

The Attorney General proposed a disallowance of these costs, arguing that the work in 2024 is premature. The Attorney General noted that Cook Unit 1 may continue to operate for five years after its license expires, and thus the SLR application could be filed as late as 2029. 6 Tr 2401-2404. The Attorney General argued that I&M failed to provide sufficient details regarding the 2024 expenditures and failed to support the proposed timeline. The Attorney General recommended disallowance of the entire $8.8 million for the test year. I&M countered that it is possible to delay the SLR application until 2029 but not prudent because it will result in cost increases and a more compressed schedule, as well as potential repercussions from the NRC. I&M noted that the entire SLR process will entail an estimated 800 inspections, many of which are tailored to occur during planned outages and the timing has been aligned to those outages. 3 Tr 1056, 1076-1078.

The ALJ recommended that the Commission reject the Attorney General's proposed disallowance, finding that I&M provided convincing evidence that delay would be unreasonable and imprudent. PFD, p. 58. The ALJ also agreed with the Staff that the capital expenditures should be deferred for inclusion in a future rate case.

No exceptions were filed on this issue and the Commission adopts the findings and recommendations of the ALJ.

iii. Canceled Projects

Third, the Attorney General proposed disallowance of capital costs associated with the Room Coolers and Vibration Monitoring System (VMS) projects because both projects have been postponed. For the Room Coolers project, I&M projected $860,892 in total capital expenditures for 2023 and only $825 in 2024, and for the VMS project I&M projected expenditures of $141,019 for 2023 and $1.06 million for 2024. 6 Tr 2405; Exhibit IM-22. The Attorney General calculated the jurisdictional amounts to be $158,000 for 2023 and $168,000 for 2024. 6 Tr 2406.

I&M countered that the two projects have been postponed and unused funds will be redistributed to other necessary projects identified in Exhibits IM-74R and IM-22, but the company also indicated that the two projects are still being processed under a different schedule. 3 Tr 1062.

The ALJ recommended that the Commission adopt the Attorney General's proposed disallowance but noted that the disallowance is encompassed within the Staff's proposed disallowance (which the ALJ approved). PFD, pp. 60-61. Thus, the ALJ recommends that, if the Commission rejects the Staff's disallowance discussed above, then it should adopt the Attorney General's disallowance related to the two postponed projects.

As with the issue of the Staff's disallowance discussed above (which the Commission has adopted), no exceptions were filed on this issue. Thus, the Commission adopts the findings and recommendations of the ALJ.

iv. Updated Actual Data

Fourth, the Attorney General proposed a disallowance based on updated actual capital cost data provided by I&M in discovery, similar to the Staff's proposed disallowance. 6 Tr 2406-2407.

I&M countered that the Commission's decisions should be based on the company's original proposal as filed.

The ALJ again recommended adoption of the proposed disallowance but noted that it is encompassed within the Staff's disallowance. PFD, p. 62. Thus, she recommended that, if the Commission rejects the Staff's disallowance discussed above, then the Commission should approve the Attorney General's proposal.

Again, the Commission has approved the Staff's proposed disallowance and no exceptions were filed on this issue. The Commission adopts the findings and recommendations of the ALJ.

4. Distribution System

I&M stated that it developed its forecast of distribution spending based on its Distribution Management Plan. I&M explained its parametric estimating process which uses historically similar "work activities and other variables . . . to calculate an estimate for activity parameters, such as cost, budget, and duration." 4 Tr 1325. I&M noted its improvement in reliability, as shown by a 25% reduction in system average interruption duration index (SAIDI) without major event days, and by its outage duration performance which indicates that 99.5% of customers were restored in under 8 hours through June 30, 2023. 4 Tr 1244-1248. However, I&M noted that a "growing portion of I&M's distribution assets are reaching the end of their expected design lives." 4 Tr 1262.

a. Reliability Enhancement – Asset Renewal Projects

I&M projected a number of asset renewal projects to address potential asset failures. I&M projected Michigan jurisdictional capital expenditures for these projects to be $27 million in 2023 and $26.8 million in 2024. 4 Tr 1259-1264; Exhibit IM-6. Proposed adjustments are discussed below.

i. Generalized Adjustments

The Attorney General, CUB, and ABATE each proposed adjustments to the total projected capital expenditures for distribution.

Based on her analysis of the AACE cost estimate classes and the phases of project development employed by the company, the Attorney General proposed that all projects in the Needs Identification and Conceptual Scope phases of project development are premature for inclusion in rate base and should be fully disallowed. 6 Tr 2386-2388; Exhibits AG-3 through AG-9. She further proposed that all projects in the Detailed Scoping or Scoped phases of project development should receive a 20% reduction to projected expenditures based on their low level of certainty and the high degree of cost variance. The Attorney General proposed a total disallowance of $1.23 million for 2023 and $6.7 million for 2024. 6 Tr 2388; Exhibit AG-28.

CUB proposed a 10% reduction to capital spending for all asset renewal projects in the test year based on the lack of evidence demonstrating that the projects are necessary and cost effective. 3 Tr 264-267. CUB argued that the proffered reasons for doing these projects seemed to be disconnected from the level of requested expenditures. CUB noted the lack of any engineering reports or economic analyses to support the expenditures.

ABATE proposed that the Commission disallow all capital expenditures associated with projects that have expected in-service dates beyond the end of 2024 and all projects that are not currently at least in the construction phase of development. 3 Tr 109-112; Exhibit AB-7. ABATE argued that projects with completion dates beyond the test year present a significant level of uncertainty. Based on calculations of unit costs for each project category, ABATE recommended a reduction to total distribution plant-in-service expenditures of $18.9 million. 3 Tr 113.

I&M countered that these parties fail to recognize the high level of accuracy associated with parametric estimation, which exceeds that of other methodologies. 4 Tr 1325. Addressing the Attorney General's arguments, I&M contended that the Attorney General failed to accurately estimate each project's maturity on the basis of its development phase and also argued that AACE class cost estimation is not applicable for this routine work. I&M argued that these asset renewal projects are small, common, repeatable, similar, and routine, and that the parametric method provides a better estimation regardless of the phase of development. 4 Tr 1325.

Addressing CUB's proposal, I&M argued that the 10% reduction is subjective and undermines the work I&M has already done to improve reliability. 4 Tr 1322. I&M contended that no party refuted the use of parametric estimating.

Addressing ABATE's proposal, I&M argued that it is arbitrary and subjective and would result in reducing capital investments by more than 60% and undermine the Distribution Management Plan. I&M also found the per unit calculations to be flawed, arguing that ABATE incorrectly applied parametric units to individual project counts. 4 Tr 1330-1333. I&M asserted that it provided extensive support for its projections in discovery and at a technical conference.

The ALJ recommended that the Commission reject the three proposals for overall disallowances. The ALJ acknowledged that some of I&M's information is confusing and repetitive, but she found that I&M demonstrated that the AACE does not apply to routine work and she found that this undermines the Attorney General's proposed disallowances. PFD, pp. 73-74 (citing Exhibit AG-11). She further found that the disallowances proposed by CUB and ABATE lacked adequate support on the record, stating that "[b]oth ABATE and CUB have made speculative assumptions which are not supported any better than the Company's. And I&M has

provided some reasonable evidence to refute the assumptions made by CUB and ABATE." PFD, p. 74.

In exceptions, the Attorney General argues that projects in the Needs Identification and Conceptual Scope phases should be fully disallowed and those in the Detailed Scope and Scoping phases should be partially disallowed because they are premature. Attorney General's exceptions, pp. 11-15. The Attorney General notes that I&M assigns phases to projects based on definitions in the company's Project Delivery Model (PDM) and Exhibit IM-6 presents a list of asset renewal projects showing individual costs and phases of development. She states that the Needs Identification category is simply a list of needs, and the Conceptual Scope category includes projects that have not yet been scored for purposes of prioritization. *See*, Exhibit AG-11. She states that the PDM phases are based on the AACE, and, as such, the first two phases are premature for inclusion in rate base, and the second two phases should be subject to a 20% reduction. Attorney General's exceptions, p. 12. The Attorney General argues that I&M never stated that the projects constitute routine work or fall within the routine work exception to the PDM, and that I&M did not make this argument until its reply brief. Additionally, she notes that Exhibits AG-3 through AG-9 show that I&M labeled each project with its PDM phase designation, thus the company clearly made use of those designations. Finally, citing the December 17 order, pp. 19-20, the November 18, 2022 order in Case No. U-20836 (November 18 order), pp. 137-138 and 175-176, and the December 1, 2023 order in Case No. U-21297, p. 156, the Attorney General argues that the Commission has repeatedly disallowed costs for projects that are in the conceptual, preliminary, or needs identification phases. Attorney General's exceptions, pp. 14-15.

In exceptions, CUB argues that "I&M presented insufficient evidence of outage history, consideration of alternatives, or other indicators that I&M's proposed projects were necessary,

cost-effective, or likely to improve reliability." CUB's exceptions, p. 2 (footnote omitted). CUB contends that its proposed 10% reduction is reasonable and nominal. CUB notes that the ALJ found that CUB's criticisms were sound but also found that CUB's proposal was not supported "any better than the Company's[,]" thus, CUB argues, the ALJ misplaced the burden of proof. CUB's exceptions, p. 3 (quoting the PFD, p. 74). CUB argues that it does not bear the burden of demonstrating that the proposed disallowance is reasonable, but rather, I&M bears the burden of demonstrating that its projections are reasonable.

In reply, I&M argues that the ALJ did not improperly shift the burden of proof but rather the Attorney General and CUB proposed disallowances without an adequate evidentiary basis. I&M's replies to exceptions, p. 10. I&M contends that parties are required to support the reasonableness of their proposals with evidence, which the Attorney General and CUB failed to do. I&M states that "[r]equiring evidentiary support for disallowances is not improper burden shifting; it is expected in the confines of an evidentiary presentation." *Id*., p. 12. I&M also argues that its witness established that this is routine work (described by the witness as "common and repeatable") for which AACE Class cost estimates are not appropriate. *Id*., p. 14 (citing 4 Tr 1325). I&M asserts that this work is repetitive and similar from year to year and thus can be forecast with a high degree of accuracy, and is not typical of the types of large complex projects that rely on AACE Class cost estimates. I&M further contends that the examples of previous disallowances provided by the Attorney General all involve larger and more complex projects and are not analogous to the Asset Renewal projects. I&M again supports its parametric cost estimation which relies on statistical relationships and actual historical costs. *Id*., p. 15 (citing 4 Tr 1326).

Based on the reasoning articulated by the ALJ pertaining to the Asset Renewal, Reliability, and Risk Mitigation cost category, as well as the Combined Projects category, the Commission agrees with her rejection of the proposed disallowances. However, the Commission also agrees with her assessment of the company's evidence as confusing, repetitive, and generally lacking in detailed support for the expenditures. 4 Tr 1259-1264; *see also*, 4 Tr 1311-1337. As the intervenors correctly pointed out, I&M's case lacked much of the basic information necessary to determine the reasonableness and prudence of the proposed spending, such as scoping documents demonstrating the need for the project, expected budgets, company approval timelines, evidence of outage history, the age and condition of the targeted assets, evidence of the consideration of alternatives, and other typical analyses showing that the proposed projects are necessary for reliability purposes and being carried out in a cost-effective manner. The Commission accepts that much of this work is routine and needs to be undertaken each year. Based on the weakness of I&M's case in support of its projections for the Asset Renewal, Reliability, and Risk Mitigation cost category, as well as the Combined Projects cost category, the Commission finds that it should rely on the actual spending in the historical year of 2022, adjusted for inflation. Exhibit A-12, Schedule B5.3, p. 1, shows an historical 2022 spend of $62.05 million for the total company. For Combined Projects, Exhibit A-12, Schedule B5.3, p. 1, shows an historical spend of $60.65 million for the total company. The Commission adopts the inflation rate forecast provided by the Staff in Exhibit S-4, Schedule D-3a, p. 1, of 3.48% for 2023 and 2.79% for 2024. Applying this to the historical spend, the Commission approves $12.92 million for 2023 and $13.28 million for 2024 (on a jurisdictional basis) for inclusion in rate base for the Asset Renewal, Reliability, and Risk Mitigation cost category depicted in Exhibit A-12, Schedule B5.3, p. 1. For Combined Projects, the Commission approves $12.63 million for 2023 and $12.98 million for 2024 (on a

jurisdictional basis) for inclusion in rate base. This constitutes a reduction to the Asset Renewal, Reliability, and Risk Mitigation cost category, but an increase to the Combined Projects cost category in comparison to I&M's request.

This decision renders several of the following issues moot. To continue tracking the PFD, however, the Commission includes a description of each issue.

ii. Placeholders

The Staff proposed a disallowance of projected test year expenditures for the Porcelain Cutout and Arrester Replacement project, which amounts to a reduction of $807,482 for 2024. The Staff made the same argument with respect to the Crossarm Replacement project, for which I&M seeks $981,738 for the test year; the Open Wire Secondary Replacement project, for which I&M seeks $931,209 for the test year; and the Pole Replacements project, for which I&M seeks $1.88 million for the test year. 6 Tr 2199-2202. The Staff's proposal is based on information supplied by I&M in discovery indicating that the future locations for these replacements have not yet been determined. 6 Tr 2197-2202; Exhibit S-13.0; Staff's amended reply brief, p. 2. The Staff noted the lack of basic information about the projects and characterized the forecasted amounts as placeholders which operate similarly to contingency budgeting in the sense that such a project may never actually happen. The Staff argued that it is not appropriate for the company to earn depreciation and a return on a placeholder expenditure. The Staff noted that I&M could not provide information about the planned locations for any of these projects, and the company also failed to provide basic information such as "station, circuit, description, number of units, estimated labor capital expenditures, estimated material capital expenditures, and total estimated capital expenditures" in a format similar to Exhibit IM-6. 6 Tr 2202. The Staff argued that the

Commission routinely disallows placeholders and the company may still recover any costs in a future rate case with proper support.

I&M countered that it conducts systematic inspections of its distribution equipment on an annual basis and these replacement projects are routine and predictable. I&M explained that it identifies the volume of work that will be necessary but does not identify the specific locations because those are based on the inspections. I&M argued that its annual experience provides a reasonable basis for projecting the volume of work, and the work is necessary for safety and reliability. I&M claimed that the Staff's disallowances would prevent recovery of any of the costs of the replacement projects. 4 Tr 1313-1314.

The ALJ recommended that the Commission adopt the Staff's proposed disallowance based on the precedent cited by the Staff, namely the December 17 order, p. 17; May 8, 2020 order in Case No. U-20561, pp. 138-141; and November 18, 2022 order in Case No. U-20863, p. 193. PFD, pp. 78-79. The ALJ noted that more complete information was not provided by I&M until rebuttal, and that the company did not refute the argument that these amounts are placeholders. She found that it is clear that the actual locations and expenditures will be based on future inspections and thus are currently unknown.

In exceptions, I&M argues that these four projects will be carried out in the test year to address deteriorating equipment as part of its "annual, and systematically implemented, inspections of its distribution system. 4 TR 1261-1264." I&M's exceptions, p. 15. I&M contends that the concept of placeholders should not be used to prohibit these routine and predictable projects simply because the locations cannot be identified until the inspections occur. I&M states that it supported these projects in its direct case with all of the information that the Staff is seeking being found in Exhibit IM-6. I&M contends that this situation differs from the unique stand-alone

projects that were considered to be placeholders in Case No. U-20836. In this case, I&M argues, there is no possibility that the work will not be carried out. I&M notes that it produced historical spending in Exhibit IM-108R, demonstrating that it will continue to conduct these necessary inspections. *See*, 4 Tr 1312-1314. I&M further asserts that the "location does not materially impact the overall cost, nor does it change the anticipated number of units to be completed in a year." I&M's exceptions, p. 18. I&M also notes that the Staff recognized the value of this work, citing Staff's initial brief, p. 26. Finally, I&M notes that the Commission recognized that this type of emergent work would actually occur in the March 1, 2024 order in Case No. U-21389 (March 1 order), p. 21, where the Commission chose to base its decision on historical spending.

In reply, the Staff argues that these projects were not identified at the time of the filing and that, at a minimum, the Staff needs the information provided in Exhibit IM-6 in order to determine the reasonableness of an expenditure. Staff's replies to exceptions, p. 25.

In reply, ABATE agrees with the Staff and contends that I&M provided insufficient support for inclusion of these projects in rate base. ABATE's replies to exceptions, p. 3.

As discussed above, the Commission finds that funding for this capital expenditure category should be based on historical expenditures adjusted for inflation. As such, the Commission finds that this issue is now moot.

iii. Single Phase and Three Phase Line Rebuild Projects

I&M stated that this project will replace aging overhead facilities, and will reduce the likelihood of unplanned outages. 4 Tr 1259-1260. I&M stated that it planned to rebuild 33.2 miles in 2023 and 29.61 miles in 2024 of Single Phase lines at a Michigan jurisdictional cost of $3.96 million in 2023 and $3.63 million in 2024; and to rebuild 14.98 miles in 2023 and

15.42 miles in 2024 of Three Phase lines at a cost of $4.27 million in 2023 and $4.55 million in 2024. 4 Tr 1260-1264; Exhibit IM-6.

The Attorney General noted that the company completed only 9 miles of Single Phase and 6 miles of Three Phase lines in 2022 at a cost of $2.5 million and $2.1 million, respectively. On that basis, and consistent with the 25% improvement in SAIDI, the Attorney General proposed a 25% increase to 2022 capital expenditures for both 2023 and 2024, which results in a projection of $3.09 million for Single Phase and $2.59 million for Three Phase rebuilds for each of those years. 6 Tr 2389-2391. This amounts to a disallowance of $1.98 million for 2023 and $1.6 million for 2024 for the combined rebuilds. 6 Tr 2392.

CUB proposed disallowances associated with the Three Phase rebuilds of the Kalamazoo Eagle project and the Valley 34.5 kilovolt (kV) project, on grounds that the outages on these lines were caused by transmission stations and transmission lines and thus distribution line rebuilds will not improve reliability. 3 Tr 267-268. CUB argued that this is part of its proposed 10% reduction to all asset renewal capital expenditures.

I&M countered that the proposed disallowances are arbitrary and subjective, and that the parties fail to acknowledge that I&M's process is resulting in reliability improvements. I&M noted that its projections are supported by parametric cost estimates. I&M also noted that the Attorney General already included disallowances for the Single Phase and Three Phase line rebuilds in her arguments regarding the stages of project development. Addressing CUB, I&M contended that a line's outage history is not necessarily indicative of all potential future problems.

While finding the company's rebuild goals to be "very aspirational," the ALJ recommended that the Attorney General's proposal be rejected. PFD, p. 84. The ALJ found that the Attorney General failed to demonstrate the reasonableness of her disallowance and the company provided

adequate support for the cost increases. Regarding the Attorney General's reliance on the historical year, the ALJ found that "[t]here is no evidence that this methodology is any more reasonable and prudent than that used by I&M." *Id*. Having already rejected CUB's 10% disallowance proposal, the ALJ does not address CUB's arguments.

In exceptions, the Attorney General argues that I&M failed to justify almost doubling its spending on single phase rebuilds and adopting an 80% increase to its spending on three phase rebuilds. Attorney General's exceptions, p. 16. She contends that I&M did not point to any specific failures or identified problems, or to any specific outage reductions or service improvements that would result from this work. The Attorney General notes the ALJ's finding that the project is very aspirational, and contends that I&M offered only generalizations about enhanced safety resulting from this project and no information whatsoever on the conditions of the lines that are to be replaced. The Attorney General states that I&M offered its new Five-Year Distribution Plan as a rebuttal exhibit, but the plan contained no information on the age, condition, reliability problems, or reliability improvements associated with this project. *See*, Exhibit IM-104R. She contends that the ALJ misstated the burden of proof, adding that "[t]hese decisions are not a contest between the utility and an intervenor about whose method is better. Rather, the Commission has repeatedly held that if a utility does not prove the reasonableness of its projections, then a substitute projection should be used – including one based on historic[al] spending." Attorney General's exceptions, p. 20.

In exceptions, CUB again argues that the ALJ misplaced the burden of proof. CUB notes that the ALJ found I&M's line rebuild goals to be aspirational, and asserts that if the Commission finds merit in CUB's arguments then "it has both the power and the obligation to make appropriate adjustments." CUB's exceptions, p. 4.

In reply, I&M argues that the Attorney General's proposal is arbitrary and lacks any basis in the record. I&M's replies to exceptions, p. 15. The company contends that historical spending alone is not a basis on which to reject a projected amount unless the projected amount is unsupported. I&M contends that the Attorney General provided no analysis of the issue and simply suggested a cap without any rationale.

As discussed above, the Commission finds that funding for this capital expenditure category should be based on historical expenditures adjusted for inflation. As such, the Commission finds that this issue is now moot.

iv. Roadside Relocation Projects

The Roadside Relocation Projects involve I&M's identification of overhead lines that are difficult to access and relocation of those lines to more accessible areas. 4 Tr 1260. I&M explained that it is scheduled to relocate 23.87 miles of overhead lines in 2023 at a cost of $10.851 million, and 22.22 miles in 2024 at a cost of $10.43 million. 4 Tr 1263-1264. The Attorney General recommended a $3.4 million disallowance for the 2024 relocations. Exhibit AG-10. ABATE recommended a disallowance of $768,266 in 2023 and $4.49 million in 2024, totaling $5.26 million. Exhibit AB-7, p. 1. CUB recommended a 10% disallowance in the Asset Renewal category overall and, specific to the Roadside Relocation Projects, argued that I&M failed to justify its spending or adequately explore alternatives like using specialized equipment to maintain difficult-to-access lines. 3 Tr 269; *see also*, CUB's initial brief, pp. 5, 11. I&M rebutted CUB's contention and argued that relocation would result in faster restoration times and safer working conditions. 4 Tr 1319; I&M's initial brief, p. 81.

The ALJ recommended that the Commission reject CUB's 10% disallowance. PFD, p. 86. As the ALJ explained in the Reliability Enhancement-Asset Renewal Project-Generalized

Adjustments section of the PFD, the ALJ was also not persuaded by the disallowances recommended by the Attorney General and ABATE. *Id*., pp. 73-74.

In its exceptions to the PFD, CUB addresses the overall category of distribution capital expenditures for the Asset Renewal category together, inclusive of the Roadside Relocation, Risk Mitigation, and Combined Projects categories. CUB asserts that for Asset Renewal, the ALJ acknowledged that I&M failed to adequately support its proposed expenditures but nonetheless declined to adopt CUB's, the Attorney General's, or ABATE's proposed disallowances. For each of these categories, CUB attests that the ALJ erred by placing the burden of proof on the intervenors to prove their disallowances are reasonable rather than on the company to prove its expenditures are reasonable. To illustrate, CUB points out that the ALJ acknowledged that I&M's proposed line build plans were aspirational and had only some testimonial support. CUB argues that it presented ample testimony showing that I&M's proposed asset replacements were excessive and needed adjustment. CUB's exceptions, pp. 2-4 (citing PFD, p. 84).

Turning to the roadside relocations issue specifically, CUB states that after rejecting its proposed 10% disallowance in the overall Asset Renewal category, the ALJ noted CUB's recommendation for I&M to investigate a shortened pole inspection interval but failed to address it in the PFD. CUB repeats its support for shortened inspection intervals and notes I&M's acceptance of exploring a shortened inspection cycle. CUB's exceptions, pp. 4-5 (citing 4 Tr 1321).

In its replies to exceptions, I&M acknowledges that the ALJ did not address CUB's suggestion to explore shorter pole inspection cycles but states that it does not believe a shortened cycle is necessary. However, I&M repeats that if the Commission finds it to be prudent, the company will present an analysis of a shortened cycle in its next rate case. I&M's replies to exceptions, p. 19.

As discussed above, the Commission finds that funding for this capital expenditure category should be based on historical expenditures adjusted for inflation. Thus, having rejected I&M's projected spending, the Commission finds that this issue is now moot. Further, the Commission finds CUB's recommendation for I&M to explore shorter pole inspection intervals to be reasonable and adopts this recommendation. As such, in its next general rate case, I&M shall present its findings resulting from consideration of shorter pole inspection intervals from its current 10-year inspection cycle.

b. Risk Mitigation

I&M projected spending $1.05 million in 2023, and $1.08 million in 2024 on the following programs in the Risk Mitigation category: (1) locating underground facilities, (2) comprehensive pole inspections and treatment, (3) above ground inspections of underground residential distribution equipment structures (pad mounts, transformers, enclosures, pedestals), and (4) overhead distribution line inspections. 4 Tr 1266-1268. CUB's overall 10% disallowance in the Asset Renewal category of capital expenditures includes the company's proposed expenditures in Risk Mitigation. CUB reasoned that a disallowance is appropriate in this category because some poles could be rehabilitated or reused and that I&M should explore alternative cost saving options along with shorter inspection intervals. 3 Tr 270-271.

As noted above, the ALJ recommended that the Commission reject CUB's proposed 10% disallowance, which includes the Risk Mitigation category. PFD, p. 88.

In its exceptions to the PFD, CUB addresses the overall category of distribution capital expenditures for the Asset Renewal category together, inclusive of the Roadside Relocation, Risk Mitigation, and Combined Projects categories. CUB's exception to the ALJ's rejection of its proposed 10% disallowance in the Asset Renewal category and its arguments are discussed above and incorporated by reference here. CUB's exceptions, pp. 2-4.

As discussed above, the Commission finds that funding for this capital expenditure category should be based on historical expenditures adjusted for inflation. As such, the Commission finds that this issue is now moot.

c. Combined Projects

I&M explained that the Combined Projects category consists of projects that are not included in Reliability Enhancement, Risk Mitigation, or Grid Modernization categories but involve work inside or in conjunction with distribution station projects. I&M forecasted capital expenditures of $5.34 million in 2023, and $792,000 in 2024 (excluding AFUDC). 4 Tr 1265-1266. I&M listed the individual projects, namely: (1) Murch Station, (2) Sodus Station, (3) Crystal Station, (4) Stubey Road Station, (5) Main Street Station, (6) West Street Station, (7) Scottdale Station, (8) Empire Station, (9) Valley Station, and (10) Hickory Creek Station. 4 Tr 1266; Exhibit IM-7. CUB objected to the capital expenditures for all of these projects except for the Main Street Station project, which CUB stated showed signs of imminent failure. 3 Tr 272. CUB opined that the company's reliance on its load growth does not justify the remaining nine projects as I&M's Exhibit A-15, Schedule No. E-1 shows that Michigan retail load is expected to decline by 2% over the forecast period. 3 Tr 273. I&M rebutted that waiting until equipment fails is not cost effective and accused CUB of cherry-picking projects without considering their necessity to the integrity of the distribution system. 4 Tr 1321-1322.

The ALJ again rejected CUB's 10% disallowance for the Distribution-Reliability Enhancement category, which included the Combined Projects category. PFD, p. 91.

In its exceptions to the PFD, CUB addresses the overall category of distribution capital expenditures for the Asset Renewal category together, inclusive of the Roadside Relocation, Risk Mitigation, and Combined Projects categories. CUB's exception to the ALJ's rejection of its proposed 10% disallowance in the Asset Renewal category and its arguments are discussed above

and incorporated by reference here. CUB's exceptions, pp. 2-4. As to Combined Projects specifically, CUB contends that the ALJ failed to address CUB's recommendation that the Commission defer cost recovery of the 2023 capital expenditures for the Crystal Station project and defer approval of the Empire Station project until I&M completes a BCA (benefit/cost analysis). CUB requests that the Commission approve this deferral and repeats its support for this proposal. *Id*., p. 5.

In its replies to exceptions, I&M repeats its opposition to CUB's recommendation to defer costs and conduct a BCA for the Crystal Station and Empire Station projects in the Combined Projects category and claims that CUB selected them for a BCA merely because they are the most expensive projects. I&M argues that a BCA should not be required on that basis alone and doing so would be unreasonable and wasteful. I&M then restates that it adequately supported all of its proposed expenditures in the Combined Projects category and that the Commission should reject CUB's proposals. I&M's replies to exceptions, pp. 19-20.

As discussed above, the Commission finds that funding for this capital expenditure category should be based on historical expenditures adjusted for inflation. As such, the Commission finds that this issue is now moot.

d. Grid Modernization

I&M explained that its projected Grid Modernization capital expenditures of $11.73 million for 2023 and $13.15 million for 2024 are to improve system resiliency and functionality that will provide more timely information to I&M and allow it to respond to grid events faster. The Grid Modernization projects consist of: (1) advanced metering infrastructure (AMI), (2) conservation voltage reduction (CVR), (3) distribution automation circuit reconfiguration (DACR), (4) grid modernization station projects, (5) distribution line sensors, (6), smart reclosers (for stand-alone units), and (7) smart circuit ties. 4 Tr 1268-1272; Exhibit IM-8. Citing the prematurity of the

projects, the Attorney General recommended disallowances of $394,287 in 2023 and $1.01 million in 2024 for CVR capital expenditures, along with $173,261 in 2023 and $456,056 in 2024 for DACR capital expenditures. 6 Tr 2386-2388; Exhibit AG-10. ABATE proposed a disallowance to the grid modernization category as part of the $37.89 million disallowance to the overall distribution capital category, arguing that I&M failed to show that spending on any of the projects was reasonable and prudent. 3 Tr 108-112.

Referencing the reasoning given previously in the Reliability Enhancement-Asset Renewal Project-Generalized Adjustments section of the PFD, the ALJ similarly rejected the Attorney General's and ABATE's respective disallowances. PFD, pp. 73-74, 92.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation to be well-reasoned and based on substantial evidence on the record, and therefore, adopts the PFD.

i. Advanced Metering Infrastructure

Addressing AMI specifically, I&M contended that its capital expenditures in deploying AMI to replace obsolete meters was reasonable and prudent and that the company deployed 133,267 of the projected 133,962 AMI meters by the end of 2022, with the remaining 695 AMI meters deployed in 2023. 4 Tr 1291. I&M explained that it has capital expenditures of $26.5 million, program costs of $20.88 million, and pre-program power line carrier costs of $5.6 million. 4 Tr 1292-1293. The Staff recommended a disallowance of $15.08 million of the company's AMI capital expenditures citing insufficient evidence to support the expenditures, contradictory and confusing support from the company, and the inability to quantify the benefits of the AMI program from the information provided. 6 Tr 2121-2130; Exhibit S-10.0; Staff's initial brief, pp. 27-35. The Attorney General argued that a disallowance of $5.77 million from 2023 capital expenditures

and $2.91 million from 2024 capital expenditures was appropriate based on conflicting information from I&M regarding the allocation of jurisdictional capital expenditures for AMI. 6 Tr 2393; Exhibit AG-2; Attorney General's initial brief, pp. 20-23. I&M rebutted and argued that, while its testimony may have been confusing, it provided the necessary clarity to support these expenditures and asserted that the Staff's and Attorney General's assumptions were speculative and erroneous. I&M's initial brief, pp. 91-94.

The ALJ found the Staff's and Attorney General's arguments to be persuasive and consistent with Commission precedent. The ALJ explained that the Staff and the Attorney General demonstrated that I&M failed to support its recovery request and noted that, while the BCA provided by I&M predicted financial benefits to AMI deployment, I&M was unable to produce those benefits on the record. While finding that the Staff and Attorney General presented clear and concise reasons for their adjustments, the ALJ found that the Staff's proposed disallowance was more appropriate. The ALJ focused on the BCA and explained as follows:

> Pursuant to the settlement in Case No. U-20359, I&M performed a cost/benefit analysis for the AMI program. As Staff correctly notes, performing this cost/benefit analysis was a condition precedent to inclusion of the costs in rate base, and does not establish the reasonableness and prudence of those costs in any manner. Neither the fact that the AMI rollout is completed, and funds have been spent, nor the fact that the Company spent less than projected in the cost/benefit analysis, should be relevant. The issue is whether the expenditures are reasonable and prudent, not whether or how much was spent. As this [ALJ] recommends the Commission find I&M failed to support the capital expenditures for AMI, Staff's complete disallowance is more appropriate.

PFD, pp. 102-103. Alternatively, the ALJ recommended the Attorney General's disallowance be adopted if the Commission is disinclined to adopt the Staff's full disallowance. *Id*., p. 103.

I&M takes exception to the PFD and argues that the ALJ's recommendation is misinformed and misguided based on the record in this case for several reasons. First, I&M claims that the ALJ's unexplained conclusion that I&M failed to support the AMI program with financial benefits

is erroneous because I&M's expert witness's testimony constitutes substantial evidence. I&M's exceptions, p. 21 (citing *In re Review of Consumers Energy Co Renewable Energy Plan*, 293 Mich App 254; 820 NW2d 170, (July 12, 2011)). I&M then recites its testimony regarding the financial benefits of the AMI program and the forecasted net present value (NPV) of $22.6 million set forth in the BCA. I&M's exceptions, pp. 21-22 (citing 5 Tr 1462-1463; Exhibit IM-29 Confidential).

Turning to the Staff's objections, I&M argues that the Staff's issue is not with the cost of the program themselves but rather the form in which the company reported its costs and that these objections are not sufficient to support a disallowance. I&M argues that it demonstrated other benefits of the AMI program, including avoided costs and improvements to service restoration times, which the ALJ did not recognize when concluding that the company did not include any financial benefits in this case. I&M's exceptions, pp. 23-24 (citing 3 Tr 367-368, 772-773; Exhibits IM-29 Confidential and IM-72R).

I&M further disputes the ALJ's reasoning that the timing of the AMI rollout, namely that the project is substantially completed, is not relevant to recovery. I&M argues that there was no objection to the relevance of evidence pertaining to the rollout and completion timing of the AMI program and that the company's completion of the AMI program in a cost-effective manner is relevant to the reasonableness and prudence of the company's expenditures. I&M goes on to state that the misapplication of an evidentiary standard and failure to acknowledge the benefits set forth in the BCA should lead the Commission to reject the PFD. I&M's exceptions, pp. 24-26.

Second, I&M argues that the BCA it provided, as directed by the Commission in the January 23 order, was not disputed in this case, namely: (1) I&M complied with the January 23 order, (2) I&M properly submitted the BCA into the record, (3) there was no suggestion that the BCA was deficient, (4) there was no evidence that I&M deviated from its AMI deployment plans

or the plan used to establish the BCA, and (5) there was no evidence that I&M's reliance on the BCA was unreasonable or imprudent. I&M also contends that it was foreclosed from filing an earlier rate case that would have provided an earlier review of the program. Repeating the BCA's conclusion regarding the financial benefits of the AMI program, I&M states that the ALJ's ultimate conclusion that I&M failed to include actual financial benefits is a disconnect from the record. I&M's exceptions, pp. 26-28. Similarly, I&M contends that the ALJ's alternative disallowance recommendation is improper because the Attorney General's proposed disallowance of $5.77 million for 2023 and $2.91 million for 2024 exceeds the Michigan jurisdictional AMI expenditures of $2.65 million for 2023 and $0 for 2024. *Id*., pp. 28-29 (citing 5 Tr 1796-1797; Exhibit IM-89R; Attorney General's initial brief, p. 21).

Lastly, should the Commission find more information regarding the benefits of AMI to be useful, I&M suggests that, as an alternative to a disallowance that would require I&M to file a new rate case to recover these expenditures, the Commission could allow recovery in this case and require the company to provide reports to the Staff. I&M also suggests that the Commission could adopt a corresponding O&M adjustment to ensure that financial benefits to customers are reflected in the test year. I&M's exceptions, pp. 29-30.

In its replies to exceptions, the Attorney General responds to I&M's exceptions, arguing that I&M misstates case law and Commission precedent in its contention that I&M's testimony regarding AMI constitutes substantial evidence on the record and should therefore be accepted. The Attorney General clarifies that it is the Commission's role to weigh conflicting expert opinion testimony and avers that substantial evidence supporting a particular proposal alone is not determinative of reasonableness and prudence. Attorney General's replies to exceptions, p. 9. The Attorney General also contends that contrary to I&M's assertions that it provided financial benefits

the company did not quantify actual savings to customers after repeated requests to do so. *Id*., p. 10. The Attorney General points out that while I&M witness President Steven Baker testified that cost savings had resulted from the AMI deployment, he was not familiar with the specifics of the BCA. In addition, she notes that company witness Jon Walter testified that the dollars associated with the BCA's claimed benefits could not be tracked. Thus, the Attorney General argues that I&M did not verify that actual savings have resulted from those predicted in the BCA. The Attorney General contends that I&M's opposition to her proposed disallowance is without merit and that I&M's proposed alternative to submit reports on AMI in the future is insufficient. *Id*., pp. 10-11.

In its replies to exceptions, the Staff contends that I&M misconstrues the Staff's concerns in its exceptions by stating that the Staff merely took issue with the form in which I&M provided information about the AMI program. Rather, the Staff contends that the company's responses did not provide information explaining how the historical expenditures were actually spent or how the projected expenditures would be spent in the future. The Staff also states that I&M provided conflicting responses, which were acknowledged by the ALJ. Referring to I&M's reliance on *In re Review of Consumers Energy Co Renewable Energy Plan*, the Staff argues that its own expert witness provided an extensive rationale as to why I&M's recovery request lacked support and was problematic, all of which was noted by the ALJ. The Staff also states that I&M's witness affirming the benefits of AMI does not meet the evidentiary threshold demonstrating reasonableness and prudence. Thus, the Staff asks the Commission to disallow I&M's requested expenditures. Staff's replies to exceptions, pp. 17-19.

The Commission respectfully disagrees with the ALJ's recommendation on this issue and finds that some recovery limited to the historical capital expenditures through 2021 and 2022 is

more appropriate. The Commission acknowledges I&M's completion of a satisfactory BCA for the AMI program and notes that no party took issue with the substance of the BCA. The Commission further acknowledges that the BCA forecasted significant benefits to the rollout of AMI and that I&M's AMI costs are less than those forecasted in the BCA. *See*, 4 Tr 1292-1293; 5 Tr 1458-1465; Exhibits IM-29 and IM-105R. However, the issue is that I&M failed to track the financial benefits that the BCA predicted to actual benefits for Michigan customers that should have appeared with the AMI program rollout being substantially complete. *See*, 4 Tr 1274. I&M touted both the financial and non-financial benefits of the AMI program, claiming that the program resulted in cost savings, avoided costs, reduced storm restoration time, real-time online outage information, more timely customer usage information, and avoided O&M costs.

Yet the unsupported assertions offered by the company that the AMI program is resulting in cost savings other benefits to customers are no substitute for material evidence consisting of dollar amounts, operational metrics, and/or measurable customer benefits linked to the AMI program. *See*, 3 Tr 714-717; 4 Tr 1274, 1295-1296. Should the company seek recovery in the future for any 2023 or 2024 expenditures, or to include future expenditures in prospective rates, the Commission expects to see quantified benefits to Michigan customers supported by persuasive evidence on the record that allows the parties to discern what the actual expenditures are in each year, as opposed to conflicting amounts in discovery that are not responsive to the clarity requested. Therefore, the Commission finds that I&M's capital expenditures through 2021 of $5.8 million and $12.05 million for the 2022 historical period should be included in rate base.

e. Other Proposed Disallowances

The Attorney General recommended that the Commission disallow $1.06 million in 2023 and $1.23 million in 2024 for I&M's capital expenditures under the Customer Service & Other-Workplace Service & Other Projects category, arguing that these expenditures were unsupported.

The Attorney General asserted that the company did not provide any historical amounts in this category and did not explain its proposed amounts for 2023 and 2024. 6 Tr 2393-2394. I&M rebutted and explained that this spending involves two stand-alone workplace service projects for the Buchanan Service Center that are one-off projects with no historical costs. 4 Tr 1328. However, the company also stated that no capital costs have been incurred due to a delay in the project and that capital costs associated with the charging stations should have been allocated to the company's Indiana jurisdiction. 4 Tr 1329.

Next, the Attorney General recommended a disallowance of capital expenditures in the Customer Service & Other-Customer Upgrade, Relocation or CS Asset Improvement category citing a significant increase from historical spending that was not specifically supported by I&M. The Attorney General supported a capital expenditure amount adjusted for inflation of $658,000 for 2023, and $673,000 for 2024, or, in other words, a disallowance of $1.05 million for 2023 and $1.09 million for 2024. 6 Tr 2392-2393; Exhibit AG-2. I&M contended that it fully supported these expenditures and that the Attorney General's reliance on Exhibit AG-2 is improper because the amounts in that exhibit do not reflect the capital request and are for informational purposes only. 4 Tr 1329; Exhibit IM-108R Confidential; I&M's initial brief, p. 95.

Speaking to the Customer Service & Other-Workplace Service & Other Projects category, the ALJ accepted the Attorney General's proposed disallowance given I&M's admissions regarding the delay in the project and the misallocation regarding the charging stations. Thus, the ALJ recommended that the Commission adopt the Attorney General's proposed disallowance of $1.06 million for 2023, and $1.23 million for 2024. PFD, pp. 104-105. As to the Customer Service & Other – Customer Upgrade, Relocation or CS Asset Improvement spending, the ALJ found that the Attorney General did not establish that her proposed disallowance was appropriate

or that her method used to arrive at the disallowance was a reliable calculation of projected spending. Therefore, the ALJ recommended that the Commission allow I&M's projected capital expenditures for this category to be included in rate base. *Id*., p. 105.

The Attorney General takes exception, repeating her arguments on the record that the significant increases over historical spending in Customer Upgrade, Relocation or CS Asset Improvement category were unexplained and unsupported by I&M even when pointedly asked for an explanation in discovery. Attorney General's exceptions, pp. 21-22 (citing 4 Tr 1329; Exhibit IM-108R Confidential; Exhibits AG-2 and AG-123). The Attorney General contends that the ALJ did not make any findings regarding I&M's evidence and her conclusion that the Attorney General did not establish her proposed disallowance improperly shifts the burden of proof in the case when it is I&M that bears the burden to prove the accuracy of each of its test year projections. The Attorney General insists that her proposed method for calculating the disallowance by tying the spending increase to historical spending plus an inflation factor is supported by Commission precedent where the Commission stated that, if a utility cannot sufficiently support an expense item (particularly one deviating from historical data), the Staff, intervenors, or the Attorney General may choose an alternative method for determining the projection. Attorney General's exceptions, p. 24 (citing September 8, 2016 order in Case No. U-17895, p. 4).

I&M replies, arguing that the ALJ was correct to reject the Attorney General's disallowance because it is improper to claim that I&M did not support its projected expenditures merely because there is a cost increase between historical and projected spending, particularly since the Attorney General did not explain the type of justification that should be provided. I&M repeats its position that it provided sufficient evidence on the record to justify its projected expenditures and asks the Commission to adopt the ALJ's recommendation. I&M's replies to exceptions, pp. 17-19.

Finding the ALJ's recommendation to be well-reasoned and based on substantial evidence on the record, the Commission adopts the PFD on this issue.

5. Intangible and General

The Intangible and General category includes information technology (IT) projects, as well as Facilities and Telecommunication projects. I&M forecasted capital expenditures of $91.09 million in 2023 and $82.3 million in 2024 for Intangible and General Operations and incurred capital expenses of $59.7 million in 2022. I&M explained that the 2024 capital spending is intended to replace obsolete systems and take advantage of new technologies. 3 Tr 854; I&M's initial brief, pp. 95-96. This category of spending includes several subcategories that were disputed by the parties, namely Capital Software Development, the CIS Project, Cyber Security – Blanket Orders, Advanced Distribution Management System (ADMS) and Distributed Energy Resource Management System (DERMS) Implementation, the Human Resources (HR) Human Capital Management (HCM) Modernization Project, and the Field Mobility Program, which are discussed and addressed below.

a. Capital Software Development

I&M requested $36.07 million for the historical 2022 year, $5.56 million for 2023 projected year, and $30.67 million for the 2024 projected year and explained that Capital Software Development consists of blanket work orders for projects that are higher in volume and smaller in scope with the same depreciable life and plant accounting category. 3 Tr 856. The Staff recommended a total disallowance of the capital requested for Capital Software Development arguing that it is not possible to ascertain the reasonableness and prudence of the specific projects in this category due to a lack of detail provided by the company. The Staff found that I&M did not base projects on necessity but rather on its annual budget. Without more information and adequate responses from I&M, the Staff contended that it is inappropriate to pass these costs on to

ratepayers. 6 Tr 2154-2156; Exhibits S-14.2, S-14.3, S-14.4, S-14.5, S-14.6, S-14.8; Exhibit IM-79R; Staff's initial brief, pp. 45-47. I&M countered that it supplied adequate information to the Staff, including work order level detail in the description of projects and contended that the projects are currently in-service and are used and useful. 3 Tr 898-899; Exhibit IM-79R; I&M's initial brief, pp. 98-99.

The ALJ found the Staff's position to be persuasive and consistent with Commission precedent and agreed that the adoption of an operating budget does not establish that the projected expenditures therein are reasonable and prudent. The ALJ found that the Staff provided credible evidence that the use of blanket work orders for this category of projects is insufficient to support the requested expenditures and that there is no guarantee the work will be performed. Thus, the ALJ recommended that the Commission adopt the Staff's proposed disallowance. PFD, pp. 109-110.

In its exceptions, I&M addresses the ALJ's recommendation pertaining to the Capital Software Development, Cyber Security, and Telecommunications projects together and defends the use of blanket work orders. First, I&M states that the ALJ provided no clear explanation as to why blanket work orders are insufficient and disagrees with the ALJ's assessment that the Commission has prohibited blanket work orders. I&M claims that the ALJ ignored the abundance of evidence presented by the company demonstrating the proper use and completion of spending because the expenditures were labeled as blanket work orders. I&M asserts that it provided more information in this case for its IT expenditures than it has in any recent rate case. I&M's exceptions, pp. 33-35.

I&M then argues that the ALJ incorrectly assumed that a blanket work order does not guarantee the work will be performed. The company contends that, although the use of projections for a forecasted test year inherently cannot establish guarantees, "[i]t does not follow,

however, that no guarantee means a projection is inappropriate for setting rates." I&M's exceptions, p. 35. Further, I&M states that the ALJ's concerns that the IT projects may not be performed is undercut by the evidence that I&M's recovery requests includes 2022 and 2023 actual expenditures for completed projects.

Next, I&M disputes the ALJ's contention that blanket work orders do not guarantee benefits to ratepayers and points to its direct and rebuttal testimony explaining the benefits of these projects. I&M's exceptions, p. 36 (citing 3 Tr 846, 902-905, 911-918). I&M argues that these expenditures are necessary to protect customer data, mitigate cyber security risks, and develop a modern system to support future customer integration. The company asserts that the disallowances recommended ignore the value of these expenditures. I&M's exceptions, pp. 36-37.

Lastly, I&M addresses the ALJ's concern regarding the prohibition on retroactive ratemaking and contends that if the concern is over-earning by the company, the solution cannot be removing all projected costs from rates. I&M recites the Commission's legal obligation to set just and reasonable rates as well as its own obligation to support its rate request before averring that the record here does not support the full disallowance and substantial reductions in recovery recommended by the ALJ. I&M insists that it provided sufficient supporting information and that the Staff unreasonably expected the company to provide information aligned with the new RCFRs that were effective after I&M filed this case. I&M again points to details provided in its testimony supporting its request, states that the ALJ merely accepted the Attorney General's frequently made argument that the company's evidence was insufficient, and failed to explain what was missing from the record that would show that these expenditures are reasonable. Thus, I&M asks the Commission to reject the PFD and find these expenditures to be reasonable for inclusion in rate base. I&M's exceptions, pp. 37-39.

In replies to exceptions, the Staff defends the ALJ's recommendation and states that regardless of the terminology used, the premise of blanket work orders is problematic in that they are funds set aside for needs that have not been identified. Specifically, the Staff argues that blanket work orders lack descriptions, benefits to ratepayers, or identified costs. Thus, the Staff contends it is impossible to determine the reasonableness and prudence of such expenditures.

Next, the Staff disputes the company's contention that the ALJ ignored I&M's evidence and that the Staff's issue was merely with the format of the information provided. The Staff contends that the issue was with the quality of information provided and repeats its previous explanation of this issue with an example from its initial brief. Staff's replies to exceptions, p. 24 (citing Staff's initial brief, pp. 45-52). Lastly, the Staff repeats that I&M failed to meet its evidentiary burden and that the Commission should adopt the PFD. Staff's replies to exceptions, p. 25.

Finding the ALJ's recommendation to be well-reasoned and based on substantial evidence on the record with respect to the 2023 bridge year and 2024 test year for this category, the Commission agrees with and adopts the Staff's disallowance of the projected 2023 and 2024 capital expenditures. The Commission agrees with the Staff's assessment that the company's support for the projected 2023 and 2024 expenditures lacked the detail necessary to determine how the funds would be spent and whether they would be spent with a reasonable degree of certainty and justification to demonstrate the reasonableness and prudence of the expenditures. *See*, 6 Tr 2154-2156. However, the Commission respectfully disagrees with the ALJ and finds that recovery of the historical 2022 spend of $36.07 million is appropriate and therefore approves this amount for inclusion in rate base. The Commission finds that I&M demonstrated the necessity for spending in this category and that these funds have in fact been expended on reasonable and prudent projects described on the record. *See*, 3 Tr 900-902; *see also*, Exhibit S-14.8. The

Commission notes its expectation for I&M to provide more sufficient detail to warrant recovery of projected expenditures in the future.

b. Customer Information System Project

I&M explained that American Electric Power Company (AEP), of which I&M is a wholly owned subsidiary, is implementing a new CIS to be used by all of its companies as the current technology is outdated and cannot efficiently manage complex information from new technologies such as AMI, bill output, or complex customer programs. 3 Tr 866. I&M requested capital expenditures of $2.54 million for 2022, along with projects costs of $13.98 million for 2023 and $11.14 million for 2024. Exhibit A-12, Schedules B5.3 and B5.4. In response to discovery, the company also reported capital expenditures for the CIS program of $206,000 in 2020 and $612,000 in 2021, totaling $28.55 million incurred by the end of 2024. 6 Tr 2413; Exhibit AG-25. The Attorney General advocated for a $1.673 million disallowance, arguing that the expenditures were not supported and failed to include an analysis of the severity of the risk to the current CIS or how the project will alleviate any risk, and that it lacked a BCA. She contended that the Commission disallowed similar expenditures in the past. Attorney General's initial brief, p. 67 (citing December 1 order, p. 23; December 17 order, p. 146).

The Staff recommended a full disallowance of $13.98 in 2023, and $11.14 in 2024, citing I&M's failure to provide adequate details to support projected costs and arguing that the information provided gave differing amounts of I&M's total expenses. The Staff also recommended that the Commission reject the deferred accounting authority requested by I&M for the depreciation expense and debt and equity return until assets are reflected in rate base. 6 Tr 2169-2171. I&M opposed the Attorney General's and the Staff's proposed disallowances arguing that the company's proposed expenditures are based on comprehensive evaluations and that the

Attorney General's analysis did not consider benefits to customers, the need for or the scope of the project, safety impacts, alternatives, or reliability impacts. 3 Tr 920; I&M's initial brief, p. 102.

The ALJ found the Staff's and the Attorney General's arguments to be persuasive and recommended that the Commission adopt the Staff's full disallowance, or, in the alternative, adopt the Attorney General's $1.67 million disallowance. The ALJ reasoned that I&M did not perform a BCA to evaluate whether the project's cost was reasonable and prudent. The ALJ continued that:

> [the] Staff established that it conducted multiple rounds of audit to understand the costs and received information with differing expense amounts and no clear details of how the projected costs would be spent. This [ALJ] find[s] this to be simply unacceptable and recommends the Commission clearly signal that supplying parties with an abundant amount of useless data is the antithesis of support. And again, the fact that I&M has already spent funds on the project should not be relevant as it does not inform whether the expenditures are reasonable and prudent.

PFD, p. 115.

I&M excepts to the PFD, arguing that the ALJ's recommendation for "some disallowance" demonstrates that the ALJ did not properly evaluate the record but rather chose a desired outcome, which should be rejected by the Commission. I&M contends that a total disallowance cannot be reconciled with the fact that the parties agree that the CIS project is a reasonable and prudent investment. Claiming that the ALJ's recommendation is based on the Staff's statements that it was unable to obtain clear details on the project's spending, I&M points to two documents contained in Exhibit S-16.0 Confidential and states that it is unclear why a *de minimis* difference in total costs in these documents is insufficient. I&M also contends that the ALJ conflated the company's capital request for the capital forecast period with the total projected cost of I&M's share of the CIS project. I&M clarifies that it is seeking approval of capital costs incurred in 2022 and now 2023 as well as projected 2024 costs for including in rate base. I&M's exceptions, pp. 30-33 (citing Exhibit A-12, Schedule B5.4).

The Attorney General responds to I&M's arguments in its replies to exceptions. The Attorney General contends that I&M is incorrect in asserting that the ALJ relied only on the Staff's position that it conducted multiple rounds of audits to understand the CIS costs and received conflicting and unclear information. Rather, the Attorney General states that the ALJ cited the lack of a BCA as the first reason for the disallowance, which I&M omits from its exceptions. The Attorney General repeats its position that the escalation of the project costs supports the ALJ's alternative recommendation. Attorney General's replies to exceptions, pp. 14-15.

Next, the Attorney General disputes I&M's accusation that the ALJ conflated the capital request for the capital forecast period with the total projected cost of I&M's share of the CIS project, stating that I&M points to nothing in the PFD to support its contention. Lastly, the Attorney General repeats its arguments that I&M did nothing to quantify any financial benefits from the program by means of a BCA, and thus, the Attorney General requests that the Commission adopt the PFD. *Id*., pp. 15-16.

In its replies to exceptions, the Staff states that, contrary to I&M's claim in exceptions that all parties agreed the CIS project is a reasonable and prudent investment, the Staff never agreed that the project is reasonable and prudent but only agreed that the current system was outdated. The Staff asserts that the ALJ properly found that I&M did not adequately support the CIS expenditure and repeats its previous arguments that the Staff was unable to understand the costs for this project after multiple rounds of audits. Thus, the Staff asks the Commission to fully disallow the CIS project expenditures. Staff's replies to exceptions, pp. 20-21.

Finding the ALJ's recommendation to be well-reasoned and supported by substantial evidence on the record, the Commission adopts the PFD on this issue. The Commission agrees with the Staff's and the ALJ's assessments that I&M's proposed expenditures must be adequately supported

by responsive and relevant evidence on the record. Based upon review of the exhibits and discovery responses in this case, the Commission finds credible the Staff's testimony that it was unable to clarify discrepancies between figures submitted by the company or to determine where the projected expenditures would actually be spent. *See*, 6 Tr 2169-2171; Exhibit S-16.0 Confidential; Exhibit IM-79R; *see also*, Exhibit IM-80R. As the ALJ stated, the information supporting a recovery request must be sufficient to allow the Commission to make a determination as to reasonableness and prudence, which should include, at a minimum, details regarding how funds will be spent with responsive justification.

c. Cyber Security – Blanket Orders

I&M proposed capital expenditures for cyber security blanket orders in the amount of $17.32 million for smaller projects related to cyber security. The Staff proposed a partial disallowance in this category of $8.43 million in 2023 and $8.65 million in 2024 on a total company basis. The Staff contended that a disallowance was appropriate given that it was not possible to determine which projects would be complete or where the expenditures would be made with the blanket work orders. Nevertheless, the Staff identified some projects as necessary to comply with regulatory requirements and therefore recommended approval of those projects. 6 Tr 2171-2173; Exhibit S-16.2. I&M opposed the Staff's proposed disallowance and contended that blanket work orders are standard and efficiently account for capital expenditures spent on items such as maintenance and software. I&M contended that the projects in this category are duly supported and necessary to defend its system against cyber-attacks. 3 Tr 910-915; Exhibit IM-79R.

The ALJ agreed with the Staff's position reasoning that the Staff provided reliable evidence to show that using blanket work orders for these cyber security projects is unreasonable given that I&M did not guarantee that the projects would be completed or demonstrate a benefit to

ratepayers. Thus, the ALJ recommended that the Commission adopt the Staff's disallowance. PFD, p. 117.

I&M takes exception on this issue together with the Capital Software Development program and Telecommunications projects. I&M's exceptions, pp. 33-38. I&M's arguments in exceptions are described above and incorporated by reference here.

Finding the ALJ's recommendation to be well-reasoned and supported by substantial evidence on the record, the Commission adopts the PFD on this issue. The Commission agrees with the Staff's conclusions resulting from its detailed analysis in this expenditure category to determine which projects are necessary. *See*, 6 Tr 2172-2173. The Commission again notes that should I&M seek recovery of future expenditures, it must better justify its projections in future rate cases to demonstrate with reasonable certainty that the funds will be spent, provide detailed explanations about how funds will be spent, and specifically explain why such expenditures are necessary, reasonable, and prudent, regardless of the categorization of projects as "blanket work orders" or otherwise. The Commission understands that in the category of IT expenditures, many projects may be smaller in size and thus have smaller associated dollar amounts for which a detailed BCA for each individual project may not be necessary. However, the Commission finds that I&M's support on this record was lacking and thus encourages the company to look to the IT filing requirements contained in the new RCFRs as a guide for supporting its IT capital expenditure categories for future rate cases.

d. Advanced Distribution Management System and Distributed Energy Resource Management System Implementation

I&M explained that the Advanced Distribution Management System (ADMS) is a software platform that is used to manage the distribution network and that the expenditures in this category will go towards fully integrating the company's outage management system (OMS) and

distribution management system into a single network model with one user interface. I&M stated that upgrades are necessary because the current OMS vendor is ending support for the current OMS such that updates and support will be limited going forward and the growing complexity of grid operations necessitates upgrades. 3 Tr 875-879. The company further explained that the ADMS would integrate with the DERMS to manage distributed energy resources (DERs) allowing the company to maintain DER data, visualize DERs on the network, and deliver advanced applications and analyses, operational forecasting, override capability, and secure data exchanges resulting in numerous operational benefits. 3 Tr 879; 4 Tr 1276-1277. Capital expenditures for this category are projected as $8.4 million in 2023-2024 and $11.2 million in forecasted total company expenditures, although AEP has applied for $27 million in federal grants for this project, of which, if granted, I&M would receive a portion. 3 Tr 882.

The Staff proposed that I&M record a regulatory liability for any cost of the project that is included in base rates that is recovered through the federal grant. The Staff opposed, however, the company's proposal to defer all grant writing and application costs for the federal grant, as well as any grant writing and application costs, reasoning that recovery for these costs is not necessary as they are minimal. 6 Tr 2338-2339; Exhibit S-12.0; Staff's initial brief, pp. 133-134.

The Attorney General testified, and I&M confirmed, that the company was awarded $22 million in federal grant funds for the ADMS/DERMS project and that this amount was not reflected in the forecasted 2024 capital expenditures. The Attorney General recommended that, based on AEP's 11% grant allocation to I&M and I&M's 16.98% Michigan jurisdictional share, the ADMS/DERMS capital expenditures should be reduced by $411,000 for 2024. The Attorney General added that the costs for the DERMS portion of the project should not be allocated across all ratepayers and in its next rate case, I&M should determine the cost to implement DERMS and

propose a reflective fee to be recovered as a part of its DER interconnection fees compliant with the Michigan Interconnection and Distributed Generation Standards. 6 Tr 2408-2411.

CUB questioned the need for the DERMS project based on I&M's representations in its most recent IRP case that DERs were generally not economically feasible and that the company does not plan to incentivize DERs. Thus, CUB asked the Commission to reject any capital expenditures for DERMS calling them premature. 3 Tr 236-238. I&M rebutted the Attorney General's and CUB's positions maintaining its support for the ADMS/DERMS expenditures and the resulting benefits to the entire distribution system. 3 Tr 889-893; 5 Tr 1511-1512. As to the grant funds, I&M added that it planned to calculate the impact to revenue and defer the net amount as a regulatory liability to offset rates in its next rate case. 6 Tr 2015-2016. In their reply briefs, the CEOs addressed this issue for the first time and opposed the Attorney General's position to allocate DERMS cost to DER customers only. CEOs' reply brief, p. 7.

The ALJ rejected CUB's proposed disallowance of all the DERMS expenditures reasoning that while I&M may not be promoting DERs, DERs are likely to increase in the future and it is reasonable for I&M to proactively include DERMS in its system upgrade. However, the ALJ agreed with CUB and the Attorney General that the DERMS cost should be borne by DER customers and therefore, the ALJ recommended that the Commission direct I&M, in its next rate case, to break out the DERMS implementation costs and propose an appropriate DER fee to recover those costs. Next, the ALJ agreed with the Staff that the company should record a regulatory liability for any cost of service in base rates that is recovered through the federal ADMS/DERMS grant and that the Commission should approve the regulatory liability mechanism in this case. Lastly, the ALJ agreed with the Staff and recommended that the Commission reject recovery of the company's grant writing and application costs, stating that the request constitutes

single-issue ratemaking outside of the test year and that the costs are *de minimis*. PFD, pp. 128-129.

I&M excepts to the ALJ's recommendation for the company to file in its next rate case a break-out of the DERMs implementation costs and to propose an appropriate user fee associated with DERMS. I&M disagrees with this recommendation, arguing that it is based on a narrow focus of cost causation principles and that imposing a user fee may hinder the economics and appeals of DG. I&M contends that the ALJ's cost causation concerns are undercut by the company's testimony that the ADMS/DERMS costs are appropriately assigned to those who benefit all I&M customers. Given the benefits to all customers, I&M insists that a user fee is inappropriate. I&M's exceptions, pp. 39-40. Citing a recent case where the Commission rejected a proposal to establish a user fee for DERMS implementation, I&M states that until the company can fully assess the impact of a user fee, imposing such a fee would be premature. *Id*., p. 40 (citing March 1 order, pp. 42-43).[11]

In her replies to exceptions, the Attorney General states that I&M's exceptions largely repeat the company's previous arguments and fail to present any evidence demonstrating how DERMS benefits all customers such that allocating those costs to all customers is reasonable or how allocating only to DER customers would slow DER growth. Attorney General's replies to exceptions, pp. 18-19. Next, the Attorney General disputes I&M's comparison of interconnection costs to DERMS and states that interconnection costs differ from capital expenditures to implement DERMS and thus that comparison has no bearing to DERMS cost allocation. *Id*.,

[11] I&M referenced Case No. U-21389, pp. 42-43 in its citation but omitted reference to the specific order. However, based on the subject matter and referenced pages, the Commission surmises that I&M is referring to the March 1, 2024 order in Case No. U-21389, Consumers Energy Company's (Consumers') most recently decided electric rate case.

p. 19. The Attorney General also disputes I&M's comparison to Consumers' electric rate case in Case No. U-21389 where the Commission rejected a proposal to establish a user fee for DERMS. The Attorney General explains that in Consumers' case, the company had not projected capital expenditures and was not seeking cost recovery, whereas in this case I&M is projecting $11 million in total costs for ADMS/DERMS but has not provided evidence to indicate that its cost allocation is appropriate. Thus, the Attorney General asks the Commission to adopt the PFD. *Id*., pp. 19-20.

In its replies to exceptions, the Staff addresses I&M's arguments that it should be permitted to defer grant writing and application expenses. The Staff argues that I&M made its assertion that the company anticipates applying for state and federal grant opportunities in the test year and near future for the first time in this case. The Staff states that the grant writing and application expenses at issue here were incurred in 2022 and 2023 and then repeats its previous arguments opposing deferral of grant writing expenses. Staff's replies to exceptions, pp. 13-14.

The Commission finds the ALJ's recommendations to be well-reasoned and supported by substantial evidence on the record for the following issues: (1) I&M shall record a regulatory liability for funds received from the DOE grant, (2) the company's request to defer and recover any future grant writing and application costs is denied as being outside the test year, and (3) CUB's proposed disallowance of DERMS expenditures is denied. However, the Commission respectfully disagrees with the ALJ regarding the allocation of DERMS costs and the recommendation for I&M to file a break-out of a DERMS fee in its next rate case. The Commission finds that the issue of DERMS cost allocation is better addressed in the ongoing

Demand Response (DR) Aggregation workgroup.[12] As noted by the parties, the Commission also rejected a proposal for Consumers to propose a DERMS fee in its next electric rate case, citing the prematurity of the circumstances in that case to do so and noting that the workgroup addressing broader DER-related issues was the more appropriate venue to consider a potential DER user fee. *See*, March 1 order, p. 43 (citing December 1 order, p. 322 (directing the Staff to convene a workgroup to consider broader DER-related issues)). Further, the Commission expresses some skepticism regarding the Attorney General's position that the benefits of DERs are limited to DER customers only when benefits such as resource diversification, reliability improvements, and health and environmental benefits associated with clean energy flow to all customers. As DER participation continues to grow with the increased participation limit from 1% to 10% under Public Act 235 of 2023[13] and the continued implementation of Federal Energy Regulatory Commission Order 2222,[14] the Commission expects these benefits and their impact on the entire utility system to only increase.

e. Human Resources Human Capital Management Modernization Project

I&M proposed capital expenditures of $6.4 million in the forecast period for its HR HCM project to replace its currently 20-year-old system, which the company contends is costly to maintain. 3 Tr 857. The Staff originally proposed a 50% disallowance, reasoning that the project has a Class 5 estimate, meaning that the project expenditures could be half of what is estimated.

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[12] *See*, Demand Response Aggregation workgroup, https://www.michigan.gov/mpsc/commission/workgroups/demand-response-aggregation (accessed June 25, 2024).

[13] MCL 460.1173.

[14] FERC Order No. 2222, 172 FERC 61,247 (September 17, 2020) (regulations removing barriers to the participation of DER aggregations in the capacity, energy, and ancillary service markets operated by regional transmission organizations and independent system operators).

6 Tr 2152-2153. The Staff revised its position in its initial brief and recommended a 15% disallowance, which amounts to $87,000 in 2023 and $71,000 in 2024. The Staff cited I&M's rebuttal where it explained that the project has matured to a Class 2 estimate, making its expenditures more certain. Staff's initial brief, pp. 42-45; 3 Tr 895.

The ALJ found the Staff's position to be persuasive and recommended that the Commission adopt the Staff's revised 15% disallowance proposal. The ALJ noted that the Commission has approved the use of cost class estimates and that the disallowance is appropriate to avoid the risk of approving funds that will not be spent being passed on to ratepayers. The ALJ also recommended that the Commission disallow an additional $200,000, explaining as follows:

> as Staff discovered[,] Exhibit IM-81R contains a column titled "Updated Request" with the HR HCM as the only project being updated. Staff surmises that I&M is attempting to add an addition[al] projected amount of $200,000 and recommends the Commission reject this amount as well. Given that the Company did not respond to this proposed disallowance, this [ALJ] recommends the Commission adopt it.

PFD, pp. 131-132.

I&M excepts to the PFD, arguing that regardless of whether the Commission has accepted similar disallowances in the past, the expenditures for the HR HCM project are reasonable and prudent. I&M contends that the ALJ expected the company to provide certainty as to its projected costs, which the company argues is in contrast to the requirements of MCL 460.6a(1) for utility projections. Per I&M, "[a] projected cost in support of a capital project is expected and, until now, the Commission has not required certainty for a project included in a forecasted test year." I&M's exceptions, p. 14. The company further argues that as a project with a Class 2 estimate, it is not reasonable for the project to be treated as uncertain and for the ALJ to ignore record evidence showing that the HR HCM project is in the execution phase with 52.7% of its 2023 forecasted expenditures already expensed through 37.5% of the forecast period. *Id*., pp. 14-15 (citing

3 Tr 894-895). Thus, I&M asks the Commission to reject the ALJ's recommendation to disallow 15% of the projected capital expenditures for the Class 2 estimate projects, inclusive of the HR HCM project. I&M's exceptions, p. 15.

In its replies to exceptions, the Staff disputes I&M's arguments in exceptions. First, the Staff states that the company mischaracterizes the Staff's position as being a reduction to all Class 2 estimate projects. Second, the Staff incorporates by reference its previous arguments regarding its disallowance recommendation being consistent with MCL 460.6a(1), the beginning of construction on this project, and the certainty of Class 2 estimates. Staff's replies to exceptions, pp. 21-22 (citing Staff's initial brief, p. 18 and Staff's amended reply brief, pp. 5-10). The Staff then argues that its recommendations were based on record evidence consistent with the Commission's treatment of similar costs in Case No. U-21389 and that the Staff adjusted its recommendation when it determined that the HR HCM project warranted a Class 2 designation. Contrary to I&M's assertions, the Staff contends that its recommendations are far from an extreme categorical disallowance and therefore, should be adopted by the Commission. Staff's replies to exceptions, pp. 22-23.

Finding the ALJ's recommendation to be well-reasoned and supported by substantial evidence on the record, the Commission adopts the PFD on this issue.

f. Field Mobility Program

I&M proposed the Field Mobility program to leverage new technologies aimed to improve offsite work. The company explained that the program consists of a set of applications and hardware used to communicate, organize, and complete distribution work. I&M projected $5.23 million in capital expenditures for the test year. I&M's initial brief, p. 112; 3 Tr 860.

Noting that no party disputed this category, the ALJ recommended that the Commission accept I&M's projected spending. PFD, p. 132.

No exceptions were filed on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by substantial evidence on the record, the Commission adopts the PFD on this issue.

g. Telecommunication Blanket Orders

I&M proposed jurisdictional capital expenditures of $8.36 million in 2023 and $7.98 million in 2024 for a field mobility project that consists of a set of applications and hardware that the company will use to communicate, organize, and complete distribution work. 3 Tr 860; Exhibit A-12, Schedule B5.4. The Staff recommended a partial disallowance of $6.78 million (Michigan jurisdiction amount of $1.11 million) in 2023 and $3.95 million (Michigan jurisdiction amount of $649,072) in 2024. Drawing comparisons to the blanket orders for cyber security, the Staff argued that, in response to inquiries, the company indicated that this expenditure category included telecommunications blanket orders for which the Staff was unable to understand whether the individual projects were reasonable and prudent. 6 Tr 2173-2174; Exhibit S-16.1. I&M disagreed with the Staff's proposed disallowance, arguing that this category includes small projects, miscellaneous replacements, and additional telecommunications equipment that are essential to reliable grid operations. 3 Tr 915-916.

The ALJ agreed with the Staff's position, recommended that the Commission adopt the Staff's proposed disallowances, and reasoned as follows:

> As with the Capital Software Development and Cyber Security Blanket work orders, Staff provided credible evidence to establish that blanket work orders for these projects are inappropriate. Again, Staff observes there is no guarantee that the project will be performed or that any benefit to ratepayers will be provided, and due to the prohibition on retroactive ratemaking, if the funds were not reasonabl[y] spent, ratepayer[s] would be paying for no benefits.

PFD, p. 134.

I&M takes exception on this issue together with the Capital Software Development and Cyber Security Development programs. I&M's exceptions, pp. 33-38. I&M's arguments in exceptions are described above and incorporated by reference here.

Finding the ALJ's recommendation to be well-reasoned and supported by substantial evidence on the record, the Commission adopts the PFD on this issue.

h. Other Information Technology Capital Investments

I&M's other IT capital investments category is comprised of proposed capital expenditures for smaller IT projects that amount to less than $5 million individually. I&M proposed to recover $3.58 million for 2022, $7.98 million for 2023, and $2.9 million for the projected test year based on total company jurisdiction, which equates to Michigan jurisdictional amounts of $609,000 for 2022, $1.31 million for 2023, and $477,000 for the projected test year. 3 Tr 896-897; 6 Tr 2157. The Staff recommended a full disallowance in this category, citing the failure of I&M to provide sufficient or consistent information and detail with which the Staff could determine the reasonableness and prudence of the projects. 6 Tr 2157-2162; Staff's initial brief, pp. 56-62. I&M rebutted the Staff's proposed disallowance and stated that it satisfactorily responded to the Staff's discovery requests by providing the level of required detail and in some cases, provided details beyond what was needed. 3 Tr 907-910.

The Attorney General proposed a disallowance of the company's 2023 projected capital expenditures, contending that I&M's projected expenditures were inflated. The Attorney General explained that the company projected spending of $91.09 million in 2023, but in the first 11 months of 2023 spent only $67.38. Annualizing this amount for 2023, the Attorney General estimated that I&M should have projected $73.5 million, asserting that I&M's forecasted expenditures were $17.59 million in excess of the appropriate amount. Therefore, the Attorney General recommended that the Commission disallow recovery of the Michigan share of

$17.59 million (net of the PowerPay disallowance), which amounted to a disallowance of $2.5 million. The Attorney General then revised her proposed disallowance to $2.99 million which no longer included the 2023 PowerPay disallowance reduction. 6 Tr 2419-2420; Exhibit AG-19; Attorney General's initial brief, pp. 71-73.

The ALJ found the Staff's and the Attorney General's arguments persuasive, noting that, as the Staff had shown for other issues, the company had provided inconsistent information without clear details of how projected expenditures would be spent. The ALJ reasoned that "providing parties with a copious amount of disparate and irrelevant data is the antithesis [of] support." PFD, p. 137. The ALJ recommended that the Commission adopt the Staff's full disallowance, or alternatively, the Attorney General's partial disallowance of $2.99 million. *Id*., pp. 137-138.

The Commission finds that the ALJ's alternative recommendation adopting the Attorney General's disallowance is most appropriate as a full disallowance in this capital expenditure category is not warranted. The Attorney General's position represents a reasonable disallowance as I&M did not sufficiently demonstrate that its level of IT investments is reasonable and prudent. However, the Commission finds that I&M showed that recovery in the form of historical costs with the Attorney General's adjustments to 2023 and 2024 projections is justified. In the future, the company shall provide more sufficient detail regarding its projected expenditures that will allow the Commission, the Staff, and the parties to identify the projects, discern the necessity of the project, and the level of certainty as to whether the money will actually be spent. Such details include those outlined by the Staff, namely (1) descriptions of the project; (2) the equipment involved; (3) the refresh life; (4) alternatives considered; (5) project start and end dates; (6) total project costs for the historical, bridge, and test years; (7) any associated O&M cost; and (8) any identified benefits to the company and/or its customers. *See*, 6 Tr 2157-2159.

As noted above, the Commission acknowledges that standardizing the support requirements for IT investments via the new RCFRs, which include an attachment for IT projects that sets out the proposed details required to support IT expenditures, will clarify the level of information and details needed to evaluate IT projects for reasonableness and prudence. These proposed details are similar to those requested by the Staff in this case and, while the RCFRs and accompanying IT filing requirements were not mandatory at the time of filing the instant case, they will be in future filings. Following these filing requirements will better enable the Commission in determining the reasonableness and prudence of the company's proposed IT expenditures.

6. PowerPay

I&M stated that the PowerPay program allows customers to pre-pay their electric bills and that it provides several customer benefits. The company asserted that the capital expenditures for the PowerPay program are $2.89 million for 2023 and $1.2 million for 2024, but that the total lifetime costs for the program are unknown. I&M requested a permanent "waiver of billing rules that require certain charges to be presented to customers on an electric utility bill and customer notifications prior to being shut off for non-payment." 6 Tr 1993. In addition, I&M noted that a $650,000 adjustment for software and programming changes is necessary to implement the PowerPay program. The company stated that "[o]f this $650,000 cost, $520,000 will be a capital expense for the upgrades themselves, and the remaining $130,000 is for amortization expense and the expenses required for the approved implementation." 3 Tr 851-852.

The Staff recommended that the Commission disallow $650,000 for the PowerPay program. Although the Staff "find[s] certain elements of the Company's PowerPay program to be positive, Staff's overall impression of this program is that it is premature and not ready to be deployed."

6 Tr 2138. The Staff also contended that a waiver of the Commission's billing rules cannot be permanent as requested by I&M. *See*, 6 Tr 2141; Mich Admin Code, R 460.202a(3).

Similar to the Staff, the Attorney General recommended that the expenditures for the PowerPay program be disallowed because the program is still in development, no customer interest surveys have been performed, and no BCA has been completed. *See*, 6 Tr 2416-2417.

CUB contended that the PowerPay program is not likely to benefit customers as touted by I&M. *See*, 3 Tr 212. CUB argued that I&M has not demonstrated how many customers would be interested in enrolling in the proposed program, how the company will properly educate customers about the PowerPay program, or that a waiver of the Commission's billing rules is in the public interest.

In response to the Attorney General's proposed disallowance, I&M asserted that the Attorney General "confused I&M's PowerPay Program with an unrelated IT program" and "assumed the IT capital costs titled 'Power Plan Module Upgrade' in WP-JB-1 were the costs to upgrade the billing system for PowerPay." 4 Tr 1216-1217. The company noted that the Power Plan Module Upgrade and PowerPay program are two separate items and requested that the Commission deny the Attorney General's proposed disallowance. The Attorney General acknowledged the calculation error and, instead, recommended a disallowance of $106,914 for the projected test year. *See*, Attorney General's initial brief, p. 70.

I&M objected to the Staff's, the Attorney General's, and CUB's concerns that the PowerPay program has not been sufficiently developed and will not benefit customers. *See*, 4 Tr 1221, 1224-1225. In response to the Staff's claim that the Commission's billing rules cannot be permanently waived, I&M stated that the "[t]he Commission should approve I&M's PowerPay program and

institute a review date on the program if there is concern with an indefinite waiver of billing rules." 6 Tr 2021.

The ALJ noted that the PowerPay program is designed to be a permanent program and it "cannot proceed without a waiver of the Billing Rules, but the Billing Rules cannot be waived on a permanent basis." PFD, p. 151. In response to I&M's request to implement a temporary waiver, the ALJ stated that even if the "suggestion was interpreted to convert PowerPay from a permanent program into a proposed temporary pilot, such a request should still be rejected because it is inappropriate for the Company to convert its proposal from a permanent program to a pilot program through a statement made in rebuttal testimony." *Id*., pp. 151-152. In any event, the ALJ contended that I&M's proposed PowerPay program does not meet the criteria for a pilot program that was set forth in the October 29, 2020 order in Case No. U-20645.

Furthermore, the ALJ asserted that I&M failed to provide sufficient evidence demonstrating that there is a need for the PowerPay program or significant customer interest in such a program. The ALJ noted that I&M "did not survey its own customers to gauge interest in a prepayment option." PFD, p. 152. Though the company offered evidence of enrollment in a similar program with its sister utility, the ALJ found that the evidence is not "adequately representative of the current needs or interests of I&M's Michigan customer base in 2024." PFD, p. 153. The ALJ also noted that I&M did not provide a clear analysis demonstrating that the program is beneficial for its customers. Therefore, the ALJ recommended that the Commission disallow $130,000 in amortization expense and $650,000 in capital expenditures, of which $106,914 is Michigan's jurisdictional share.

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

7. Capitalized Incentive Compensation

I&M asserted that incentive compensation is a reasonable and necessary capital expenditure, explaining that:

> [c]apital work needs to be performed and, generally, the Company's employees can complete capital work more timely and efficiently because those employees know the service territory, know the equipment, and know I&M's systems and facilities better than a third-party contractor. Company employees are also used to working together on projects, which has many benefits to customers including working safely and efficiently together as a team. Additionally, by utilizing I&M's own employees for capital work, I&M is better able to control costs and timelines for projects instead of relying on the availability of third-party contractors and the potentially higher expenses related to contracting capital work out to third parties.

I&M's initial brief, pp. 125-126 (internal citations omitted). In addition, to retain skilled workers and encourage employees to provide quality service, I&M contended that it must offer incentive compensation to its employees. The company stated that its "incentives packages are structured to balance both operational and financial goals" and that "the Commission should permit I&M to include all of its incentive compensation for capital projects in rate base." *Id*., p. 126.

The Staff recommended that the Commission disallow I&M's proposed financially based incentive compensation capital expenditures of $588,700. According to the Staff, "[t]he Commission has historically disallowed recovery of financially based incentive compensation that is tied to Company earnings and cash flow because these types of performance measures largely benefit shareholders and should not be paid for by ratepayers." 6 Tr 2237. The Staff also requested that the Commission disallow $4,000 for capitalized supplemental employee retirement plan (SERP) expenditures. The Staff stated that "[t]he Commission has found that the benefits of these plans accrue to investors in the form of higher share prices and dividends but benefit ratepayers only tangentially." Staff's initial brief, p. 68.

The Attorney General asserted that I&M improperly capitalized $4.84 million of financially based incentive compensation from 2018 to 2024. She argued, "[g]iven that the Commission had rejected recovery of incentive compensation based on financial measures in Case No. U-18370, the Company should not have capitalized this incentive compensation and should not have included it in rate base." 6 Tr 2421. Additionally, the Attorney General stated that in the May 8, 2020 order in Case No. U-20561 (May 8 order), the Commission found that it was not reasonable or prudent for DTE Electric Company (DTE Electric) to include financially based incentive compensation in rate base. *See*, Attorney General's initial brief, pp. 77-78 (citing May 8 order, pp. 17-19). Thus, the Attorney General asserted, I&M should have known that financially based incentive compensation should not be capitalized and requested that the Commission disallow $4.84 million.

I&M disagreed with the Attorney General, asserting that the April 12, 2018 in Case No. U-18370 (April 12 order) April 12 order did not preclude the company from including incentive compensation as a capital expenditure in rate base. I&M stated that it:

> reviewed the Commission's [April 12] order . . . and while it addressed the inclusion of incentive compensation ***expense*** (Emphasis added) in I&M's test year cost of service, it did not address capitalized incentive compensation costs. It makes sense that if the Commission did order I&M to cease capitalization of incentive compensation costs it would have explicitly done so like it did for vegetation management costs in that same order.

5 Tr 1858 (footnote omitted) (emphasis in original). In addition, I&M asserted that there were no adjustments to capitalized incentive compensation in the company's final rate base calculation in the April 12 order.

In response to the Attorney General's claim that the May 8 order precludes I&M from recovering capitalized incentive compensation in rate base, the company stated that "[a]lthough there are instances where capitalized incentive compensation has been disallowed, a disallowance

in one case does not and should not automatically mean a disallowance in another instance . . . ." I&M's reply brief, p. 44. I&M noted that in the December 9, 2021 order in Case No. U-20940 (December 9 order), the Attorney General made a similar argument that "previously incurred capitalized incentive compensation should be disallowed from DTE Gas [Company]'s rates," however the Attorney General's argument was rejected by the Commission. I&M's reply brief, p. 44.

In the event the Commission orders a disallowance, the company asserted that the Staff's proposed disallowance is more appropriate because it "more accurately reflects the financial component of I&M's incentive compensation plans . . . ." I&M's initial brief, p. 128. Additionally, I&M stated that if the Commission finds that financially based incentive compensation should not be capitalized, the final order should be specific and prospective.

The ALJ found I&M's claim unpersuasive that the Commission has inconsistently denied the recovery of financially based incentive compensation in rate base. The ALJ noted that:

> [t]he Commission has "unequivocally and consistently disallowed incentive compensation costs tied to financial measures[.]" The Commission also has held that these incentive compensation plans largely benefit shareholders. Based on this reasoning it is difficult to conceive of how a party would argue the Commission's holdings would not apply to both capital and O&M expenses.

PFD, p. 159 (quoting May 8 order, p. 17) (footnotes omitted). The ALJ found that the Attorney General's proposed disallowance is appropriate because it includes all improperly capitalized financially based incentive compensation from 2018 to 2024. Therefore, she recommended that the Commission disallow $4.84 million of incentive compensation based on financial measures.

Regarding the Staff's proposed $4,000 disallowance for SERP, the ALJ noted that I&M addressed SERP as it relates to O&M, but did not respond to the Staff's proposed capital adjustment. The ALJ stated that "SERP expenditures [should] be treated the same whether capital

or O&M expenses. Accordingly, for the reasons discussed below, and because I&M did not refute this capital expenditure, this PFD recommends the Commission accept Staff's proposed disallowance of capitalized SERP." PFD, p. 162.

I&M excepts, asserting that the "PFD's conclusion misunderstands the issue, which is due to the Attorney General's misguidance of this issue." I&M exceptions, p. 41. The company contends that the ALJ relied on the Attorney General's claim that the Commission has a long history of denying incentive compensation expenditures that are tied to financial measures. However, I&M contends that "[s]ince 2018, I&M's base rates have accurately reflected the Commission orders that approved those rates. In Case No. U-18370, the Commission did find that a portion of I&M's total projected incentive compensation expense should be excluded from base rates, but the Commission indicated that exclusion should be applied as an O&M expense." *Id*., p. 42. The company asserts that in the April 12 order, the Commission did not identify a reduction to capital expenditures for financially based incentive compensation. Thus, I&M argues that its base rates, implemented after the issuance of the April 12 order, reflected a downward adjustment for financially based incentive compensation O&M expense, but properly included financially based incentive compensation capital expenditures.

I&M states that "[i]f the Commission were to adopt the PFD's recommendation and disallow capital costs from 2018 through 2021 tied to 'improper capitalized incentive compensation,' then the Commission's directive would constitute unlawful retroactive ratemaking." *Id*., p. 44. In the company's opinion, if the Commission approves an adjustment, "its reduction should be clearly identified as capital and limited prospectively to the historical year, the bridge year, and the test year (2022-2024). Staff's recommendation on this issue is within the Commission's legal boundaries." *Id*., p. 45.

I&M did not except to the ALJ's recommendation regarding capitalized SERP expenditures.

In her replies to exceptions, the Attorney General reiterates that the April 12 order provided I&M notice that financially based incentive compensation costs are not recoverable. She also disagrees with the company's claim that the Attorney General's proposed disallowance is retroactive ratemaking, contending that: (1) reducing I&M's rate base is not retroactive ratemaking; (2) the company's rates were not lawful and, therefore, the rule against retroactive ratemaking does not apply; and (3) the Commission has authority to correct ratemaking errors to ensure that rates are just and reasonable. *See*, Attorney General's replies to exceptions, pp. 26-33. In response to I&M's claim that her proposed disallowance is based on an incorrect calculation, the Attorney General states that the company provided no explanation for the claimed error and she requests that the Commission adopt her proposed disallowance.

The Commission notes that for nearly two decades, it has disallowed financially based incentive compensation in utility rates.[15] In most of these rate cases, the utilities included financially based incentive compensation as an O&M expense, which was ultimately disallowed after the Commission found that ratepayer benefits were not commensurate with the program's

[15] April 28, 2005 order in Case Nos. U-13898 and U-13899 (April 28 order), pp. 19-22; December 22, 2005 order in Case No. U-14347, pp. 34-35; November 21, 2006 order in Case No. U-14547, pp. 43-44; June 10, 2008 order in Case No. U-15245, pp. 31-33; December 23, 2008 order in Case No. U-15244, pp. 37-38; November 2, 2009 order in Case No. U-15645, p. 41; January 11, 2010 order in Case Nos. U-15768 and U-15751, pp. 48-49; June 3, 2010 order in Case No. U-15985, p. 56; October 20, 2011 order in Case Nos. U-16472 and U-16489, p. 68; November 19, 2015 order in Case No. U-17735, pp. 77-78; December 11, 2015 order in Case No. U-17767, pp. 76-77; December 9, 2016 order in Case No. U-17999, pp. 38-40; July 31, 2017 order in Case No. U-18124, pp. 87-88; March 29, 2018 order in Case No. U-18322, p. 67; September 9, 2018 order in Case No. U-18999, p. 86; May 2, 2019 order in Case No. U-20162, pp. 93-94; September 26, 2019 order in Case No. U-20322, pp. 90-91; May 8 order, pp. 17-19; December 17, 2020 order in Case No. U-20697, pp. 201-202; December 9 order, pp. 162-164; December 22, 2021 order in Case No. U-20963, pp. 297-298; November 18, 2022 order in Case No. U-20836, pp. 300-302; December 1, 2023 order in Case No. U-21297, p. 238; March 1, 2024 order in Case No. U-21389, pp. 195-198.

costs. However, in at least two cases, the Commission addressed financially based incentive compensation in the rate base section of these orders. In the April 28 order issued in 2005, the Commission noted that Michigan Consolidated Gas Company's (Mich Con's) inclusion of bonus and incentive compensation plans in the "test year would increase the working capital component of the rate-base calculation and would also increase O&M expense." April 28 order, p. 19. The Commission found that Mich Con failed to demonstrate that the ratepayer benefits of the bonus and incentive compensation plans were commensurate with the program's costs and explained that "[o]nly a small portion of the program would reward behaviors or actions that could fairly be said are directly related to ratepayer or societal interests . . . ." *Id*., p. 21. Therefore, the Commission found that the costs for the bonus and incentive compensation program should be disallowed.

More recently, in the May 8 order issued in 2020, the Commission stated that it:

> has unequivocally and consistently disallowed incentive compensation costs tied to financial measures, most recently in [DTE Electric]'s last rate case decided just two months prior to the filing of [Case No. U-20561]. Staff's initial brief, pp. 75-76; May 2 order, p. 93. That being said, while the Commission is profoundly concerned as to why DTE Electric would think it would be acceptable to capitalize financial-based employee compensation incentives under rate base, the Commission finds the Attorney General's $44 million adjustment sufficient based on this record and accepts [DTE Electric]'s explanation in exceptions that no double recovery has occurred.
>
> DTE Electric's retroactive ratemaking argument is without merit. These incentive compensation costs—whether they were included in rate base to set rates previously or are part of rate base in the projected test year in the instant proceeding—are not reasonable and prudent to recover from ratepayers. The fact that DTE Electric booked these incentive compensation costs to rate base without being "caught" by parties or the Commission in prior proceedings does not render them reasonable and prudent now, nor does their removal from rate base for rates being set on a going-forward basis constitute retroactive ratemaking.

May 8 order, pp. 17-18.

In the April 12 order, I&M's most recent fully adjudicated rate case, the Commission stated that:

> [o]nly the short-term EICP [employee incentive compensation plan] expense, which is strictly tied to operational measures, should be approved because it provides appreciable benefits to ratepayers. Financial measures, however, predominantly benefit shareholders. Therefore, the Commission finds that all of the expenses associated with I&M's long-term EICP are inextricably connected to financial measures and should be disallowed.

April 12 order, p. 57.

In the immediate case, I&M contends that it "cannot be expected to guess at the Commission's directives in an order because whether an adjustment is capital or O&M is essential for the utility to determine its fixed, base rate and ensure compliance with the Commission's order. I&M had no notice that it was required to make a capital adjustment for incentive compensation to its rates set in Case No. U-18370 and moving forward." I&M's exceptions, p. 43. The Commission finds this claim to be disingenuous in light of the Commission's long history of unequivocally disallowing financially based incentive compensation, whether it be an O&M expense or capital expenditure, as noted above. The Commission cannot accept I&M's claim that the April 12 order failed to provide notice that the company should not include financially based incentive compensation in the company's rates. The Commission clearly stated that incentive compensation that is inextricably connected to financial measures should be disallowed. Despite the Commission's decision in the April 12 order, I&M chose to shift the disallowed incentive compensation to rate base, which has been inappropriately recovered from ratepayers since 2018, a fact that was not discovered until this immediate rate case.

In the May 8 order, the Commission stated that "[t]he rates the Commission sets are forward looking and can only be based on costs that are reasonable and prudent. Therefore, financial-based incentive compensation costs—regardless of when and how they were incurred, the accounting treatment utilized, or whether they were classified as capital [expenditures] or O&M—should not be included in the rates approved in this proceeding" because they are not reasonable or

prudent. May 8 order, p. 19. The Commission finds that the same rationale applies in the instant case: I&M's proposed financially based incentive compensation capital expenditures are unreasonable and imprudent because they are inextricably connected to earnings and cash flow and disproportionately benefit shareholders and should not be paid for by ratepayers. *See*, 6 Tr 2236-2237. Accordingly, the Commission finds the Staff's proposal to disallow the financially based incentive compensation capital expenditures for the historical year, the bridge year, and the test year should be adopted.

No exceptions were filed on the issue of the SERP expenditures. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

B. Working Capital

I&M stated that its projected test year working capital is $46.44 million for the Michigan jurisdiction. The company explained that the proposed working capital:

> was prepared in accordance with the balance sheet methodology as approved in the June 11, 1985 Order from Case No. U-7350. Depending on the type of account, the assets and liabilities included in the Company's projected Test Year Working Capital were calculated either at the account level based on the historical 13-month average balance as of December 31, 2022, as provided by Company witness [Tyler H.] Ross, or the projected 13-month average balance as of Test Year Ended December 31, 2024. The balance sheet methodology is Commission-standard and consistent with the Company's calculations for projected Working Capital used in its most recent base rate cases, Case Nos. U-20359 and U-18370.

5 Tr 1741. I&M noted that Exhibit A-12, Schedule B-4 shows the projected working capital, "with certain average balances updated to reflect the projected balance sheet activity to those assets and liabilities." 5 Tr 1728.

The Attorney General asserted that I&M's proposed test year working capital is a 76% increase over the historical period working capital, and she argued that the company failed to provide sufficient evidence in support of the increase. She proposed several changes to I&M's

proposed test year working capital. First, the Attorney General noted that the company's "historical balance sheet shows total I&M accrued taxes were $98.7 million in the historical period. However, the projection of accrued taxes for the 2024 test year drops to $74.5 million." Attorney General's initial brief, p. 82 (footnotes omitted). She stated that when asked to explain the calculation for the accrued taxes, I&M contended that the taxes are automatically calculated and that it could not provide the calculation. In addition, the Attorney General disputed I&M's claim that it will have a lower taxable income in the projected test year and, thus, its taxes will decrease. She asserted that I&M is requesting a rate increase for the projected test year "and will receive some additional amount of revenue in the projected test year. This in turn will increase Accrued Taxes payable and not decrease them from the historical period." 6 Tr 2425 (footnote omitted). Therefore, the Attorney General recommended that the historical average balance of $98.7 million be used as the balance for accrued taxes, which is a decrease of $4.3 million in working capital for the Michigan jurisdiction.

Second, the Attorney General noted that I&M projected $62.6 million for other current and accrued liabilities. However, she stated that in the historical test year shown on Exhibit A-2, Schedule B-4, page 2, the company showed a balance of $95.3 million. The Attorney General asserted that when asked to explain the $32.7 million difference, I&M stated that "the adjustment was needed to balance the Other Current and Accrued Liabilities in the projected test year working capital with the Other Current and Accrued Liabilities in the UI [Utilities International] Financial Model's projected test year balance." 6 Tr 2428. She argued that the company failed to provide sufficient detailed evidence to support its projected accrued liabilities amount and that the historical balance of $95.3 million should be used as the balance for the projected test year, with $5.6 million for the Michigan jurisdiction.

Third, the Attorney General recommended that the Commission disallow some of I&M's rate case preparation and litigation expenses. She explained that "the forecasted expenses in this rate case are significantly higher than the amount actually incurred in the last rate case." 6 Tr 2429. In addition, she stated that the company failed to reduce the amount by the portion amortized to expense in the test year and that the proposed two-year amortization period is too short. The Attorney General asserted that this expense is excessive, the benefit "accrues entirely to shareholders and not to customers," and the entire amount should not be recovered from customers. 6 Tr 2430.

The Attorney General proposed that the amount be calculated using the amount of rate case expense actually incurred by I&M in its previous rate case, applying an inflationary adjustment, and adding litigation expenses. The Attorney General contended that a four-year amortization period is appropriate because approximately four years have lapsed since I&M's last rate case and "the Company can still recover the remaining unamortized balance if it files another rate case in two years." 6 Tr 2432. Accordingly, she recommended that the Commission reduce I&M's proposed working capital amount by $418,373 for the projected test year.

The Staff recommended that the Commission reduce I&M's working capital by $860,000. The Staff stated that "[t]he deferred regulatory assets related to [the O&M-4 and O&M-5] adjustments are subject to change in I&M's 2022 DR [demand response] reconciliation case (MPSC Case No. U-21457) and thus should not be included as regulatory assets in rates until a Commission order is issued in that case." Staff's initial brief, p. 7.

In response to the Attorney General's first proposed adjustment to accrued taxes, I&M disagreed that it failed to substantiate the calculation. The company stated that:

> [t]here are multiple reasons why the requested schedules could not be provided. First, the UI model is a complicated software that generates data that is not easily

> interpreted by non-users. The Company does have the ability to "drill down" into the calculation of Accrued Taxes in the UI model monthly. However, the data would be voluminous and difficult to understand, requiring the Company to perform extensive additional work and the creation of a new work product. This extensive additional work would include creating formulas as UI does not generate reports in excel with formulas.
>
> Second, in relation to federal income tax (FIT) payable, while the UI model calculates FIT payable based on various inputs including pretax book income, book/tax timing difference movement, and estimated payments, the model is unable to apply certain tax attributes like credit carryforwards. This requires that the tax payable be calculated and reviewed outside of the UI model. Due to this, final journal entries are input into UI to manually update FIT payable to reflect the substantiated and reviewed balance.
>
> Lastly, the additional analysis outside of the UI model discussed above is completed by looking at the income tax payable year-by-year and is not available monthly. Providing a monthly analysis of accrued taxes would have required extensive additional work and the creation of a new work product.

5 Tr 1447-1448. I&M noted that it calculated accrued taxes using the same method that was used in the company's last rate case. *See*, 6 Tr 2426.

In addition, I&M objected to the Attorney General's claim that because the company is requesting a rate increase, it will receive additional revenue, which in turn, will increase the company's taxable income. I&M stated that the Attorney General "fails to account for the reduced tax payable due to the tax benefit the Company is receiving, and passing back to customers, from the Nuclear PTCs [production tax credits]. Although [sic] the Company proposed passing the Nuclear PTC benefit through the Tax Rider. As a result, the tax benefit was removed from the federal income tax expense included in base rates." 5 Tr 1448-1449.

I&M also disagreed with the Attorney General's recommendation to use the historical average balance of $98.7 million for accrued taxes. The company reiterated that it is unable to provide monthly computations of accrued taxes because the process is extensive, complicated, and has not been previously required. In addition, I&M stated that the Attorney General's recommendation

"fails to account for the book to tax timing differences that impact both FIT payable and ADIT [accumulated deferred income tax] as well as the benefit of Nuclear PTCs. [The Attorney General]'s proposal ultimately provides for inconsistency in the calculation of rate base and the revenue requirement." 5 Tr 1450.

Regarding the Attorney General's second proposed adjustment to other current and accrued liabilities, I&M argued that its proposed calculation properly reflects the projected test year forecast. The company explained that:

> the calculation of other current and accrued liabilities is consistent with the balance sheet method and Commission precedent. The balance for the projected Test Year balance sheet was derived by starting with the year-end 2022 actual balance instead of the historical 13-month average balance because this results in a more current and representative balance of other current and accrued liabilities for the Test Year. Doing so ensures that the balance of other current and accrued liabilities in the projected Test Year corresponds ("syncs") with the Company's expected results in the Test Year forecast.

I&M's reply brief, p. 51 (citing 5 Tr 1745) (internal citations omitted). The company asserted that the UI financial model then adjusts the balance using the forecasted expenses for the test year.

I&M did not specifically respond to the Attorney General's third proposal as an adjustment in working capital but stated that "[t]he Commission should approve the Company's working capital balance as presented in its case in chief." I&M's initial brief, p. 132.

In response to the Staff's proposed adjustment, I&M contended that "DR adjustments O&M-4 and O&M-5 should remain in the 2024 forecast test year, since the Company followed the Commission's cost recovery framework for load management programs and the Company has no load management costs included in general rates from which to reconcile against." 5 Tr 1504.

The ALJ recommended adopting the Attorney General's proposed disallowances to working capital. Regarding I&M's proposed accrued taxes and other current and accrued liabilities, the ALJ noted that the company acknowledged that the UI financial model provides data that is not

easily understood by non-users. She stated that "[t]his makes it clear that I&M understands its financial model is not auditable. While not useless, this model is insufficient to establish [that] the projection is reasonable and prudent." PFD, p. 168. In addition, the ALJ found that the company failed to provide "any accrued taxes on the income projected for this rate case. And its projected accrued taxes are significantly lower than the historical amounts. These inconsistencies undermine the Company's alleged support for its projections." *Id*. Therefore, the ALJ recommended that the Commission adopt the Attorney General's proposed $4.3 million reduction to working capital for accrued taxes.

She also recommended that the Commission approve the Attorney General's proposed $5.6 million increase to other current and accrued liabilities for the Michigan jurisdiction. Finally, regarding the Attorney General's proposed disallowance for case preparation and litigation expenses, the ALJ stated that "[c]onsistent with the finding below, this PFD recommends removal of $150,000 of proposed witness coaching expenses but does not recommend removal of the litigation expenses. And, as noted below, this PFD recommends these litigation expenses be amortized over a four-year period, rather than the two-year period proposed by the Company." *Id*., p. 169.

In exceptions, I&M objects to the ALJ's recommendation adopting the Attorney General's adjustments to accrued taxes and other current and accrued liabilities. The company explains that:

> [w]orking capital is the amount of funds required to bridge the gap between the time of payment of the utility's expenses and the receipt of revenues from its customers. . . . An understated working capital balance does not result in a reduction in an amount of capital forecasted for a particular project or group of projects, but an understated working capital balance means the Company does not have the necessary funds available to cover its expenses.

I&M's exceptions, p. 46. I&M asserts that it properly used the Commission's accepted balance sheet method, which was also used in the company's previous two rate cases, to project its working capital balance.

The company contends that the Attorney General is the only party who takes issues with the UI financial model to project the test year balance sheet. I&M states that "[n]o party disputes the anticipated tax benefits the Company will experience during the Test Year, which will be passed to customers through the Tax Rider and a lower Accrued Tax balance." *Id*., p. 48 (citing 5 tr 1448-1449). The company argues that the record evidence sufficiently explains why the projected accrued taxes are lower than the historical amounts and "why defaulting to the historical 13-month average of Accrued Taxes is inappropriate for the forecasted Test Year." *Id*.

Additionally, I&M asserts that there is sufficient evidence on the record demonstrating that the other current and accrued liabilities calculation is consistent with the Commission's approved working capital methodology. The company states that, according to its witness's testimony:

> [t]he calculation of Other Current and Accrued Liabilities starts with the ending balance from 2022, meaning the projected balance starts by considering what is on hand. The reason I&M calculates the balance this way is to ensure the most accurate reflection of the needed balance for the forecasted Test Year. As with all projected working capital balance items, these costs are more certain and are most appropriately determined as a projection to reflect the year being forecasted.

Id. I&M contends that if the Commission directs the company to use the 13-month historical average as proposed by the Attorney General, the other current and accrued liabilities balance will be overstated and it will reduce the company's projected working capital to a level that is "unfair and inequitable." *Id*., p. 49.

In her replies to exceptions, the Attorney General states that "I&M projected working capital by making two large adjustments based on a UI financial model that the parties are not allowed to access, refused to explain the reasons for the adjustments in discovery, and then provided at best a

vague explanation for the adjustments in rebuttal." Attorney General's replies to exceptions, p. 43. She requests that the Commission adopt the ALJ's recommendation.

The Commission respectfully declines to adopt the ALJ's recommendation regarding accrued taxes and other current and accrued liabilities. According to I&M, the Attorney General is arguing that "any increase in rate base would result in additional revenue that will increase accrued taxes payable." I&M's reply brief, p. 47. Although the company agrees that this assumption can be generally true, I&M asserts that the Attorney General's position is overly simplistic for this case and fails to account for projected tax benefits that will be passed to customers. Specifically, I&M states that "the anticipated tax benefits are attributable to two main drivers: (i) the Company's treatment of Nuclear [PTCs] and (ii) book to tax timing differences." *Id*. (citing 5 Tr 1449-1450).

In addition, I&M explains that:

> the projected 13-month average balance for Accrued Taxes of $74.5 million was calculated directly from the Company's projected balance sheet which is fully integrated within the Test Year financial forecast. The balance for Accrued Taxes is calculated within the UI financial model utilizing data and inputs directly from the Test Year forecast which is more accurate than solely relying on historical data.
>
> Unlike certain other components within Working Capital, the balance for Accrued Taxes calculated by the UI financial model is more reflective of expected results in comparison to the historical 13-month average balance because the model is performing a calculation based on inputs instead of assuming the most recent historical data point holds constant into the Forecast Period. If the Commission were to accept [Attorney General] witness [Sebastian] Coppola's recommendation, the Company's projected Working Capital balance would be understated and would not be reflective of the Company's expected results in the Test Year forecast.

5 Tr 1743-1744.

Regarding other current and accrued liabilities, I&M disagrees with the Attorney General that the calculation is arbitrary and that the historical 13-month average balance should be used. The company asserts that:

> [t]he projected 13-month average balance of $62.6 million was calculated directly from the Company's projected balance sheet which begins with the most recent historical balance and incorporates adjustments for incentive compensation accruals and cash payments throughout the Forecast Period.
>
> As outlined in Company witness [Kimberly] Kerber's direct testimony, the incentive accruals included in the Forecast Period are assumed at a target level factor (1.000) in comparison to the incentive accruals embedded in the Company's 13-month historical average balance recommended by [Attorney General] witness Coppola. I&M's Total Company incentive compensation factor was 1.833 for the 2022 calendar year. [Attorney General] witness Coppola's recommended historical 13-month average balance improperly includes this higher rate of accrual which overstates the balance of Other Current and Accrued Liabilities. If the Commission were to accept [Attorney General] witness Coppola's recommendation, the Company's projected Working Capital balance would be understated and would not be reflective of the Company's expected results in the Test Year forecast.

5 Tr 1745.

Further, I&M explains that it uses the UI financial model "to prepare the Total Company, integrated financial forecast. This model integrates I&M's work plans with a number of other forecast inputs to generate a financial forecast. The model contains a number of algorithms that apply assumptions and logic to the forecast inputs and generate forward looking financial statements and ratios." 5 Tr 1705-1706. The company states that it considers historical accrued taxes data when using the UI financial model but asserts that the projection is also reflective of the test year.

In the November 2, 2009 order in Case No. U-15645 (November 2 order), the Commission stated its "expectation is that the parties will fully document the basis for their test year projections by offering into evidence detailed supporting explanations and underlying assumptions rooted in expected business, financial, and economic circumstances. Rate applications may not rely on undocumented estimates of future ratemaking expenses and revenue criteria." November 2 order, p. 9. Based on the above testimony and evidence, the Commission finds that I&M has provided supporting explanations for its accrued taxes and other current and accrued liabilities calculations

and some underlying input data. Accordingly, the Commission finds that I&M's proposed accrued taxes and other current and accrued liabilities should be approved. However, in future rate cases, the Commission expects more transparency from the company regarding the specific inputs used in the UI financial model so as to ensure that these projections are more easily reviewable.

The Commission finds that the Attorney General's proposed $150,000 reduction for witness training fees should be adopted, as discussed in the NOI section below.

The Commission also finds that the Staff's proposed $860,000 adjustment should be approved. As noted by the Staff, the deferred regulatory assets related to O&M-4 and O&M-5 may change in the company's 2022 DR reconciliation case in Case No. U-21457. Therefore, the Commission finds that O&M-4 and O&M-5 should not be included as regulatory assets until an order is issued in Case No. U-21457.

C. Rate Base Summary

Based on the above determinations, the Commission adopts a rate base amount of $1,233,103,000 on a jurisdictional basis.

VI. CAPITAL STRUCTURE AND RATE OF RETURN

A. Capital Structure

I&M proposed an annual average permanent capital common equity ratio of 50.62% and a long term debt ratio of 49.38%. 3 Tr 433; *see also*, Exhibit A-14, Schedule D-1. The Staff utilized the company's proposal but noted that, "[a]lthough Staff did not choose to make an adjustment in this case . . . [t]he Commission would not be unreasonable in taking a gradual approach to increase the utility's equity ratio over time." 6 Tr 2208, Exhibit S-4, Schedule D-1. The Attorney General, however, recommended that the Commission adopt a more gradual

approach. Specifically, the Attorney General rebalanced the capital structure to 48% equity and 52% long-term debt, to be achieved by increasing the company's long term debt by $164 million and similarly reducing the company's equity. 6 Tr 2433-2434, Exhibit AG-33.

The ALJ thoroughly reviewed the positions of the parties at pages 171 through 176 of the PFD, which will not be repeated here. After her review, the ALJ found the Attorney General's recommended 52% debt to 48% equity ratio was the most reasonable and prudent structure. PFD, p. 176. The ALJ found that I&M's criticisms were limited to the "Attorney General's presentation to the use of capital structures at the holding Company level, rather than at the level of the regulated subsidiary" and that the Attorney General demonstrated that her "proposed equity ratio is well within the equity percentage ranges at both the holding Company and subsidiary levels." *Id*. The ALJ also found the Attorney General presented reliable and unrebutted testimony that:

> (1) I&M was historically able to attract capital with an equity layer less than 50%; and (2) I&M's FFO [funds from operation]/debt ratio, even with a 52/48 equity/debt capital structure and the Attorney General's recommended ROE, was 21%, well above the 18% FFO/debt ratio that Moody's has established as a limit for a potential downgrade.

Id., p. 177.

I&M takes exception to the ALJ's recommendation, arguing that the position is significantly different from the company's and the Staff's proposals, which are aligned. In addition, I&M states that the Attorney General's proposal is based upon an "artificial adjustment to the common equity balance, with a corresponding artificial adjustment to the long-term debt balance, in an effort to force an unsupported increase to the Company's debt and reduce the Company's capital structure equity ratio." I&M's exceptions, p. 49. Additionally, I&M argues that the ALJ's recommendation does not strike a balance between debt and equity and fails to "discuss how the proposed equity ratio will be supportive of the Company's credit." *Id*., p. 50.

The company also argues that adopting the Attorney General's position in this case is the result of the Attorney General "arbitrarily changing the Company's common equity balance and long-term debt balance to back into that equity ratio recommendation. Re-calculating elements of a capital structure to get to a preferred outcome is improper and leaves the Attorney General's recommended equity ratio an outlier." *Id*., p. 52. In conclusion, I&M contends that the Commission should, therefore, adopt the company's and the Staff's proposed capital structure of 50.62% equity and 49.38% debt. *Id*., p. 53.

In reply, the Attorney General disputes the company's exceptions. First, the Attorney General argues that I&M improperly points to an average of utility equity ratios to support its proposed equity level. The Attorney General contends this is a flawed and misleading argument because the record demonstrates that "equity ratios are wildly divergent, and both the Company's and Attorney General's recommended equity ratios are comfortably within the wide range of equity ratios – whether considered at the utility or holding company level." Attorney General's replies to exceptions, p. 46 (citing Exhibits IM-46 and AG-36). Further, the Attorney General argues that the averages cited to by the company in its exceptions are overbroad and were not addressed in I&M's initial or reply briefs. Attorney General's replies to exceptions, p. 47.

The Attorney General claims that, unlike I&M, the ALJ considered the entirety of the record in the case. Specifically, the Attorney General cites to, among other evidence, the proxy group equity ratios, I&M's most recently approved equity ratio, and the recent equity ratio approved by the Indiana Utility Regulatory Commission for I&M. The Attorney General further emphasizes that the ALJ acknowledged that the "unrebutted evidence shows I&M was historically able to attract capital with an equity layer less than 50%, and its FFO/debt ratio would remain at 21% -

well above the 18% FFO/debt ratio Moody's established for a potential downgrade – even with a 48% equity ratio." *Id*., pp. 47-48.

With regard to the company's claims that her "recommendation was developed through an 'artificial adjustment' to the Company's equity and debt balance," the Attorney General contends that it "should be disregarded because it is unsupported and unpersuasive." *Id*., p. 48. In conclusion, the Attorney General states that there is ample evidence supporting her proposal and that the Commission should adopt an equity ratio of 48% in this case.

The Commission finds that the record supports the ALJ's recommendation to adopt a capital structure of 48% equity and 52% long-term debt. The Commission is unpersuaded by any argument that the adoption of this capital structure will degrade the company's credit metrics. *See*, 6 Tr 2437-2438, Exhibit AG-42. Moreover, this structure results in a gradual increase in the authorized equity layer, consistent with the Staff's observation that "[t]he Commission would not be unreasonable in taking a gradual approach to increase the utility's equity ratio over time." 6 Tr 2208; Exhibit S-4, Schedule D-1.

In addition, the Commission is not persuaded by the company's reliance upon the Staff's agreement with I&M's proposed capital structure. The Staff recommended a "capital structure with an equity ratio *no higher than* 50.62%," and that, as noted above, "a gradual path from the currently approved 46.56% equity ratio would also be reasonable, pointing out a historical equity ratio of 48% as seen in Exhibit A-1 Schedule A-2." Staff's initial brief, p. 70 (citing 6 Tr 2208) (emphasis added). Thus, the Commission finds that the Staff is also supportive of the Attorney General's proposed equity ratio, which is well supported on the record. The Commission adopts the ALJ's recommendation on this issue.

B. Cost Rates

1. Long-Term Cost Debt Rate

I&M projected a long-term debt cost rate of 4.59%. 3 Tr 435, Exhibit A-14, Schedule D2. The Staff and the Attorney General also utilized the long-term debt cost rate of 4.59%. 6 Tr 2208; 6 Tr 2433, Exhibit AG-33.

The ALJ noted that the long-term debt cost rate was undisputed and adopted the company's projection. PFD, p. 177.

The Commission adopts the undisputed long-term debt cost rate of 4.59% as reasonable and prudent on this record.

2. Short-Term Cost Debt Rate

I&M projected a short-term debt cost rate of 4.53%. 3 Tr 436, Exhibit A-14, Schedule D3. The Staff and the Attorney General again utilized the company's projection of 4.53%. 6 Tr 2208; 6 Tr 2433, Exhibit AG-33.

Again, noting there was no dispute on this issue, the ALJ adopted the company's projection. PFD, p. 177.

The Commission adopts the undisputed short-term debt cost rate of 4.53% as reasonable and prudent on this record.

C. Return on Common Equity

The criteria for establishing a fair ROE for public utilities is rooted in the language of the landmark United States Supreme Court cases *Bluefield Waterworks & Improvement Co v Pub Serv Comm of West Virginia*, 262 US 679; 43 S Ct 675; 67 L Ed 1176 (1923) and *Fed Power Comm v Hope Natural Gas Co,* 320 US 591; 64 S Ct 281; 88 L Ed 333 (1944). The Supreme Court has made clear that, in establishing a fair ROE, consideration should be given to both a utility's

investors and its customers. Nevertheless, the determination of what is fair or reasonable "is not subject to mathematical computation with scientific exactitude but depends upon a comprehensive examination of all factors involved, having in mind the objective sought to be attained in its use." *Meridian Twp v City of East Lansing,* 342 Mich 734, 749; 71 NW2d 234 (1955). With these principles in mind, the Commission turns to the factors that form the basis for determining the ROE for the company.

I&M, the Staff, the Attorney General, and ABATE offered analyses of the appropriate ROE. The ALJ provided a detailed summary of the parties' analyses, arguments, and briefing in the PFD. *See*, PFD, pp. 179-204.

I&M requested an ROE of 10.50% relying upon: (1) a Constant Growth Discounted Cash Flow (DCF) analysis, (2) the Capital Asset Pricing Model (CAPM), (3) an empirical approximation to the CAPM (ECAPM), and (4) a Bond Yield Risk Premium analysis. 3 Tr 447-513. The company averred "[t]he application of multiple methods, in combination with an overall qualitative assessment of the marketplace, provides a more comprehensive evaluation of cost of capital and is most appropriate in evaluating the required cost rate for common equity capital." I&M's initial brief, p. 154.

The Staff recommended an ROE range of 9.50% to 10.50%, with a recommended 9.90% ROE. 6 Tr 2209. The Staff utilized a comparable proxy group to conduct its DCF and CAPM analyses, and additionally conducted a Risk Premium model "and a review of electric ROE authorizations from other state jurisdictions from 2022-2023" in making its recommendation. 6 Tr 2209.

The Attorney General noted an average ROE of 9.77% and recommended the adoption of a 9.80% ROE. 6 Tr 2441; *see also*, Exhibit AG-34. The Attorney General utilized the DCF method,

the CAPM, and the Utility Risk Premium approach in deriving her recommendation. 6 Tr 2444. The Attorney General argued that a 9.80% ROE is reasonable when considering "the cost of common equity for a proxy group of peer companies." 6 Tr 2444. Regarding the selection of the proxy group, the Attorney General indicated that she started with 38 electric utilities and narrowed down the group to 10 utilities, which "are appropriately comparable to I&M." 6 Tr 2444.

ABATE recommended adoption of an ROE no greater than 9.70%, arguing that the company's requested ROE is excessive. *See*, 3 Tr 120-139.

The ALJ carefully reviewed and further analyzed the positions of the parties concluding that the Staff's ROE recommendation of 9.90% should be adopted. The ALJ found that the company's proposed 10.50% ROE "diverges significantly from the Company's currently authorized ROE in Michigan (9.86%), ABATE's recommendation (9.70% or less) the Attorney General's recommendation (9.80%) and Staff's recommendation (9.90%)." PFD, p. 204. The ALJ further addressed specific disputes pertaining to the ROE individually, which the Commission will mirror in this order.

1. Proxy Group Disputes

The proxy groups utilized by the parties only had some overlap. Specifically, the Attorney General limited the proxy group to companies with similar revenues to I&M, while the Staff placed greater emphasis on the credit ratings of proxy companies. 6 Tr 2211, 2446-2447. The company disputed the selection of those proxy groups, arguing that the "Staff's screening criteria to establish its proxy group [was] overly-restrictive and" that the Attorney General's "screening [was] inconsistently applied, resulting in the improper inclusion" of companies from the Attorney General's proxy group. I&M's initial brief, p. 155 (citing 3 Tr 552-556).

The ALJ agreed with the Attorney General's exclusion of "PNW [Pinnacle West Capital Corporation] from its proxy group, and that I&M's contention that it should remain, based on future earnings potential, is speculative." PFD, p. 207. Further, the ALJ found the Attorney General's exclusion of larger companies to be more reliable than the small-size adjustment to the ROE advocated by the company. *See*, *id*.

No exceptions were filed specifically relating to the ALJ's determination regarding the appropriate proxy group.

The Commission finds that the ALJ's analysis regarding appropriate proxy groups is well reasoned and supported on the record. Therefore, the Commission adopts the ALJ's recommendation on this issue.

2. Discounted Cash Flow

The Staff, the Attorney General, and ABATE all raised concerns regarding I&M's DCF modeling. Specifically, the Staff disputed the company's reliance on average stock prices for a 30-day period because "30 days of data is not a long enough time horizon to assure that there are not temporary stock price variations." 6 Tr 2214. The Attorney General reiterated the issues regarding the proxy group, namely the inclusion of larger utilities. *See*, 6 Tr 2449. ABATE also disputed the company's DCF modeling, arguing that "[g]rowth rates that exceed the growth rate of GDP [gross domestic product] in the country in which the utility provides goods and services cannot be sustained" and therefore, the company's analysis "should have: (a) given more weight to [the] low growth DCF results or (b) considered the results of a multi-stage DCF." 3 Tr 124.

The ALJ agreed with the Attorney General's position that issues with the company's "DCF results stem from an inappropriate proxy group that contains companies that are not comparable to

I&M" and if those companies had been excluded "I&M's DCF results would have been approximately 9.2%." PFD, pp. 207-208.

No exceptions were filed on this issue.

The Commission finds that the ALJ's decision on this issue is supported on the record, and therefore adopts the ALJ's recommendation.

3. Capital Asset Pricing Model and Empirical Capital Asset Pricing Model

Multiple parties also disputed the company's CAPM and ECAPM. Specifically, ABATE argued that I&M again utilized an unsustainable growth rate and that the "sole reliance on a single DCF-derived expected market return ultimately used to estimate the market risk premiums inflates [the company's] results." 3 Tr 127. The Attorney General further argues that the use of the historical market-risk premium is preferable because "short-term fluctuations in expectations and projected stock market returns can cause the developed expected market return to vary significantly over short periods of time." 6 Tr 2455.

The ALJ found the Attorney General's position to be persuasive regarding the CAPM. The ALJ found that as both the "Staff and the Attorney General argue, using a long-term historical market RP [risk premium] in the CAPM has been accepted by this Commission, and the forecasted market RP [the company] utilized tends to bias the results of the CAPM upward." PFD, p. 208. The ALJ also agreed with the Staff, the Attorney General, and ABATE regarding the ECAPM, finding that it "is not widely accepted by other regulatory commissions, and the [Commission] has never relied on the results of any ECAPM largely due to the problems with the method discussed extensively by ABATE and the Attorney General." *Id*. Therefore, the ALJ concluded that the company's ECAPM results should be disregarded by the Commission.

No exceptions were filed specifically regarding the rejection of the ECAPM results.

The Commission finds that the ALJ's analysis is well reasoned and supported on the record. Therefore, the Commission adopts the ALJ's recommendation on this issue.

4. Risk Premium

The company utilized "actual authorized returns for vertically integrated electric companies as the historical measure of the cost of equity to determine the risk premium." 3 Tr 485. The Staff argued that it "prefers the use of a more traditional risk premium model that is more widely accepted in the ratemaking process" and that utilizing earned ROE rather than approved ROE is preferred because it has "a larger data set, [a] basis in earned ROE, and align[s] with the test year." 6 Tr 2221.

The ALJ noted agreement with the "Staff, the Attorney General, and ABATE that I&M's RP approach is flawed and should not be relied upon in setting the Company's ROE." PFD, p. 209.

No exceptions were filed on this issue.

The Commission finds that the ALJ's decision on this issue is supported on the record, and therefore adopts the ALJ's recommendation.

5. Other Risk Factors

I&M also requested approval to recover flotation costs in this case. *See*, I&M initial brief, p. 148. Specifically, the company stated that:

> a regulated utility must have the opportunity to earn an ROE that is both competitive and compensatory to attract and retain new investors. To the extent that a company is denied the opportunity to recover prudently incurred flotation costs, actual returns will fall short of expected (or required) returns, thereby diluting equity share value.

3 Tr 489. The Attorney General noted that I&M did not adjust its analysis for flotation but "posits that flotation costs further justify [its] recommended ROE rate of 10.50 percent." 6 Tr 2469 (citing 3 Tr 492).

The ALJ first rejected the company's claim that a small size adjustment was necessary based upon the Attorney General's testimony. PFD, p. 210. She further found that "I&M presents no compelling reason for why the Commission's holding (that because flotation costs are incurred by the parent Company, they should not be passed through to ratepayers) should be changed." *Id*. Therefore, the ALJ rejected the company's request to consider flotation costs in setting the appropriate ROE "and I&M's request for recovery of flotation costs, first raised in the Company's brief, should be rejected." *Id*.

No exceptions were filed specifically pertaining to the small size adjustment or flotation costs.

The Commission finds that the ALJ's analysis is well reasoned and supported on the record. Therefore, the Commission adopts the ALJ's recommendation on this issue.

6. Other Capital Structure Components

With respect to the test year Accumulated Deferred Investment Tax Credit (ADITC) balance, I&M estimated the average balance will be $11.5 million based on internal projections from the Company's Tax Department. I&M's initial brief, p. 140, Exhibit A-14. The Staff and the Attorney General did not dispute this amount. *See*, Exhibit S-4, Schedule D-1; Exhibit AG-33.

There were no exceptions filed on this issue.

The Commission finds that the ALJ's decision on this issue is supported on the record, and therefore adopts the ALJ's recommendation.

7. Conclusion

As noted above, the ALJ concluded that the Staff's ROE recommendation of 9.90% should be adopted. The ALJ further held that I&M's proposed ROE of 10.50% was significantly higher than the remaining parties' analysis and the company's current ROE. *See*, PFD, p. 204.

In exceptions, I&M argues that "[a]lthough the PFD began its discussion of ROE with a brief recitation of the constitutional criteria for a minimally sufficient ROE as set forth in *Hope* and *Bluefield*, the [ALJ] went no further in applying that criteria to the Company's proposed ROE." I&M's exceptions, p. 53. In addition, the company avers that the ALJ's recommendation does "not balance the risks facing the Company. Even accepting, for purposes of argument, that 10.50% is too high, the [ALJ] does not try to find a balance, [she] simply adopted Staff position, which is fully below the range the Company supported." *Id*., p. 55.

Reiterating testimony, I&M further explains that its risk profile may be significantly adversely affected by facing increased capital expenditure requirements associated with the retirements of Rockport Units 1 and 2 by 2028. *Id*., pp. 55-56. I&M continues, arguing that the ALJ:

> did not address the Company's planned investments, interest rates, inflations, costs of materials, or anything else that may have, and may continue to, affect the utility financially. In fact, the [ALJ], while picking an ROE, did not speak to how this recommendation would impact or otherwise be sufficient to assure confidence in the financial integrity of the Company to maintain its credit and to attract capital.

Id., p. 56.

I&M continues, arguing that the settled ROE in Indiana which was the result of give-and-take should not be considered in setting the ROE in this case. *Id*., p. 57. Additionally, the company contends that "simple reference to the ROEs of other major utilities is not a well-developed analysis." *Id*., p. 58. Further, I&M states that the ALJ's references to inflation is not accurate or supported on the record. *Id*., pp. 58-59.

The company also claims that authorizing an ROE of 9.90% or below "when combined with the other recommendations in the PFD, would send the message to investors that Michigan is a volatile regulatory environment in which investors cannot depend upon consistent or fair regulatory treatment" and that it does "not appropriately balance the needs of customers with the needs of investors and [does] not give due consideration to economic, financial, and public policy considerations . . . ." *Id*., p. 59. I&M continues, summarizing the record positions of the parties highlighting the varying ranges. In addition, the company argues that the Staff's and Attorney General's analyses do not properly take into account the change in market conditions. Furthermore, I&M asserts that with "reasonable adjustments to the cost of equity analyses prepared by [the Staff and the Attorney General] demonstrate that [the company's] recommended ROE of 10.50% is reasonable . . . ." *Id*., p. 62. With respect to ABATE's position, I&M states that ABATE failed to present any independent analysis to support the recommendation of 9.70%, so it should be disregarded.

In conclusion, the company avers that the record supports a reasonable ROE range of 10.00% to 11.00%; therefore, the company's position of an ROE of 10.50% should be adopted. *Id*., p. 63.

In exceptions, the Staff supports the ALJ's conclusion but seeks clarification of the Staff's evidence. Specifically, the Staff states:

> [o]n page 185, the PFD indicated that Staff employs a raw beta from Value Line, but this is incorrect. (PFD, p 185.) Staff does, in fact, employ beta values from Value Line, however they are not "raw" betas. (6 TR 2216.) The beta values provided by Value Line are adjusted betas that include an adjustment that was "first proposed by Marshall E. Blume in 1975" (the Blume Adjustment). (3 TR 581.) The Blume Adjustment accounts for the tendency of publicly traded equities to trend towards a beta of 1.0 over time. (*Id*.) This adjustment is absent from raw beta values.

Staff's exceptions, p. 2. Further, the Staff concludes that the ALJ appropriately found the Staff's recommendation to be well supported and that she properly rejected the company's analysis of the

Staff's methods. Therefore, the Staff recommends that the Commission adopt the ALJ's recommended 9.90% ROE.

The Attorney General takes exception, arguing that "I&M's request is an avaricious outlier, and the PFD appropriately rejected it." Attorney General's exceptions, p. 25 (citing PFD, p. 204). The Attorney General supports the rejection of the company's arguments by the ALJ, but notes that an increase to the ROE is not supported. More specifically, the Attorney General states that "despite adopting mostly the Attorney General's positions on the contested issues, the [ALJ] states no basis [for] rejecting [her] recommended ROE of 9.80% in favor of Staff's recommendation of 9.90%." *Id*., p. 27. Overall, the Attorney General avers that the PFD is well-reasoned and excepts only to the ROE recommendation of 9.90%.

Similarly, in exceptions, ABATE argues that the ALJ properly found I&M's evidence to be deficient but ultimately recommended an increase to the ROE. ABATE states that "this recommendation is inconsistent with the record evidence" and that the Commission "should reduce I&M's ROE or, at the very least, maintain its current ROE of 9.86%." ABATE's exceptions, p. 4. Thus, ABATE requests that the Commission reject the ALJ's recommendation "and approve a ROE consistent with the analyses and recommendations of ABATE (no higher than 9.7%) and the Attorney General (9.8%)." *Id*., p. 5.

In its replies to exceptions, I&M notes its reliance upon its testimony, exhibits, briefing, and exceptions, which it avers "form a complete and informed basis as to the Company's proposed ROE of 10.50% and the shortcomings of the continued recommendations of the Attorney General and ABATE." I&M's replies to exceptions, p. 20. The company continues, arguing that an ROE of 9.90% is inadequate to ensure I&M's financial health and that the ALJ does not adequately address the utility's needs or the benefits to customers in the PFD. Overall, I&M again claims that

the ALJ's determination is inconsistent with constitutional principles established and should be rejected. *Id*., p. 21.

In reply, the Staff notes that the ALJ properly considered the constitutional standards and adopted an ROE that is an increase and "is supported by the record evidence and sufficiently provides for the Company's continued access to capital." Staff's replies to exceptions, p. 2. More specifically, the Staff states that the ALJ's "comparative analysis, along with the record evidence on which Staff's adopted recommendation is based, applies and adheres to the very standards articulated in *Hope* and *Bluefield* that the Company quotes in its own exceptions." *Id*., p. 3 (citing I&M's exceptions, p. 54). In that regard, the Staff reemphasizes record evidence demonstrating that I&M is not at risk of a credit downgrade if the ALJ's recommendation is adopted and that the ALJ's recommendation lies far above the average ROEs in the country. Staff's replies to exceptions, pp. 3-4. Addressing the company's exceptions, the Staff avers that the arguments appear to be based upon a misreading of the PFD. *Id*., pp. 4-5. Overall, the Staff states that "[f]or all of these reasons, and the reasons discussed in Staff's testimony and briefing, the Company's attempts to argue against the PFD's and Staff's recommended ROE should be rejected. The Commission should adopt the PFD's recommended 9.90% ROE." *Id*., p. 6.

The Attorney General replies that I&M inaccurately described the PFD, which "summarized the legal standards and each party's testimony and rebuttal testimony before undertaking a comprehensive analysis of all major issues raised by the parties to reach the final recommendation." Attorney General's replies to exceptions, p. 49. The Attorney General also avers that the ALJ's entire discussion of ROE is an analysis of "potential financial risks in the context of present and foreseeable economic market and financial risks, using a proxy group and various standardized methodologies." *Id*. In addition, the Attorney General states that the ALJ

only noted that the settlement approved by the Indiana Utility Regulatory Commission suggested that a 10.50% ROE was excessive and did not place too much reliance upon the settlement. *See*, *id*., pp. 50-51. Overall, the Attorney General disputes the company's exceptions, arguing that they are meritless. *Id*., pp. 52-53.

ABATE also replies, arguing that I&M merely "recounted its flawed arguments regarding planned investments, inflation, risk, investor expectations, and its deficient analyses in claiming a higher ROE is necessary." ABATE's replies to exceptions, p. 4. In sum, ABATE avers that the ALJ properly rejected the company's claims in the PFD, which the Commission should mirror "and, at the very least, not approve a ROE for I&M above its current 9.86%." *Id*.

In addition to the above discussion, the Commission finds that the ALJ appropriately considered the record evidence of each party.[16] Contrary to the company's contentions, the Commission finds that the ALJ balanced the risks facing the company. The Commission agrees with the ALJ's determination that the company's requested ROE of 10.50% is excessive and is an outlier when considering the analyses on this record. Overall, the assessment of a reasonable ROE must be risk adjusted and the Commission will continue to evaluate the risk a company faces in conjunction with all factors influencing ROE in future rate cases.

Considering the record evidence in this case, the Commission finds that a modification of the ROE is unwarranted at this time. As the Commission has previously noted, a reasonable ROE must be based on record evidence in the case at hand. Additionally, in observation of today's financial environment of high inflation and rising interest rates, the Commission finds that the most prudent course of action is to maintain the current ROE. The Commission acknowledges the

[16] The Commission notes the Staff's clarification regarding its beta values and adopts the same. *See*, Staff's exceptions, pp. 2-3.

company's concern regarding increased risk due to the retirement of the Rockport Units by 2028. However, the record does not demonstrate sufficient risk associated with the future retirements to justify an increase in the ROE. Indeed, the recent energy legislation signed by Governor Gretchen Whitmer on November 28, 2023 provides additional long-term certainty around capital planning and correspondingly reduces risks. The Commission further notes that it may revisit this determination in future cases as it gains greater insight into the issues currently affecting the financial markets and longer-term macro-economic trends, as well as other elements affecting the company's overall risk profile. Therefore, the Commission finds that the record supports an ROE of 9.86%.

D. Overall Rate of Return

Given the above, the Commission adopts a 52.00% to 48.00% debt to equity capital structure, a long-term debt cost rate of 4.59%, an ROE of 9.86%, and an overall weighted cost of capital of 6.03%,[17] as shown on the following table:

Description	Amount ($000)	Ratio	Cost Rate	Weighted Cost
Long-Term Debt	3,228,600	43.6%	4.59%	2.00%
Common Equity	2,978,600	40.2%	9.86%	3.97%
Short-Term Debt	86,513	1.2%	4.53%	0.05%
Acc. Def. Fed. Income Tax	1,096,208	14.8%	0.00%	0.00%
Acc. Def. Inv. Tax Credit	11,510	0.2%	7.12%	0.01%
Total	7,401,432	100.00%		6.03%

[17] In Case No. U-21189, I&M agreed to apply an ROE of 9% on Rockport Unit 2; therefore, the WACC used for net book value of Rockport Unit 2 was 5.69%.

VII. ADJUSTED NET OPERATING INCOME

Adjusted net operating income (NOI) is calculated by subtracting the company's operating expenses including depreciation, taxes, and AFUDC from the company's operating revenue. Adjusted NOI includes the ratemaking adjustments to the recorded NOI test year for projections and disallowances. On pages 211 through 332 of the PFD, the ALJ provided a thorough analysis of the issues and arguments regarding NOI. The issues raised therein are addressed below, *ad seriatim*.

A. Sales Forecast and Revenues

1. Sales Forecast and Revenue

I&M presented a sales forecast of 2,807 gigawatt hours (GWh) of Michigan jurisdictional electric deliveries for the 2023 test year. I&M's initial brief, p. 174; 5 Tr 1523. The company projected its jurisdictional sales to be 53 GWh lower than "2022 weather normalized actuals." 5 Tr 1522; I&M's initial brief, p. 176 (citing 5 Tr 1524). While there was a 56 GWh increase in commercial class sales, I&M explained that, after 2022, one large industrial class customer was reclassified to a commercial class customer. 5 Tr 1525.

In her initial brief, the Attorney General contended that I&M's commercial sales should be increased in the test year by 169,347 megawatt hours (MWh). Attorney General's initial brief, p. 128; 6 Tr 2477. The Attorney General further provided testimony that I&M's commercial sales have increased since 2021 and that the company proffered a low forecast, using only 10 months of actual weather normalized sales for 2023. 6 Tr 2474-2475; Exhibit AG-48. Furthermore, the Attorney General stated that the 10 months of sales that I&M provided shows an increase of 198 commercial customers for 2023 resulting in 125,347 MWh more in commercial sales. 6 Tr 2475; Exhibit AG-48.

I&M replied that the Attorney General should have used the information presented in the company's original filings instead of updated actual load data. 5 Tr 1544. Furthermore, I&M chastised the Attorney General for failing to acknowledge the downward shifts in residential and industrial sales compared to the test year forecast as those resulted in a smaller increase than proposed by the Attorney General's witness. 5 Tr 1544-1546; Figure DMW-1R. I&M also highlighted discrepancies in the Attorney General's analysis, arguing that she did not account for unbilled and energy waste reduction (EWR) sales loss adjustments whereas I&M already adjusted its calculations for unbilled and EWR sales losses. 5 Tr 1547. I&M disclosed that its increased commercial load was generated from one specific customer that receives a discount through the Economic Development Rider and the Large Power Subtransmission tariff. 5 Tr 1645-1646, 1655-1658. As such, ignoring that commercial customer, I&M contended, means that the Attorney General incorrectly calculated a higher rate. 5 Tr 1646.

I&M also asserted that the Attorney General ignored its residential and industrial sales declines in calculating I&M's sales and revenue impacts. 5 Tr 1548. I&M stated that the Attorney General calculated 102 gigawatts (GW) of incremental load based on the September 2023 forecast which was an overstatement. 5 Tr 1647. I&M testified to the contrary, that if it used an updated "sales forecast using the September 2023 Forecast it would actually result in a larger revenue deficiency." 5 Tr 1648.

In rebuttal, the Attorney General highlighted that I&M's own witness acknowledged that she was unaware of how I&M billed for its power supply cost recovery (PSCR) transmission costs. Attorney General's initial brief, p. 134 (citing 5 Tr 1689). However, the Attorney General ignored that I&M's witness also stated that she did not "need to know that in order to calculate the impact to [I&M's] sales revenue adjustment either." 5 Tr 1689. Furthermore, I&M "testified that

offsetting trends in Commercial and Industrial load and the reclassification of a large customer from Industrial class to Commercial class accounted for the [forecasted energy sales] decline." 5 Tr 1524-1525.

The ALJ found the most credence in I&M's arguments. Of note, the ALJ found that the Attorney General "erroneously attempted to account for unbilled and EWR sales loss adjustments that were already accounted for in the Company's forecast" along with improperly accounting for I&M's commercial sales due to the reclassification of one customer. PFD, p. 219. The ALJ also found that the Staff noticed that the Attorney General failed to make the appropriate PSCR adjustment. *Id*. As such, the ALJ rejected the Attorney General's sales forecast.

The Staff also weighed in on I&M's Michigan jurisdictional retail sales. The Staff proposed an increase of 104,565 MWh with revisions to all customer classes, which equated to a 4% increase to I&M's forecast. *See*, Staff's initial brief, p. 80; 6 Tr 2086; Figure PRA-1. However, the Staff acknowledged that it used a simpler forecasting model than I&M while utilizing actual data through October of 2023. *See*, 6 Tr 2088-2089. In sum, the Staff suggested a proposed sales adjustment of a "$9,243,979 increase in sales revenue and an increase of $3,147,280 in PSCR expense." Staff's initial brief, p. 78. To prevent the use of sales billing determinants and PSCR expense adjustments in the future, the Staff proposed that I&M "submit a fully auditable rate design and forecast model in a non-proprietary software (such as Microsoft Excel) with all links and formulae intact." *Id*. Lastly, the Staff suggested that the Commission use the Attorney General's commercial sales forecast if it was not going to adopt the Staff's proposed forecast. *Id*., p. 84.

In response, I&M stated that the use of more recent data instead of the use of the test year would support "net decremental revenue." 5 Tr 1549. I&M also suggested that if the Commission

were to use more recent data, then it should adjust I&M's base rates, increasing the company's "revenue deficiency by $3,359,051 to recognize the projected lower sales volume." 5 Tr 1549. Furthermore, I&M stated that the Staff's simpler calculation using linear regression was rudimentary and "inappropriate for industrial sales forecasting." 5 Tr 1550.

The ALJ found that the Staff's arguments were persuasive and that the Staff's proposed adjustment to increase I&M's forecast sales was appropriate with a revenue increase of $9.24 million and an offset increase to fuel and PSCR expense of $3.15 million. The ALJ also found that the Staff's request for I&M to use non-proprietary software was reasonable and that if the "Staff and ultimately the Commission cannot fully audit the model's outputs, it is not able to determine if the [sales] projections are reasonable and prudent" and thus, the ALJ adopted the Staff's recommendation. PFD, p. 224.

I&M takes exception to the ALJ's findings because the ALJ "does not include any discussion or analysis of [her] recommendation, so it is unclear why the [ALJ] determined Staff's adjustments to be more persuasive . . . ." I&M's exceptions, p. 63. I&M highlights that the Staff admitted that its forecasting methodology was less precise than I&M's, noting that the Staff's methodology "was relatively simple" compared to I&M's methodology. *Id*., pp. 63-64 (quoting Staff's initial brief, p. 82). I&M argued the ALJ erred in adopting the Staff's less precise adjustment, and requests that the Commission reject the ALJ's recommendation and determine that its own forecast sales are reasonable. I&M's exceptions, p. 64.

I&M also takes exception to the ALJ's recommendation that I&M provide its rate design and forecast model in non-proprietary software for future rate cases. *See*, *id*., pp. 64-65. I&M states that it "does not contest the [ALJ]'s and Staff's recommendation" while arguing that it "did provide a fully auditable rate design and forecast to Staff . . . and complied with the Michigan

filing requirements." *Id*., p. 65. To resolve this matter, I&M suggests meeting with the Staff within six months of the Commission's order in this case to discuss its rate design methodology and schedules. *Id*.

In replies, the Staff argues that the ALJ noted that I&M was to provide its sales forecast in Microsoft Excel or an "electronic spreadsheet" format. Staff's replies to exceptions, p. 7 (citing PFD, p. 136; Case No. U-18238). The Staff also argues that Microsoft Excel is widely used by regulated utilities and that I&M failed to provide documented evidence "to justify any reason that the Commission should not mandate by order companies to use Microsoft Excel or other non-proprietary spreadsheet software." Staff's replies to exceptions, p. 7.

The Staff also rebuts two of I&M's issues with the Staff's sales forecast. First, the Staff rebuts I&M's contention that the Staff's methodology was less precise. The Staff states that accuracy is paramount for sales forecasts. *Id*., p. 8 (citing 6 Tr 2088). The Staff states that a "forecast model that is both precise and accurate is desirable, but in the context of this rate case, accuracy should take precedence over precision" and that I&M fails to raise any important points regarding the Staff's methodology that would cause a rejection of the Staff's sales forecast projection. Staff's replies to exceptions, pp. 8-9. Next, the Staff reiterates that it addressed I&M's exception "regarding the industrial sales forecast [that] deals with the magnitude of Staff's adjustment in light of updated sales data." *Id*., p. 9 (citing I&M's exceptions, p. 65; Staff's initial brief, pp. 82-83). The Staff reminds the Commission that the ALJ recognized that the Staff's sales forecast incorporates updated sales data regarding "weather normal deliveries to industrial customers." Staff's replies to exceptions, pp. 9-10. The Staff also reminds the Commission that its "projection for industrial deliveries is much higher than the Company's . . . ." *Id*., p. 10 (citing Exhibit S-18.1, Line 3, Column (b)).

The Commission respectfully rejects the ALJ's recommendation to use the Staff's sales forecast as the Commission finds that the data on the record show that I&M's sales forecast is both more precise and more accurate. Specifically, significant diversity between industrial customers and the corresponding variability in industrial electricity consumption makes a linear regression less appropriate in calculating industrial load forecasts than the use of such an approach in calculating residential forecasts. In addition, the Commission is also persuaded by the company's argument that more recent data supports a reduction in industrial sales when compared to the company's original forecast. As such, the Commission adopts the company's sales forecast in this case.

The Commission does, however, remind the parties of the importance for utilities to provide sales forecasts in future rate cases in a manner that can be replicated by other parties. Failure to do so impedes the ability of other parties to verify the company's projections and strains the Commission's ability to find that a utility's sales forecast is more reasonable and prudent than calculated sales forecasts put forth by the Staff or other parties. The goal in evaluating a company's sales forecast is to make sure it is as accurate as possible. Absent the ability to independently verify the utility's sales forecasts, other parties may, as here, propose their own. It is therefore in the company's interest to ensure that other parties have the ability to replicate its forecasts, and not put other parties—and the Commission—in a position of adopting a sales forecast that could materially alter the company's projected revenue deficiency—a situation that could be avoided simply through greater transparency around the inputs to the company's forecast. Thus, the Commission orders that I&M provide its sales forecast inputs to the Staff and other parties in a replicable manner so that the forecast can be recreated and forecast inputs and assumptions can be viewed and verified by those involved in the case.

a. 15- or 30-Year Rolling Basis

The Staff suggested that for future rate cases, "the Commission should order the Company to normalize sales on a 15-year rolling basis" instead of using 30-year data. 6 Tr 2089-2090; *see*, Staff's initial brief, pp. 84-85.

I&M replied that it would be inappropriate for the Commission to order the use of a particular time period. I&M's reply brief, p. 72.

The ALJ found that the Staff's "recommendation to normalize sales based on a 15-year historical rolling period is reasonable and prudent" and instructed I&M to provide both 15- and 30-year normalized sales data. PFD, p. 226.

I&M filed exceptions to the recommendation that it provide both 15- and 30-year periods for comparison of normalized sales. *See*, I&M's exceptions, p. 65. It argues that it "remains concerned that a specific recommendation will limit I&M's ability to evaluate other time periods that may be more appropriate" given the increase in volatility in weather trends. *Id*. (citing 6 Tr 2090, Exhibit IM-99R). I&M suggests that the Commission "allow the Company flexibility to conduct its studies and validation exercises without an explicit limitation." I&M's exceptions, p. 66.

In reply, the Staff addresses I&M's requests to reject the ALJ's recommendation to use both a 15- and 30-year historical forecasting period by emphasizing that I&M "concedes that the ALJ's recommendation of comparing the accuracy of using a 15-year versus 30-year definition of normal weather within the same model in the next rate case is a 'fair' result." Staff's replies to exceptions, p. 11. Thus, because I&M has conceded that using both time ranges is a fair result, the Staff claims that the ALJ's recommendation is not overly burdensome and should be adopted. *See*, *id*., pp. 11-12.

The Commission accepts the ALJ's recommendation. The Commission further reminds I&M that utilities have the burden of demonstrating that they are using the most accurate time period for their normalized sales data and that their forecasts are reasonable and prudent. Thus, forecasts should use multiple data points to identify the most appropriate time frame for predicting how changing weather patterns will affect future load forecasts.

b. Weather Stations

The Staff also recommended that I&M use more weather stations in Michigan, thus providing more accurate data. Staff's initial brief, pp. 84-85 (citing 6 Tr 2089-2090).

I&M stated that it uses National Oceanic and Atmospheric Administration (NOAA) weather stations and that there are none in its Michigan territory. I&M's initial brief, p. 180; 5 Tr 1522. I&M uses the nearby South Bend, Indiana, NOAA weather station for its weather calculations to provide a "reasonable picture of the weather affecting [the company's] customers." 5 Tr 1552.

In reviewing the information provided by the Staff and I&M, the ALJ found that I&M's NOAA weather station use was reasonable and prudent because NOAA weather stations collect more granular data than non-NOAA weather stations. PFD, pp. 226-227. The ALJ also noted I&M's acquiescence to use of a NOAA weather station in Michigan if one becomes operational in the future. *See*, 5 Tr 1553.

No exceptions were filed on this issue.

The Commission accepts the ALJ's recommendation, finding that I&M has been acting reasonably by using the South Bend, Indiana, NOAA weather station as no NOAA weather stations currently exist in Michigan. Thus, the Commission adopts the ALJ's recommendations on this issue while ordering that I&M use a NOAA weather station located in its Michigan service area if such becomes available.

2. Other Operating Revenue Issues

a. Special Service Charges

The Staff proposed that special charges "should not increase more than 25% over the existing charges," which would "reduce undue rate impacts to affected customers." 6 Tr 2295. To do so would result in a decrease of $1,319 in miscellaneous revenue and a $32 increase in miscellaneous revenue related to a decrease in miscellaneous distribution expense per Exhibit No. S-8.2. 6 Tr 2295. I&M stated that it would "accept Staff's proposed cap of 25% on all proposed increases in special service charges." I&M's initial brief, p. 255 (citing 6 Tr 2295). Given that there is no dispute on this matter, the ALJ accepted the Staff's cap proposal. PFD, p. 228.

No exceptions were filed on this issue.

The Commission agrees with the ALJ's conclusion on this matter. Thus, the Commission adopts the ALJ's recommendation in this matter.

b. Open Access Transmission Tariff

The Staff proposed OATT expenses of $2.12 million which is an increase of $544,000 over I&M's projection of $1.57 million. Staff's initial brief, p. 86 (citing Appendix A, line 18). I&M did not address the OATT and as such, the ALJ accepted the Staff's proposed increase. PFD, p. 228.

No exceptions were filed on this issue.

The Commission agrees with the ALJ's conclusion on this matter. Thus, the Commission adopts the ALJ's recommendation in this matter.

c. Value Added Program or Service and Low-Income Assistance Source Code Revenue

Originally, the Staff asserted that I&M did not include Value Added Program or Service (VAPS) revenue and expenses in its rate case filing, and as such, I&M did not include the net revenue impact as an offset to its base rates. 6 Tr 2296 (citing Exhibit S-8.0, responses 10-12).

Thus, the Staff recommended that its own projected net VAPS revenue be used to offset I&M's rates, "which is consistent with other investor-owned utilities" because "incurred expenses associated with VAPS programs are recovered through rates, so the Company is made whole for these program costs." 6 Tr 2297-2298. The Staff testified that it calculated a $259,424.67 increase in I&M's revenues, supporting such with its Exhibit S-8.3. 6 Tr 2298.

I&M replied that it had already included $231,928.61 in Michigan VAPS revenues to offset its base rates. 3 Tr 341. In rebuttal to the Staff's assertion that I&M did not provide a VAPS test year projection, I&M stated that there "appears to be a miscommunication" as the company provided a revised response which updated "Question 10 and provides the location within the projected cost-of-service study . . . of which $1,187,574.96 Total Company VAPS revenues is included and reflects VAPS projects." 3 Tr 343.

In response to I&M's revised response, the Staff accepted I&M's explanation "that it removed test year VAPS expenses from base rates but not the corresponding revenue" and as such, it recommended that the Commission accept I&M's VAPS revenue inclusion. Staff's initial brief, p. 141 (citing 3 Tr 342).

Additionally, the Staff also recommended an adjustment to I&M's Low-Income Assistance Source Code (LICUS) recovery figure; however, it later clarified that I&M "did not include these credits for recovery in rates" and that regarding I&M's adjustment, "Staff's proposed cost-of-service and rate design files would achieve the same outcome as the method used by the Company." 5 Tr 1650.

Overall, while initially concerned, the Staff withdrew its argument against I&M's VAPS and LICUS revenue and as such, the ALJ recommended no adjustment to I&M's VAPS and LICUS revenues. PFD, p. 229.

No exceptions were filed on this issue.

The Commission agrees with the ALJ's conclusion and adopts the ALJ's recommendation in this matter.

d. Employee Bill Discounts

The Staff stated that the company inappropriately included employee rate/bill discounts in its rate case and that it "is not reasonable nor prudent for the Commission to approve of such discounts." 6 Tr 2301. Thus, the Staff suggested a disallowance of $66,950 to this expense category. 6 Tr 2302.

In reply, I&M testified that the Staff's disallowance should be denied because, despite being listed on its Schedule F-3, it was "not looking to recover its employee bill discounts in base rates." 6 Tr 1549.

As the Staff did not further contest this issue, the ALJ found that the issue was no longer in dispute and recommended that the Commission reject the Staff's proposed disallowance. PFD, p. 229.

No exceptions were filed on this issue.

The Commission agrees with the ALJ's conclusion on this matter. Thus, the Commission adopts the ALJ's recommendations in this matter.

B. Operations and Maintenance Expense

I&M forecasted an unadjusted test year O&M expense of $862.52 million inclusive of adjustments. I&M's initial brief, p. 183; *see*, Exhibit IM-50. After reviewing I&M's Exhibit IM-50, the Attorney General argued that I&M's process of projecting expenses was "somewhat convoluted and difficult to validate" because when asked to explain its forecasted costs, I&M

"could not provide any useful information." 5 Tr 2479-2480. O&M expenses are discussed further below.

a. Fuel, Consumables, Allowances, and Purchased Power Expense

I&M projected that, pursuant to its Exhibit IM-18, its "fuel, consumables, allowances, and purchased power expense, excluding any ratemaking adjustments, is projected to be $529 million for the Test Year compared to $892 million in 2022." 5 Tr 1718. I&M explained that the decrease resulted from the removal of Rockport Unit 2, refueling outages at the Cook nuclear plant in 2022, and lower forecasted market energy prices. 5 Tr 1718.

In its brief, the Staff recommended a Michigan "fuel and purchased power expense of $79,896,000, which is $3,147,000 greater than the Company projection." Staff's initial brief, p. 87.

The Attorney General recommended two adjustments: one for the Rockport Unit 2 costs, and one for I&M's ash disposal category. The Attorney General recommended a decrease in costs for Rockport Unit 2 because it ceased operation in 2023. 6 Tr 2486. Furthermore, the Attorney General calculated a 2024 forecasted expense of $1.99 for ash disposal, a decrease of $437,000 applicable to Michigan. 6 Tr 2486.

I&M argued that the Attorney General ignored the fact that the company is closing its West Bottom Ash Pond when relying on historical ash disposal expenses to predict the 2024 test year forecast. I&M's initial brief, p. 189; *see*, 6 Tr 1935. I&M countered that the closure of the West Bottom Ash Pond made the Attorney General's recommendation "incorrect, incomplete, and without merit." 6 Tr 1935. Furthermore, I&M argued that the ash disposal costs were appropriate to include in its base rates pursuant to Case No. U-16433. 5 Tr 1734; I&M's initial brief, p. 188 (referencing the October 4, 2011 order in Case No. U-16433).

In reply, the Attorney General highlighted I&M's statement that no calculation exists for the projected ash disposal costs but that "$5 million is the projected amount for ash disposal costs based on the work plans provided by the Generation Business Unit." Attorney General's initial brief, p. 152 (citing 6 Tr 1935). The Attorney General also stated that "I&M disclosed nothing about the closure of the West Bottom Ash Pond or its timing." Attorney General's initial brief, p. 152. Instead, the Attorney General suggested the Commission subtract a total Michigan jurisdictional amount of $543,000 from the fuel handling and ash disposal categories. *Id*., p. 151.

The ALJ agreed with the Attorney General in that I&M cannot rely upon information—such as information about the West Bottom Ash Pond closing—that was not provided in discovery or in other evidence. PFD, pp. 232-233. As such, the ALJ found that I&M failed to support its projected expenses, thus recommending that the Commission adopt the Attorney General's disallowances. Furthermore, the ALJ recommended acceptance of the Staff's adjustment to increase the Michigan jurisdictional fuel and purchased power expense by $3,15. *Id*., p. 233.

In exceptions, I&M argues that the ALJ did not acknowledge its evidence for fuel handling and ash disposal. I&M's exceptions, p. 68 (citing 5 Tr 1716-1718, Exhibit IM-18). I&M states that its "projected costs are significantly lower than the historical year because of the transition of Rockport Unit 2 as a merchant plant . . . as well as costs associated with the refueling outages at the Cook Nuclear Plant in 2022." I&M's exceptions, p. 68 (citing 5 Tr 1716-1718, Exhibit IM-18). I&M avers that it has supported its contention that relying on historical averages for such expenses is "particularly inappropriate". I&M's exceptions, p. 68. I&M also argues that the ALJ erred by "ignoring the Attorney General's blatant misuse of the discovery process to achieve her go-to argument that projected costs lacked sufficient support." *Id*.

I&M states that the Attorney General asked for fuel handling and ash disposal information in her fourth discovery request, the company responded to the request, but the company was not aware that the Attorney General deemed the company's response inadequate until direct testimony. *See*, *id*., p. 69. I&M chastises the Attorney General for not informing the company of the purported inadequacy of its discovery requests by calling, filing a motion to compel, or bringing up these concerns during cross-examination. *Id*., pp. 69-70. I&M contends that the "Attorney General had ample opportunity to follow up with discovery" and that no follow-up occurred. *Id*., p. 70. I&M also highlights that the Attorney General deployed similar tactics in Case No. U-21062, and that ALJ Feldman chastised the Attorney General for not filing a timely motion to compel. *Id*., p. 70 (citing PFD, p. 15, in Case No. U-21062). I&M concludes its exception on this issue by stating that the Commission should reject the ALJ's recommendation because its expenses are "accurate, reasonable, and representative of I&M's going forward cost of providing service and are certainly more accurate and credible than the projections created by [the Attorney General] using simple arithmetic and misrepresentation of the discovery process." I&M's exceptions, p. 71.

In reply, the Attorney General reiterates that the Commission should adopt the ALJ's recommendation to reduce I&M's fuel handling and ash disposal expense because I&M failed to provide support for the projected expenses. *See*, Attorney General's replies to exceptions, p. 56. The Attorney General states that her own witness "generated a projection for the 2024 test year based on historic information" which should be used instead. *Id*., p. 57 (citing 6 Tr 2485-2486). However, I&M argued that "utilizing historical expenses to predict the test year 2024 forecast is not appropriate." Attorney General's replies to exceptions, p. 58 (quoting 6 Tr 1935). To refute this argument, the Attorney General contends that I&M provided no calculation to support its

projected ash disposal costs, and that "[a] utility cannot rely in testimony on information that it refuses to provide in discovery." Attorney General's replies to exceptions, p. 58 (citing the December 20, 2011 order in Case No. U-16582, pp. 15-16; and the December 19, 2013 order in Case No. U-17302, p. 3). The Attorney General further provides evidence that she did indeed tell I&M that its discovery responses were not responsive despite asking for said information twice and "because I&M failed to support its case for this expense increase . . . the Commission should adopt the Attorney General's adjustments." Attorney General's replies to exceptions, pp. 59-61.

The Commission agrees with the ALJ's findings, analysis, and conclusions on this matter. Thus, the Commission adopts the ALJ's recommendations in this matter.

2. Fossil (Steam), Hydro, and Solar Generation Operations and Maintenance Expense

I&M's witness relied on Figure RAJ-4, found on 6 Tr 1910, illustrating operational expenses between 2022 and the test year, which shows an overall lower forecasted expense in the test year. 6 Tr 1906-1914; *see*, I&M's initial brief, p. 184.

The Attorney General recommended three disallowances for steam generation O&M expense. First, she recommended a disallowance for miscellaneous steam power expenses because I&M's actual expense for the first 10 months of 2023 were $1.55 million but it projected a $3.17 million expense for the test year without any explanation for doing so. 6 Tr 2484. As such, the Attorney General recommended a miscellaneous steam power disallowance of "$1,260,000, or $180,000 for the [Michigan] jurisdiction." 6 Tr 2484. Second, the Attorney General recommended a disallowance of $938,000 or $134,000 for Michigan because I&M did not support its "forecasted $4,423,000 in expense for [the maintenance of boiler plant]." 6 Tr 2845. Third, the Attorney General argued against I&M's projected fuel handling, affiliated transportation, and ash disposal expense, which was discussed above, because again, I&M did not "provide calculations and other

requested supporting evidence showing how the expense amount for 2024 for each of the items was determined." 6 Tr 2485.

I&M replied that the Attorney General's recommendation "is inappropriate and does not provide a complete picture of the Company's Steam Generation O&M forecast." 6 Tr 1932. I&M further argued that "O&M is forecasted based on the best available information at the time the forecast is prepared" and that actual expenses "will vary, sometimes significantly due to emergent issues, from the original forecast" and as such, should be relied upon. 6 Tr 1932. Furthermore, I&M highlighted that to use the Attorney General's annualization plus inflation factor approach would provide "an increase of $940k above the Test Year forecast provided by the Company which is $13.887M." 6 Tr 1932-1933. I&M argued that the Attorney General's reliance upon annualized 2023 data is "flawed and should be rejected." I&M's initial brief, p. 187.

In reply, the Attorney General argued that the Commission "should not approve expense amounts in rates that the utility has not shown it is likely to spend" and that I&M had not proffered "a reason for the large forecasted increases compared to the year before." Attorney General's initial brief, p. 150.

The ALJ agreed with the Attorney General and recommended that the Commission adopt the Attorney General's proposed disallowances. PFD, p. 235. The ALJ points out that "the Attorney General correctly notes use of budget, rather than creating projections for specific projects does not establish that the projections are reasonable and prudent." *Id*.

In exceptions, I&M believes that the ALJ sided against it because it "did not provide specific projected costs for each project." I&M's exceptions, p. 66. I&M argues that it indeed "provided a cost breakdown of its O&M expenses by project, which collectively makes up the budget." *Id*. I&M highlights two points which emphasize that its O&M expenses "are relevant and required to

support a projected cost as reasonable and prudent." *Id*. I&M points to pages 184-187 of its initial brief, which explained its total "O&M expense and the specific underlying projects are forecasted using the exact same guidelines and assumptions." I&M notes that neither the ALJ nor the Attorney General "explain how two projected expenses are somehow inadequate compared to the other 18+ expenses when those projected costs are calculated using the same underlying process, assumptions, and guidelines." *Id*., p. 67. I&M also points out that the Attorney General used "skewed data" that was annualized then adjusted for inflation and that to rely on such, the ALJ erred. *Id*. (citing 6 Tr 2484-2485). I&M accuses the Attorney General of manipulating data to fit her own narrative because her witness "identified only those accounts that can be used to support a disallowance, ignoring all other accounts where the same methodology would result in the Company exceeding its Test Year forecast." I&M's exceptions, p. 67. The company further contends that to use the Attorney General's annualized method, its total O&M budget would increase by $940,000, concluding that the Commission should reject the ALJ's recommended O&M expense reductions. *Id*., pp. 67-68 (citing 6 Tr 1933-1934 (Table RAJ-1R)).

In reply, the Attorney General contends that her witness was correct in suggesting the Commission remove a difference of $180,000 for I&M's Michigan miscellaneous steam power O&M expenses because "I&M provided '[n]o explanation or support for the large increase.'" Attorney General's replies to exceptions, p. 54 (quoting 6 Tr 2484). The Attorney General reiterates that I&M failed to provide support for its opposition to the Attorney General's decrease in I&M's Maintenance of Boiler Plant Expense. Attorney General's replies to exceptions, pp. 54-55. The Attorney General reiterates her argument that I&M has failed to prove that it will spend the amounts requested and has not provided a reason for its significant increases compared to 2022, and that in the "absence of reliable and detailed evidence to support the projections, the

parties may use alternative means of projecting test year expense, including the use of historic information" which is consistent with Commission precedent and which the Attorney General used. *Id*., pp. 55-56.

The Commission respectfully disagrees with the ALJ on this issue. The Commission finds that I&M's submission of O&M costs broken down by specific projects as supported by Figure RAJ-4 results in a more accurate set of total O&M costs than the Attorney General's use of only some of I&M's projected line items. In addition, unlike unapproved capital costs, the Commission notes that disallowed O&M costs cannot be recovered in future cases. Thus, the Commission accepts I&M's fossil (steam), hydro, and solar generation O&M costs.

3. Nuclear Operations and Maintenance Expense

I&M presented evidence on the Cook plant, a "two-unit nuclear power plant located along the eastern shore of Lake Michigan." 3 Tr 1019. I&M testified that the Cook plant's O&M expenses "include base operating expenditures and non-outage equipment reliability expenditures" in the unadjusted amount of $254 million for the 12-month test year ending December 31, 2024." 3 Tr 1023-1024. I&M stated that it adjusted its forecasted test year for the Cook plant to add "an identified increase to outage amortization and plant maintenance expense." 3 Tr 1027. An increase of approximately $11 million between the historical period and test year O&M expense was added due to "outage amortization, and inflation related to services in material costs. . . . [which] can have a significant impact on O&M expense." 3 Tr 1028. The increase in costs led to an adjustment increase of approximately $12.4 million. I&M's initial brief, p. 190; *see*, 3 Tr 1027. Thus, "the necessary O&M expense needed to ensure safe and reliable operations of Cook increased by approximately $23.4 million." I&M's initial brief, p. 190.

While the Attorney General acknowledged that some additional information was provided in discovery, she argued that I&M did not support its large nuclear O&M expense increase, specifically in its labor cost and operating expense increases. 6 Tr 2489. However, the Attorney General conceded that "some of the $11.5 million increase in expense may be justified" but stated that she recommended a $719,000 disallowance. 6 Tr 2489-2490.

The Attorney General also challenged I&M's adjustment to the overall Cook plant's O&M refueling outages expense for the test year, of approximately $266 million, as being an increase of approximately $12.4 million. *See*, 6 Tr 2490; *see also*, I&M's initial brief, pp. 189-190. The Attorney General identified that 2023's refueling outages were $6 million while I&M projected $8.8 million for the test year, stating that the increase was "unsupported and should be disallowed." 6 Tr 2491. Amongst the $12.4 million increase was a projection of $3.6 million for additional O&M expenses. 6 Tr 2491; *see*, I&M's initial brief, p. 193. The Attorney General noted that I&M reported no similar expense in 2023 such that "it appears the Company pushed the projects and expense into 2024 instead of spreading the work and expense over two years, 2023 and 2024." 6 Tr 2491. While the Attorney General was left to assume the costs were necessary, she recommended that the costs be spread over "at least two years, which at this point would be 2024 and future years" and as a result, recommended only $1.8 million be included in the 2024 test year nuclear O&M expense. 6 Tr 2491.

I&M asserted that the Attorney General's argument that its nuclear O&M expenses were unsupported was inappropriate as all applicable information was provided through discovery. *See*, 3 Tr 1065. I&M further stated that the Attorney General's "attempt to use historical period actual costs to develop a straight-line estimate to develop an annual estimate and then use this estimate to establish a future Test Year forecast amount is inappropriate" because it "does not take into

consideration changes in work plans, outage costs, and other factors that impact the 2024 forecast compared to a historical period." 3 Tr 1068-1069. I&M also argued that the Attorney General's recommendation to disallow half of its nuclear O&M expenses in the test year is "arbitrary." 3 Tr 1069.

The Attorney General countered that while O&M expense comparison "[provides] some insight on overall cost increase in the major categories, it does not provide sufficient support . . . ." Attorney General's initial brief, p. 154 (citing 6 Tr 2488). Because she found I&M's discovery responses lacking, the Attorney General argued that "in the absence of reliable and detailed evidentiary support for such a large expense increase, the best alternative is to rely on historic information." Attorney General's initial brief, p. 155 (citing 6 Tr 2489). Lastly, because I&M provided information in rebuttal that was not provided in discovery, the Attorney General contended that "a utility may not refuse to produce information in discovery and then rely on the same information in rebuttal;" thus, the Commission should refuse to rely on the additional information that I&M provided on rebuttal to support its nuclear O&M expense. Attorney General's initial brief, pp. 158-159.

I&M countered that it indeed provided adequate support to justify its nuclear O&M increase. *See*, I&M's initial brief, p. 190. The company also reiterated that the Attorney General's use of annualized data is inappropriate because it does "not consider the needs of the Cook Plant, the compliance requirements that influence the work plan, nor the complexity of the systems." *Id*., p. 194. I&M also rebutted the Attorney General's argument that it did not provide all relied upon information in discovery, stating that "Commission precedent dictates that '[re]buttal evidence is clearly relevant evidence'" per the December 17 order, p. 19. I&M's reply brief, p. 74. I&M

argued that rebuttal testimony "elaborates on the information the Company provided in [its] direct testimony and discovery." *Id*.

The ALJ found I&M's arguments to be the most persuasive as I&M provided "credible testimony to explain the drivers of the forecasted increases in [nuclear O&M] expenses." PFD, p. 240. The ALJ also found that I&M provided sufficient support for its test year forecast and rejected the Attorney General's proposed nuclear O&M disallowances. *Id*.

The Attorney General's exceptions again focus on her claims that I&M did not provide sufficient evidence to support its nuclear O&M expense increase. *See*, Attorney General's exceptions, pp. 28-35. The Attorney General asserts that absent "evidentiary support for the large [forecast] increase," she properly annualized I&M's actual expenses and adjusted them for inflation. *Id*., pp. 28-29. The Attorney General claims her reductions are appropriate and that the ALJ erred in relying upon I&M's testimony because I&M "provided only the most vague and general explanations in direct testimony" and that I&M only provided some information for the first time on rebuttal. *Id*., pp. 31-32, 35.

In reply, I&M believes that credence should be given to the testimony provided by company witness, Ms. Ferneau, a "34-year veteran in nuclear operations[,]" and that the ALJ's recommendation should be adopted. I&M's replies to exceptions, pp. 21-22. I&M presents two reasons to accept the ALJ's findings. First, the Attorney General's disallowance is based on "a comparison to historic [sic] spending . . . . [T]hat reason alone is insufficient to refute or rebut the Company's forecasted expenses." *Id*., p. 22 (internal citation omitted). I&M asserts that the Attorney General's use of historical data as being just and reasonable "is inappropriate and should be rejected." I&M's replies to exceptions, p. 22. Second, I&M asserts that it has "fully explained the increase in nuclear O&M expenses between 2022 and the Test Year," relying on Ms. Ferneau's

testimony. *Id*. (internal citations omitted). Furthermore, I&M contends that it was responsive to the Attorney General's discovery requests, again repeating that the Attorney General failed to follow up with discovery if she felt that I&M was nonresponsive; and, thus, the ALJ's recommendation should be accepted. *See*, I&M's replies to exceptions, pp. 22-24.

The Commission agrees with the ALJ's findings, analysis, and conclusions on this matter. Thus, the Commission adopts the ALJ's recommendations in this matter.

4. Distribution Operations and Maintenance Expense

On a total company basis, I&M included test year distribution O&M expense of $90.4 million based on historical 2022 O&M expenses of $85.3 million. 4 Tr 1282. The company primarily attributed the increase in this expense to "resource availability, increasing minor storm events, supply chain challenges, and overall inflationary activities." 4 Tr 1282.

Disputed issues within this expense category are addressed directly below.

a. Vegetation Management – Tree Trimming Cycle

To further address tree-related interruptions in service and improve overall reliability, I&M proposed moving from a five-year tree trim cycle to a four-year cycle beginning in mid-2024, forecasting an increase in overhead primary line miles cleared from approximately 672 miles for $13.2 million in O&M expenses in 2023 to approximately 850 miles for $15.3 million in O&M expenses in 2024. 4 Tr 1257-1259. The Staff supported the company's distribution O&M expense test year projection. Staff's initial brief, pp. 94-95. The Attorney General and CUB, however, disputed the need for the company to transition from a five-year clearing cycle to a four-year clearing cycle absent a study or BCA to determine the most optimal clearing cycle, with the Attorney General specifically recommending the removal of $2.1 million in associated incremental expense. Attorney General's initial brief, pp. 140-142; CUB's initial brief, pp. 15-22. I&M disagreed with the Attorney General and CUB and asserted that the move to a four-year cycle will

result in tangible benefits to the company's customers including reliability improvements that justify the company's requested increase. 4 Tr 1301-1306; I&M's initial brief, pp. 196-199; I&M's reply brief, pp. 76-78.

The ALJ found that I&M supported its proposed increase and thus recommended that the company's transition from a five-year cycle to a four-year cycle be approved. In her reasoning, the ALJ found I&M's arguments persuasive that switching to a four-year cycle would address problematic vegetation issues in a timelier manner. The ALJ also found that the cycle change will result in a reduced cost per mile and will fit together with the company's Vegetation Management Standards, which provide for tree pruning achieving four years of growth clearance. The ALJ further highlighted the company's comparison to its four-year cycle in Indiana, finding that the company's arguments rebut the objections put forth by the Attorney General and CUB. PFD, pp. 246-249.

In exceptions, CUB argues that the ALJ erred in recommending approval of I&M's requested four-year vegetation management cycle, asserting that the company failed to establish that a four-year cycle will achieve improved results over a five-year cycle and that any such improvement would be commensurate with the increased cost. Per CUB, "I&M primarily relied on evidence of the success of its Indiana vegetation management program, which demonstrates that a cycle-based program is better than a purely reactive approach but offers no insight into optimal cycle length." CUB's exceptions, p. 6; *see also*, CUB's initial brief, pp. 16-18, and CUB's reply brief, pp. 4-5. CUB argues that the ALJ's reliance on I&M's comparison as discussed in a discovery response "sheds no light on what I&M compared or the results of such comparison and cannot support a finding that a four-year cycle is a cost-effective improvement over a five-year cycle." CUB's exceptions, p. 6 (citing PFD, p. 247; Exhibit IM-106R). CUB further argues:

> The [ALJ] also ignores I&M's failure to deliver on its promise that "substantial reductions in vegetation management expenditures" would follow the Commission's 2019 approval of its five-year vegetation management cycle. It now proposes a $2.1 million increase for 2024 with an annual increase of $3.6 million over its five-year cycle spending for 2025-2028 to shorten its cycle without sufficient evidence that a shorter cycle will actually improve reliability.
>
> Finally, the [ALJ] is mistaken in characterizing [CUB witness] Mr. [Rob] Ozar's concerns about tree-related outages as inconsistent with his proposal that I&M determine optimal cycle length before passing millions of dollars in additional tree trimming costs on to ratepayers. As Mr. Ozar testified, I&M failed to explain why trees outside the right of way (ROW) remain a significant cause of outages despite I&M's already relatively short five-year trim cycle. I&M's distribution plan suggests that insufficiently wide clearance zones and inadequate system assessment practices are the main culprits. A shorter trim cycle is not the solution to those problems.

CUB's exceptions, pp. 6-7 (footnotes omitted) (citing Case No. U-20147, filings #U-20147-0036, p. 3, and U-20147-0094, p. 44; CUB's initial brief, pp. 16-17; 3 Tr 245-247).

Responding, I&M asserts that CUB's exceptions largely reiterate arguments from briefing and that the ALJ was correct to reject these arguments. I&M highlights that the ALJ accurately noted that the company's analysis to support a shortened vegetation management cycle was a comparison to the performance of the company's four-year cycle in its Indiana service territory with data showing "reduced vegetation-caused events in Indiana by 55% over the past four years, dropping vegetation events to 20% of the total outage causes." I&M's replies to exceptions, p. 28 (citing 4 Tr 1302). Per I&M:

> Aside from the false assertions that I&M did not perform an analysis, neither Mr. Ozar nor [Attorney General witness] Mr. Coppola provide any evidence, data, or explanation to refute [I&M witness] Mr. Isaacson's testimony and the positive impact a four-year vegetation management cycle has had in I&M's service territory. This failure is meaningful, reflects a lack of evidence refuting the Company's position, and should be rejected by the Commission.

I&M's replies to exceptions, p. 28.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. The Commission finds persuasive the positive impact a four-year vegetation management cycle has had in I&M's service territory in Indiana, expecting the same then for Michigan. *See*, 4 Tr 1302. The Commission also underscores the Staff's support of the move in Case No. U-20147, as referenced in the instant case, wherein the Staff commended the company for its commitment to improve reliability by moving to a four-year vegetation management cycle. *See*, 4 Tr 1303 and I&M's initial brief, pp. 198-199 (both referencing Case No. U-20147, filing #U-20147-0100, pp. 7-8).

b. Tree Trimming Procedures

Consistent with prior orders for DTE Electric and Consumers and given I&M's unclear intentions set forth in its recently filed distribution investment and maintenance plan, the Staff recommended the company conduct four specific BCAs to assess and determine which expanded vegetation management option is the most financially prudent option for it to implement to address more aggressive tree trimming outside of the first zones of its distribution circuits. 6 Tr 2246-2249; Staff's initial brief, pp. 135-137. I&M disagreed, asserting that the company's expansion commitment is already included as part of this case. 4 Tr 1303-1304; Exhibit IM-104R.

The ALJ disagreed with the Staff and recommended that the Staff's BCA proposal be rejected as random, unnecessary, and inconsistent with prior orders, noting that the Staff's proposal is not needed for action that the company has already committed to undertake in this case. PFD, pp. 251-252.

In exceptions, the Staff states that it withdraws part of its recommendation here, given further information provided in rebuttal and for which the Staff thus did not advance in briefing. However, the Staff asserts that the Commission should nevertheless order I&M to conduct two of the four analyses it originally recommended on tree trimming. The Staff, in this regard,

"acknowledges that it could have more explicitly stated its intention to withdraw these recommendations. Regardless, Staff accepts the finding made by the ALJ with respect to these two recommendations, as it was shown that the Company already has intentions to expand its right-of-way trimming distances." Staff's exceptions, p. 6. The Staff clarifies:

> that its acknowledgement of the Company's actions around the analysis of more aggressive tree trimming pertains only to the specific topic of the expansion of right-of-way distances, which the Company has agreed to act on, (4 TR 1303; 6 TR 2247,) and not on the topics of pole-to-pole triplex clearance or "ground to sky" clearance. Thus, in the event the Company is not permitted to transition to a 4-year clearing cycle from a 5-year cycle for its distribution lines, the proposed pole-to-pole triplex clearance expansion could be a prudent alternative. (Staff's Initial Br, p 136.)

Staff's exceptions, p. 6, n. 1. The Staff further explains its disagreement with the ALJ's recommendation on its remaining two BCAs related to tree trimming on: (1) "Expanding trimming protocols to include the trimming of all overhangs above all primary lines, regardless of height or approach angle" and (2) "Expanding the clearance zone around pole-to-pole triplex to 20 feet and expanding the radius around pole-to-pole triplex to 10 feet." *Id*., p. 7. The Staff acknowledges the ALJ's concern regarding the details to support the Staff's recommendations and states that it will endeavor to provide more details moving forward but nevertheless contends that it sufficiently justified the need and basis for these recommendations in testimony and in briefing. *Id*. (citing 6 Tr 2246-2248; Staff's initial brief, pp. 135-137). According to the Staff:

> these recommendations to study such improvements in the protocols are all the more necessary given the increase of volatile storms and the variation in region and population, which make more specific and individualized protocols necessary, as provided in Staff's recommendation. (*See* Staff's Initial Br, pp 134–138.) Stated differently, a more aggressive approach to tree protocols is timely and essential.

Staff's exceptions, p. 7. The Staff additionally notes:

> that the only Company response to these proposals noted in the PFD was the rebuttal testimony of witness Isaacson that "the increased clearing within expanded ROWs around primary conductors is part of the basis of the increased vegetation

> management spending of $2.1 million in O&M." (PFD, p 251.) However, as explained above, Staff is no longer pursuing its recommendations to study expanded ROW trimming. Furthermore, Staff respectfully disagrees that the orders in [Commission] Case Nos. U-21297 and U-21389 do not provide at least persuasive authority to direct utilities to conduct analyses of the feasibility of more aggressive tree trimming efforts outside the first zones of distribution circuits. (PFD, p 252.) Indeed, in Case No. U-21297, the Commission found DTE [Electric] "shall provide an analysis of the feasibility of more aggressive tree trimming in zones 2 and 3 in its next general electric rate case." [Commission] Case No. U-21297, 12/1/2023 Order, p 376.

Staff's exceptions, pp. 7-8. Highlighting the Commission's decision concerning line clearing in Case No. U-21389, the Staff further contends that:

> studying the impact of expanding clearance ranges through its two remaining recommended cost-benefit analyses appropriately fits within the category of "an analysis of the feasibility of more aggressive tree trimming" as mentioned in the PFD, (PFD, p 252,) particularly given the lack of record evidence contradicting these remaining two recommendations.

Staff's exceptions, p. 8 (citing March 1 order, pp. 163-164).

The Commission finds persuasive the benefits of the Staff's remaining two BCAs on tree trimming, agreeing with the Staff that these analyses are necessary and timely to ensure that proper, specific, and individualized protocols are in place for I&M and its service territory needs. The Commission thus finds it appropriate for I&M to conduct these analyses and to include the results in its next general rate case to determine if these additional protocols are reasonable and prudent for the company to implement into its tree trimming procedures moving forward.

c. Service Drop Tree Trimming

The Staff recommended for I&M to begin tracking the status of residential service drop trimming requests—with dates being recorded for when a customer inquiry is made, when the work is evaluated for necessity, and, if applicable, the date on which work was completed—and for this data to be maintained by the company for a minimum of three years. 6 Tr 2245-2246, 2248; Staff's initial brief, pp. 134-135. With low-income and rental customers in mind, to be

proactive versus reactive, and while also supporting the Staff's proposal, CUB recommended that I&M develop a plan to remediate the company's vegetation maintenance policy as to a customer's responsibility for maintaining its service drops, including a pilot if deemed necessary by the company, and for I&M to file a proposal on this recommendation in its next general rate case proceeding. 3 Tr 248-254; CUB's initial brief, pp. 22-25. I&M rebutted, arguing that there is no evidence to suggest that expanding the company's tree-trimming protocol and procedures around service drops is necessary at this time and that such expansion would appear imprudent and potentially costly for no identifiable benefit. 4 Tr 1304-1305; I&M's initial brief, p. 198.

The ALJ recommended that the Commission adopt the Staff's proposal to start tracking the status of residential service drop trimming requests as a prudent first step in determining whether I&M's tree-trimming protocol and procedures should be amended. The ALJ, in this regard, disagreed with CUB's proposal, recommending that it be rejected at this time. PFD, pp. 254-256.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, pp. 254-256.

d. Major Storm Expense

I&M projected major storm O&M expenses to be $3.76 million in the projected test year. 4 Tr 1283-1284. The Attorney General took issue with a $1.6 million special adjustment (adjustment O&M-1) that she asserted the company added to its five-year average of $2.16 million (for 2018-2022), which the Attorney General argued was unsupported and should be removed. 6 Tr 2483; Exhibit IM-50; Attorney General's initial brief, pp. 142-147. ABATE argued that 2022 was an anomalous year and thus, absent support from the company as to its inclusion, recommended that I&M's major storm expense be based on the company's average major storm

expense from 2018-2021, reducing the forecasted expense by $900,000. 3 Tr 105-106; ABATE's initial brief, pp. 8-10. CUB asserted that the company's five-year average should reflect cost savings resulting from reliability improvements due to distribution capital expenditures. 3 Tr 239; CUB's initial brief, pp. 25-27. I&M disagreed, clarifying the computation of its projection as consistent with Case No. U-20359. 4 Tr 1306-1309; I&M's initial brief, pp. 200-202.

The ALJ found that I&M followed Case No. U-20359 in computing its forecasted major storm expense and thus recommended that the proposals set forth by the Attorney General, ABATE, and CUB be rejected since they did not follow the Commission's order in Case No. U-20359 to use a five-year average. PFD, pp. 259-261.

In exceptions, the Attorney General argues that the Commission should reverse the PFD and remove I&M's $1.6 million special adjustment because the company failed to support it. The Attorney General states that she does not contest the computation of the company's average; however, "the way in which I&M calculated major storm expense for the test year to include in rates is wrong," as "I&M incorrectly adjusted historic [sic] 2022 storm expense – which was already *much* higher than the five-year average – upward by $1.6 million." Attorney General's exceptions, p. 36 (emphasis in original) (footnote omitted). The Attorney General highlights that the ALJ found anomalies in the company's rebuttal testimony and then also points to the ALJ's reliance on testimony during cross-examination from company witness Zachary Wnek who was not the source of the $1.6 million adjustment. *Id*. (citing PFD, pp. 259-260). The Attorney General unravels and explains further the company's asserted inconsistent testimony on this issue by stating:

> To calculate his adjustment, [I&M witness] Mr. [Tyler] Ross took the 5-year average of major storm expense and subtracted $2,159,025. The workpaper says that this figure is the "Current Level of I&M Michigan Major Storm Expense in Forecast Model for Year Ended December 31, 2024." Mr. Ross said in cross that

> he obtained the figure from Mr. Wnek's model. However, when asked where the $2,159,025 figure for Test Year major storm expense came from, Mr. Ross said he did not know, but it would have come from a subject matter expert. So if Mr. Wnek calculated projected test year distribution maintenance expense by summing up all of the 2022 historic [sic] distribution maintenance expense categories, the major storm expense included in the unadjusted projected test year distribution maintenance expense was the actual 2022 major storm expense: $7,359,000. Adding a $1.6 million adjustment to an overall distribution maintenance expense figure that includes $7,359,000 of actual major storm expense for 2022 does not bring the major storm expense to the $3,760,000 figure mandated by the settlement – it inflates it far beyond that figure.
>
> The [ALJ] was wrong to accept Mr. Wnek's claim that he calculated major storm expense based on the five-year average, because *Mr. Wnek did not calculate it*. Mr. Ross did. Mr. Wnek just input Mr. Ross's adjustment. But Mr. Ross's adjustment did not conform major storm expense to the five-year average – it added $1.6 million to the 2022 major storm expense of $7,359,000. At a minimum, the Commission should adopt the Attorney General's recommendation to remove the $1.6 million adjustment, because it is unfounded and inaccurate. Alternatively, the Commission should remove the $1.6 million adjustment, and then also remove the difference between the $7,359,000 of actual major storm expense for 2022 and the five-year average figure of $3,760,000 mandated by the settlement, or $3,599,000, for total major storm expense removed of $5.2 million.

Id., pp. 38-39 (footnotes omitted) (emphasis in original) (citing 5 Tr 1865-1872; Exhibit AG-51).

ABATE also disputes the ALJ's recommendation and argues that the Commission's order in Case No. U-20359 did not, and could not, mandate approval of a five-year average on this issue. On this, ABATE argues that the Commission's orders must be reasonable and supportable and "cannot predetermine what [the Commission] will approve in a future rate case irrespective of any evidence presented in that future proceeding." ABATE's exceptions, p. 3. More specifically:

> the Commission Order in Case No. U-20359 was merely the approval of a settlement agreement reached by the parties in that proceeding. . . . In that settlement agreement the parties themselves included a term that "I&M will propose in its direct case in its next general rate case that major storm expense be based on a five-year average." *Id*. This term, and the Commission's Order approving that term, in no way bound the Commission to approve a five-year average in this case; it merely required I&M to make that proposal. The Commission must make a determination here based on the evidence presented, not what is effectively a filing requirement established in a settlement agreement from a prior proceeding.

ABATE's exceptions, p. 3. In this regard, ABATE maintains that a five-year average is neither reasonable nor prudent given 2022 being an outlier year and thus asserts that the Commission should reject I&M's proposal and instead use a four-year average of $2.86 million based on costs from 2018-2021.

I&M asserts that the ALJ's conclusion is correct, is supported by the record, and should thus be adopted by the Commission. First, responding to the Attorney General, I&M contends that the Attorney General, as in briefing, "attempts to complicate this issue by claiming I&M included the Major Storm expense in rates incorrectly" but asserts that her statements are untrue. I&M's replies to exceptions, p. 25. Per I&M:

> At no point in his direct testimony, rebuttal testimony, or cross examination did Mr. Wnek say he [adjusted total historical year distribution maintenance expense of $56,609,000 (column (c)) adjusted up by $1,601,000 in column (f)]. Although the Attorney General cites Mr. Wnek's cross examination at 5 TR 1756 as support for this statement (see Attorney General's Exceptions, p. 36), the record demonstrates that, when asked what Exhibit A[G]-51 depicts, Mr. Wnek actually said: "This exhibit is depicting historical operation and maintenance expense, as well as the unadjusted projected operation and maintenance expense for the Test Year, along with a column showing the adjustments for the Test Year forecast to ultimately compute the adjusted projected O&M in column (g) for the Test Year." 5 TR 1756, ln. 19-24.
>
> Additionally, had $1.6 million been added to the historic [sic] expense for Major Storm expense to adjust historic [sic] spending, then the math would demonstrate that Exhibit A[G]-51, line 36, column (g), less column (f), would equal column (c) but that is not the case. Instead, column (f) is added to column (e) to create column (g). Further, one need only glance at Exhibit A[G]-51 to see that the Attorney General is incorrect: the unadjusted forecasted total for the Distribution Maintenance expense (column (e)) is *lower* than the total historic [sic] Distribution Maintenance expense (column (c)) – which demonstrates that the adjustment was not made and the Attorney General's claim that the Company made a $1.6 million adjustment for Major Strom expense is simply untrue.

I&M's replies to exceptions, pp. 25-26 (emphasis in original). I&M further asserts that, contrary to the Attorney General's arguments otherwise, the company's forecasting process "is much more

complicated than taking historic [sic] spending and manually adding adjustments." *Id*., p. 26.

I&M states:

> Although the Company uses the 2022 historic [sic] spending as a starting point for its forecasting, the 2022 starting point is then informed by guidelines and assumptions for various aspects such as labor escalation factors, inflationary factors that are impacting the general economy, potential financial pressures, the schedule outages during the Test Year, and the major inspections and maintenance programs that will occur during the Test Year within distribution and transmission. 5 TR 1712.
>
> After the forecasting process, which is reflected in column (e), the line item for the Major Storm expense was $2.16 million, which, as the Attorney General notes, is listed in the supporting documents as "Current Level of I&M Michigan Major Storm Expense in Forecast Model for Year Ended December 31, 2024," (i.e., the unadjusted forecast expense). Attorney General's Exceptions, pp. 38-39. Company witness Ross took that figure, compared it to the five-year historic [sic] average, and calculated that the forecasted expense needs to increase by $1.6 million to reflect the five[-]year average. That is the amount of Adjustment O&M-1 and reflected in the Test Year.
>
> I&M's forecasted Test Year reflects the five-year historical average for Major Storm expenses and that is what is required by Case No. U-20539. There is no basis on the record to refute or even suggest that is not the case.

I&M's replies to exceptions, pp. 26-27.

Responding to ABATE next, I&M argues that while the five-year average major storm expense term in the settlement agreement in Case No. U-20359 might not be binding in this case it is "certainly relevant evidence that can be considered by the Commission and, in this instance, evidence that demonstrated I&M's Major Storm expense is reasonable." I&M's replies to exceptions, p. 27. I&M states:

> ABATE cannot refute that the Commission's directive was for the Company to include a Major storm expense equivalent to the five-year historic [sic] average, including 2022, nor does it refute that level of spending is what is included in the Test Year. In addition to the Company's testimony, Staff presented credible testimony explaining why the five-year average, including 2022, is preferred. Staff witness Bodiford [sic: Boutet] testified in support of the Major Storm expense noting that "the frequency of severe weather events in Michigan . . . , the expense amount included in rates will closely mimic the trends and weather patterns."

> 6 TR 2245. There is simply no evidence on record to suggest the Commission should change course from Case No. U-20359 and find the proposed Major Storm expense is unreasonable in this case.

I&M's replies to exceptions, p. 27. Per I&M, the Commission should thus adopt the ALJ's recommendation.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. The Commission agrees with the Staff that "[w]ith the increasing frequency of severe weather events in Michigan in recent years, . . . a five-year historical average is favorable for major storm expenses, as the expense amount included in rates will closely mimic the trends in weather patterns." 6 Tr 2245. The Commission is further persuaded that the company's five-year average was properly computed based on the evidence provided in this case. *See*, 4 Tr 1283-1284.

e. Other

Based on annualized data for 2023 plus inflation for 2024, the Attorney General asserted that I&M's test year projection for distribution O&M is overinflated by approximately $5 million and thus recommended that $984,000 in unsupported Michigan jurisdictional expenses be removed. 6 Tr 2481; Exhibit AG-53; Attorney General's initial brief, pp. 136-140. I&M disagreed with the Attorney General's comparison to historical spending, noting the Staff's support for the company's distribution O&M expenses as being reasonable. 4 Tr 1309-1311; I&M's reply brief, p. 76 (citing Staff's initial brief, p. 95).

The ALJ agreed with I&M and the Staff and recommended that the Attorney General's proposed $984,000 disallowance be rejected. The ALJ found that the company supported its forecast and that the Staff also analyzed the data and concluded it to be in line with inflation. PFD, p. 263.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 263.

5. Information Technology and Security Operations and Maintenance Expenses

I&M forecasted its O&M expenses for technology and security to be $27.97 million for the test year, which included a $5.93 million (RB/O&M-3) adjustment to address aging technology and security infrastructure. 3 Tr 851-853; Exhibit A-13, Schedule C-5; Exhibit IM-50. The Attorney General took issue with the company's adjustment for lack of need and specificity and thus recommended that the Michigan jurisdictional O&M amount of $913,000 be disallowed. 6 Tr 2492-2494; Attorney General's initial brief, pp. 160-165. I&M disagreed. 3 Tr 919; I&M's initial brief, p. 208.

The ALJ found the Attorney General's arguments to be persuasive and recommended that $913,000 be disallowed. Per the ALJ, "[t]he Attorney General persuasively argues that the reasons provided for adjustment RB/O&M-3 do not support the additional costs. It is reasonable to expect that [sic] the Company's forecast to capture inputs such as aging infrastructure, higher labor costs, and higher equipment costs." PFD, pp. 266-267.

I&M objects and asserts that the Commission should reject the ALJ's flawed reasoning and instead find that these expenses are reasonable and representative of the expense needed in the test year. I&M states:

> Forecasting is an active process that seeks to respond to circumstances in real time. Adjustments like Adjustment RB/O&M-3 are expected and sometimes necessary. The fact that an adjustment was physically added to the forecast a few months later does not mean that the circumstances already considered by the forecast no longer exist or suddenly appeared. Rather, it is representative of the anticipated and legitimate impact those circumstances will have on the Company's costs during the Test Year. The purpose of the forecast, regardless of the point in time, is the same: to develop a projected cost for the Test Year that is representative of the level of

> spending needed to address, among other things aging infrastructure, higher labor costs, and higher equipment costs.

I&M's exceptions, pp. 72-73. I&M continues:

> It is worth noting that this issue highlights the double standard often imposed against utilities in rate cases. With other cost categories in this case (for example Fossil, Hydro, and Solar O&M expenses), the [ALJ] accepts the Attorney General's proposed disallowances calculated based on more up to date information. Here, however, when the Company's explains that, before the case was filed, new information revealed an adjustment of I&M's IT spending levels was needed, the [ALJ] determines that this new information should have been included in the Company's forecast and the forecast without consideration of new information should be used to set rates. The [ALJ]'s adoption of the Attorney General's unfair double-standard to only use updated forecast information when it results in a disallowance is flawed, inconsistent, and should be rejected.

Id., p. 73 (emphasis in original). In this regard, I&M asserts that it reasonably included adjustment RB/O&M-3 in the test year to ensure that the company's rates accurately reflect needed expenses to "provide safe and reliable service, respond to cyber security threats, and protect customer data," thus contending that the ALJ's recommendation should be rejected. *Id*.

In replies to exceptions, the Attorney General asserts that the Commission should adopt the ALJ's recommendation to remove the special adjustment because I&M failed to support it. The Attorney General contends that the company's arguments in exceptions do not make clear as to why a sudden adjustment was required two months after its forecast model was complete as opposed to any time during the two years leading up to that date. The Attorney General further states that:

> I&M also asserts that the Commission "often" imposes a "double standard . . . against utilities in rate cases" by accepting updated information from some parties but not the utility. But the problem here was not simply that the company made an adjustment after closing its forecast. The problem was that I&M made a very large adjustment; could not explain why it did not include the cost increases in its forecast; could not provide specific causes of the increases in each category; and could not explain away the inconsistencies in its information. On this record, the specific causes of the increases and the timing of their recognition is still a mystery.

> The Commission cannot rely on generalities and inconsistent or unsupported information to approve significant cost increases.

Attorney General's replies to exceptions, p. 64. Per the Attorney General, the ALJ's recommendation was correct and should be adopted.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. *See*, PFD, pp. 266-267. The Commission too agrees with the Attorney General that the record in this case does not support I&M's RB/O&M-3 adjustment. *See*, Attorney General's replies to exceptions, p. 64. The Commission also notes that it is in the company's control as to when a rate case is filed and what information is included upon filing. If information needed to be updated before the rate case was filed, it was in the company's control to do just that.

6. Advanced Metering Infrastructure Operations and Maintenance Expense

Pursuant to the settlement approved in Case No. U-20359, I&M developed an AMI BCA. 5 Tr 1458-1464; Confidential Exhibit IM-29. The Staff argued that the company's discovery responses for O&M cost reductions are not sufficient to warrant AMI cost recovery and thus recommended a full disallowance of all AMI costs in this case. 6 Tr 2121; Staff's initial brief, pp. 27-35. The Attorney General recommended that forecasted test year costs be reduced by $1.1 million in avoided O&M expenses that were not adequately demonstrated by I&M as included in the company's forecast. 6 Tr 2495; Attorney General's initial brief, pp. 165-170. I&M disagreed, asserting that it presented sufficient information to show that its test year forecast reflects O&M cost reduction benefits and that the Commission should not be swayed to believe that there are no actual and realized benefits from the company's successful and prudent deployment of AMI completed in 2023. 5 Tr 1490, 1492-1500; Exhibit IM-72R; I&M's initial brief, pp. 203-207.

As noted in Part V, Section 4.d. above, the ALJ recommended that the Commission adopt the Staff's proposed disallowance of all AMI capital expenditures. The ALJ agreed that I&M has not demonstrated that any benefits have been realized by the company's AMI deployment and that I&M thus failed to support its associated AMI expenditures. The ALJ stated:

> While the Company repeatedly argues the alleged benefits associated with AMI are avoided costs, it did not even account for the quantified costs found identified in the CBA [cost/benefit analysis]. Any AMI expense included in I&M's projected O&M are related to its proposed capital expenditures and therefore should be disallowed for the same reasoning discussed above.

PFD, p. 270. Alternatively, if the Commission does not accept the Staff's proposed adjustment, the ALJ recommended that the Attorney General's proposed adjustment of $1.1 million be adopted.

I&M objects to the ALJ's recommendation to clarify that the company's forecasted test year "does not include O&M expenses related to AMI deployment, which is activity related to I&M's request for capital expenditures." I&M's exceptions, p. 71. The company references earlier arguments it made in exceptions as to why the Staff's position is incorrect on this issue but states that while it disagrees with the Attorney General's proposed reduction to O&M in the test year it is nevertheless "willing to accept an O&M reduction to ensure customers are benefitting from AMI if that would sway the Commission to permit full recovery of its actual capital expenditures incurred for AMI deployment." *Id*., p. 72.

Responding, the Attorney General argues that the Commission should reject I&M's clarification in exceptions. Referencing briefing, the Attorney General asserts that I&M's claim is incorrect that the company identified O&M cost savings benefits from AMI that are already included in its projected test year. Attorney General's replies to exceptions, p. 61; *see also*, Attorney General's initial brief, pp. 165-170; Attorney General's reply brief, p. 43.

The Commission's decision on capital expenditures relating to I&M's AMI deployment is set forth above in Part V, Section 4.d. of this order. Finding no O&M expenses related to the same, the Commission finds no further discussion necessary here on this issue.

7. General Operations and Maintenance Expenses

The Staff and the Attorney General recommended adjustments to the company's forecasted expenses in this category.

a. Supplemental Employee Retirement Plans

I&M forecasted jurisdictional SERP O&M expenses to be approximately $21,000 in 2023 and $34,000 in 2024. 4 Tr 1160-1161; Exhibit AG-62. Based on past Commission precedent since 2005 consistently excluding SERP expenses from rates, the Staff and the Attorney General recommended reducing the company's jurisdictional SERP O&M expenses by $34,000. 6 Tr 2237-2238, 2499-2500; Staff's initial brief, p. 93; Attorney General's initial brief, pp. 176-177. I&M disagreed. 4 Tr 1177-1178; I&M's initial brief, pp. 209-210.

The ALJ agreed with the Staff and the Attorney General and thus, consistent with Commission precedent, recommended that $34,000 be disallowed for this expense. PFD, p. 271.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 271.

b. Nuclear Electric Insurance Limited Refund

Based on Nuclear Electric Insurance Limited (NEIL) guidance, I&M projected a total company refund in the amount of $4 million in the test year for property insurance related to a NEIL refund that occurred in the historical period. 5 Tr 1750-1751; I&M's initial brief, p. 213. The Attorney General disputed the accuracy of this projection, arguing the figure to be

considerably understated, and using a historical five-year average asserted the NEIL refund for the test year should instead reflect $9.56 on a total company basis, thereby reducing the company's jurisdictional administrative and general expense by $914,000. 6 Tr 2497-2498; Attorney General's initial brief, pp. 174-176. I&M disagreed but acknowledged updated guidance reflecting a likely refund of $5.6 million on a total company basis. 5 Tr 1751-1752; I&M's initial brief, pp. 214-215.

The ALJ found the company's reliance on NEIL guidance in determining its refund projection to be reasonable; however, given updates to the refund during the pendency of this case, the ALJ recommended that the Commission adjust the company's NEIL refund to $5.6 million on a total company basis to reflect the update. PFD, p. 274.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 274.

c. Medical Expenses

I&M forecasted approximately $27.4 million for group medical insurance premiums in the test year. Exhibit AG-53. The Attorney General disputed this amount and recommended an expense amount of approximately $23.4 million instead, annualizing 2023 data with inflation added for 2024, thus resulting in a disallowance of approximately $4 million on a total company basis or $664,000 on a jurisdictional basis. 6 Tr 2496; Attorney General's initial brief, pp. 171-174. I&M disputed the Attorney General's calculation method. 4 Tr 1178-1179; I&M's initial brief, pp. 211-212; I&M's reply brief, p. 82.

The ALJ found that I&M did not support its expense until too late in the case and thus recommended that the Commission decrease the company's medical expenses by $664,000 on a jurisdictional basis. PFD, p. 276.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 276.

d. Credit Card Fees

I&M included approximately $2.1 million in credit card expenses in the projected test year. The Staff calculated a five-year average based on historical costs, recommending a $193,000 disallowance. The Staff also recommended that the company be required to socialize the credit card transaction fees to those rate classes for whom this payment option is available to for no cost. 6 Tr 2238-2239; Exhibits S-9.4, S-9.5; Staff's initial brief, pp. 92-93. I&M disagreed, asserting its forecasting method is more appropriate in determining these expenses over the Staff's five-year average and arguing that the company recovers this cost in base rates similar to other costs which are shared among all customers. 6 Tr 2019; I&M's initial brief, pp. 212-213.

The ALJ agreed with the Staff's five-year average as being more precise and thus recommended that a disallowance of $193,000 be adopted. The ALJ also found the Staff's socialization proposal to be more equitable than the company's current method of allocating credit card transaction fees to all customer classes and thus recommended that the same be adopted by the Commission. PFD, p. 278.

In exceptions, the Staff clarifies that its proposal "does not socialize the costs to all classes" but is rather "specific to those rate classes that may utilize credit card payments free of any charge," which the ALJ appears to have clearly understood in her ultimate findings and

recommendation but which may be misunderstood in the introduction to this issue in the PFD. Staff's exceptions, p. 4 (citing PFD, pp. 277-278).

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue, noting the Staff's clarification set forth in exceptions. *See*, PFD, p. 278; Staff's exceptions, p. 4.

8. Customer Information System Operations and Maintenance

The Staff recommended a full jurisdictional disallowance amount of $103,000 in O&M expenses related to the CIS program in the projected test year due to inadequate support to justify capital expenditures associated with the same for the bridge period and projected test year in this case. Staff's initial brief, p. 89; *see also*, *id*., pp. 36-39. I&M disagreed. I&M's reply brief, p. 80.

As noted above in Part V, Section 5.b. of this order, the ALJ recommended that the Commission disallow all capital expenditures associated with this project for lack of support and thus accordingly recommended that the Staff's disallowance of $103,000 in jurisdictional O&M expense for the project also be adopted. PFD, p. 279; *see also*, *id*., p. 115.

As captured above in Part V, Section 5.b. of this order, I&M addresses in exceptions the ALJ's recommendation on capital costs for this project. I&M's exceptions, pp. 30-33. I&M's exceptions do not, however, separately address the project's O&M expenses and the ALJ's recommendation regarding the same.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, and consistent with the decision set forth above in Part V, Section 5.b. of this order, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 279.

9. Uncollectible Accounts Expense

a. Test Year Projection

I&M forecasted its uncollectible accounts expense to be $1.36 million for the test year. The Attorney General took issue with this amount, asserting that it unnecessarily mingles costs between Indiana and Michigan when specific information pertaining to Michigan customers is available to separate the two states. The Attorney General also argued that I&M did not use the conventional approach when determining this expense (i.e., the ratio of bad debts net charged off to sales revenue), referring back to the February 28, 2017 order in Case No. U-17990. Based on this and using a three-year average (2020-2023), the Attorney General recommended a $531,000 decrease for this expense. 6 Tr 2501-2502; Attorney General's initial brief, pp. 178-180; Exhibits AG-64, AG-65. I&M disagreed. 5 Tr 1798-1799; I&M's initial brief, pp. 222-223.

The ALJ agreed with the Attorney General and recommended that the Commission adopt the Attorney General's proposed disallowance of $531,000. The ALJ found the Attorney General's arguments to be more persuasive to use actual data from Michigan to determine this expense more accurately as opposed to the company's allocation method between the two states. The ALJ further highlighted that the company did not use the ratio of bad debts net charged off to sales revenue, which she found distorts the bad debt projection. The ALJ also noted that the company's reliance on Case Nos. U-18370 and U-20359 do not support the company's proposed allocation method approach as neither case specifically addressed the issue. PFD, p. 281.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 281.

b. Deferred Uncollectible Expense Related to COVID-19

Pursuant to authorization from the July 2, 2022 order in Case No. U-20757, I&M proposed amortizing bad debt expenses related to COVID-19, deferred from December 31, 2022, for a total amount of $133,612 over two years resulting in a test year expense of $66,806. I&M's initial brief, p. 220. The Attorney General disputed the inclusion of this expense, along with $100,209 in 2024 working capital, as unsupported since I&M did not establish that it incurred increased uncollectible expenses related to COVID-19. 6 Tr 2504, 2506; Exhibits AG-64 and AG-67; Attorney General's initial brief, pp. 183, 185. I&M disagreed. 5 Tr 1861, 1863; I&M's initial brief, p. 221.

The ALJ found I&M's arguments to be persuasive and recommended that the Attorney General's proposed disallowance be rejected. The ALJ, however, recommended that the amortization period for this expense be adjusted to four years to be consistent with other recommended amortizations in this case and taking equity into consideration if the company does not file another rate case within the next two years. The ALJ otherwise recommended approval of the two-year amortization period as proposed by the company. PFD, pp. 283-284.

In exceptions, the Attorney General asserts that the ALJ's reasoning is not sufficient to reject her position. The Attorney General clarifies that her witness did not solely focus on the 2020 metric but rather looked at 2020, 2021, and 2022 and testified that there was no spike in uncollectibles associated with COVID-19 in any of these years. The Attorney General further argues:

> Second, the [ALJ] states that "the Accumulated Provision for Uncollectible Accounts utilized by Mr. Coppola does not involve retail utility sales." Be that as it may, Mr. Coppola never offered the unusual activity in those accounts as the sole or even primary basis for his recommendation. It is at best tangential to the main point. The main point is that there is no evidence in this record that proves I&M incurred $133,612 more in uncollectible expense from 2020 to 2022 than it would have without the COVID pandemic. These facts remain unrebutted:

> • There is no material difference in the ratio of net charge-offs to sales before COVID and during the COVID deferral period;
>
> • Data from other utilities does not show a spike in uncollectibles during COVID; and
>
> • I&M did no analysis to prove its claims.
>
> Under these facts, which the [ALJ] does not directly address, I&M has not proven that it incurred $133,612 more in uncollectible expense from 2020 to 2022 than it would have without the COVID pandemic. Therefore, the Commission should adopt the Attorney General's recommendation.

Attorney General's exceptions, pp. 45-46 (footnotes omitted) (quoting PFD, p. 284).

Responding, I&M asserts that the ALJ was correct to find that the Attorney General did not meet her burden to refute this expense and argues that the Attorney General's three facts are really three arguments that were indeed rebutted. I&M states:

> As to the first "fact," which includes the Attorney General's claim that "[t]here is no material difference in the ratio of net charge-offs to sales before COVID and during the COVID deferral period," —the [ALJ] correctly noted that this was, in fact, rebutted. See PFD, p. 283-284; [Attorney General]'s Exceptions, p. 45. Not only is the time-period evaluated by Mr. Coppola misleading, but Company witness Ross also noted that the data used to support the Attorney General's claim did not include retail utility sales. The second "fact," includes the Attorney General's claim that "[d]ata from other utilities does not show a spike in uncollectible during COVID." *Id*. However, what occurred with other utilities is not evidence of what was experienced by the Company. The Attorney General, however, does not explain how the experiences of other utilities is related to, relevant to, I&M and simply assumes the same is true for I&M – again, without evidence. The third "fact," asserted by the Attorney General is "I&M did no analysis to prove its claims." *Id*. This is also untrue as the Company provided evidence demonstrating there were fluctuations in the Company's Michigan jurisdictional bad debt expense because of favorable collection experience, which was reflected in the calculated deferral, and the resulting $133,612 regulatory asset for which that the Company is requesting recovery. Exhibit IM-84R (THR-1).

I&M's replies to exceptions, p. 29. I&M thus asserts that the Commission should adopt the ALJ's recommendation and approve its recovery of deferred COVID-19 bad debt expense with an amortization period of four years.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record, including her recommendation for a four-year amortization period as accepted by the company in its replies to exceptions. *See*, PFD, pp. 283-284; I&M's replies to exceptions, p. 29. The Commission finds that deferral of this expense was authorized pursuant to Case No. U-20757 and agrees that the company supported this expense on the record. *See*, 5 Tr 1861-1863; Exhibit IM-84R.

c. Accounts Receivable Factoring Expense

The Attorney General disputed the company's carrying costs, asserting the company's calculations to be fundamentally flawed, and thus recommended that $282,000 in jurisdictional expenses be added to the company's carrying costs in this case. 6 Tr 2506-2507. I&M disagreed. 5 Tr 1747-1750; I&M's initial brief, pp. 222-225.

The ALJ noted that the Attorney General did not address this issue in briefing and thus concluded that the Attorney General is no longer pursuing this adjustment. The ALJ thus recommended the Commission accept the carrying costs projected by the company. PFD, p. 286.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 286.

10. Uncollectibles Gross-Up and Commission Assessment Fee Gross-Up

Asserting that the revenue conversion factor gross-up is exclusively for income tax line items, the Staff recommended removing non-income tax gross-up line items (i.e., uncollectibles and Commission assessment fees) from the revenue conversion factor and instead including the projected impacts on other appropriate schedules. 6 Tr 2228-2230; Exhibit A-13, Schedule C-2; Exhibit S-3, Schedules C-2 and C-3; Exhibit S-17.0, pp. 1-2; Staff's initial brief, p. 88.

The ALJ noted that I&M did not address this issue in briefing and thus found that it appears the company does not dispute the Staff's recommendation. The ALJ therefore recommended that the Staff's adjustments be adopted. PFD, p. 287.

No exceptions were filed on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusion on this issue. *See*, PFD, p. 287.

11. Demand Response

I&M included O&M expenses (adjustment O&M-9) related to four AMI DR programs that were authorized as pilots in Case No. U-20938 and considered in Case No. U-21189. 5 Tr 1456-1457, 1465-1471; Exhibits IM-30, IM-31, IM-50. The Staff objected to I&M's proposal to transition the company's income-qualified (IQ) pilots—Residential HVAC Direct Load Control (DLC) Pilot and Residential IQ Water Heater Pilot—into permanent programs as not being cost-effective, or even close, for any customer and thus recommended a disallowance of $430,727 in O&M expenses related to the two programs. The Staff also requested removal of DR balances related to 2024 forecast test year adjustments O&M-4 and O&M-5 until the conclusion of I&M's 2022 DR reconciliation case (Case No. U-21457). 6 Tr 2317-2319; Staff's initial brief, pp. 7-8, 91; Staff's amended reply brief, p. 20. I&M disagreed, arguing that the two programs when viewed as a whole provide significant benefits to the company's uniquely situated customers, along with a betterment for all of I&M's Michigan customers, and that the two DR adjustments should remain in the 2024 test year because the company followed the Commission's cost recovery framework for load management programs and has no load management costs included

in general rates to reconcile. 5 Tr 1501-1505; I&M's initial brief, pp. 225-230; I&M's reply brief, pp. 85-86.

The ALJ agreed with the Staff that I&M's Residential HVAC DLC Pilot and Residential IQ Water Heater Pilot should be eliminated as not cost-effective and for the Staff's associated O&M disallowance to thus be approved. The ALJ reasoned:

> The pilots have benefit cost ratios of .457 and .168, respectively, when analyzed under a forecasted 20-year future program period. These low scores indicate that the pilots are not effective tools for accomplishing I&M's laudable goal of extending the benefits of DR programs to disadvantaged customer segments. As [Staff witness] Mr. Doherty pointed out, although the two pilots may provide additional opportunities to participate in DR for certain groups, the excessive costs associated with these pilots will be borne by all ratepayers, including disadvantaged customers who do not participate in these DR pilots. This [ALJ] also agrees with Staff's assertion that disadvantaged customers would receive greater benefit from lower rates, "which is achieved by investing in cost-effective programs."

PFD, p. 297 (footnotes omitted) (quoting Staff's initial brief, p. 91). Alternatively, however, the ALJ stated that the Commission:

> could consider extending one or both of the pilots for another year to assess whether costs decrease as the pilot(s) mature. It is worth noting that while these pilots were designed to run for two years, there were delays in launching the programs that resulted in them operating for only a single summer cooling season. In addition, [company witness] Mr. Walter's testimony suggests there are further opportunities to "streamline enrollment and operations" and to improve "synergy and cost efficiency" through the process of contracting for vendor resources. Mr. Walter also notes that "program outreach, education, and enrollment take time and resources especially when focusing on unique customer segments." Given that the pilots were tested for a single year and that I&M has identified opportunities for refinement of program implementation, continuing them as pilots could prove informative. If the Commission elects to continue one or both pilots, it should allow $296,836 in O&M expenses for the Residential HVAC DLC Pilot and $133,891 for the Residential Water Heater DLC Pilot for the test year.

PFD, pp. 297-298 (footnotes omitted). The ALJ further agreed with the Staff that I&M should continue to defer its DR balance pending the outcome of its 2022 DR reconciliation, thus

recommending that the Staff's associated working capital adjustment of $860,000 be adopted. The ALJ stated:

> As Staff points out, the reconciliation could result in some adjustment to the deferred balance that is not reflected in the record in this proceeding. It is premature to allow recovery of DR expenditures before the Commission determines the appropriate amount of those expenditures; to do so could result in booking a regulatory asset that is later found to be incorrect.

Id., p. 298.

In exceptions, I&M asserts that the Commission should accept the ALJ's alternative proposal on its two DR programs, highlighting the ALJ's recognition that there were delays in launching the programs and arguing that the alternative proposal is reasonable and achieves an appropriate balance between competing interests argued in this case. I&M states:

> As noted by the [ALJ], the record shows that I&M has identified opportunities for refinement of program implementation, continuing them could prove informative. PFD, p. 298. Company witness Walter testified to the opportunities to improve performance of the IQ DR offerings, such as coupling DR with other IQ offerings and contracting with a HVAC DLC vendor to align the IQ Water Heater program with the AMI network. 5 TR 1500-1503. The Company anticipates that these efforts could improve the quantified benefits for the betterment of all I&M's Michigan customers. *Id*.

I&M's exceptions, pp. 76-77.

Responding, the Staff asserts that the Commission should adopt the ALJ's primary recommendation to end the Residential HVAC DLC and Residential Water Heater DLC pilots and reject I&M's alternative proposal in exceptions. The Staff highlights that these programs have low projected cost-benefit ratios well below the target of 1.0, as noted in the PFD. The Staff further states:

> Looking closer at the record evidence and the Company's own exhibit shows that at no point in the 20-year period do avoided costs for either of these programs project to exceed the actual costs of the program for the given year. (6 TR 2317; Exhibit IM-31, p 2.) Even well into the future when new enrollment and install costs are assumed to be 0, projected administration and recurring costs of the programs

> exceed projected benefits (avoided costs). (Exhibit IM-31, p 2.) Staff understands that these are projections and there may be program improvements that could lead to better results, but the record does not provide evidence of significant enough improvements available now to justify further investment in these pilots. Such investments are not reasonable. Should changes emerge in the future, the Company should propose a new pilot at that time.

Staff's replies to exceptions, pp. 12-13. Per the Staff, these pilots should be discontinued with the corresponding O&M expenses disallowed.

The Commission agrees with the ALJ's alternative recommendation and finds that both pilots should be extended for another year. *See*, PFD, pp. 297-298. As set forth in the April 8, 2021 order in Case No. U-20938, both pilots were authorized for two years and allowing these pilots to continue for the full two years will provide better insight into whether I&M's anticipated opportunities for the programs come to fruition and accordingly whether the programs should be converted into permanent programs or discontinued at that time. *See*, 5 Tr 1502-1503. In this regard, the Commission reminds the parties that, per Commission precedent, pilots do not have to demonstrate benefit/cost ratios greater than one; however the Commission does need to see quantified benefits, including the quantification of non-financial benefits, in order to justify converting these pilots into permanent programs in the future, beyond the approved second pilot year. *See*, Case No. U-20898. The Commission, noting no exceptions, further adopts the ALJ's recommendation for I&M to continue to defer its DR balance pending the outcome of its 2022 DR reconciliation with the associated working capital adjustment of $860,000 thus adopted in this case. *See*, PFD, p. 298.

12. Employee Incentive Compensation Expense

I&M's witness, Ms. Kimberly Kerber, explained that I&M is a subsidiary of AEP, and that American Electric Power Service Corporation (AEPSC) (another subsidiary) "supplies engineering, financing, accounting, and other services to AEP's seven electric operating

companies, including I&M." 4 Tr 1150. Ms. Kerber refers "to AEPSC, I&M, and other AEP utility operating companies collectively as the 'AEP System.'" 4 Tr 1150. Ms. Kerber stated that, for compensation, the AEP System seeks to provide employees with a market-competitive total (base pay plus incentive) compensation in order to attract and retain skilled employees. 4 Tr 1152. She explained the compensation system this way:

> The AEP System compensates all employees using fixed base compensation (Base Pay) and a variable annual or short-term incentive compensation opportunity (STI). The combination of these two types of compensation make up the employee's Total Cash Compensation (TCC). Certain employees also receive a long-term, equity based incentive compensation opportunity (LTI). Total Compensation (TC) is the total of Base Pay, STI, and LTI. . . . The basic choices in employee pay strategy are: (1) to use a 100% fixed base pay to provide market-competitive total compensation; or (2) to use a combination of lower fixed base pay with a variable incentive pay opportunity tied to performance that brings employees' total compensation opportunities to market-competitive levels.

4 Tr 1153. STI compensation is available to all employees and LTI compensation is available to more senior-level employees. The general compensation levels are set based on utility and industry surveys. 4 Tr 1155-1156.

Ms. Kerber indicated that the STI compensation is set as follows:

> The AEP System provides each of its operating companies an annual performance "scorecard" that measures each company's financial, strategic, and operational achievements. Each company's entitlement to incentive compensation funds is based on the respective company's performance score. During 2022, the Company's annual STI compensation payout was based on financial performance (20%), operational and customer factors (45%), and safety and culture (35%). It is imperative to have financial goals on a balanced scorecard so that operational goals are not met, or exceeded, at the mercy of infinite expenses or lost income. I&M's forecast and cost of service in this proceeding reflects the annual target-level of compensation.

4 Tr 1155. Regarding LTI compensation, she stated the following:

> The primary purpose of the LTI program is to encourage leaders within the AEP System to make business decisions with a long-term perspective. During the historical test year, the Company provided LTI awards in the form of 75% performance shares and 25% restricted stock units (RSUs). . . . The earnings per

> share and Total Shareholder Return measures associated with the performance units granted as part of the LTI plan communicate this goal and strongly encourage its continued pursuit by tying a substantial portion of compensation for management and executive employees to both internal and external measures of long-term financial performance.

4 Tr 1158-1159.

ABATE, the Attorney General, and the Staff proposed disallowances to I&M's employee incentive compensation plan (EICP) expense. Each party offered differing calculations of I&M's total proposed EICP expense (which was not offered in the direct case) and differing disallowances.

ABATE argued that I&M failed to provide information in its initial filing showing what total proposed EICP expense is, but that, in response to discovery, the company indicated that it proposes $6.29 million in EICP spending, composed of $5.04 million in O&M expense and $1.24 million in capital expenditures. 3 Tr 100-101; Exhibit AB-5. ABATE stated that I&M acknowledged that the "amounts cannot be readily identified in the Jurisdictional Cost of Service as these costs are embedded in various accounts." 3 Tr 101 (citing discovery request ABATE DR 3-21, later labeled Exhibit AB-5). ABATE further noted that, in response to discovery, I&M indicated that it could not identify the portion of incentive compensation tied to financial performance for the test year because the metrics and weights had not yet been approved. 3 Tr 102. ABATE also contended that I&M failed to identify the specific metrics used to assess whether an employee has achieved the necessary financial, operational, and customer service factors.

In addition, ABATE asserted, I&M failed to provide any analysis showing how the costs of the EICP compare to the benefits received by customers as a result of the EICP. ABATE argued that incentive compensation tied to financial performance has consistently been disallowed by the

Commission for inclusion in base rates. ABATE contended that the Commission should exclude all incentive compensation expense from the test year revenue requirement or, alternatively, should exclude the portion tied to financial performance, which ABATE estimated to be about 60% of the total requested by the company. 3 Tr 104; Exhibit AB-6. Based on an analysis of the split between financial and non-financial incentives in the period 2018-2023, ABATE proposed that EICP expense be reduced by 60% or $3.75 million. 3 Tr 104.

The Attorney General contended that the EICP disproportionately favors shareholder interests. The Attorney General stated that I&M projected an EICP expense of $4.95 million for the test year, composed of $3.43 million for the STI and $1.52 million for the LTI. 6 Tr 2508; Exhibit AG-70. The Attorney General contended that 60% of the STI amount is determined by AEP's earnings, and 90% of the LTI amount is tied to financial performance. 6 Tr 2508. The Attorney General also argued that, within I&M's 47 performance metrics, many are tied simply to performing work activities rather than to measures that show benefit to customers. The Attorney General asserted that this system results in rewarding mediocre performance because it contains no minimum number of operational metrics that must be achieved in order to trigger receipt of the incentive payout. 6 Tr 2509-2511. Referring to Consumers, the Attorney General testified that "I&M's incentive compensation payments are ten times the amount of a utility twice the size." 6 Tr 2512.

The Attorney General also argued that I&M failed to show that the costs of the EICP are justified by the benefits since Ms. Kerber's testimony provided no information as to the cost savings accruing to customers from the incentive pay system. The Attorney General noted the substantial influence exercised by AEP and the dependence on AEP's earnings. 6 Tr 2511. The Attorney General proposed a disallowance of $4.2 million from forecasted O&M expense, based

on removing the 90% of the LTI that is based on financial measures and the 60% of the STI that is based on AEP earnings, plus removal of 50% of the remaining $1.5 million of both STI and LTI expense "for non-financial metrics due to the Company's inability to identify any financial benefits emanating from those non-financial metrics." 6 Tr 2514. Thus, the Attorney General chose to give I&M "the benefit of the doubt that it has achieved at least some financial benefits [from the non-financial metrics], which have not been quantified." 6 Tr 2514.

The Staff asserted that I&M is seeking a total of $6.34 million in capital expenditures and O&M expense for the EICP, and the Staff proposed the disallowance of all incentive compensation tied to financial measures based on Commission precedent and the benefit to shareholders. 6 Tr 2237; Exhibit S-9.0. The Staff recommended disallowance of $2.72 million, which is composed of 100% of LTI ($1.8 million) and 20% of STI ($904,029) because they are based on financial metrics. 6 Tr 2237. The Staff noted that this allows the inclusion in rates of $1.17 million for STI in capital expenditures and $2.44 million for STI O&M expense, related to operational measures.

I&M countered that the AEP System simply targets market median total compensation and that it only makes sense to tie some portion of compensation to financial performance because that requires employees to consider the cost-effectiveness of their actions. I&M argued that, in any case, financial performance accounts for only 20% of the total EICP. 4 Tr 1165-1173. I&M also argued that it provided metrics for the test year in Exhibit IM-87R, and that 20% of the STI is tied to financial performance which is consistent with historical metrics. 4 Tr 1168. On rebuttal, Ms. Kerber testified that "LTI goals and weights will continue to consist of 50% Earnings per Share (EPS), 40% Total Shareholder Return (TSR) and the remaining 10% will be Maintaining Reliability Through the Clean Energy Transition." 4 Tr 1168. I&M contended that the

comparison to Consumers is irrelevant because there are too many variables involved. I&M criticized the Attorney General's percentages and argued that any disallowances could lead to increased turnover and higher employee associated costs. I&M also argued that the role of AEP's earnings only plays into the business performance category of STI. 4 Tr 1171-1172.

The ALJ recommended that the Commission adopt the Attorney General's proposed disallowance of $4.2 million, which includes the removal of all incentive compensation tied to financial performance plus 50% of the remainder that is tied to operational performance. PFD, pp. 318-319. The ALJ found that Commission precedent supports the disallowance of all incentive compensation tied to financial measures, but she also found that "I&M has not shown how the incentive compensation plan creates cost savings or other financial benefits for customers." PFD, p. 318. The ALJ noted that "shareholders benefit from talented employees as much if not more than customers." PFD, p. 319. She further found that "I&M has not adequately shown a separation of operational versus financial measures tied to the issuance of incentive compensation" and thus recommended adoption of the Attorney General's disallowance. *Id*.

In exceptions, I&M argues that:

> [t]he PFD missed the point of the Company's incentive compensation plans whereby the Company uses a low salary buttressed by the Company's incentive compensation programs. Absent the incentive compensation programs, the Company would instead have to increase all salaries to retain appropriate employees, which would have a nearly identical impact on overall compensation.

I&M's exceptions, p. 74. Thus, I&M argues, the EICP is what allows employees to reach a market competitive compensation. I&M maintains that the Commission routinely approves EICP expense that is tied to operational measures. I&M states that the ALJ ignored the company's performance scorecard, which, at a high level,

> consists of: (i) 30% safety and compliance, (ii) 5% workforce and culture, (iii) 20% business performance, (iv) 10% affordability, and (v) 35% operations. *Id*. Based

> on this evidence, Staff determined that 20% of STI is tied to financial measures. 6 TR 2237. For long-term incentive ("LTI") compensation, Company witness Kerber testified that the Company provided LTI awards in the form of 75% performance shares and 25% restricted stock units ("RSUs"). 4 TR 1158.

I&M's exceptions, p. 75. I&M avers that it is incorrect to argue that the scorecard is influenced by AEP earnings by 60%, because that single factor only accounts for 20%. *Id*. (citing 4 Tr 1171).

In exceptions, ABATE argues that the Attorney General's proposed disallowance is only partial and that the total amount of $6.29 million, which is included for the test year should be disallowed. ABATE's exceptions, pp. 1-2. Noting that the ALJ found that the EICP was tied to financial performance and that the separation between operational and financial measures was not made clear, ABATE argues that the Commission should adopt the ALJ's reasoning but disallow the full amount.

In reply to I&M, the Attorney General argues that the ALJ is correct because I&M failed to show how operational and financial measures were separated. Attorney General's replies to exceptions, p. 65. She notes that I&M generally identified the attraction and retention of a talented workforce as the only benefit to customers associated with the EICP expense. The Attorney General states that in Case Nos. U-18370 and U-17735, the Commission disallowed financially based incentive compensation and disallowed amounts untethered to any analysis showing that the costs of the program are commensurate with its benefits. The Attorney General contends that the issue in this case is not the structure of the plan but rather the lack of evidence, and notes that the ALJ devoted 10 pages of the PFD to a description of Ms. Kerber's testimony. Finally, she argues that her witness accurately described the fact that the "overall size of benefits distributed to employees of I&M is highly dependent upon AEP earnings." Attorney General's replies to exceptions, p. 68 (quoting 6 Tr 2508).

In reply, I&M argues that ABATE's proposal for a total disallowance contradicts the function of ratemaking because the utility requires funds for compensating its employees. I&M's replies to exceptions, p. 30. I&M contends that disallowing labor costs is not just and reasonable ratemaking. The company again explains that the compensation structure adds incentive pay to a lower base pay in order to reach a market equivalent.

In reply, ABATE argues that the total amount of the EICP expense should be disallowed because it is inextricably tied to the utility's financial performance. ABATE's replies to exceptions, p. 2. ABATE contends that I&M failed to demonstrate the separation of operational measures from financial ones, and failed to show how its compensation plan creates cost savings for customers.

The ALJ's recommendation authorizes an amount of expense that is allegedly tied to operational metrics, which result in financial benefits to customers, based on the Attorney General's proffered benefit of the doubt. The Commission respectfully disagrees with the ALJ on this outcome, though not with her findings that the company failed to adequately separate the financial from the operational measures and failed to provide any evidence demonstrating that the costs of the EICP are commensurate with its benefits to customers. Indeed, I&M made no attempt to provide evidence showing any quantitative benefits to customers and acknowledged that its direct case was presented in a way that made it difficult to identify the exact amount the company was seeking to include in O&M expense. *See*, Exhibit AB-5, p. 1. The company's direct case laid out the structure of the EICP (without including dollar amounts) and offered only qualitative testimony describing the need to retain a talented workforce. 4 Tr 1152-1160. Regarding the direct case, the Attorney General's witness stated that "[i]t should be noted that in filed testimony and exhibits, the Company did not disclose the amount of incentive compensation included in this

rate case and its components[,]" and ABATE's witness stated that "[t]he Company's testimony and exhibits do not clearly identify the amount of incentive compensation included in its test year revenue requirement." 6 Tr 2508, n. 133, and 3 Tr 100. The company's rebuttal case was also largely qualitative, explaining that competitive wages are necessary in order to render reliable electric service. 4 Tr 1164-1181; *see*, *e.g.*, 4 Tr 1165-1166. However, after providing a modicum of information via discovery, I&M continued to object to providing any description or documentation supporting the EICP expense for the test year on grounds that the details of the plan had not yet been determined or approved. 3 Tr 101; 4 Tr 1167; Exhibit AB-5, p. 2.

Based on the quality of record evidence, the Commission is not persuaded to adopt the Attorney General's benefit of the doubt. In response to discovery, I&M stated that "[t]he O&M portion of the total is approximately $5.05 million. Please note, this total cannot readily be identified in the Jurisdictional Cost of Service as these costs are embedded in various accounts." Exhibit AB-5, p. 1. Based on the company's information, the Commission disallows $5.05 million in O&M expense for I&M's incentive compensation plan. The Commission strongly encourages I&M, in its next rate case, to present a complete case with its direct evidence showing, at a minimum: (1) the amount sought for inclusion in rate base as O&M expense for incentive compensation for all relevant time periods, (2) the separation between operational measures and measures based on financial performance (including a detailed explanation of how AEP's earnings impact the amount of incentive compensation available to the company and how this element ties into the company's goals for the incentive compensation program), and (3) the benefits accruing to customers from the implementation of the proposed incentive compensation program (including as compared to simply providing a competitive base salary) and how they compare to the costs.

13. Depreciation and Amortization Expense

I&M projected a test year depreciation and amortization expense of $492 million, which excludes ratemaking adjustments. *See*, 5 Tr 1719. In addition, the company asserted that plant in service is projected to increase by approximately $856 million through the test year, excluding ratemaking adjustments. Accordingly, the company contended that "the increase of approximately $35 million in depreciation and amortization expense is reasonable." 5 Tr 1719. The Michigan jurisdictional share of depreciation and amortization expense is $88.74 million.

The Staff projected a Michigan jurisdictional depreciation and amortization expense of $86.81 million. The Staff explained that its proposed reduction of $1.99 million is the result of depreciation adjustments approved in Case No. U-21412 and the methodology used in Case Nos. U-18370 and U-20359. *See*, 6 Tr 2112.

The Attorney General agreed with the Staff's method, stating that the "result of the Staff's recalculation of depreciation expense and my proposed reduction from the reductions in rate base is a net increase in depreciation expense of $516,00 [sic]." 6 Tr 2520. Therefore, she recommended that the Commission increase I&M's depreciation expense for the projected test year by $516,000.

In reply to the Staff, I&M stated that "[t]he Company does not contest Staff's use of the depreciation rates approved in Case No. U-21412." I&M's reply brief, p. 84.

As an initial matter, the ALJ noted that "the differences among the amounts proposed by the parties related to the depreciation and amortization expense reflect the differences in plant balances resulting from various adjustments. This amount will be established consistent with the Commission's Final Order." PFD, p. 321. Regarding the depreciation expense, the ALJ found the Staff's proposed method persuasive. She stated that the "Staff's method is consistent with the

method approved by the Commission in several recent I&M rate cases. And I&M did not establish that its methodology is more appropriate than the method approved, multiple times, by the Commission." *Id*., p. 322. She recommended that the Commission adopt the Staff's proposed calculation for this expense.

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

14. Rate Case Expense

In Exhibit A-12, Schedule B-4, I&M proposed a regulatory asset of $979,000 for rate case preparation and litigation expenses for the Michigan jurisdiction in the projected test year. The company stated that it "is requesting deferral authority of this expense and to recover this amount (without carrying costs) over a two-year period." 6 Tr 1986.

The Attorney General objected to I&M's proposed deferral and amortization of the $979,000 expense. She asserted that, "[f]irst, the forecasted expenses in this rate case are significantly higher than the amount actually incurred in the last rate case. Second, the Company included the entire $979,000 in working capital instead of reducing that amount by the portion amortized to expense in the projected test year. Third, the proposed two-year amortization period is too short." 6 Tr 2429-2430. She also noted that I&M's proposed expenses were not sufficiently supported and at least one expense appears to be duplicative.

The Attorney General noted that I&M's proposed $979,000 expense is comprised of $635,000 for legal fees, $150,000 for company witness training, and $130,000 for testimony preparation by an outside consultant. She recommended that the Commission disallow the witness training expense because I&M recovered witness training expenses in its most recent rate case and the company failed to explain why additional training expense is required, especially when several

witnesses in the immediate case were also witnesses in the prior rate case. *See*, 6 Tr 2430. After the witness training expense is removed from I&M's proposed rate case expenses, the Attorney General recommended applying an inflationary adjustment to the base rate, adding legal expenses of $105,000, and applying an amortization period of four years, which "results in an average deferred regulatory account balance of $560,627 for the projected test year." 6 Tr 2432 (footnote omitted).

I&M disagreed with the Attorney General's proposal to disallow witness training expenses. The company explained that:

> [t]he witness training component of rate case expense is related to the cost of retaining Communication Consulting Associates (CCA). CCA was retained to provide training on the Michigan regulatory process and communication skills to subject matter experts preparing testimony specifically for this case. I&M's subject matter experts in such areas of generation, transmission and distribution are not generally experts in the regulatory process. CCA training provides the subject matter experts the ability to clearly communicate with the Commission and parties to I&M's base rate proceeding. In addition, I&M does not have staff on a full-time basis available to handle the duties related to regulatory training and communication development particularly for this Michigan specific rate case purpose.

6 Tr 2018. In addition, I&M objected to the four-year amortization period proposed by the Attorney General, asserting that the company's proposed two-year amortization period "is consistent with the Commission's prior order in the Company's last contested rate case, U-18370." I&M's initial brief, p. 239.

In response to I&M, the Attorney General stated that:

> CCA's budget for witness coaching was entered into evidence as Exhibit AG-162 and examined more closely in Ms. Seger-Lawson's cross examination. Ms. Seger-Lawson could only attribute the $14,435 of "Research and Planning" in the budget to "talking with our counsel on how to resolve issues in a case." She likewise attributed the $11,185 for a "1-day Issue Resolution Session" to "discuss with our attorneys what issues we think might be an issue in this case."
>
> * * *

> The witness coaches budgeted $69,500 for a "3-day Phase II Session," plus $34,910 for video services for that session. The total cost for the session and video recording comes out to $104,410. When asked what CCA did for $104,410, Ms. Seger-Lawson said it was for "talking through the issues in this case and responding to questions about issues in this case, for the Company witnesses to respond as if they were being asked in this case about certain issues and how we would respond to those questions." The total cost of the practice session comes out to over $30,000 per day.

Attorney General's initial brief, pp. 94-95 (quoting 6 Tr 2049-2050, Exhibit AG-162, p. 2) (footnotes omitted). She reiterated that I&M did not adequately support the 74% increase in rate case preparation and litigation expense compared to the company's last rate case four years ago. Accordingly, the Attorney General recommended that the Commission approve her proposed $418,373 reduction to rate case preparation and litigation expense and adopt her proposed four-year amortization period.

The ALJ found that the witness training expense of $150,000 should be disallowed. She stated that "[t]he Company necessarily must employ licensed legal counsel to represent it in contested proceedings before the Commission, but there is no requirement that the Company's witnesses must be professionally trained regarding seemingly commonplace functions such as 'how to communicate about issues specific to this case.'" PFD, p. 327 (quoting 6 Tr 2055) (footnotes omitted). However, the ALJ disagreed with the Attorney General's recommendation to start with the rate case legal expenses from the company's previous rate case and add an upward adjustment for inflation. In the ALJ's opinion, "[a]side from inflation in the intervening years, the size and complexity of individual rate cases and other variables in the litigation and adjudication process make it difficult to provide a clear comparison between cases such that an adjustment of this type would generally be inappropriate, particularly absent any showing that a specific legal

expense was unreasonably incurred." *Id*., p. 328. Thus, the ALJ recommended that the Commission approve a rate case preparation and litigation expense of $829,000.

The ALJ found persuasive the Attorney General's recommendation to adopt a four-year amortization period. She asserted that "a four-year amortization period is appropriate and that the Company can still recover the remaining unamortized balance if it files another rate case in two years." *Id*.

I&M excepts to the ALJ's recommendation that the witness training expense be disallowed. The company states that:

> [t]he PFD errs in focusing on who these costs are paid to instead of what these costs represent. The Company, as a regulated entity, is required to conduct contested case proceedings, which naturally requires preparation of expert witnesses for adjudication. The fact that preparation includes both professional witness trainers and legal counsel does not mean one expense is necessary and the other is not; the expenses are still tied to the necessary activity of preparing expert witnesses for adjudication of a rate case.

I&M's exceptions, p. 77. I&M asserts that its witness training expenses, like its legal expenses, should be approved, consistent with the company's prior rate cases.

In her replies to exceptions, the Attorney General states that "I&M fails to address why it takes $150,000 to coach witnesses to answer questions, and fails to address the reasonableness of the various charges raised by the Attorney General." Attorney General's replies to exceptions, p. 72. She asserts that the Commission should adopt the ALJ's recommendation.

The Commission finds that the ALJ's recommendation is reasonable and prudent and should be adopted. According to page 1 of Exhibit AG-32, in I&M's most recent rate case in 2020, Case No. U-20359, the company incurred and deferred a total rate case expense of approximately $564,000. In the immediate case, I&M states that it will incur a rate case expense of $979,000, an approximately 74% increase from the expenses incurred in Case No. U-20359. *Id*., p. 3. The

company explains that of the $979,000, $635,000 is for legal services, $150,000 is for witness training, and $130,000 is for testimony prepared by a consultant. *Id*.

As noted by the ALJ, I&M must retain licensed legal counsel to represent the company in legal proceedings before the Commission. When asked to explain the $150,000 witness training expense, the company states that "it was communication training, it was how to be responsive to questions being asked and making sure that we have clear and concise answers." 6 Tr 2048. However, the Attorney General notes that:

> [i]n the prior rate case, the Company included $125,000 for Company witness training. It is not clear why the Company witnesses need to be trained and retrained to provide testimony that discloses information they should be intricately familiar with and is reviewed by management and legal counsel. Several of the witnesses in this rate case were also witnesses in the prior rate case.

6 Tr 2430. The Commission finds that I&M did not provide testimony or evidence explaining the need to retrain witnesses for issues that recur in rate cases or an explanation as to why the witness training expense has significantly increased over historical amounts. Therefore, the Commission finds that the $150,000 witness training expense should be disallowed.

The Commission agrees with the ALJ's finding that the Attorney General's proposed inflationary adjustment should be rejected. As noted by the ALJ, it would be challenging to calculate an appropriate inflation adjustment due to the size, complexity, and variable nature of litigating individual rate cases. In addition, the Commission finds that the ALJ's recommendation to adopt the Attorney General's proposed four-year amortization period is reasonable and prudent. I&M may still recover any unamortized balance if it files another rate case in two years.

C. Property Taxes

The Attorney General noted that in May 2022, I&M "filed a petition with the Michigan Tax Tribunal asking for the Cook nuclear plant's property tax value to be reduced from $1.1 billion to

$780 million, or nearly a 30 percent decrease." 6 Tr 2520. She argued that if the company's petition is accepted, the property tax included in this case will be significantly reduced. The Attorney General "recommend[ed] that the Commission order the Company to record any reduction in property taxes pertaining to this petition in a deferred regulatory liability account for review and crediting in customer rates in a future rate case." 6 Tr 2520.

In response, I&M confirmed that the property tax case is still pending with the Michigan Tax Tribunal and that the company does not yet know if there will be a decrease in the property tax value. The company asserted that:

> [s]ince property taxes are a cost of providing electric service and because that cost is included in I&M's revenue requirement, if the outcome of the Cook nuclear property tax petition is material, I&M should be authorized to reflect a regulatory liability or a regulatory asset to reflect an annual difference (if any) in actual Cook property tax than what is authorized in rates. Amortization of the regulatory liability or regulatory asset will be included in I&M's next base rate case.

6 Tr 2015.

The ALJ recommended that "deferred accounting be approved to capture any changes in the Company's property tax expenses, with any reduction or refund recorded in a deferred regulatory liability account and flowed to ratepayers as a credit in the next rate case. Similarly, if actual property tax expense is higher than projected, then I&M can recover the difference in a future rate case." PFD, p. 331. In addition, she recommended that the Commission require I&M in its next rate case "to provide a list of all pending tax assessment litigation cases and negotiations involving Michigan properties, an accounting of estimated compared to actual Michigan tax assessments for 10 years prior to the filing, and records of any proceeds received." *Id*.

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

D. Allowance for Funds Used During Construction

The ALJ noted that I&M proposed a projected test year allowance for funds used during construction (AFUDC) amount of $20.67 million, $2.38 million of which is Michigan jurisdictional, and that the Staff supported the company's proposed amount. She stated that "[a]s there is no dispute concerning I&M's forecast for AFUDC, this PFD recommends the Commission adopt the projection." PFD, p. 332.

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

E. Adjusted Net Operating Income Summary

In summary, the Commission finds that I&M's jurisdictional projected NOI for the projected test year is $58,111,000.

VIII. REVENUE DEFICIENCY

Consistent with the findings and determinations made in this order, the Commission finds that I&M has a jurisdictional revenue deficiency for the test year of $16,675,000, computed as follows:

Rate Base	$1,233,103,000
Adjusted Net Operating Income	$58,111,000
Overall Rate of Return	4.71%
Required Rate of Return	6.03% (5.69% on Rockport)
Income Requirements	$74,349,000
Income Deficiency	$16,237,000
Revenue Conversion Factor	1.3315
Revenue Deficiency	$21,620,000
OATT Costs	$2,775,000
Tax Rider Credit	($7,066,000)
Total Revenue Deficiency, net of Tax Rider Credit	$17,329,000

IX. OTHER REVENUE-RELATED ITEMS

A. Regulatory Asset Deferrals and Amortizations

1. Accelerate Sulfur Dioxide Costs

I&M requested "authority to accelerate recovery of the noncurrent SO_2 [sulfur dioxide] allowance inventory that is currently recorded in FERC [Federal Energy Regulatory Commission] Account 158" over a five-year period. 6 Tr 1987. The total of these costs at the end of 2022 was approximately $25.3 million. The Staff supported I&M's request. *See*, 6 Tr 2187.

The Attorney General recommended that the Commission reject I&M's proposed amortization. She explained that "[t]he SO2 costs are part of the plant costs and not much different than the equipment and plant assets that will remain unamortized at the retirement date of the Rockport plant. The SO2 costs should be included with those other plant costs and amortized or otherwise resolved after retirement of the plant." 6 Tr 2515.

The ALJ agreed with the Staff, finding that "I&M has adequately established that the proposed amortization is reasonable, under the circumstances, and recommends that the Commission grant the Company authority to recover the noncurrent SO_2 allowance inventory over a five-year period." PFD, p. 334.

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

2. Advanced Metering Infrastructure Cost/Benefit Analysis

As required by the settlement agreement in Case No. U-20359, I&M performed a BCA in 2019 to "ensure the AMI project was financially justified . . . ." 6 Tr 2515. The cost of the BCA was $693,800 and the company recorded the cost as a deferred regulatory asset. I&M proposed

amortizing these costs over a two-year period, which results in an expense of $346,900 for the projected test year.

The Attorney General recommended that the Commission deny recovery of these deferred expenses because I&M "never requested and the Commission never approved deferred accounting treatment for these costs. The Company has no regulatory basis to defer the costs and now seek recovery of those costs over a two-year period." 6 Tr 2516.

The ALJ found persuasive the Attorney General's position on this issue. She stated that "[t]he Company does not have specific authority from the Commission for the deferral of these expenses. The Attorney General correctly notes that I&M could have included this amortization in the settlement agreement in [U-20359] but did not." PFD, p. 336. Thus, the ALJ recommended that the Commission reject I&M's request to recover the deferred amount in this case. However, she asserted that "if the Commission finds that the Company's use of the deferral mechanism was appropriate, this PFD recommends that the Commission utilize an amortization period of four years, rather than the two-year period proposed by the Company." *Id*., p. 337.

I&M excepts, asserting that the ALJ "erred in dismissing the Company's reliance on industry standard accounting practices." I&M's exceptions, p. 91. The company states that its:

> decision to defer its AMI CBA [cost/benefit analysis] Analysis [sic] costs was not unguided; rather, I&M has a rational basis to defer these costs. Company witness Ross testified that the decision to defer the AMI CBA Analysis [sic] costs was based on two factors: (i) although related to the AMI capital project, given the nature and duration of the project, deferral of this portion of the capital costs was administratively efficient and preferable; and (ii) the reasonableness of the deferral was supported by the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 980, which prescribes deferral accounting when it is determined by management that it is probable that a regulatory asset will be recovered from customers in the future. Although not explicitly stated in the settlement from Case No. U-20359, it was assumed when the settlement was executed that should the Company begin its AMI deployment, those costs would be later recovered as capital. It is undisputed that the CBA was a required and necessary step for completing that project.

I&M's exceptions, pp. 91-92 (internal citation omitted).

In reply, the Attorney General argues that I&M could have written deferral accounting for the AMI study into the settlement agreement in Case No. U-20359 but chose not to. Additionally, she asserts that "I&M's position means that every cost that is probable of recovery is *ipso facto* a regulatory asset – but the company provides no authority for that position." Attorney General's replies to exceptions, p. 74 (emphasis in original). Furthermore, the Attorney General states that I&M provided no Commission precedent demonstrating that utilities have independent discretion to use deferral accounting. She argues "[t]hat position would be inconsistent with the ubiquitous practice of seeking approval from the Commission for such authority prior to recording regulatory assets." *Id*.

The Commission finds the ALJ's recommendation reasonable and prudent and that it should be adopted. I&M did not request authority from the Commission, nor was it written into the settlement agreement in Case No. U-20359, for a deferred regulatory asset. In addition, the Commission finds unpersuasive I&M's argument that the company has "management discretion" to establish a deferred regulatory asset or that accounting standards provide the requisite authority. 5 Tr 1500. As noted by the Attorney General, if the Commission were to accept this argument, a utility may independently and without Commission approval create a deferred regulatory asset for any cost that may be recovered, which is contrary to the well-established practice of utilities seeking Commission approval for deferred accounting. Therefore, the Commission denies I&M's request to recover the deferred amount for the AMI study in this case.

3. Advanced Metering Infrastructure Pilot Program

I&M conducted four AMI-related pilot programs, incurred costs in the amount of $338,205, and deferred the costs. The company proposed amortizing the costs over a two-year period, which results in a cost of $169,103 for the projected test year. *See*, Exhibit IM-50.

The Attorney General did not object to the costs related to I&M's AMI-related pilot programs but argued that a four-year amortization period is more appropriate. She stated that "a two-year amortization would unfairly enrich the Company at the expense of customers if the utility decides not to file another rate case within the next two years, because the amortization expense would be reflected in rates past the two-year period when the Company would not have any underlying costs." 6 Tr 2517.

The ALJ recommended that the Commission approve I&M's proposed AMI-related pilot program expense but adopt the Attorney General's proposed four-year amortization period, which results in a $85,000 expense for the projected test year. She noted that "the Attorney General convincingly argues that a two-year amortization could unfairly enrich the Company at the expense of customers if the utility decides not to file another rate case within the next two years." PFD, pp. 337-338 (footnote omitted).

No exceptions were filed on this issue. The Commission finds the ALJ's findings and recommendations reasonable and prudent and that they should be adopted.

X. COST OF SERVICE AND RATE DESIGN

A. Cost of Service

I&M presented a jurisdictional cost of service study (JCOSS) to allocate the company's projected test year cost of providing service between its retail jurisdictions. 5 Tr 1777; *see also*, Exhibit A-16, Schedule F-1. The company also presented its class cost of service study (CCOSS),

"which allocates the total Michigan retail jurisdictional rate base, revenues, and expenses to each rate schedule." 3 Tr 626. I&M also emphasized the company's view of the importance of improving "the alignment between [the company's] rate structures and the fixed and variable cost of the service [I&M] provide[s] so that customers receive appropriate price signals." 3 Tr 684.

The Staff disagreed with I&M's position noting that "[o]nly viewing utility costs as fixed or variable ignores much of the nuance in both cost allocation and rate design." 6 Tr 2290. The Staff further explained that the Staff's:

> rate design process included evaluating the Company's rate design and proforma revenue models in the verification of hard-coded values and rates, then analyzing functions and formulae in the models and submitting audit requests to the Company for any identified errors or discrepancies. (6 TR 2291.) Upon Staff's completion of revenue requirement and sales forecast adjustments as well as the COSS, Staff incorporated outputs from those models into the rate design model for the rate calculation. (*Id*.) Staff then adjusted the model for any relevant Staff recommendations and performed a final check of hard-coded data, functions, and model outputs. (*Id*.)

Staff's initial brief, pp. 101-102; *see also*, Exhibit S-6, Schedule F-3. In addition, the Staff noted agreement with I&M's corrections to the Staff's calculations of kVa-related billing determinants, as reflected in rebuttal. Staff's initial brief, p. 102 (citing 5 Tr 1651-1652).

The ALJ noted that the Staff's process to create the Staff's JCOSS and CCOSS relied partially upon the company's studies and included modifications made by the Staff. PFD, p. 339.

In exceptions, the Staff avers that its proposal for all adjustments to be made to the JCOSS on a total company basis, and "that adjustments should be made to appropriate categories where possible and spread proportionally across relevant categories when not," was not addressed in the PFD. Staff's exceptions, p. 5. As such, the Staff argues that the Commission should adopt the Staff's recommendations in preparing the JCOSS, as supported by the Staff's testimony and initial brief. *Id*.

I&M replies to the Staff's exceptions, acknowledging that the Staff's recommendation was not addressed in the PFD. The company further alleges that the Staff's testimony is not consistent with the Staff's exceptions because the Staff "was not proposing a specific recommendation to development of the JCOSS or CCOSS." I&M's replies to exceptions, p. 32. I&M continues, arguing that the "Staff's analysis regarding the revenue impact of its proposed sales forecast was incomplete because Staff did not consider the impacts to the demand and energy allocation factors used by the Company in the JCOSS to allocate Total Company costs between I&M's three jurisdictions (i.e., Indiana, Michigan, and Wholesale)." *Id*. (citing 5 Tr 1794).

The company notes that the underlying issue is the Staff's proposed adjustments to the company's sales forecast and that if the Commission adopts the Staff's sales adjustments, "the adopted sales forecast must properly account for the corresponding changes to the [Michigan] jurisdictional allocation factors, which will increase if Staff's adjustments to the sales forecast are accepted." I&M's replies to exceptions, p. 33 (citing 5 Tr 1796). Overall, the company argues that the Commission should reject the Staff's proposal "because the results would be incomplete and inaccurate." I&M's replies to exceptions, p. 32. Further I&M argues that:

> given the disconnect on this topic between the Company and Staff, the Company proposes that adjustments to the [Michigan] jurisdictional allocation factors based on modifications to the sales forecast be included in a directive for the Company and Staff to meet to discuss rate design and cost of service studies.

I&M's replies to exceptions, p. 33.

The Commission finds that, in general, the Staff's JCOSS modifications should be adopted, and made on a total company basis as supported by the Staff's evidence. *See*, 6 Tr 2260; *see also*, Exhibit S-6, Schedule F1; Exhibit S-6, Schedules 1.1, 1.2, 1.3, 1.4, and 1.5. Further, the Commission agrees with the Staff that the Staff's rate design and method more closely reflect cost-based principles. *See*, Staff's initial brief, pp. 101-102 (citing 3 Tr 684, 5 Tr 1651-1652, and 6 Tr

2290-2291). However, given the determination to adopt the company's sales forecast, as discussed in detail above, the Commission finds that the Staff's modification specifically pertaining to the sales forecast should be reviewed and made consistent with the Commission's determination. In that regard, the Commission adopts I&M's recommendation for the company to work with the Staff to discuss rate design and cost of service studies. As noted by the Staff, the "Staff attempted to make adjustments to the appropriate categories, but for certain adjustments for which an appropriate specific category did not exist or could not be identified, the adjustment was allocated proportionally across categories that Staff judged most appropriate for the adjustment." 6 Tr 2260. Therefore, as further addressed below, the company shall work with the Staff to discuss rate design and cost of service studies and provide its schedules with appropriate formatting and greater transparency.

1. Coincident Peak Allocation

ABATE argued that I&M should have used a 4 coincident peak (CP) rather than the 12 CP for demand-based delivery facility investments. 3 Tr 78-83. The Staff disputed ABATE's proposal, arguing it was not supported on the record. 6 Tr 2275-2278.

The ALJ found that ABATE abandoned its position on the CP allocation and the company's 12 CP methodology should be approved. She also recommended that the Commission require I&M to "(1) conduct cost allocation tests for the most recent five years on both a total Company and Michigan-jurisdictional basis, and (2) to file a calculation of the 6 CP allocator to examine the appropriateness [of] its application for PJM [Interconnection, L.L.C.] demand charges," in its next general rate case as proposed by the Staff. PFD, p. 341.

No exceptions were filed on this issue.

The Commission finds the ALJ's determination to be supported on the record, and as such, I&M shall, in its next general rate case, conduct cost allocation tests and file calculations, consistent with the ALJ's recommendation.

2. Power Supply Cost Recovery Issues and Cost of Service/Rate Design Model Formatting

The Staff testified regarding numerous difficulties with respect to I&M's cost of service and rate design model formatting. Specifically, the Staff recommended that the Commission require I&M to alter its Schedule C4 to reflect the method used by other utilities or to provide a method by which changes to the sales forecast could be used to calculate appropriate PSCR adjustments. 6 Tr 2261. The Staff also recommended that the Commission require the company to file an exhibit showing that its PSCR revenues and expenses are equal. 6 Tr 2261.

In addition, the Staff noted difficulties in reviewing I&M's schedules and documents due to formatting, including items such as rounding functions and inconsistencies in recording rates in dollars versus cents. 6 Tr 2291-2292. Thus, the Staff proposed that the company be required to "combine its Schedule F-2/F-3 file and rate design workpaper into a single file with linked formulas, as is standard with other utilities," or in the alternative "file the Schedule F-2/F-3 file and the rate design workpaper with consistent formatting for copying and pasting necessary inputs from the rate design file to the Schedule F-3 sheets" or otherwise "add an inputs/outputs sheet to both documents (with links within each workbook) that creates consistent formatting for necessary copied and pasted inputs between the two files." 6 Tr 2292-2293. With either alternative, the Staff recommended that the company be directed to work with the Staff at least one month prior to the filing of the company's next general rate case "to ensure all pathways are fully linked in the Microsoft Excel workbooks and the rate design is fully functioning in compliance with the Commission's order in the instant case." Staff's initial brief, p. 103 (citing 6 Tr 2292-2293).

In rebuttal, I&M replied that the company was surprised by the Staff's difficulties as reflected in testimony and that it was "certainly an issue that I&M would have been willing to discuss with Staff, to ensure they had an understanding of the structure of I&M's rate design files to overcome any difficulties they were encountering." 5 Tr 1653. I&M also noted that, when requested, it undertook efforts to provide the Staff with tools to perform calculations. Further, I&M argued that:

> many of the recommendations proposed by Staff would be unnecessary had [the Staff] reached out to the Company to better understand the structure of the Company's files. A Commission mandate approving the recommendations offered by Staff in this proceeding may not be relevant to the issues in I&M's next case.

5 Tr 1654.

The ALJ recommended that the Commission direct I&M "to alter its Schedule C4 to mirror the method used by other utilities as described by [the Staff]" and "recommends requiring the Company to file an exhibit showing that PSCR revenues and expenses are equal." PFD, p. 344. The ALJ further held that:

> [g]iven the unrelenting pace of rate cases, this PFD finds it troubling that the Company's schedules and other documents presented a significant challenge to Staff because of their formatting or lack of transparency. This PFD therefore recommends adopting [the Staff's] recommendations regarding the Company's presentation. Accordingly, this PFD recommends the Commission direct the Company to include clearly labelled sources and cell references for all hard-coded values in the COSS and associated workpapers; this includes providing exhibit numbers or workpapers detailing how all hard coded values were calculated or including linked input sheets within the model that accomplish the same goals as an exhibit or workpaper. Providing this information at the time of filing the case will aid Staff's ability to analyze the relevant matters without the need for discovery requests related to this information.
>
> For similar reasons, this PFD recommends adopting [the Staff's] recommendation to require the Company to combine its Schedule F-2/F-3 file and rate design workpaper into a single file with linked formulas, as is standard with other utilities. This PFD also recommends requiring the Company to work with Staff at least one month prior to filing its next general rate case to ensure that all Microsoft Excel formulae pathways are fully linked or that formatting is consistent enough to allow inputs to be copied and pasted without the need for converting units.

Id., pp. 344-345.

In exceptions, I&M argues that this issue is regarding the use of different technology platforms and that it is not a lack of transparency on the company's part. Further, I&M does not dispute the ALJ's recommendation to adopt the Staff's proposals but:

> requests that, in addition to Staff's specific requests, Staff and the Company agree to meet six months after the Commission issues its order to discuss the recommendations and ensure the Company's presentation of its rate design and forecast in its next rate case meet Staff's expectations and are within the Company's capabilities.

I&M's replies to exceptions, p. 83.

In reply, the Staff notes that there is no dispute that I&M utilizes different technologies for the company's internal information and data. The Staff continues, however, that to allow "data to be analyzed by all parties to a rate case, such data should be filed in non-proprietary formats used by software, such as Microsoft Excel, accessible to all parties." Staff's replies to exceptions, p. 27. In addition, similar to software issues discussed above, the Staff contends that if it "cannot efficiently and effectively access data provided by the Company, the data is rendered essentially useless." *Id*., p. 28. The Staff reiterates that access to data is essential to independent review of data during a rate case. Finally, with respect to I&M's request to discuss the Staff's recommendations, the Staff states that "[u]nfortunately, a phone call is not a sufficient solution, and thus, Staff requests the Commission explicitly resolve this issue." *Id*. (citing Staff's initial brief, p. 104).

The Commission finds that the ALJ's recommendations on this issue are well reasoned and supported on the record. The Commission echoes the ALJ's sentiments and agrees with the need for data to be accessible in non-proprietary formats. Further, the Commission also agrees that providing accessible data will increase transparency and efficiency. Therefore, the Commission

adopts the ALJ's recommendations and in future rate cases I&M shall: (1) alter its Schedule C4 to mirror the method utilized by other regulated utilities and file an exhibit showing that PSCR revenues and expenses are equal; (2) combine the Schedule F-2/F-3 revenue model with the rate design model in a single file with linked formulas, as is standard with other utilities; (3) include clearly labeled sources and cell references for all hard-coded values in the aforementioned models—including exhibit numbers and workpapers detailing how all hard-coded values were calculated or within the linked input sheets in the models, as is standard with other regulated utilities; and (4) provide any referenced workpapers in the original format with formulae and sources labeled within that document. In addition, I&M shall work with the Staff at least one month prior to the filing of its next general rate case to ensure all pathways are fully linked in the Microsoft Excel workbooks and the rate design is fully functioning in compliance with the Commission's above directives.

3. Residential and Other Customer Charges

The company proposed to increase residential customer service charges from $7.25 to $11.50 per month. *See*, 6 Tr 1992-1993. The company averred that the proposed increase "was designed to recover most of the costs classified as customer-related from the Company's proposed class cost-of service study . . . ." I&M's initial brief, p. 249 (citing 5 Tr 1628-1629). The Staff opposed the proposed increase in the residential customer service charge arguing that it was inconsistent with long-standing Commission precedent involving which costs should be included in the customer service charge. Staff's initial brief, p. 110. Based on the Staff's calculations, the Staff deemed the recalculated customer charge of $7.38 as "reasonably close to the currently approved monthly service charge." 6 Tr 2263. Similarly, the Attorney General opposed increasing the residential customer service charge, citing possible rate shock to customers. 6 Tr 2524. The

Attorney General further proposed that, if the Commission finds an increase is appropriate, it be limited to an increase of $1.00 "in the interest of rate gradualism[.]" 6 Tr 2524.

The ALJ reviewed the Commission's April 12 order noting that:

> [i]n that case, Staff advocated the same methodology that it does in the current case, which is based on Commission precedent from the 1970s that describes the allowable components of a service charge as being limited to only those costs associated directly with supplying service to a customer.

PFD, pp. 350-351 (footnote omitted). As a result, the ALJ recommended that the Commission maintain the current residential customer service charge of $7.25 per month based upon the Staff's cost-of-service based calculations and Commission precedent. The ALJ specifically stated that the "Staff's calculated charge of $7.38 is reasonably close to the current charge of $7.25 such that the difference between the two is de minimis and does not warrant a modification." *Id*., pp. 351-352. The ALJ further indicated that, based upon the same reasoning, she recommended that the Commission adopt the Staff's recommendations for customer service charges for the remaining customer classes. *See*, *id*., p. 352.

I&M excepts to the ALJ's recommendations, arguing that the conclusion was based on a misreading of Commission precedent and, therefore, should be rejected by the Commission. Specifically, the company argues that the COSS methodology was not at issue in Case No. U-18370 and that the Staff's calculations are contrary to the Staff's testimony. The company further states that the "Staff's contention that its calculation is required by Case No. U-18370 is incorrect, and its calculation would still be flawed otherwise." I&M's exceptions, p. 85. More specifically, I&M states that the Staff's calculations "did not divide the appropriate costs by the number of bills for each class" and rather "divided the identified costs by the number of rate class customers." *Id*.

The company also reiterates its position that the Attorney General's claim of possible rate shock should be rejected because "rate shock" would not be based on one billing component but "must be examined based upon a customer's total bill . . . ." *Id*., p. 86. Further, the company argues that the Attorney General's proposal to limit the increase in customer charge to $1.00 per month is not supported by record evidence and must be rejected. Therefore, I&M concludes that the ALJ's reliance on the Staff's and Attorney General's analyses is not supported on the record.

The Staff replies that the ALJ properly addressed the company's claims and found that I&M's assertions were based upon a misunderstanding of the Commission's order in Case No. U-18370. Staff's replies to exceptions, p. 29. The Staff further contends that it "excluded certain costs intentionally, as the method with 50 years of support only includes costs associated with a customer's existence as a customer, not all customer-classified costs." *Id*. (citing Staff's amended reply brief, p. 32).

With respect to the Staff's utilization of the number of customers rather than bills in the Staff's calculation, the Staff asserts that I&M "itself admitted the difference was minor" and that this "does not justify rejection of Staff's method." Staff's replies to exceptions, p. 30 (citing I&M's initial brief, p. 251). Given the above, the Staff argues that the ALJ's recommendation on this issue should be adopted by the Commission.

For more than 50 years, the Commission has found that the customer service charge should be "limited to those costs associated directly with supplying service to [the] customer. Only costs associated with metering, the service lateral, and customer billing are includable since these are the costs that are directly incurred as the result of a customer's connection to the gas system." January 18, 1974 order in Case No. U-4331, p. 2. While Case No. U-4331 involved a gas case, the Commission soon thereafter included the same logic as part of the standard filing requirements for

electric utilities, stating that "[s]pecific distribution plant such as meters and service drops used exclusively for a given customer shall be treated as customer related. All other distribution plant shall be treated as demand related." May 10, 1976 order in Case No. U-4771, p. 30. As the Staff pointed out, I&M's proposed customer charge "includes costs inappropriate for inclusion in the customer charge." Staff's initial brief, p. 110 (citing 6 Tr 2263-2264). The Commission agrees, and specifically adopts Staff witness Nicholas Revere's testimony relating to the appropriate methodology for determining the appropriate customer charge:

> The first step in calculating the customer charges is to determine the costs appropriate for inclusion in the customer charge for each rate. Costs appropriate for inclusion in the customer charge include expenses incurred from customer installs, meters, customer accounts (excluding uncollectible accounts), customer service and information (excluding sales expenses), depreciation and amortization expense corresponding to meters and services in rate base, return on meters and services in rate base, and finally, property tax on meters and services in rate base. Once the appropriate cost has been calculated, the customer charge for each rate is derived by dividing the appropriate cost for that rate by the number of customer bills in that rate during the test year.

6 Tr 2262-2263.

While finding that the Staff's basic framework is supported on the record and by Commission precedent, the Commission also finds that it may be appropriate to adjust customer charges based on actual data. More specifically, with respect to the RES, GS-SEC, WSS-SEC, WSS-PRI, and Total EHS customer charges, the Commission finds that the Staff's calculations support a slight increase in the appropriate charge, consistent with the Staff's recommendation that, "[i]f Staff's customer charge is more than the current customer charge, but less than the Company's proposed customer charge, Staff's customer charge should be adopted." 6 Tr 2265. In addition, the Commission finds that the Staff's calculations support a slight reduction in the customer charges for LP-PRI and Total MS charges. With regard to I&M's contentions regarding the Staff's error referencing number of customers rather than bills in its calculation, the Commission agrees and

finds that the data on the record supports an adjustment to the Staff's calculations to divide by the number of bills for each class. As such, the Commission approves the customer charges as reflected below:

	Current Charge	Commission Approved
Res	$7.25	$7.58
GS-SEC	$6.25	$8.36
GS-PRI	$165.00	$165.00
GS-SUB	$165.00	$165.00
LGS-SEC	$44.00	$44.00
LGS-PRI	$207.00	$207.00
LP-PRI	$259.00	$250.00
LGS-SUB	$207.00	$207.00
LP-SUB	$880.00	$880.00
LP-TRA	$880.00	$880.00
Total MS	$25.15	$25.15
WSS-SEC	$14.00	$14.08
WSS-PRI	$64.00	$65.13
Total EHS	$25.15	$26.23
Total IS	$0.00	$0.00
Total SL	$16.58	$16.58

XI. TARIFF ISSUES

A. PowerPay Program Tariff

I&M proposed implementing its planned PowerPay program by amending the company's existing tariff. I&M's initial brief, p. 252. In response to this proposal, the Staff argued that because the tariff would be the blueprint for how the program was structured, the tariff should precisely detail the elements for how to run the program. 6 Tr 2142. The Staff, in turn, proposed several changes to I&M's proposed PowerPay program tariff. Staff's initial brief, pp. 63, 66 (citing 6 Tr 2142-2143).

In rebuttal, I&M agreed with many of the Staff's proposed changes but disagreed with two proposed changes to the tariff's "Availability of Service" section regarding eligibility and a

proposed change to the "Terms and Conditions" section regarding the company's validation of the form of communication with customers. I&M's initial brief, p. 253.

The ALJ found that, should the Commission adopt the recommendation to disallow all expenses related to the PowerPay program, the parties' disputes regarding changes to the PowerPay tariff would be moot. PFD, p. 353. Alternatively, the ALJ recommended that all the Staff's proposed changes to the PowerPay tariff should be implemented based on the reasoning provided in the Staff's testimony. *Id*. (citing 6 Tr 2142-2144).

No party filed exceptions on this issue.

As set forth above in Part V, Section 6 of this order, the Commission has agreed with the ALJ's recommendation to disallow all capital expenditures related to the PowerPay program. Accordingly, the Commission finds that the issues regarding the PowerPay program tariff are moot, and the tariff is not approved.

B. Advanced Metering Infrastructure Opt-Out Reconnection Fees and Pole Reconnection Charges

I&M provided testimony that the company's AMI opt-out reconnection fees are "one-time fees a customer can be assessed for reconnection of their service, a trip to their premises, meter testing, or when a payment has been made from an account with insufficient funds. 3 TR 388." I&M's initial brief, p. 254.

Due to an erroneous calculation by the company, the Staff proposed to change the fees for after hours and Saturdays to $112 (as opposed to $131) and for Sundays and holidays to $221 (as opposed to $267). 6 Tr 2132-2133.

In rebuttal, I&M agreed with the Staff's proposed changes to the AMI opt-out reconnection fees and further noted that two reconnect-at-pole charges were also impacted by the miscalculation

and should be changed. I&M's initial brief, p. 254. The company stated that it had filed a revised exhibit on January 3, 2024, to document these corrections. *Id*.

Based on I&M's response, the ALJ found that the issue had been resolved and recommended that the Commission accept the Staff's proposed rates. PFD, p. 354.

No parties filed exceptions on this issue.

The Commission finds the ALJ's recommendation well-reasoned and supported by the record and, therefore, adopts the ALJ's recommendation that the Staff's proposed changes to AMI opt-out reconnection fees be accepted.

C. Contribution In Aid of Construction Line Extension Charge

Noting that the company last updated its contribution in aid of construction (CIAC) line extension charges in 2018, CUB argued that I&M's CIAC rates were misaligned with actual costs. CUB's initial brief, pp. 62-63. CUB asserted that I&M's failure to update CIAC line extension rates in accordance with the Commission's order in Case No. U-18370 (the last time these rates were updated) amounted to an indirect and unjustified rate increase. *Id*., p. 63. As a result, CUB proposed that the Commission adopt a schedule of increases for I&M's underground and overhead line extension rates based on CUB's calculations. *Id*., pp. 63-64.

In rebuttal, I&M disputed CUB's characterization that the Commission's order in Case No. U-18370 required the company to make additional filings to gradually update its CIAC line extension rates and that I&M's failure to update these rates resulted in a rate increase. I&M's reply brief, p. 95. The company also objected to the adoption of CUB's proposed rate increase schedule and instead argued that an analysis of the company's CIAC line extension rates was needed before rates should be modified. *Id*.

The ALJ found that the Commission did not order I&M to gradually increase the company's CIAC line extension rates in Case No. U-18370 but agreed with CUB's arguments that the CIAC line extension rates are outdated and should be updated. PFD, p. 356. Accordingly, the ALJ recommended that the Commission require I&M to present an analysis of the company's CIAC line extension rates in its next rate case and that the analysis include a proposal to phase-in rates over a period of time. *Id*.

No party filed exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD. The Commission, therefore, directs I&M to present an analysis of the company's CIAC line extension rates in its next general rate case and to include in its analysis a proposal to phase-in rates over a period of time to bring charges in line with actual costs.

D. Removal of Time-of-Use Pricing Period from Critical Peak Pricing Rate

I&M proposed modifying the company's existing residential service (RS) critical peak pricing (CPP) tariff and general services (GS) CPP tariff. I&M's initial brief, pp. 257-258. The current tariffs include winter and summer rates, as well as time-of-use (TOU) pricing for summer rates designated by low, medium, and high-cost hours. *Id*., p. 257. I&M, in turn, proposed simplifying the tariffs to remove TOU rates and to include only a monthly service charge, a critical peak hours energy charge, and an "all other hours" charge. *Id*. According to I&M, simplification of the tariffs was driven by feedback received from customer service representatives who reflected that customers wanted rate schedules that were easier to understand. *Id*.

Both the Staff and CUB objected to I&M's proposed modification and argued that elimination of TOU pricing would be a step in the wrong direction that would not reflect the temporal variation in the cost of providing electricity. Staff's initial brief, p. 115; CUB's initial brief, p. 28.

The Staff further argued that TOU pricing is not complicated and is common across utilities, including other utilities in Michigan. Staff's initial brief, p. 115. Additionally, as the Staff was unable to design CPP rates due to issues with I&M's rate design model, the Staff proposed requiring I&M to "file an application to amend the current rates to be revenue-neutral to rate RS within 60 days of the final order in the instant case." *Id*.

CUB argued that removal of TOU pricing would be inconsistent with the company's past and proposed investments in new technology and proposed that the Commission require I&M to develop a plan to better educate its customers on how to use TOU rates. CUB's initial brief, pp. 29-30.

In rebuttal, I&M reiterated the company's belief that, given the feedback received from the company's customer service representatives, the best approach was to eliminate TOU pricing to simplify the tariff for customers. I&M's reply brief, pp. 95-96. However, I&M acknowledged the Staff's and CUB's objections and stated that "in an effort to continue to offer a variety of time-base rate schedules that utilize the benefit of having access to AMI data – the Company will withdraw the request to modify Tariff RS and GS CPP upon an order to do so." *Id*., p. 96.

The ALJ agreed with the Staff and CUB and recommended that I&M's proposal to remove TOU pricing from its CPP rates be rejected. PFD, p. 359. According to the ALJ, simplification of the RS and GS CPP tariffs would be inconsistent with I&M's past and current justifications for investing in new technology. *Id*. Additionally, the ALJ found that I&M failed to present any convincing evidence that the company's current CPP tariffs were too confusing; however, the ALJ did not find it necessary to require I&M to develop a corrective action plan as recommended by CUB to better educate the company's customers. *Id*., pp. 359-360. Finally, as I&M failed to

respond to the Staff's proposal to require I&M to file an application to amend its CPP rates to be revenue-neutral, the ALJ recommended that the Staff's proposal be adopted. *Id*., p. 360.

No party filed exceptions on this issue.

Having reviewed the record and the parties' arguments, the Commission finds the ALJ's recommendations to be well-reasoned and supported by the record. The Commission agrees that I&M's proposal to remove of TOU pricing would be a step in the wrong direction and further is not persuaded that I&M's TOU pricing is too confusing for its customers. Accordingly, the Commission adopts the PFD. Additionally, finding that no party filed exceptions to the ALJ's recommendations, the Commission directs I&M to file an application to amend the current rates to be revenue-neutral to rate RS within 60 days of this order.

E. Distributed Generation 2 Rider

In its application, I&M proposed changes to the company's DG program and requested approval of a new DG tariff (DG 2 Rider) that would be available to certain DG customers who were ineligible for the company's existing DG tariff (existing DG Rider). Application, p. 7. Specifically, I&M provided testimony that it notified the Commission that the company's existing DG Rider had reached statutory size limits[18] allotted for customers with an "eligible electric generator" capable of generating 20 kilowatts or less (category 1 customers) and that, consequently, the company would no longer be accepting new category 1 customers into the existing DG Rider as of May 15, 2023. *See*, 6 Tr 1988-1989. I&M, in turn, placed category 1 customers who applied for the existing DG Rider after May 15, 2023, into the company's

[18] Section 173(3) of Public Act 342 of 2016 provided that an electric utility was "not required to allow for a distributed generation program that [was] greater than 1% of [the utility's] average in-state peak load for the preceding 5 calendar years." Of the 1% limit established, no more than 0.5% could be allocated for category 1 customers. Section 173(3)(a) of Public Act 342 of 2016.

Cogeneration and/or Small Power Production Service (COGEN/SPP) tariff. I&M's initial brief, p. 259, n. 39. As a result, I&M sought approval of the DG 2 Rider for new category 1 customers that would pay a market-based rate for excess generation. *See*, I&M's initial brief, p. 258; *see also*, PFD, p. 361.

After I&M filed its application, Public Act 235 of 2023 (Act 235), MCL 460.1001 *et seq*., was enacted and became effective on February 27, 2024. Importantly, Act 235 modifies the statutory size limits previously applicable to DG programs by increasing DG program capacity to 10% of a utility's average in-state peak load for the preceding five calendar years and increasing the number of category 1 customers that may participate in a DG program by mandating that not less than half of the 10% limit be allocated to category 1 customers. MCL 460.1173(3)(a). Additionally, Act 235 provides that "[c]redits for outflow must reflect cost of service" and removes the requirement that certain DG customers have generation meters installed. MCL 460.1173(7); MCL-460.1177.

The Staff, CUB, the CEOs, and MEIU objected to the DG 2 Rider because it did not comply with the requirements of Act 235. Staff's initial brief, pp. 129-130; CUB's initial brief, p. 32; CEO's initial brief, pp. 3-4; MEIU's initial brief, pp. 16-17. Additionally, CUB objected to I&M's practice of placing category 1 customers who applied for the existing DG Rider after May 15, 2023, into the COGEN/SPP tariff because Act 235 amended the statutory cap for category 1 customers and there was no basis to treat category 1 customers who applied after May 15, 2023, differently than customers on the existing DG Rider. CUB's initial brief, pp. 31-32. According to CUB, the only way for I&M to be in compliance with Act 235 was by offering outflow rates to customers based on cost of service. *Id*., p. 32. Accordingly, CUB proposed that I&M be required to automatically move category 1 customers from the

COGEN/SPP tariff to the existing DG Rider and retroactively compensate those customers for the difference in outflow rates between the COGEN/SPP tariff and the existing DG Rider. *Id*., p. 33.

Similarly, the CEOs and MEIU argued that I&M was violating Act 235 by failing to open the company's existing DG Rider to new category 1 customers and failing to provide an outflow rate that reflects cost of service. CEO's initial brief, pp. 3-4; MEIU's initial brief, pp. 4-6. As a result, the CEOs and MEIU proposed that I&M should be required to immediately reopen its existing DG Rider, transfer category 1 customers on the COGEN/SPP tariff to the existing DG Rider, and conform the company's existing DG Rider to the requirements of Act 235. CEO's initial brief, pp. 3-4; MEIU's initial brief, pp. 4-10.

CUB and MEIU also argued that Act 235 modified the size of "eligible electric generators" to include systems larger than 550 kW (LEEGs). In turn, CUB and MEIU proposed that the Commission require I&M to modify the company's existing DG Rider to permit LEEGs to participate in the company's DG program. CUB's initial brief, pp. 34-38; MEIU's initial brief, pp. 10-13.

In rebuttal, I&M acknowledged the other parties' objections to the DG 2 Rider and committed to modifying the company's existing DG Rider to comply with the requirements of Act 235. I&M's reply brief, p. 96. However, the company maintained that it would be premature to modify the existing DG Rider in this case and that such a modification would be more appropriate in a separate proceeding after the Commission has issued guidance on the implementation of Act 235. *Id*. The Staff also objected to CUB's and MEIU's proposal that the Commission permit LEEGs to participate in the company's DG program and argued that interpretation of Act 235's provisions regarding system sizing did not create a new category of eligible electric generators for LEEGs. Staff's amended reply brief, pp. 33-35.

The ALJ agreed with the objecting parties and recommended that the DG 2 Rider should be rejected because it does not comply with the requirements of Act 235 or the Commission's finding that credit for energy returned to the grid is cost-based. PFD, p. 377. The ALJ also recommended that the Commission direct I&M to initiate a separate, expedited proceeding to apply for a new DG tariff that complies with Act 235 and to enroll new customers in the company's existing DG Rider until the Commission approves a new DG tariff. *Id*., pp. 377-378. Additionally, the ALJ found that DG customers taking service under the company's COGEN/SPP tariff should be transferred to the existing DG Rider and that I&M should retroactively compensate those customers that remained under the COGEN/SPP tariff after February 27, 2024, an amount equal to what they would have received under the existing DG Rider during the interim period until those customers are transferred. *Id*., p. 378. Finally, the ALJ found that issues concerning the appropriate outflow credit should be deferred to another proceeding and that it would not be prudent for the Commission to decide system sizing and generation meter requirements in this matter as the Commission has already opened a docket for these issues in Case No. U-21569. *Id*.

In exceptions, I&M reiterates the company's commitment to modify its existing DG Rider in a separate proceeding to comply with the requirements of Act 235 and maintains that it would be premature to address specific issues associated with the existing DG Rider in this matter. I&M's exceptions, pp. 86-87. Additionally, I&M disagrees with the ALJ's recommendation regarding retroactively compensating DG customers on the COGEN/SPP tariff and argues that this issue should also be addressed in a separate proceeding after the Commission provides further guidance on the implementation of Act 235. *Id*.

Conversely, MEIU takes exception with the ALJ's recommendation to require I&M to initiate a separate proceeding to address the existing DG Rider's compliance with Act 235. MEIU's

exceptions, pp. 2-3. According to MEIU, addressing these issues in a separate proceeding will cause undue delay and a waste of resources. *Id*., p. 3. Further, MEIU argues that these issues require purely legal determinations that the Commission could decide in this matter with the benefit of a full record. *Id*., p. 4.

In replies to exceptions, I&M maintains its position that issues associated with a new DG tariff should be addressed in a separate proceeding and through Case No. U-21569. I&M's replies to exceptions, p. 34. MEIU, however, continues to aver that the Commission should resolve the legal issues regarding the company's compliance with Act 235 in this proceeding. MEIU's replies to exceptions, p. 3. MEIU also maintains that I&M has no colorable basis on which to dispute the company's obligations to retroactively compensate category 1 customers who were kept on the COGEN/SPP tariff. *Id*., pp. 3-4. The Staff also filed replies to exceptions wherein they argue that there is an insufficient record upon which to determine all DG issues. Staff's replies to exceptions, pp. 28-29.

The Commission finds the ALJ's recommendations to be well-reasoned and supported by the record. The Commission agrees that the DG 2 Rider should be rejected because it does not comply with the requirements of Act 235. Accordingly, the Commission directs I&M to initiate a separate proceeding to apply for a new DG tariff that complies with Act 235 and to request expedited review of that application. The Company shall initiate the separate proceeding in accordance with the Commission's forthcoming order in Case No. U-21569. Additionally, the Commission agrees that, as of February 27, 2024, I&M had no legal basis to restrict enrollment of category 1 customers to the existing DG tariff. As a result, the Commission directs I&M to immediately transfer any eligible DG customer under the COGEN/SPP tariff to the existing DG tariff until such time that a new DG tariff is approved. Further, the Commission directs I&M to

retroactively compensate any DG customer that remained under the COGEN/SPP tariff after February 27, 2024, the total compensation that customer would have received under the existing DG tariff during the interim period of time until that customer is transferred to the existing DG tariff. Finally, the Commission finds that issues concerning appropriate outflow credits, system sizing, and generation meters are more appropriately suited for other proceedings, including Case No. U-21569.

F. Economic Development Rider

I&M's current Economic Development Rider (EDR) tariff is set to expire with the issuance of the order in this case. *See*, November 19, 2020 order in Case No. U-20902. As a result, I&M proposed to replace the EDR tariff with a new EDR 2 tariff that would be available to the company's commercial and industrial customers who meet certain requirements. I&M's initial brief, pp. 259, 263. According to I&M, the new EDR 2 tariff will, among other things:

> better align economic development credits to reflect the change in I&M's capacity and generation capacity…; help the Company avoid a situation where the incremental cost to serve the customer is greater than the customer rate with the EDR 2 credit; and address the Company's concerns with uncertain permanence of load and/or life of operation due to the ability of certain customers to relocate quickly in response to short-term economic signals and/or portable load.

Id., p. 262.

The Staff proposed that current EDR tariff customers be permitted to finish their existing contracts but opposed the newly proposed EDR 2 tariff. Staff's initial brief, pp. 107-108. According to the Staff, economic development is not a core utility function, and it would be inappropriate for I&M to engage in such development when the costs of development were included in rates. *Id*., p. 108. Alternatively, if the Commission determined that an economic rider was appropriate, the Staff proposed that the rate recovery of any discounts associated with the EDR 2 tariff be subject to the same rules as special contract discounts. *Id*., p. 109. Specifically,

the Staff proposed that I&M be required to demonstrate why ratepayers should bear the cost of any discount and require an:

> unequivocal demonstration either (1) that the contract prices and terms are justified on the basis of cost of service, or (2) that the benefits for other (non-participating) customers are substantial and have a value that outweighs the costs that are not recovered from the contract customers. Either showing would require support from a cost of-service study that identified and quantifies all costs incurred under the contracts.

Id., p. 109 (quoting the March 23, 1995 order in Case No. U-10640, p. 21).

Energy Michigan also took issue with the EDR 2 tariff and argued that the tariff did not address all four components of incremental costs associated with an incentive rate. Energy Michigan's initial brief, p. 2. Specifically, Energy Michigan argued that the EDR 2 tariff only excluded fuel costs from a customer's proposed discount and failed to consider costs associated with transmission, capacity, and distribution facilities. *Id*. As a result, Energy Michigan proposed language changes to the EDR 2 tariff to clarify that a customer's total non-PSCR bill is subject to the discount. *Id*., p. 3. Energy Michigan also argued that the incremental cost of capacity should be specifically excluded from the portion of a customer's bill to which the EDR 2 tariff discount applies and proposed using the clearing price in PJM's Base Residual Auction as a reasonable incremental cost of capacity. *Id*., pp. 3-4.

In rebuttal, I&M disagreed with the Staff that economic development was not a utility function and asserted that the company's economic development efforts had already resulted in significant growth in both jobs and capital investment in the company's service territory. I&M's reply brief, pp. 96-97. The company also stated that the Staff's proposal to apply the same rules as special contracts was unwarranted given I&M's small customer base in Michigan. *Id*., p. 97. Additionally, I&M stated that Energy Michigan's concerns regarding the exclusion of fuel costs were already being addressed because billing associated with PSCR base is already excluded from

EDR customers' total non-fuel bill. *Id*., pp. 97-98. I&M further disagreed with Energy Michigan's proposal to use the PJM Base Residual Auction as a cost for capacity given that price's volatility and inability to represent the cost of capacity provided by long-lived assets. *Id*., p. 98.

The Staff maintained its position that economic development is not a function of utilities. Staff's amended reply brief, pp. 30-31. In support of this position, the Staff noted that the cases where the Commission has authorized economic development for other utilities are distinguishable given the exceptionally large and unique customers associated with those cases, which include loads above 35 megawatts (MW) and 50 MW (compared to the EDR 2 tariff's applicability to loads as small as 200 kW). *Id*., p. 31. Energy Michigan also maintained its position that changes to the EDR 2 tariff were necessary to clearly exclude incremental capacity costs from the tariff's discount. Energy Michigan's reply brief, p. 4.

The ALJ found the Staff's arguments to be persuasive and agreed that it is not a utility's role to foster economic development. PFD, p. 402. The ALJ found that cases where the Commission has approved economic development tariffs involved much larger potential loads than those associated with EDR 2 and were, therefore, distinguishable. *Id*. Further, the ALJ found that I&M had not shown that benefits to ratepayers would outweigh the cost of servicing the discounted customers under EDR 2. As a result, the ALJ recommended that the Commission reject the EDR 2 tariff. *Id*., pp. 402-403. Alternatively, in the event the Commission approved EDR 2, the ALJ agreed with the Staff and Energy Michigan and recommended that the Commission require that the rate recovery for the discounts associated with EDR 2 be subject to the same rules as special contracts and that the language of the tariff be modified to clearly exclude capacity costs from EDR 2's discount. *Id*., p. 403.

In exceptions, I&M disagrees with the ALJ's recommendation to reject the EDR 2 tariff and urges the Commission to deem the ALJ's recommendation as "short-sighted" and inconsistent with prior Commission precedent for the reasons previously stated in the company's testimony, exhibits, and briefs. I&M's exceptions, pp. 89-90.

In reply, the Staff relies on the reasoning presented in the PFD and the Staff's briefing to propose adoption of the ALJ's recommendation on this issue. Staff's replies to exceptions, pp. 30-31.

The Commission finds the ALJ's recommendation to be well-reasoned and supported by the record. The Commission agrees with the ALJ's finding that the other cases where the Commission has approved economic development tariffs are distinguishable from this matter given the vast discrepancy between potential loads associated with the proposed EDR 2. The Commission, therefore, adopts the PFD on this issue, including rejection of the proposed EDR 2 tariff and closure of the current EDR tariff to new load.

G. Tax Rider

I&M also requested authority to establish a new tax rider. I&M's initial brief, p. 270. I&M proposed that the initial tax rider would provide a credit associated with unprotected ADFIT that resulted from the TCJA, PL 115-97. *Id*., pp. 270-271. I&M also sought approval to use the tax rider to timely reflect potential net benefits realized from the Inflation Reduction Act of 2022 (IRA), PL 117-169. *Id*., p. 271. Specifically, the company proposed including the IRA's Nuclear

Production Tax Credits (PTCs)[19] and incremental expenses from the Corporate Alternative Minimum Tax (CAMT)[20] in the tax rider. *Id*., p. 272. According to I&M, the charges and credits "are best tracked through a rider because the level of CAMT and PTC credits are potentially significant, variable, or volatile, and are driven by federal tax policies largely outside of the Company's control, which are factors often evaluated in the context of tracking revenues and expenses through rider mechanisms." *Id*., p. 273.

The Staff supported the flow of unprotected excess ADFIT to ratepayers via the tax rider but proposed to discontinue the tax rider once the ADFIT was completely amortized. Staff's initial brief, p. 98. Additionally, the Staff believed that I&M could reasonably forecast a potential CAMT and, therefore, proposed that CAMT be incorporated as a component of projected federal income tax (FIT) expense in future rate cases. *Id*., pp. 98-99. Finally, the Staff proposed that PTCs be applied as a reduction of PSCR expense instead of a tax expense in base rates to align with the treatment the Staff and DTE Electric Company (DTE Electric) proposed in Case No. U-21297. *Id*.

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[19] As the company explained, "the IRA enacted a Nuclear Production Tax Credit ('PTC') under IRC [Internal Revenue Code] §45U that is available with respect to existing nuclear plants for electricity produced and sold for taxable years beginning after December 31, 2023 and before December 31, 2032." I&M's initial brief, pp. 271-272. I&M's Cook plant qualifies for the PTC, and the company is awaiting Internal Revenue Service guidance to quantify the credit. *Id*., p. 272.

[20] As the company explained,

> the CAMT is a provision of the IRA that imposes a 15% minimum tax on the AFSI [adjusted financial statement income] of applicable corporations (such as I&M) and is effective for tax years beginning after 2022. 5 TR 1419. The amount of CAMT paid is the excess of the computed tentative minimum tax for the taxable year over the regular income tax liability.

I&M's initial brief, p. 271. Although I&M calculated a CAMT of $0 for the 2024 test year, the company anticipated CAMT in the future. *Id*., p. 271.

In rebuttal, I&M maintained that a tax rider was a reasonable mechanism to handle potential CAMT and argued that the Staff's rationale for handling PTCs similarly to the treatment used in Case No. U-21297 was an insufficient justification for excluding PTCs as a tax expense in base rates. I&M's reply brief, p. 98.

The ALJ agreed with the Staff that the proposed tax rider is appropriate to amortize ADFIT and should then be discontinued. PFD, p. 407. The ALJ found that any future PTCs can be handled in the PSCR and that any future CAMT can be treated in future rate cases as a component of projected FIT. *Id*.

In exceptions, I&M continues to maintain that the Staff's rationale for handling PTCs is insufficient and that the proposed tax rider is a reasonable mechanism. I&M's exceptions, p. 90.

The Staff did not reply to I&M's exceptions on this issue.

Finding the ALJ's recommendation to be well-reasoned and supported by the record, the Commission adopts the PFD.

XII. OTHER ISSUES

A. Net Lost Revenue Tracker

In the April 12 order, the Commission approved a net lost revenue tracker (NLRT) to permit I&M to recover lost revenues that resulted from "'implementation of energy waste reduction [EWR] conservation, demand-side [management] programs, and other waste reduction measures.'" April 12 order, p. 76 (quoting I&M's initial brief in Case No. U-18370, p. 87). In that case, the Staff initially objected that the NLRT was basically a revenue decoupling mechanism (RDM) and would permit the company to recover revenue even if revenues increase as a result of other sales. April 12 order, p. 76 (citing the Staff's reply brief in Case No. U-18370, p. 58). Thus, the Staff proposed that there be a multi-step calculation to set a threshold

requirement in order to use the NLRT and that total cumulative net lost revenues recovered by the NLRT be limited to 3%. April 12 order, p. 76 (citing I&M's initial brief in Case No. U-18370, p. 88). The Staff stated that the cap would protect customers from price variables and prevent the company from excessive recovery. April 12 order, pp. 76, 78. In Case No. U-18370, the ALJ recommended that the Staff's proposal be approved, noting that the NLRT would end when the company filed its next rate case at which time it would need to file an updated RDM. *See*, *id*., p. 77. In that case, I&M then argued that the Staff's proposal is not required by MCL 460.6a(13),[21] that a cap on recoverable lost revenues would incentivize I&M to file a new rate case, and that renewing the NLRT was burdensome. *Id*. (citing I&M's exceptions in Case No. U-18370, p. 36). In addition, I&M argued that the Staff's proposal was overly complicated because the company would be required to consider revenues from other sources. *See*, April 12 order, pp. 77-78.

In the April 12 order, the Commission approved the Staff's proposal and stated:

> [t]he Staff's proposed RDM mechanism calculates the portion of overall revenue loss attributable to EWR programs. Only sales losses attributable to EWR program savings are eligible for recovery in the RDM and only if I&M achieves Act 341's [Public Act 341 of 2016's] minimum annual incremental energy savings. Also, as argued by the Staff, a cap is necessary to protect customers from significant price variability and to ensure that the mechanism does not amass excessive amounts. The Commission finds that the Staff's proposed RDM is limited in scope, eliminates the company's disincentive to offer EWR programs, appropriately complies with Act 341, and ensures that ratepayers are charged a reasonable amount only when there is a shortfall.

April 12 order, p. 78; *see also*, PFD in Case No. U-21461, p. 408.

[21] MCL 460.6a(13) addresses the Commission's authority to develop alternative RDMs to those set forth in MCL 460.6a(12). The Staff argued that MCL 460.6a(13) "supports mechanisms which aggregate revenues and allow for recovery only if overall revenue is lost." April 12 order, p. 77.

In the instant case, I&M proposed two changes to the NLRT as approved in the April 12 order: (1) that "the tracker be modified to determine eligible net lost revenues based solely upon the actual throughput impacts of mandated energy waste [reduction] programs by adjusting for annual verified incremental energy reductions (i.e., actual lost kWh sales)[,]" and (2) "eliminate the 3% cap on net lost revenue recovery." 5 Tr 1475. I&M argued that its first proposal simplifies the NLRT and "ensures EWR investments are competitive with supply side investments" by eliminating the requirement to "prove that actual sales have declined from projected sales levels used to set final rates from this case." 5 Tr 1475. I&M argued that its second proposal would eliminate the "arbitrary" 3% cap and "would request customers to pay for actual lost revenues based on EWR program performance in-between general rate case historic[al] test years for a maximum of three years." 5 Tr 1475. I&M asserted that, as is, the NLRT makes investing in supply-side resources more attractive than investing in EWR resources because "any of the benefit I&M would have otherwise received from favorable weather or load growth is offset by lost fixed cost recovery associated with EWR programs[.]" 5 Tr 1476. I&M further argued that elimination of the 3% cap would allow for "symmetry" of recovery when the company has lost fixed cost recovery in addition to lost revenue due to EWR because both losses would be recoverable through the tracker. 5 Tr 1476.

The Staff opposed I&M's proposed changes to the current NLRT because the tracker must be based on actual declining sales from the sales projection used to set rates due to EWR rather than, as I&M proposes, due to incremental energy reductions. *See*, 6 Tr 2324-2325. The Staff quoted a portion of MCL 460.6a(12) which states that "an appropriate revenue decoupling mechanism 'adjusts for decreases in actual sales compared to the projected levels used in that utility's most recent rate case that are the result of implemented' energy waste reduction, conservation, demand-

side programs, and other waste reduction measures[.]" *See*, 6 Tr 2325; *see also*, MCL 460.6a(12). Noting that the 3% cap is double the 1.5% energy consumption reduction goal that I&M implements to qualify for an EWR financial incentive, the Staff argued that a 3% cap is adequate, in the short term, to recover lost revenues due to EWR measures that the company has implemented. 6 Tr 2325. The Staff recommended that the Commission approve the same NLRT as was approved in the April 12 order. 6 Tr 2326.

The Attorney General argued that the Commission has no authority to implement an RDM for electric utilities, citing *In re Application of Detroit Edison Co to Increase Rates*, unpublished per curiam opinion of the Court of Appeals, issued [month, day,] 2015 (Docket No. 319194). *See*, 6 Tr 2523. The Staff rebutted, arguing that the Michigan Court of Appeals opinion cited by the Attorney General was decided before the enactment of Public Act 341 of 2016 (Act 341) which includes MCL 460.6a(12) and (13) that authorize the Commission to permit implementation of an RDM. 6 Tr 2329.

CUB argued that "[t]he combination of these two changes [proposed by I&M] would allow for a surcharge even when load increases above rate case projected sales due to weather, economic conditions, or other factors, and would allow for an unlimited level of lost revenue recovery between rate cases." 3 Tr 227; CUB's initial brief, p. 54. CUB further argued that I&M's proposed changes would not result in an "appropriate" RDM as required by MCL 460.6a(12). 3 Tr 227-228. CUB recommended that the Commission reject I&M's proposed changes and continue the current NLRT. 3 Tr 229.

I&M rebutted that the Staff's and CUB's positions are "overly broad and result in revenue impairment to the Company." 5 Tr 1505. The company explained that it does not seek to include sales decreases from reasons other than EWR, stating that "[t]he full impact [of EWR sales

reductions] on total lost sales is then built from the ground up and then aggregated into a total annual impact from all EWR measures implemented by I&M's EWR participants. This process produces consistency with actual sales[.]" 5 Tr 1506. The company further argued that its proposals are consistent with MCL 460.6a(12). 5 Tr 1506. I&M asserted that "[t]he Company is harmed when it is not made whole through timely fixed cost recovery for assets used to provide the electricity service that customers would have received absent the Company's mandated EWR programs." 5 Tr 1507.

The ALJ rejected the Attorney General's claim that the Commission does not have authority to implement an NLRT, citing MCL 460.6a(12) which explicitly provides for that authority. The ALJ also rejected I&M's proposed changes to the NLRT, stating that under I&M's proposed modifications, the company "'would no longer be required to demonstrate that actual sales have declined from projected sales levels used to set final rates from this case[ ]'" and that, "[i]n practice, I&M could impose a surcharge even when its revenues have increased through other sales[ ]" which would be inconsistent with MCL 460.6a(12). PFD, pp. 419-420 (quoting 5 Tr 1475). The ALJ stated that "there is little disincentive to offer EWR programs when the Company's sales have not decreased, a factor the Commission considered in adopting the current NLRT." PFD, p. 420 (citing 6 Tr 2325 and April 12 order, p. 78). Furthermore, the ALJ was not persuaded that I&M has suffered financial harm or a change in circumstances to justify ending the 3% cap, noting CUB's observation that the Commission may consider the issue again in future rate cases. PFD, p. 420. Finally, the ALJ stated that "[t]o the extent sales losses are not the 'result of implemented energy waste reduction, conservation, demand-side programs, and other waste reduction measures,' they cannot be recovered under MCL 460.6a(12)." *Id*.

No party filed exceptions on the NLRT.

The Commission finds the ALJ's analysis and recommendation in the matter to be supported in the record and reasonable. Accordingly, the Commission, for the reasons stated in the PFD, adopts the ALJ's recommendation that the NLRT tracker remain as approved in the April 12 order and rejects I&M's proposed modifications.

B. Outage Credits

I&M proposed to "defer outage credits when the outage was caused by customer negligence or the transmission system operator, among other limited circumstances." 6 Tr 1982. The company explained that it would be reasonable and consistent with the November 18 order to defer the costs for outages from falling trees from outside the right of way, public interference, customer negligence such as failure to keep line clearance and service entrance cable to the meter free from vegetation, and outages caused by the transmission system operator. I&M suggested that the deferred costs could be reviewed in future rate cases for reasonableness and prudency. 6 Tr 1982-1983.

First, the Staff noted that it had not worked with DTE Electric to fully develop the Staff's outage credit proposal after the November 18 order was issued because the utility had informed the Staff it would not seek cost recovery for outage credits in its next rate case (Case No. U-21297) rendering the full development unnecessary. 6 Tr 2340; *see also*, November 18 order, p. 484, ordering paragraph O. The Staff noted that Consumers Energy Company did not request recovery of outage credits in its rate case, Case No. U-21389. 6 Tr 2341.

Next, related to the Commission's Service Quality and Reliability Standards for Electric Distribution Systems (SQRS), Mich Admin Code, R 460.744 and R 460.745, the Staff testified that it supported recovery of outage credits paid under limited circumstances, specifically, outage credits paid due to outages caused by the transmission operator and customer negligence. The

Staff also stated that outage credits paid due to auto accidents, animal interference, or because the utility did not meet its deadline for restoration of service following a storm should not be recoverable as these are expected utility functions. 6 Tr 2341. However, in briefing, the Staff altered its recommendation based on testimony provided by CUB: (1) outages caused by the transmission system operator should not be recoverable, and (2) "the proposal no longer includes the term 'negligence', as this is a legal concept." Staff's initial brief, pp. 132-133; *see also*, 3 Tr 261, 263.

Finally, related to SQRS, Mich Admin Code, R 460.746, the Staff recommended that recovery of outage credits paid due to repetitive outages be recoverable only when the interruptions were caused by factors outside the utility's control, calculating that if only one of a series of six sustained outages are due to circumstances beyond the utility's control, then only 1/6 of the outage credits paid would be recoverable. 6 Tr 2341-2342.

CUB discussed DTE Electric's approach to outage credits, including CUB's opinion that "[t]he fact that DTE [Electric] removed all outage credits from O&M expenses is significant, as it shows an intent for the proposed regulatory asset treatment to be a full replacement, and not an adjunct recovery method," thus assuring that "deferred costs would be recoverable as a regulatory asset." 3 Tr 256. CUB pointed out that the outage credit proposal in the November 18 order was not fully developed and that "the Commission did not actually approve a workable regulatory asset deferral mechanism for DTE [Electric]." 3 Tr 258. CUB recommended that:

> the Commission reject any request for recovery of outage credits as O&M or other expenses, as the Company should either use the mechanism provided in the Service Quality and [Reliability] Standards for obtaining a waiver or exception where its inability to comply with the Standards is due to circumstances beyond its control, or itself bear the costs of paying credits where it has failed to meet the Standards without qualifying for a waiver or exception.

3 Tr 264; *see also*, 3 Tr 259-264.

The ALJ recommended the adoption of the Staff's amended outage credit recommendations as follows:

> 1. For service quality rules [Mich Admin Code], R 460.744 and R 460.745, I&M may recover from ratepayers outage credits that are paid due to A) outages that are outside the control of I&M to resolve, excluding an outage caused by the transmission system operator, and B) due to outages caused by a customer, including outages caused by a customer's failure to keep clear from vegetation the service line and the customer's service entrance cable to the meter. Outage credits paid due to a car hitting an I&M-owned pole, an animal damaging equipment, or trees falling from outside of the right of way, or credits paid after a storm or weather event may not be recovered from ratepayers.
>
> 2. For service quality rule [Mich Admin Code], R 460.746, I&M may recover from ratepayers outage credits that were paid due to sustained interruptions caused by factors outside of I&M's control.

PFD, p. 427.

The ALJ rejected I&M's proposal for recovery of outage credits for reasons other than those previously approved by the Commission, such as outages caused by trees falling from outside the right of way, auto accidents, and storms and, as indicated above, eliminated recovery for outages due to the transmission system operator. The ALJ was persuaded that restoring service during outages that occurred under these circumstances "is a function that is expected of the company." PFD, p. 428 (citing November 18 order, pp. 363-367).

The ALJ also rejected CUB's proposal that any request for recovery of outage credits as O&M or other expenses be denied, noting that "the Commission previously found that 'it is reasonable that the Company have the ability to recover outage credits when the outage was caused by [the] customer . . . among other limited circumstances."' PFD, p. 428 (citing November 18 order, pp. 367-368).

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendations in this matter to be supported in the record and well-reasoned. Further, the Commission reiterates that it is reasonable that the utility should have a limited ability to recover outage credits but emphasizes that the utility has a responsibility to timely restore electric service to its customers in all circumstances under the Service Quality and Reliability Standards for Electric Service. The Commission further states that customers are entitled to payment of an outage credit when the utility does not meet the required standards. *See*, November 18 order, p. 366. As such, the Commission adopts the ALJ's recommendations for the reasons stated in the PFD.

C. Nuclear Decommissioning Surcharge

I&M requested approval of its nuclear decommissioning trust fund surcharge. I&M's initial brief, p. 284. Auburn demonstrated that the fund is fully funded and its surcharge in Indiana is set to zero and recommended that the Commission set the Michigan surcharge to zero, as well. 3 Tr 294; Auburn's initial brief, pp. 1-4. In rebuttal and briefing, I&M agreed that this results in a disallowance of $1.31 million but argued that the issue should be revisited in future rate cases. 3 Tr 358; I&M's initial brief, p. 284. Thus, the ALJ stated that the matter is considered resolved and recommended that the Commission set the Michigan surcharge for I&M's nuclear decommissioning trust fund to zero. PFD, pp. 429-430.

No party filed exceptions on this matter.

The Commission finds the ALJ's analysis and reasoning in this matter to be supported in the record and reasonable. Accordingly, the Commission adopts the ALJ's recommendation that the Michigan surcharge for I&M's nuclear decommissioning trust fund be set to zero, resulting in a disallowance of $1,311,310, and agrees the issue may be revisited in a future rate case.

D. Electric Vehicle Charging Program

I&M proposed to continue its current electric vehicle (EV) charging program (IM Plugged In) and plans to expand the program in the future. *See*, 4 Tr 1188; 6 Tr 1984. The Staff supported maintaining the program's status quo but recommended that the company include a comprehensive EV plan, including a BCA in its transportation electrification plan in Case No. U-21538. 6 Tr 2364.

I&M rebutted that the company intends to comply with the Staff's recommendations but was concerned that parties to the instant case would automatically become parties to Case No. U-21538. 6 Tr 2020.

The ALJ found that there was no dispute related to the continuance of I&M's current EV program or of the deferral of associated costs. PFD, p. 431. The ALJ also recommended that the Commission direct I&M to file its transportation electrification plan (TEP) in Case No. U-21538, opining that it does not appear that any party to the instant case would become a party to Case No. U-21538. If a problem should arise, the issue may be dealt with in that proceeding.

No party filed exceptions to this issue.

The Commission finds that the ALJ's analysis and recommendations in this matter are supported in the record and well-reasoned. Accordingly, the Commission adopts the ALJ's recommendations for the reasons stated in the PFD, with the caveat that I&M's TEP to be filed in Case No. U-21538 should include the company's "comprehensive EV program proposal." PFD, p. 430.

E. Department of Energy Dry Cask Storage Accounting Request

The April 12 order approved deferred accounting authority for costs associated with the storage of spent nuclear fuel in stainless steel canisters which are then stored in dry concrete casks

at the Cook plant. The April 12 order indicated that I&M entered into a settlement agreement with the U.S. Department of Energy (DOE) in 2011 wherein the DOE is to reimburse the company for said costs through December 31, 2025. Since the date the settlement was entered into, the DOE has reimbursed I&M $209.2 million (about 97% of actual costs) for the cost of the dry cask storage at the Cook plant. I&M did not include dry cask storage costs in its projected test year costs because it anticipates that the DOE will reimburse these costs. Additionally, I&M requested to continue with deferred accounting authority should the DOE stop its reimbursements or if the reimbursed amount does not cover storage costs. 5 Tr 1841; 6 Tr 1984-1985; *see also*, I&M's initial brief, pp. 285-286 and April 12 order, pp. 284-286.

The ALJ noted that no party objected to this proposal and she recommended that the Commission continue to approve deferred accounting authority for dry cask storage expenses. PFD, p. 432.

No party filed exceptions on this issue.

The Commission finds that the ALJ's recommendation is supported in the record and is reasonable. Accordingly, the Commission adopts the ALJ's recommendation and approves deferred accounting authority for dry cask storage at the Cook plant to be reviewed in I&M's next rate case.

F. Effective Date of Rates after Commission Order

I&M proposed that new rates authorized in this case should be effective the date of the issuance of the final order. 6 Tr 1970. However, the Staff objected and stated that I&M presented no compelling reason for the rates becoming effective on the issuance date of the final order and that it would take more than one day to accurately input the new rate data into the company's system. The Staff recommended that the new rates be effective 14 calendar days after the issuance

of the final order so as to provide time for the parties to identify any errors to be filed in the docket prior to implementation of the rates. 6 Tr 2294. In briefing, I&M opposed the Staff's recommendation. I&M's initial brief, p. 292.

The ALJ found the Staff's recommendation to be reasonable and, in turn, recommended that the Commission adopt an effective date for the new rates of 14 calendar days following the issuance of the final order in this case. PFD, p. 434.

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendation to be reasonable and supported in the record. Furthermore, the Commission notes that the Court of Appeals has upheld the Commission's authority to make rates effective two weeks following the issuance of the final order in the case. *See*, *In Re Application of Indiana Michigan Power Co to Increase Rates*, 329 Mich App 397, 405; 942 NW2d 639 (2019). Accordingly, the Commission sets the effective date of the new rates to be July 15, 2024.

G. Proposals Raised in Briefing

The Staff objected to two proposals related to DG that the CEOs raised for the first time in briefing, i.e. that "the Commission should undertake a detailed study of the marginal value of added DG" in order to "drill down into the locational value of the DG," and "should direct a new study of the value of DG" in order to "ensure that the DG tariff is cost based and fairly and accurately compensates DG customers for the value they provide the grid." CEOs' initial brief, pp. 305-306; Staff's amended reply brief, p. 39. The Staff argued that not having been raised in the record, the proposals are unsupported and do not provide other parties the opportunity to properly respond. Additionally, the Staff remarked that distributed energy resource studies were

produced in Case No. U-20960 and that the CEOs and other parties could conduct such studies and offer the studies as evidence in future rate cases. Staff's amended reply brief, p. 39.

Additionally, the Staff objected to the recommendation by GLREA that the DG outflow calculation should include a distribution credit. GLREA's initial brief, pp. 1-2; Staff's amended reply brief, p. 40. The Staff argued that the proposal is unsupported in the record and that GLREA did not provide a calculation for its proposed credit, rendering it impossible to make an assessment. Staff's amended reply brief, p. 40.

The ALJ agreed with the Staff, for the reasons discussed in the Staff's amended reply brief, that proposals raised for the first time in briefing should be disregarded. PFD, pp. 434-435 (citing Staff's amended reply brief, p. 38).

No party filed exceptions on this issue.

The Commission finds the ALJ's recommendation to be supported in the record and reasonable. Accordingly, the Commission finds that these issues should be disregarded in this case.

H. Tariff Issues Not Addressed in the Proposal for Decision

In its exceptions, the Staff states that in its testimony, to reflect compliance with Mich Admin Code, R 460.113(2) and (6), it recommended that I&M's tariff language in Exhibit A-16, Schedule F5.3, Section C, page 2, be changed as follows:

> In the event of the stoppage of or the failure of any meter to register an accurate amount of energy consumed, as described in R460.113(2), the customer will be charged or credited for such a period on an estimated consumption based upon energy use during a similar period of like use. In the event of the stoppage of or the failure of any meter serving a residential customer on a time-varying rate, all usage that was not properly recorded will be billed at the lowest tiered rate for the period of missing usage, as described in R460.113(6).

Staff's exceptions, p. 9 (citing 6 Tr 2131-2132). The Staff asserts that I&M agreed with the recommended changes. Staff's exceptions, p. 9 (citing 3 Tr 388; I&M's initial brief, p. 253). However, the Staff asserts, the ALJ did not address this issue.

No other exceptions were filed in this matter. No party filed replies to this exception.

The Commission finds that there appears to be agreement to the proposed change in wording to the tariff. Therefore, the wording proposed by the Staff is adopted and I&M should update its tariff sheets accordingly.

Also in its exceptions, the Staff raises three additional tariff issues that it discussed in its initial brief but appear to have been unaddressed in the PFD: (1) the LICUS, "as part of the Tariff RS on Sheet No. D-2.002 of the tariff book[,]" (2) "[e]dits to the Company's proposed minimum charge/minimum bill language throughout its rate book[,]" and (3) "[r]ejection of the Company's proposal to change the minimum monthly billing demand for Tariff LP from 1,500 to 1,000 kW [kilowatt] on Tariff Sheet No. D-36.00." Staff's exceptions, p. 10 (citing Staff's initial brief, pp. 144-147).

The Staff asserts that the low-income service charge provision "was not contested by any party." Staff's exceptions, p. 10 (citing Staff's initial brief, p. 147; 3 Tr 392-393). Regarding the second matter, the Staff states that I&M accepted the proposed edits. *Id*. I&M withdrew the third matter. Staff's exceptions, p. 10 (citing Staff's initial brief, p. 147; 3 Tr 394).

No other exceptions were filed in this matter. No party filed replies to this exception.

The Commission finds that the Staff's LICUS proposal is unopposed and therefore adopted.

In the matter of the Staff's proposed edits to "the revised minimum charge language the Company presented for several tariffs in this case," clarifications were made between the Staff and the company through the discovery process. Following these clarifications, the company accepted

the Staff's proposed minimum bill language changes to be stated as '"the customer service charge and all riders based on a $ per customer per month basis.'" 3 Tr 392-393 (quoting Exhibit S-8.1). Additionally, the Staff proposed, and I&M accepted, the following language:

> where the Company deleted "and all applicable riders", instead state "and all applicable riders levied on a dollar per customer per month basis." For the proposed tariff sheets that deleted "the operation of…provisions as follows: Minimum Charge for demand accounts up to 100 kW – the service charge and all applicable riders. For demand accounts over 100 kW – the sum of the service charge, the product of the demand charge and the monthly billing demand, and all applicable rider," the tariff sheets should instead state "Bills computed under the above rate are subject to a minimum bill equal to the monthly service charge, all applicable riders levied on a dollar per month basis, and all applicable demand charges." Additionally, for any tariff sheet that set the minimum charge language at zero (namely irrigation service), the minimum bill language should instead state: "This tariff is subject to a minimum monthly charge equal to all applicable riders levied on a dollar per customer per month basis."

3 Tr 393. I&M subsequently testified that it agreed to accept the minimum billing language changes proposed by Staff witness Elaina Braunschweig's Exhibit S-8.1. 3 Tr 392-393.

No party other than the Staff filed exceptions to this issue. No party filed replies to this exception.

I&M accepted the Staff's proposed changes in tariff language as set forth above and no other party commented on the matter. Therefore, the Commission adopts the Staff's proposed changes to the tariff language and directs I&M to file updated tariff sheets accordingly.

Concerning I&M's proposal to change the minimum monthly billing demand for Tariff LP from 1,500 to 1,000 kW on Tariff Sheet No. D-36.00, the company withdrew this proposed change. 3 Tr 394.

No party other than the Staff filed exceptions on this matter. No party filed replies to this exception.

The Commission finds that Tariff LP monthly billing demand will remain at 1,500 kW because I&M withdrew its proposal to reduce the billing demand on this tariff.

THEREFORE, IT IS ORDERED that:

A. Based on the findings in this order adopting a calendar year 2024 test year, a jurisdictional rate base of $1,233,103,000 and an authorized rate of return on common equity of 9.86%, and an authorized rate of return of 6.03%, Indiana Michigan Power Company is authorized to implement rates that increase its annual electric revenues by $17,329,000, net of tax rider credit, on a jurisdictional basis, over the rates approved in the January 23, 2020 order in Case No. U-20359.

B. Indiana Michigan Power Company is authorized to implement rates consistent with the revenue deficiency approved by this order on a service rendered basis provided on and after July 15, 2024, as reflected in Attachment A (summary of revenue by rate class), and Attachment B (tariff sheets), to this order. Within 30 days of July 15, 2024, the effective date of the rates approved in this order, Indiana Michigan Power Company shall file with the Commission Staff tariff sheets substantially similar to Attachment B. After the tariff sheets have been reviewed and accepted by the Commission Staff for inclusion in the tariff book, Indiana Michigan Power Company shall promptly file the final tariff sheets in this docket and serve all parties.

C. In its next general rate case, Indiana Michigan Power Company shall provide a list of all pending tax assessment litigation cases and negotiations involving Michigan properties, an accounting of estimated compared to actual Michigan tax assessments for 10 years prior to the filing, and records of any proceeds received.

D. In its next general rate case, Indiana Michigan Power Company shall conduct cost allocation tests as described in this order for the most recent five years on both a total company and Michigan-jurisdictional basis and shall file a calculation of the 6 coincident peak allocator to

examine the appropriateness of its application for PJM Interconnection, LLC, demand charges consistent with the Commission Staff's recommendations.

E. In subsequent rate cases Indiana Michigan Power Company shall: (1) alter its Schedule C4 to mirror the method utilized by other regulated utilities and file an exhibit showing that power supply cost recovery revenues and expenses are equal; (2) combine the Schedule F-2/F-3 revenue model with the rate design model in a single file with linked formulas, as is standard with other utilities; (3) include clearly labeled sources and cell references for all hard-coded values in the aforementioned models–including exhibit numbers and workpapers detailing how all hard-coded values were calculated or within the linked input sheets in the models, as is standard with other regulated utilities; and (4) provide any referenced workpapers, which should be in the original format with formulae and sources labeled within that document. In addition, the company shall work with the Commission Staff at least one month prior to the filing of its next general rate case to ensure all pathways are fully linked in the Microsoft Excel workbooks and the rate design is fully functioning in compliance with this order.

F. Indiana Michigan Power Company shall adopt revised customer charges, consistent with the Commission's directive in this order.

G. In its next general rate case, Indiana Michigan Power Company shall present an analysis of the company's contribution in aid of construction line extension rates, which shall include a proposal to phase-in rates over a period of time to bring rates in line with actual costs.

H. Within 60 days of the date of this order, Indiana Michigan Power Company shall file an application to amend current rates to be revenue-neutral to rate residential service.

I. Indiana Michigan Power Company shall initiate a separate proceeding to apply for a new distributed generation tariff that complies with the requirements of Public Act 235 of 2023 and to

request expedited review of that application. The company shall initiate the separate proceeding in accordance with the Commission's forthcoming order in Case No. U-21569.

J. Indiana Michigan Power Company shall immediately transfer any eligible distributed generation customer under the company's Cogeneration and/or Small Power Production Service tariff to the company's existing distributed generation tariff until such a time that a new distributed generation tariff is approved.

K. Indiana Michigan Power Company shall retroactively compensate any distributed generation customer that remained under the Cogeneration and/or Small Power Production Service tariff after February 27, 2024, the total compensation that customer would have received under the company's existing distributed generation tariff during the interim period of time until the customer is transferred to the existing distributed generation tariff.

L. Indiana Michigan Power Company's sales forecast is accepted. However, in future rate cases, Indiana Michigan Power Company shall provide its sales forecast inputs and assumptions to the Commission Staff and other parties in a replicable manner, as appropriate, so that the forecast can be viewed and verified by those involved in the case.

M. Indiana Michigan Power Company shall submit sales data normalized on both a 15- and 30-year rolling basis absent demonstration of a more accurate timeframe.

N. Indiana Michigan Power Company shall continue to use the National Oceanic and Atmospheric Administration weather stations located in South Bend, Indiana, as none currently exist in Michigan. Should the National Oceanic and Atmospheric Administration establish a Michigan-based weather station in Indiana Michigan Power Company's service area, then Indiana Michigan Power Company shall use the Michigan weather station.

O. Indiana Michigan Power Company is directed to file its transportation electrification plan in Case No. U-21538. The transportation electrification plan shall include the utility's comprehensive electric vehicle program proposal for its Michigan jurisdiction.

P. In its next general rate case, Indiana Michigan Power Company shall present its findings resulting from consideration of a shorter pole inspection interval from its current 10-year inspection cycle, as described in this order.

Q. As set forth in the order, Indiana Michigan Power Company shall conduct the following benefit/cost analyses regarding tree trimming and shall include the results of these analyses in its next general rate case: (1) expanding trimming protocols to include the trimming of all overhangs above all primary lines, regardless of height or approach angle and (2) expanding the clearance zone around pole-to-pole triplex to 20 feet and expanding the radius around pole-to-pole triplex to 10 feet.

R. As described in this order, Indiana Michigan Power Company shall begin tracking the number of residential service drop trimming requests and record the dates for when a customer inquiry is made, when the work is evaluated for necessity, and, if applicable, the date on which work was completed. This data shall be maintained by the company for a minimum of three years and included in its next general rate case.

S. Indiana Michigan Power Company shall record a regulatory liability for the amount of U.S. Department of Energy grant funds received pursuant to the federal Infrastructure Investment and Jobs Act in connection with the company's Advanced Distribution Management System and Distributed Energy Resource Management System implementation, as described in this order.

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 hugheys@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of July 2, 2024.

Lisa Felice, Executive Secretary

Michigan Public Service Commission
Indiana Michigan Power Company - Michigan
Summary of Present and Proposed Revenues
FOR ORDER

Case No. U-21461
Attachment A

Line No.	Class Description	Total Present Revenue ($000)	Total Proposed Revenue ($000)	Total Net Increase / (Decrease) ($000)	Total Net Increase / (Decrease) (%)
	(a)	(b)	(c)	(d)	(e)
1	RS	$ 181,490	$ 189,948	$ 8,458	4.66%
2	GS	$ 89,144	$ 95,771	$ 6,627	7.43%
3	LGS	$ 30,978	$ 31,401	$ 423	1.37%
4	LP	$ 37,010	$ 35,665	$ (1,345)	-3.63%
5	EHS	$ 711	$ 748	$ 37	5.20%
6	IS	$ 2,225	$ 2,409	$ 184	8.27%
7	MS	$ 3,238	$ 3,426	$ 188	5.81%
8	WSS	$ 2,577	$ 2,673	$ 96	3.73%
9	OSL	$ 1,834	$ 1,879	$ 45	2.45%
10	SL	$ 1,004	$ 1,025	$ 21	2.09%
11	OAD Classes				
12	GS-Sec - OAD	$ 298	$ 342	$ 44	14.77%
13	GS-Sec - OAD - SS	$ 65	$ 84	$ 19	29.23%
14	GS-Pri - OAD	$ 157	$ 181	$ 24	15.29%
15	GS-Pri - OAD - SS	$ 4	$ 5	$ 1	25.00%
16	LGS-Sec - OAD	$ -	$ -	$ -	0.00%
17	LGS-Sec - OAD - SS	$ 51	$ 67	$ 16	31.37%
18	LGS-Pri - OAD	$ -	$ -	$ -	0.00%
19	LGS-Pri - OAD - SS	$ 132	$ 180	$ 48	36.36%
20	LP-Pri - OAD	$ -	$ -	$ -	0.00%
21	LP-Pri - OAD - SS	$ 1,394	$ 1,887	$ 493	35.37%
22	LP-Sub - OAD	$ 278	$ 309	$ 31	11.15%
23	LP-Sub - OAD - SS	$ 145	$ 59	$ (86)	-59.31%
24	OSL- OAD	$ 1	$ 1	$ -	0.00%
25	Total OAD Classes	$ 2,525	$ 3,115	$ 590	23.37%
26	Rate design revenue verification difference	$ -	$ (12)	$ (12)	
27	Residential Employee Discount	$ -	$ 306	$ 306	
28	**Grand Total**	$ 352,736	$ 368,354	$ 15,618	4.43%

Michigan Public Service Commission
Indiana Michigan Power Company - Michigan
Summary of Present and Proposed Revenues
FOR ORDER

Case No. U-21461
Attachment A
Page 2 of 3

Line No.	Class Description	Total Present Revenue	Power Supply Non-Capacity	Power Supply Capacity	Delivery	Total Base Revenue	PSCR	Rate Realignment Surcharge	Energy Waste Red Surcharge Rider	Nuclear Decom Surcharge	Renewable Energy Surcharge	Net Lost Revenue Tracker Surcharge	Low-Income Energy Assistance Fund Surcharge	Tax Rider	Staff Total Proposed Revenue	Total Net Increase / (Decrease)	Total Net Increase / (Decrease) (%)	Metered (kWh)	Billing (kWh)
	(a)	(b)													(c)	(d)	(e)		
1	RS	$166,558,463	$ 88,398,739	$ 31,396,107	$ 55,575,232	$ 175,370,078	$ -	$ 640,743	$ (438,726)	$ -	$ -	$ -	$ 1,065,667	$ (3,027,207)	$173,610,555	$ 7,052,092	4.23%	1,020,292,105	1,020,292,105
2	RS-TOD	$ 11,246,249	$ 6,393,274	$ 2,245,720	$ 4,083,525	$ 12,722,519	$ -	$ 49,760	$ (34,071)	$ -	$ -	$ -	$ 54,059	$ (235,091)	$ 12,557,176	$ 1,310,927	11.66%	79,235,162	79,235,162
3	RS-PEV	$ 67,810	$ 37,274	$ 12,833	$ 25,912	$ 76,019	$ -	$ 321	$ (220)	$ -	$ -	$ -	$ 307	$ (1,519)	$ 74,908	$ 7,098	10.47%	511,899	511,899
4	RS-TOD2	$ 5,076	$ 2,653	$ 1,003	$ 1,605	$ 5,261	$ -	$ 20	$ (13)	$ -	$ -	$ -	$ 22	$ (92)	$ 5,198	$ 122	2.40%	31,067	31,067
5	RS-SC	$ 3,611,930	$ 1,573,499	$ 465,129	$ 1,685,347	$ 3,723,975	$ -	$ 18,310	$ (12,537)	$ -	$ -	$ -	$ 56,786	$ (86,506)	$ 3,700,028	$ 88,098	2.44%	29,156,254	29,156,254
6	Total Residential	$181,489,529	$ 96,405,440	$ 34,120,792	$ 61,371,620	$ 191,897,852	$ -	$ 709,154	$ (485,567)	$ -	$ -	$ -	$ 1,176,841	$ (3,350,415)	$189,947,865	$ 8,458,337	4.66%	1,129,226,487	1,129,226,487
7	GS-Sec	$ 80,204,647	$ 47,314,670	$ 16,859,477	$ 23,350,139	$ 87,524,286	$ -	$ 320,102	$ (134,079)	$ -	$ -	$ -	$ 188,549	$ (1,598,305)	$ 86,300,553	$ 6,095,906	7.60%	551,970,199	551,900,800
8	GS-Sec - OAD	$ 297,647	$ -	$ 160,892	$ 183,885	$ 344,777	$ -	$ -	$ (88)	$ -	$ -	$ -	$ 123	$ (2,583)	$ 342,229	$ 44,582	14.98%	5,480,660	5,449,623
9	GS-Sec - OAD - SS	$ 65,279	$ -	$ -	$ 85,575	$ 85,575	$ -	$ -	$ (127)	$ -	$ -	$ -	$ 179	$ (1,319)	$ 84,308	$ 19,029	29.15%	2,781,771	2,781,771
10	GS-Pri	$ 6,042,000	$ 3,981,627	$ 1,305,720	$ 1,093,485	$ 6,380,832	$ -	$ 26,408	$ (506)	$ -	$ -	$ -	$ 711	$ (114,192)	$ 6,293,253	$ 251,253	4.16%	45,525,865	45,530,884
11	GS-Pri - OAD	$ 156,685	$ -	$ 82,461	$ 99,553	$ 182,014	$ -	$ -	$ (15)	$ -	$ -	$ -	$ 22	$ (737)	$ 181,284	$ 24,599	15.70%	2,612,066	2,612,066
12	GS-Pri - OAD - SS	$ 3,704	$ -	$ -	$ 4,562	$ 4,562	$ -	$ -	$ (8)	$ -	$ -	$ -	$ 11	$ (28)	$ 4,537	$ 833	22.49%	98,796	98,796
13	GS Sub	$ 893,874	$ 683,656	$ 220,029	$ 7,755	$ 911,440	$ -	$ 4,604	$ (30)	$ -	$ -	$ -	$ 42	$ (16,360)	$ 899,696	$ 5,822	0.65%	7,937,656	7,937,656
14	GS-LM-TOD	$ 95,605	$ 56,999	$ 19,634	$ 34,279	$ 110,912	$ -	$ 456	$ (256)	$ -	$ -	$ -	$ 360	$ (2,278)	$ 109,194	$ 13,589	14.21%	786,663	786,663
15	GS-Unmetered	$ 123,584	$ 69,366	$ 28,234	$ 39,091	$ 136,691	$ -	$ 537	$ (343)	$ -	$ -	$ -	$ -	$ (2,683)	$ 134,202	$ 10,618	8.59%	926,604	926,604
16	GS-TOD	$ 1,721,327	$ 1,056,302	$ 365,829	$ 579,702	$ 2,001,833	$ -	$ 8,208	$ (2,095)	$ -	$ -	$ -	$ 2,946	$ (40,984)	$ 1,969,908	$ 248,581	14.44%	14,152,033	14,152,033
17	GS-TOD2	$ 62,977	$ 30,271	$ 13,754	$ 19,894	$ 63,919	$ -	$ 234	$ (347)	$ -	$ -	$ -	$ 488	$ (1,169)	$ 63,125	$ 148	0.24%	403,997	403,997
18	Total GS	$ 89,667,329	$ 53,192,891	$ 19,056,030	$ 25,497,920	$ 97,746,841	$ -	$ 360,549	$ (137,894)	$ -	$ -	$ -	$ 193,431	$ (1,780,638)	$ 96,382,289	$ 6,714,960	7.49%	632,676,310	632,580,893
19	LGS - Sec	$ 14,864,486	$ 9,123,221	$ 2,995,403	$ 3,406,980	$ 15,525,604	$ -	$ 52,566	$ (84,864)	$ -	$ -	$ -	$ 950	$ (284,605)	$ 15,209,651	$ 345,165	2.32%	124,623,928	124,564,161
20	LGS-Sec - OAD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	-	-
21	LGS-Sec - OAD - SS	$ 51,003	$ -		$ 71,176	$ 71,176	$ -	$ -	$ (2,896)	$ -	$ -	$ -	$ 32	$ (818)	$ 67,494	$ 16,491	32.33%	2,744,869	2,744,869
22	LGS - Pri	$ 14,407,845	$ 9,324,625	$ 3,023,473	$ 2,461,466	$ 14,809,564	$ -	$ 55,394	$ (52,286)	$ -	$ -	$ -	$ 585	$ (291,348)	$ 14,521,909	$ 114,064	0.79%	131,264,863	131,264,863
23	LGS - Pri - OAD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	-	-
24	LGS - Pri - OAD - SS	$ 132,459	$ -	$ -	$ 184,811	$ 184,811	$ -	$ -	$ (2,896)	$ -	$ -	$ -	$ 32	$ (2,264)	$ 179,683	$ 47,224	35.65%	13,046,916	13,046,916
25	LGS - Sub	$ 1,499,254	$ 1,075,179	$ 374,909	$ 31,609	$ 1,481,697	$ -	$ 6,324	$ (3,781)	$ -	$ -	$ -	$ 42	$ (28,393)	$ 1,455,889	$ (43,365)	-2.89%	14,888,776	14,985,636
26	LGS-LM-TOD	$ 206,041	$ 114,524	$ 32,046	$ 73,381	$ 219,951	$ -	$ 1,154	$ (965)	$ -	$ -	$ -	$ 11	$ (6,218)	$ 213,933	$ 7,892	3.83%	2,735,754	2,735,754
27	Total LGS	$ 31,161,088	$ 19,637,549	$ 6,425,831	$ 6,229,423	$ 32,292,803	$ -	$ 115,438	$ (147,688)	$ -	$ -	$ -	$ 1,652	$ (613,646)	$ 31,648,559	$ 487,471	1.56%	289,305,106	289,342,199
28	LP-Pri	$ 16,342,684	$ 10,703,302	$ 3,222,155	$ 2,571,380	$ 16,496,837	$ -	$ 73,077	$ (13,433)	$ -	$ -	$ -	$ 150	$ (316,611)	$ 16,240,020	$ (102,664)	-0.63%	158,862,602	158,862,602
29	LP-Pri - OAD	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	-	-
30	LP-Pri - OAD - SS	$ 1,394,477	$ -	$ -	$ 1,914,864	$ 1,914,864	$ -	$ -	$ (3,861)	$ -	$ -	$ -	$ 43	$ (24,436)	$ 1,886,610	$ 492,133	35.29%	129,467,654	129,467,654
31	LP-Sub	$ 14,227,865	$ 9,978,193	$ 3,200,612	$ 98,905	$ 13,277,710	$ -	$ 86,373	$ (6,677)	$ -	$ -	$ -	$ 75	$ (309,982)	$ 13,047,499	$ (1,180,366)	-8.30%	187,767,076	187,767,076
32	LP-Sub - OAD	$ 278,453	$ -	$ 257,625	$ 52,017	$ 309,642	$ -	$ -	$ (965)	$ -	$ -	$ -	$ 11	$ -	$ 308,688	$ 30,235	10.86%	12,953,555	12,953,555
33	LP-Sub - OAD - SS	$ 144,921	$ -	$ -	$ 60,821	$ 60,821	$ -	$ -	$ (1,931)	$ -	$ -	$ -	$ 22	$ -	$ 58,912	$ (86,009)	-59.35%	116,510,621	116,510,621
34	LP-Tran	$ 6,439,439	$ 4,918,206	$ 1,468,792	$ 68,048	$ 6,455,046	$ -	$ 26,063	$ (1,931)	$ -	$ -	$ -	$ 22	$ (102,145)	$ 6,377,055	$ (62,384)	-0.97%	56,658,412	56,658,412
35	Total LP	$ 38,827,839	$ 25,599,701	$ 8,149,184	$ 4,766,035	$ 38,514,920	$ -	$ 185,513	$ (28,798)	$ -	$ -	$ -	$ 323	$ (753,174)	$ 37,918,784	$ (909,055)	-2.34%	662,219,920	662,219,920
36	EHS	$ 711,254	$ 376,514	$ 113,352	$ 268,193	$ 758,059	$ -	$ 3,281	$ (100)	$ -	$ -	$ -	$ 140	$ (13,328)	$ 748,052	$ 36,798	5.17%	5,880,271	5,880,271
37	IS	$ 2,224,507	$ 1,739,063	$ 760,296	$ 1,390,844	$ 3,890,203	$ -	$ (1,416,175)	$ (4,283)	$ -	$ -	$ -	$ 6,023	$ (67,002)	$ 2,408,766	$ 184,259	8.28%	9,675,439	9,675,439
38	MS	$ 3,238,474	$ 1,912,573	$ 653,477	$ 909,395	$ 3,475,445	$ -	$ 12,987	$ (1,226)	$ -	$ -	$ -	$ 1,724	$ (63,267)	$ 3,425,663	$ 187,189	5.78%	24,093,895	24,093,895
39	WSS-Sec	$ 1,418,829	$ 821,295	$ 245,716	$ 457,245	$ 1,524,256	$ -	$ 5,002	$ (1,888)	$ -	$ -	$ -	$ 2,655	$ (26,953)	$ 1,503,072	$ 84,243	5.94%	12,925,637	12,925,637
40	WSS-Pri	$ 1,158,323	$ 769,665	$ 230,323	$ 188,544	$ 1,188,532	$ -	$ 4,850	$ (46)	$ -	$ -	$ -	$ 65	$ (23,592)	$ 1,169,809	$ 11,486	0.99%	12,531,173	12,531,173
41	Total WSS	$ 2,577,152	$ 1,590,960	$ 476,039	$ 645,789	$ 2,712,788	$ -	$ 9,852	$ (1,934)	$ -	$ -	$ -	$ 2,720	$ (50,545)	$ 2,672,881	$ 95,729	3.71%	25,456,810	25,456,810
42	OSL	$ 1,834,150	$ 283,156	$ -	$ 1,615,130	$ 1,898,286	$ -	$ 12,404	$ (3,967)	$ -	$ -	$ -	$ -	$ (28,141)	$ 1,878,582	$ 44,432	2.42%	10,720,592	10,720,592
43	OSL- OAD	$ 556	$ -	$ -	$ 603	$ 603	$ -	$ -	$ (2)	$ -	$ -	$ -	$ -	$ (13)	$ 588	$ 32	5.76%	6,090	6,090
44	SLS	$ 361,342	$ 102,566	$ -	$ 268,274	$ 370,840	$ -	$ 2,766	$ (1,422)	$ -	$ -	$ -	$ -	$ (7,013)	$ 365,171	$ 3,829	1.06%	3,842,288	3,842,288
45	SLC	$ 32,921	$ 14,282	$ -	$ 16,679	$ 30,961	$ -	$ 389	$ (200)	$ -	$ -	$ -	$ -	$ (987)	$ 30,163	$ (2,758)	-8.38%	540,773	540,773
46	ECLS	$ 592,707	$ 135,966	$ -	$ 486,492	$ 622,458	$ -	$ 3,694	$ (1,898)	$ -	$ -	$ -	$ -	$ (9,363)	$ 614,891	$ 22,184	3.74%	5,130,623	5,130,623
47	SLCM	$ 16,715	$ 6,306	$ -	$ 8,865	$ 15,171	$ -	$ 171	$ (270)	$ -	$ -	$ -	$ -	$ (434)	$ 14,638	$ (2,077)	-12.43%	237,962	237,962
48	Total Lighting	$ 2,838,391	$ 542,276	$ -	$ 2,396,043	$ 2,938,319	$ -	$ 19,424	$ (7,759)	$ -	$ -	$ -	$ -	$ (45,951)	$ 2,904,033	$ 65,642	2.31%	20,478,328	20,478,328
49	Total Before RD Diff	$352,735,563	$ 200,996,967	$ 69,755,001	$ 103,475,262	$ 374,227,230	$ -	$ 23	$ (815,249)	$ -	$ -	$ -	$ 1,382,854	$ (6,737,966)	$368,056,892	$15,321,330	4.34%	2,799,012,566	2,798,954,242
50	RD Rev Ver Difference	$ -			$ (12,334)	$ (12,334)									$ (12,334)	$ (12,334)	OAD kWh	285,702,998	285,671,961
51	RS Employee Discount + Low Inc Svc Chg Prov	$ -			$ 306,433	$ 306,433									$ 306,433	$ 306,433	Total excluding OAD	2,513,309,568	2,513,282,281
52	**Total After RD Diff**	$352,735,563	$ 200,996,967	$ 69,755,001	$ 103,769,361	$ 374,521,329	$ -	$ 23	$ (815,249)	$ -	$ -	$ -	$ 1,382,854	$ (6,737,966)	$368,350,991	$15,615,428	4.43%		

Indiana Michigan Power Company - Michigan
Proposed Rate Realignment Surcharge/Credit
Forecasted Twelve Months Ending December 31, 2024
FOR ORDER

	Annual Rate Realignment Surcharge/(Credit) (¢/kWh)					
Tariff Class	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
RS	0.0628	0.0519	0.0398	0.0265	0.0119	0.0000
GS	0.0580	0.0478	0.0367	0.0244	0.0110	0.0000
LGS	0.0422	0.0348	0.0267	0.0178	0.0080	0.0000
LP	0.0460	0.0380	0.0291	0.0194	0.0087	0.0000
MS	0.0539	0.0445	0.0341	0.0227	0.0102	0.0000
WSS	0.0387	0.0320	0.0245	0.0163	0.0073	0.0000
EHS	0.0558	0.0460	0.0353	0.0235	0.0106	0.0000
IS	(14.6368)	(12.0798)	(9.2670)	(6.1729)	(2.7694)	0.0000
OSL	0.1157	0.0955	0.0732	0.0488	0.0219	0.0000
SL	0.0720	0.0594	0.0456	0.0304	0.0136	0.0000

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. A-2.00

INDEX
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	Table of Contents - Checklists	A-7.00 – A-13.00
	Area Map of Localities Where Electric Service is Available	A-14.00
	Localities Where Electric Service is Available	A-15.00
	Abbreviations, Technical Terms and Definitions	A-16.00-19.00

SECTION B
MICHIGAN PUBLIC SERVICE ADMINISTRATIVE RULES INDEX

https://www.michigan.gov/mpsc/0,9535,7-395-93309_93437_93467---,00.html

B1	CONSUMER STANDARDS AND BILLING PRACTICES FOR ELECTRIC RESIDENTIAL SERVICE (R 460.101 - R 460.169) ~~https://www.michigan.gov/documents/mpsc/New_Electric_and_Gas_Residential_Service_608317_7.pdf~~	B-1.00
B2	TECHNICAL STANDARDS FOR ELECTRIC SERVICE (R 460.3101 – 460.3804) (FOR ALL CUSTOMERS) ~~https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=1923_2019-030LR_AdminCode.pdf~~	B-4.00
B3	SERVICE QUALITY AND RELIABILITY STANDARDS FOR ELECTRIC DISTRIBUTION SYSTEMS (R 460.701 – 460.752) ~~BILLING PRACTICES APPLICABLE TO NON-RESIDENTIAL ELECTRIC AND GAS CUSTOMERS (R 460.101 - R 460.169)~~	B-6.00
B4	UNDERGROUND ELECTRIC LINES (R 460.511 – 460.519) ~~ELECTRIC SUPPLY AND COMMUNICATONS LINES AND ASSOCIATED EQUIPMENT (R 460.811 – 460.814) https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?Fi~~	B-78.00
B5	ADMINISTRATIVE HEARING RULES (pp. 4-19) PRACTICE AND PROCEDURE BEFORE THE COMMISSION ~~ELECTRIC INTERCONNECTION AND NET METERING STANDARDS (R 460.601 – 460.656)~~	B-8.00

(Continued on Sheet No. A-3.00)

M.P.S.C. 18 - ELECTRIC
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ORIGINAL SHEET NO. A-3.00

(Continued from Sheet No. A-2.00)

~~B6~~	~~SERVICE QUALITY AND RELIABILITY STANDARDS FOR ELECTRIC DISTRIBUTION SYSTEMS (R 460.701 – 460.752) https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=826_10792_AdminCode.pdf~~	~~B-9.00~~
~~B7~~	~~UNDERGROUND ELECTRIC LINES (R 460.511 – 460.519) https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=824_10790_AdminCode.pdf~~	~~B-10.00~~
~~B8~~	~~PRACTICE AND PROCEDURE BEFORE THE COMMISSION (R 460.17101-460.17701) https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=1799_2018-018LR_AdminCode.pdf~~	~~B-11.00~~
B~~6~~9	FILING PROCEDURES FOR ELECTRIC, WATER, STEAM AND GAS UTILITIES (R 460.2011 – 460.2031) ~~https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=832_10798_AdminCode.pdf~~	B-~~8~~11.00
B~~7~~10	PRESERVATION OF RECORDS OF ELECTRIC, GAS AND WATER UTILITIES (R 460.2501 – 460.2582) ~~https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=1825_2018-042LR_AdminCode.pdf~~	B-~~8~~11.00
B~~8~~11	UNIFORM SYSTEM OF ACCOUNTS FOR MAJOR AND NON MAJOR ELECTRIC UTILITIES (R 460.9001- 460.9019) ~~https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=840_10806_AdminCode.pdf~~	B-~~8~~11.00
B~~9~~12	RATE CASE FILING REQUIREMENTS FOR MAJOR ELECTRIC UTILITIES ~~https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t0000001UVwnAAG~~	B-~~8~~11.00
B1~~0~~3	RULES AND REGULATIONS GOVERNING ANIMAL CONTACT CURRENT MITIGATION (R 460.2701 – 460.2707) ~~https://dtmb.state.mi.us/ARS_Public/AdminCode/DownloadAdminCodeFile?FileName=838_10804_AdminCode.pdf~~	B-~~8~~11.00

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

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M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. A-4.00

(Continued from Sheet No. A-3.00)

SECTION C
TERMS AND CONDITIONS OF STANDARD SERVICE

	DESCRIPTION	SHEET NO(S).
	Indiana Michigan Power Terms and Conditions of Standard Service	C-1.00 - C-263.00

SECTION D
STANDARD SERVICE AND OPEN ACCESS DISTRIBUTION SERVICE TARIFFS

TARIFF	DESCRIPTION	SHEET NO(S).
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RS	Residential Electric Service	D-2.00 - D-5.00
RS-TOD	Residential Time-of-Day Service	D-6.00 - D-7.00
~~RS-OPES~~	Reserved for Future Use~~idential Off-Peak Energy Storage~~	D-8.00 - D-9.00
RS-PEV	Residential Plug-In Electric Vehicle	D-10.00 - D-12.00
RS-TOD2	Residential - Time-of-Day 2 Service	D-13.00 – D-14.00
RS-SC	Optional Residential Senior Citizen	D-15.00 - D-18.00
RS-CPP	Residential Service Critical Peak Pricing	D-18.10 – D-18.30
GS	General Service	D-19.00 - D-23.00
GS-TOD	General Service - Time-of-Day Service	D-24.00 – D-25.00
GS-TOD2	General Service - Time-of-Day 2 Service	D-26.00 - D-27.00
GS-PEV	General Service – Plug-in Electric Vehicle	D-28.00 – D-29.00
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LGS	Large General Service	D-30.00 - D-34.00
LP	Large Power	D-35.00 - D-39.00
MS	Municipal and School Service	D-40.00 - D-41.00
WSS	Water and Sewage Service	D-42.00 - D-45.00
EHS	Electric Heating Schools	D-46.00 - D-48.00
IS	Irrigation Service	D-49.00 - D-50.00
OSL	Outdoor Security Lighting	D-51.00 - D-54.00
SLS	Streetlighting Service	D-55.00 - D-57.00
SLC	Streetlighting - Customer-Owned System	D-58.00 - D-60.00
ECLS	Energy Conservation Lighting Service	D-61.00 - D-65.00
SLCM	Streetlighting - Customer-Owned System - Metered	D-66.00 - D-67.00
COGEN/SPP	Cogeneration and/or Small Power Production Service	D-68.00 - D-74.00
CATV	Pole Attachment Rental - Cable Television	D-75.00 - D-76.00
CS-IRP	Contract Service – Interruptible Power	D-77.00 - D-78.00

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M.P.S.C. 18 - ELECTRIC
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(RATE CASE U-21461)

ORIGINAL SHEET NO. A-5.00

(Continued from Sheet No. A-4.00)

SECTION D (continued)
STANDARD SERVICE AND OPEN ACCESS DISTRIBUTION SERVICE TARIFFS

RIDER	DESCRIPTION	SHEET NO(S).
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EDR	Economic Development Rider	D-83.00 - D-86.00
VGP	Voluntary Green Pricing (VGP) Program	D-87.00 – D-88.10
NMS-1	Rider NMS-1 - Net Metering Service for Customer's with Generating Facilities of 20 kW or Less	D-89.00 - D-91.00
NMS-2	Rider NMS-2 - Net Metering Service for Customer's with Generating Facilities Greater than 20 kW	D-92.00 - D-95.00
ROS	Rider ROS – Resale of Service	D-96.00 - D-97.00
HEM	Home Energy Management (HEM) Rider	D-98.00 – D-100.650
WEM	Work Energy Management (WEM) Rider	D-101.00 – D-104.930
DG RIDER	Distributed Generation Rider	D-105.00 – D-110.00
VCSR RIDER	Voluntary Curtailment Service (VCSR) Rider	D-111.00 – D-112.00
RIDER DLMS	~~Page(s) Intentionally Left Blank~~Rider Discretionary Load	D-113.00 – D-113.20
	APPLICABLE POWER SUPPLY AND DELIVERY CHARGE SURCHARGES AND RIDERS	
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PSCR	Power Supply Cost Recovery Factor	D-115.00 – D-116.00
RRS	Rate Realignment Surcharge/Credit	D-117.00
EWR	Surcharge EWR – Energy Waste Reduction	D-118.00
NDS	Nuclear Decommissioning Surcharge	D-119.00
RES	Renewable Energy Surcharge	D-120.00
NLRTS	Net Lost Revenue Tracker Surcharge	D-121.00
LIEAF	Low-Income Energy Assistance Fund Surcharge	D-122.00
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~~TRCB~~	~~Tax Reform Credit B Rider Adjustment~~	~~D-124.00~~

(Continued on Sheet No. A-6.00)

ISSUED
BY STEVEN F. BAKER
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EFFECTIVE FOR SERVICE RENDERED ON
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M.P.S.C. 18 - ELECTRIC
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STATE OF MICHIGAN
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ORIGINAL SHEET NO. A-6.00

(Continued from Sheet No. A-5.00)

SECTION E
TERMS AND CONDITIONS OF OPEN ACCESS DISTRIBUTION SERVICE

	DESCRIPTION	SHEET NO(S).
	Terms and Conditions of Open Access Distribution Service	E-1.00 - E-21.00
	Supplier Terms and Conditions of Open Access Distribution Service	E-22.00 - E-31.00
	Self-Supply Capacity Terms And Conditions Of Open Access Distribution Service	E-32.00 – E-3~~6~~5.00

ISSUED
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M.P.S.C. 18 – ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. C-2.00

(Continued from Sheet No. C-1.00)

would end. Each point of delivery would then require a separate agreement for each separate point of delivery. For new service/accounts, multiple metering is permitted only for Company convenience

2. BILLS FOR STANDARD ELECTRIC SERVICE

A. General

Bills for electric service will be rendered monthly at intervals of approximately 30 days in accordance with the tariff selected applicable to the customer's service. All bills are rendered as "net" bills and are subject to a late payment charge if the account is delinquent. Late payment charges will be assessed on Residential bills in accordance with Rule 460.122 and on Commercial and Industrial bills in accordance with Rule 460.1614. A late payment charge shall not be assessed against any residential customers who are participating in the winter protection plan as described in Rule 460.148 and Rule 460.149 of the Consumer Standards and Billing Practices for Residential Customers. Any governmental agency shall be allowed such additional period of time for payment of the net bill as the agency's normal fiscal operations require, not to exceed 30 days.

It may be necessary for the Company to render a bill on an estimated basis if extreme weather conditions, emergencies, work stoppage, or other circumstances of force majeure prevent actual meter readings. Pursuant to Rule 460.113, any bill rendered on an estimated basis shall be clearly and conspicuously identified. In the event of the stoppage of or the failure of any meter to register an accurate amount of energy consumed, as described in R460.113(2)~~Rule 460.116~~, the customer will be charged or credited for such period on an estimated consumption based upon energy use during a similar period of like use. In the event of the stoppage of or the failure of any meter serving a residential customer on a time-varying rate, all usage that was not properly recorded will be billed at the lowest tiered rate for the period of missing usage, as described in R460.113(6). Meter errors shall be reconciled in accordance with Rule 460.3309. This estimation shall include adjustments for changes in customer's load during the period the meter was not registering properly. As stated in Rule 460.116 (2), any meter in service that remains broken as determined by a specific test of the meter or that does not correctly register customer usage for a period of 6 months or more shall be removed and customers will not be required to pay bills generated from these meter readings beyond the 6- month period from the date the meter malfunction occurred. This rule does not alter the provisions of Rule 460.3613 governing the testing and replacement of electric meters.

A bill shall be mailed, transmitted, or delivered to the customer not less than 21 days before the due date. Failure to receive a bill properly mailed, transmitted, or delivered by Company does not extend the due date. Upon request the Company will advise the customer of the approximate date on which the bill will be mailed each month, and if the bill is lost, the Company will issue a duplicate.

B. Non-residential

Billing errors for non-residential accounts shall be rectified as described in Rule 460.1617. If a customer has been overcharged, the utility shall refund or credit the amount of the paid overcharge to the customer. Overcharges shall be credited to customers with 7% interest,

(Continued on Sheet No. C-3.00)

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ORIGINAL SHEET NO. C-10

(Continued from Sheet No. C-8.00)

The Company reserves the right to make final determination of selection, application, location, routing and design of its service facilities and meter location. If the customer requests special routing of the service facilities and or meter location, the customer will be required to pay the extra cost, if any, resulting from the special routing of service facilities and or meter location.

All customers' wiring must be grounded in accordance with the requirements of the National Electrical Code or the requirements of any local inspection service authorized by a state or local authority. When a customer desires that energy be delivered at a point or in a manner other than that designated by the Company, the customer shall pay the additional cost of same, including any and all required engineering studies.

When a customer requests additional engineering studies beyond the normal overhead and/or underground options providing an adequate plan of service, as designated by the Company, for a new or relocated service, the Company shall charge the customer, payable in advance, for actual cost incurred by the Company to conduct such studies. Normal engineering studies include any obvious options such as overhead and underground installations.

Where service is supplied from an underground distribution system which has been installed at the Company's expense, the customer shall make arrangements with the Company for the Company to supply and install a continuous run of cable conductors including necessary ducts from the manhole or connection box to the meter location where it is necessary that the location of the meter be inside the customer's building. The customer shall reimburse Company for the cost of the portion of cable and duct from the property line to the terminus of cable inside the building.

5. LOCATION AND MAINTENANCE OF COMPANY'S EQUIPMENT

The Company shall have the rights to construct its poles, lines, and circuits on the property, and to place its transformers and other apparatus on the property or within the buildings of the customer, at a point or points convenient for the purpose, as required to serve the customer. The customer shall keep company equipment clear from obstruction and obstacles including landscaping, structures, etc., and provide suitable space for the installation, repair and maintenance of necessary measuring instruments so that the instruments may be protected from injury by the elements or through negligence or deliberate acts of the customer or any other person who is not an agent or employee of the Company.

When Company facilities are damaged due to customer actions or negligence, the Customer shall be responsible for the costs of repairs.

6. RELOCATION OF COMPANY'S FACILITIES AT CUSTOMER'S REQUEST

Whenever, at customer's request, work is performed on the Company's facilities or the Company's facilities are relocated solely to suit the convenience of customer, the customer shall reimburse the Company for the entire cost incurred in performing the work or making such change including any and all required engineering studies.

(Continued on Sheet No. C-10.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 – ELECTRIC
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ORIGINAL SHEET NO. C-13.00

(Continued from Sheet No. C-12.00)

Under these circumstances, customer shall have the choice of: (1) separating the wiring so that the residential portion of the premises is served through a separate meter under the residential tariff and the other uses as enumerated above are served through a separate meter or meters under the appropriate general service tariff, or (2) taking the entire service under the appropriate general service tariff.

Detached building or buildings actually appurtenant to the residence, such as a garage, stable, or barn, may be served by an extension of the customer's residence wiring through the residence meter. Individually metered seasonal sites such as campsites shall be placed on the appropriate commercial general service tariff and not be considered residential in nature. Locations that provide site availability throughout the year may be put in an individual customer's name under the residential tariff if they otherwise meet the qualifications set forward.

11. RESORT SERVICE

Where customers desire electric service for summer homes, summer resort hotels, or other summer resort establishments which are located adjacent to existing distribution lines of the Company and can be served without the extension of primary lines, they shall have the privilege of purchasing all-year service under the applicable all-year tariffs or of purchasing service for less than a full year under the applicable residential or general service tariffs, subject to payment in advance of an amount commensurate with the cost of handling the customer's account, for connection to and disconnection from the Company's lines.

12. EXTENSION OF SERVICE

A. Residential Service

i. Charges

For each permanent, year-round dwelling, the Company will provide a single-phase line extension excluding service drop at no additional charge for a distance of 200 feet. Distribution line extension in excess of the above footage will require an advance deposit of $3.50 per foot for all such excess footage. There will also be a nonrefundable contribution equal to the cost of right-of-way and clearing on such excess footage. Three-phase extensions, as required to service large developments, will be on the same basis as Commercial and Industrial.

ii. Measurement

The length of any main line distribution feeder extension will be measured along the route of the extension from the Company's nearest facilities from which the extension can be made to the customer's property line. The length of any lateral extension on the customer's property shall be measured from the customer's property line to the service pole. Should the Company for its own reasons choose a longer route; the applicant will not be charged for the additional distance; however, if the customer requests special routing of the line, the customer will be required to pay the extra cost resulting from the special routing.

iii. Refunds

During the five-year period immediately following the date of payment, the Company will make refunds of the charges paid for a financed extension under provisions of paragraph (i) above.

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(Continued from Sheet No. C-18.00)

14. TEMPORARY SERVICE.

Temporary service is electric service that is required during the construction phase of a project and/or electric service that is provided to new customers for a period not to exceed 12 months except in cases of large construction projects and the customer has notified the Company of the need to extend this timeframe. Such service is available only upon approval of the Company. In order to qualify for temporary service, the customer must demonstrate to the Company's satisfaction that the requested service will, in fact, be temporary in nature.

Temporary service for residential construction will be supplied using Tariff R.S. Temporary service for general service construction will be supplied under the appropriate published general service tariff applicable to the class of business of the customer. Temporary service will be supplied when the Company has available unsold capacity of lines, transformers, and generating equipment. The customer will be charged a minimum temporary service installation charge, payable in advance, based on the Company's actual cost to install and remove, less salvage, the required facilities to provide the temporary service. In no case shall revenue credits apply to cover costs associated with temporary service. The Company reserves the right to require a written contract for temporary service, at its option.

15 DENIAL OR DISCONTINUANCE OF SERVICE

Pursuant to Rules 460.136, 460.137, and 460.1625, the Company reserves the right to shutoff service to any customer without notice, in case of an emergency or to prevent fraud upon the Company. Additional shutoff of service rules applicable to nonresidential service are set forth in the MPSC Rules in Part 7 of the Billing Practices Applicable to Non-Residential Electric and Gas Customers, as referenced herein, and are set forth, as applicable, to residential service in Part 8 of the Consumer Standards and Billing Practices for Electric and Gas Residential Service, as referenced herein.

Any shutoff of service shall not terminate the contract between the Company and the customer nor shall it abrogate any minimum charge that may be effective.

The Company may disconnect service without request by the customer and with proper notification in writing of at least 14 days when:

(a) The customer does not provide adequate access to the meter during normal business hours or denies access to other Company equipment; or

(b) The customer does not provide a minimum of 15” on either side and 48” (72” for CT rated) ~~dequate safe~~ clearance in front of ~~and around~~ metering and associated equipment as indicated in the Company Meter and Service Guide; or

(c) The customer does not allow safe egress and regress across the customer’s property to access metering and other Company equipment; or

(d) The meter is in an inaccessible location such as a basement, fenced area, porch, etc., and the customer denies the Company reasonable access; or

(e) The customer’s equipment falls into disrepair due to aging or abuse and needs to be replaced due to eminent safety considerations; or

(f) The meter installation does not fall under commonly acceptable installation practices or where conditions at the customer’s site change, causing the meter installation to no longer meet acceptable installation guidelines.

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(Continued from Sheet No. C-19.00)

The Company may disconnect service without request by the customer and without prior notice only:

(a) If a condition dangerous or hazardous to life, physical safety, or property exists; or

(b) Upon order by any court, the Commission, or other duly authorized Public Authority; or

(c) If fraudulent or unauthorized use of electricity is detected and the Company has reasonable grounds to believe the affected customer is responsible for such use; or

(d) If the Company's regulating or measuring equipment has been tampered with and the Company has reasonable grounds to believe that the affected customer is responsible for such tampering.

16. SPECIAL SERVICE CHARGES.

The following schedule reflects the amounts to be charged for the special services stipulated. The Company will endeavor to comply with customer requested work subject to a minimum of three days prior notification and / or manpower availability.

SCHEDULE OF CHARGES	AMOUNT
1. AMI Opt-Out Reconnect during regular business hours.	$~~78.13~~ 98.00
2. AMI Opt-Out Reconnect during workday overtime hours and ~~all day~~ Saturday.	$~~93~~ 112.00
3. AMI Opt-Out Reconnect on Sundays or holidays.	$~~177~~ 211.00
~~4. Trip charge where Company employees are sent to customer premises to specifically notify the customer that bill payment is due.~~	~~$33.00~~
~~5.~~4. ~~Disconnect~~Meter Dept. trip charge~~s~~ where notification / site visit is provided~~left~~ for the customer at the premises because of access or other issue. ~~, or the customer signs a Company form agreeing to make payment by the end of business the same day and no disconnect is made.~~	$~~41~~ 50.00
~~6.~~5. Reconnect when disconnect is required to be made from a vault, manhole, or service box.	$~~732.19~~ 915.00
~~7.~~6. Reconnect when disconnect is required to be made at pole during regular business hours.	$~~97.50~~ 122.00
~~8.~~7. Reconnect when disconnect is required to be made at pole during workday overtime hours and all-day Saturday.	$~~132.00~~ 165.00
~~9.~~8. Reconnect when disconnect is required to be made at pole on Sunday or holidays.	$~~245.00~~ 306.00
~~10.~~9. Line Dept. Trip charge for no-power service call when the customer's facilities are clearly at fault or for scheduled work and customer is not ready and the customer was advised of the charge.	$~~42.81~~ 53.51
~~11.~~10. Meter test or change when charge is permitted in accordance with the provision of MPSC Consumer Standards and Billing Practice Rules.	$~~39.06~~ 49.00
~~12.~~11. Customer's check returned for nonsufficient funds.	$20.00

(Continued on Sheet No. C-21.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

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ORIGINAL SHEET NO. D-2.00

TARIFF RS
(Residential Electric Service)

Availability of Service

Available for residential electric service through one meter to individual residential customers including rural residential customers engaged principally in agricultural pursuits.

Monthly Rate (Tariff Codes 015, 016 and 820)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	7.58 ~~7.25~~	7.58 ~~7.25~~
Energy Charge (¢ per kWh)	3.156 ~~3.190~~	8.675 ~~8.185~~	4.593 ~~3.142~~	16.424 ~~14.517~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge ~~.~~ and all applicable riders ~~levied on a~~ dollar per customer per month basis.

~~Low Income Service Charge Provision – Allows for 100% reduction of service charge for eligible low-income customers.~~

~~Available to customers who qualify for Tariff RS that have a household income not to exceed 150 % of the poverty level, as published by the United States Department of Health and Human Services or who receive any of the following:~~

~~(a) Assistance from a state emergency relief program.~~
~~(b) Food stamps.~~
~~(c) Medicaid.~~

Low Income Service Charge Provision:

When service is supplied to a Principal Residence Customer, where the total household income does not exceed 150% of the Federal Poverty level, a credit shall be applied during all billing months. The total household income is verified when the customer has provided proof that they have received, or are currently participating in, one or more of the following within the past 12 months:

1. A Home Heating Credit energy draft
2. State Emergency Relief
3. Assistance from a Michigan Energy Assistance Program (MEAP)
4. Medicaid
5. Supplementary Nutrition Assistance Program (SNAP)

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ORIGINAL SHEET NO. D-3.00

TARIFF RS
(Residential Electric Service)

BY STEVEN F. BAKER PRESIDENT
FORT WAYNE, INDIANA

(Continued on Sheet No. D-3.00)

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
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If a customer does not meet any of the above requirements, a low-income verification form will be provided by the Company for the customer to complete and return.

The monthly credit for the Income Assistance Service Provision shall be applied as follows:

Delivery Charges: These charges are applicable to Full Service Customers.
Income Assistance Credit: $(7.58) per customer per month
If a credit balance occurs, the credit shall apply to the customer's future electric utility charges.
This provision is not available for alternate or seasonal homes.

The Company reserves the right to verify eligibility. This provision is not available for alternate or seasonal homes. This provision is subject to the service charge as stated below.

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Low Income Service Charge	--	--	0.00	0.00

(Continued on Sheet No. D-3.00)

ISSUED
BY STEVEN F. BAKER
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FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

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IN CASE NO. U-21461

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ORIGINAL SHEET NO. D-3.00

TARIFF RS
(Residential Electric Service)

(Continued From Sheet No. D-2.00)

~~Storage Water-Heating Provision~~

~~This provision is closed except for the present installation of current customers receiving service hereunder at premises served prior to May 1, 1997.~~

~~If the customer installs a Company-approved storage water-heating system that consumes electrical energy only during off-peak hours as specified by the Company and stores hot water for use during on-peak hours, the following shall apply:~~

~~Tariff Code~~
~~12 (a) For Minimum Capacity of 80 gallons, the last 300 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

~~13 (b) For Minimum Capacity of 100 gallons, the last 400 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

~~14 (c) For Minimum Capacity of 120 gallons or greater, the last 500 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

	~~Power Supply~~		~~Delivery~~	~~Total~~
	~~Capacity~~	~~Non-Capacity~~		
~~Storage Water Heating Energy Charge (¢ per kWh)~~	~~0.762~~	~~2.689~~	~~3.140~~	~~6.591~~

~~The above rates are available to Standard Service customers only.~~

~~These provisions, however, shall in no event apply to the first 200 kWh used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.~~

~~For purposes of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.~~

~~The Company reserves the right to inspect at all reasonable times the storage water-heating system and devices which qualify the residence for service under the Storage Water-Heating Provision, and to ascertain by any reasonable means that the time-differentiated load characteristics of such devices meet the Company's specifications. If the Company finds that in its sole judgement the availability conditions of this tariff are being violated, it may discontinue billing the customer under this provision and commence billing under the standard monthly rate.~~

~~This provision is subject to the Service Charge as stated in the above monthly rate and all applicable riders.~~

(Continued on Sheet No. D-4.00)

ISSUED
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EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 – ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-4.00

TARIFF RS
(Residential Electric Service)

(Continued From Sheet No. D-3.00)

Load Management Water-Heating Provision (Tariff Code 011)

This provision is closed except for the present installations of current customers receiving service at premises served prior to January 1, 2002.

For residential customers who install a Company-approved load management water-heating system which consumes electrical energy primarily during off-peak hours specified by the Company and stores hot water for use during on-peak hours, of minimum capacity of 80 gallons, the last 250 kWh of use in any month shall be billed at the Load Management Water-Heating Energy Charge.

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Load Management Water-Heating Energy Charge (¢ per kWh)	0.604 ~~0.762~~	2.611 ~~2.689~~	4.581 ~~3.140~~	7.796 ~~6.591~~

The above rates are available to Standard Service customers only.

This provision, however, shall in no event apply to the first 200 kWh used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.

For the purpose of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

The Company reserves the right to inspect at all reasonable times the load management water-heating system(s) and devices which qualify the residence for service under the Load Management Water-Heating Provision. If the Company finds that in its sole judgement the availability conditions of this provision are being violated, it may discontinue billing the customer under this provision and commence billing under the standard monthly rate.

This provision is subject to the Service Charge as stated in the monthly rate and all applicable riders.

Space-Heating Provision

When service is supplied to a residence that has permanently installed electric-heating equipment as the primary source of space heating, all kWh used during the billing months of November through May (exclusive of storage or load management water-heating kWh) shall be billed at the Space-Heating Energy Charge.

Space-Heating Energy Charge	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
(¢ per kWh)	2.538 ~~2.696~~	8.675 ~~8.185~~	4.593 ~~3.142~~	15.806 ~~14.023~~

The above rates are available to Standard Service customers only.

This provision is subject to the Service Charge as stated in the above monthly rate and all applicable riders.

(Continued on Sheet No. D-5.00)

ISSUED
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EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

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M.P.S.C. 18 - ELECTRIC
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STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-6.00

TARIFF RS-TOD
(Residential Service Time-of-Day)

Availability of Service

This tariff is withdrawn except for the present installations of customers receiving service hereunder at premises served prior to May 28, 2021. When new or upgraded facilities are required to maintain service to a Tariff RS-TOD customer, the customer shall be removed from Tariff RS-TOD and be required to take service under an appropriate Residential service tariff for which the customer qualifies.

Monthly Rate (Tariff Code 030)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	7.58 ~~9.15~~	7.58 ~~9.15~~
Energy Charge (¢ per kWh):				
For all on-peak kWh used	6.074 ~~5.108~~	16.023 ~~12.798~~	4.581 ~~3.140~~	26.687 ~~21.046~~
For all off-peak kWh used	0.604 ~~0.762~~	2.611 ~~2.689~~	4.581 ~~3.140~~	7.796 ~~6.591~~

For the purpose of this tariff, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

Minimum Charge

This tariff is subject to a minimum charge equal to the monthly service charge and all applicable riders levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

TARIFF RS-OPES
(Residential Off-Peak Energy Storage)

Availability of Service THIS PAGE RESERVED FOR FUTURE USE

Available to customers eligible for Tariff RS (Residential Service) who use energy storage devices with time-differentiated load characteristics approved by the Company, such as electric thermal storage space-heating equipment and water heaters which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, who take Standard Service from the Company.

Households eligible to be served under this Tariff shall be metered through one single-phase, multi-register meter capable of measuring electrical energy consumption during on-peak and off-peak billing periods.

Monthly Rate (Tariff Code 032)

	Power Supply Capacity	Power Supply Non Capacity	Delivery	Total
Service Charge ($)	–	–	9.15	9.15
Energy Charge (¢ per kWh):				
For all on-peak kWh used	5.108	12.798	3.140	21.046
	0.762		3.140	
For all off-peak kWh used		2.689		6.591

For the purpose of this tariff, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

Thermal Storage Equipment Conservation and Load Management Credit

For the combination of an approved electrical thermal storage space-heating system and water heater, both of which are designed to consume electrical energy only during the off-peak billing period as previously described in this tariff, each residence will receive a generation credit of 0.00¢ for all off-peak kWh used, for a total of 60 monthly billing periods following the installation and use of these devices in such residence.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge and all applicable riders.

Separate Metering Provision

Customers shall have the option of receiving service under Tariff RS for their general-use load by separately wiring this equipment to a standard residential meter.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

(Continued on Sheet No. D-9.00)

~~TARIFF RS-OPES~~
~~(Residential Off-Peak Energy Storage)~~

~~(Continued from Sheet No. D-8.00)~~

~~Term of Contract~~ THIS PAGE RESERVED FOR FUTURE USE

~~A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service.~~

~~Special Terms and Conditions~~

~~This tariff is subject to the Company's Terms and Conditions of Standard Service.~~

~~The Company reserves the right to inspect at all reasonable times the energy storage and load management devices which qualify the residence for service, for conservation and load management credits, and to ascertain by any reasonable means that the time-differentiated load characteristics of such devices meet the Company's specifications. If the Company finds that in its sole judgement the availability conditions of this tariff are being violated, it may discontinue billing the customer under this tariff and commence billing under the appropriate Residential Service Tariff.~~

~~Customers with cogeneration and/or small power production facilities shall take service under Rider NMS-1 (Net Metering Service for Customers With Generating Facilities of 20 kW or Less, Rider NMS-2 (Net Metering Service for Customers with Generating Facilities Greater than 20 kW), Tariff COGEN/SPP or by special agreement with the Company.~~

TARIFF RS-PEV
(Residential Plug-In Electric Vehicle)

Availability of Service

Available to customers eligible for Tariff RS (Residential Service) who use Plug-In Electric Vehicles (PEV) and take Standard Service from the Company.

The customer can select from three billing options, all of which include metering that is capable of separately identifying PEV usage. Customer-specific information will be held as confidential and the data presented in any analysis will protect the identity of the individual customer.

Monthly Rate

Option 1 – Whole Residence Time-of-Day (Tariff Code 057): All household usage shall be metered through one single phase, multi-register meter capable of measuring electrical energy consumption during on-peak and off-peak billing periods. A second informational meter will be installed that is capable of separately identifying PEV usage. All kWh usage (both PEV and non-PEV) will be billed at the following Monthly Rates which are the same as Tariff RS-TOD Monthly Rates.

Option 2 – Separately Metered PEV Time-of-Day (Tariff Code 058): An additional single phase, multi- register meter capable of measuring electrical energy consumption during on-peak and off-peak billing periods will be installed to separately measure PEV kWh usage from all other kWh usage at the residence. PEV kWh usage will be billed at the following Monthly Rates which are the same as Tariff RS-TOD Monthly Rates and all other kWh usage will be billed at Tariff RS Monthly Rates.

Option 1 and Option 2 Rates	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Service Charge ($)	--	--	7.58 ~~9.15~~	7.58 ~~9.15~~
Energy Charge (¢ per kWh):				
For all on-peak kWh used	6.074 ~~5.108~~	16.023 ~~12.798~~	4.581 ~~3.140~~	26.687 ~~21.046~~
For all off-peak kWh used	0.604 ~~0.762~~	2.611 ~~2.689~~	4.581 ~~3.140~~	7.796 ~~6.591~~

For the purpose of options 1 and 2, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

Option 3 – Submetered PEV Time-of-Day (Tariff Code 059): A standard meter will measure total residence kWh usage and an additional submeter capable of measuring electrical energy consumption during on-peak and off-peak billing periods will be installed to separately measure PEV kWh usage only. Total residence usage will be billed at Tariff RS Monthly Rates. For all off-peak PEV kWh usage an additional Power Supply Capacity credit will apply as follows:

Option 3 Off-peak PEV **Credit**	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Credit for all off-peak PEV kWh	-2.840 ~~2.871~~	-1.450 ~~0.818~~	-4.134 ~~2.828~~	-8.424 ~~6.517~~

For the purpose of option 3 under this tariff, the off-peak billing period is defined as 11p.m. to 6 a.m. local time.

(Continued on Sheet No. D-11.00)

TARIFF RS-PEV
(Residential Plug-In Electric Vehicle)

(Continued from Sheet No. D-10.00)

For the first 250 customers that select either Option 1 or Option 3, above, there will be no charge for the second informational meter under Option 1 or the additional submeter under Option 3. For all customers after the first 250 customers, an additional service charge of $1.45 ~~2.75~~ per month shall apply.

Pilot Incentive Rebate.

Customers participating in this tariff may be eligible to receive a one-time enrollment rebate of $500 for wiring and EV charger with proof of qualifying PEV purchase after the start date of this program. Incentives are limited to the IM Plugged In spending cap approved by the Commission.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge(s). The second meter charge of $1.45~~2.75~~ is waived for option 3 when monthly PEV use is 250 kWh or greater. Riders will be charged on metered usage except that measured on the PEV submeter.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service.

(Continued on Sheet No. D-12.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-13.00

TARIFF RS-TOD2
(Residential Service Time-of-Day 2)

Availability of Service

Available for residential electric service through an advanced meter capable of measuring electrical energy consumption during the on-peak and off-peak billing periods to individual residential customers, including residential customers engaged principally in agricultural pursuits, who take Standard Service from the Company. Residential customers that do not currently have an AMI meter may request one in order to participate in this tariff.

Monthly Rate (Tariff Codes 021)

	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Service Charge ($)	--	--	7.58 ~~9.15~~	7.58 ~~9.15~~
Energy Charge (¢ per kWh):				
On-Peak~~High Cost~~ kWh~~Hours~~ (P2)	7.533 ~~10.538~~	8.540 ~~8.036~~	4.581 ~~3.144~~	20.654 ~~21.718~~
Off-Peak~~Low Cost~~ kWh~~Hours~~ (P1)	2.722 ~~2.571~~	8.540 ~~8.036~~	4.581 ~~3.144~~	15.843 ~~13.751~~

For the purpose of this tariff, the on-peak billing period is defined as 2p.m. to 6p.m., Monday through Friday, for the months of May to September. The off-peak billing period is defined as those hours not designated as on-peak hours.

~~Billing Hours~~

~~Months~~	~~Low Cost Hours (P1)~~	~~High Cost Hours (P2)~~
~~Approximate Percent (%) of Annual Hours~~	~~95%~~	~~5%~~
~~October through April~~	~~All Hours~~	~~None~~
~~May through September~~	~~Midnight to 2 PM, 6 PM to Midnight~~	~~2 PM to 6 PM~~

~~NOTES: All times indicated above are local time.~~
~~All kWh consumed during weekends are billed at the low cost (P1) level.~~

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-14.00

TARIFF RS-TOD2
(Residential Service Time-of-Day 2)

(Continued from Sheet No. D-13.00)

Minimum Charge

This tariff is subject to a minimum charge equal to the monthly service charge, and all applicable riders, levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service.

Special Terms and Conditions

This tariff is subject to the Company's Terms and Conditions of Standard Service.

This tariff is available for single-phase service only. Where three-phase power service is required and/or where motors or heating equipment are used for commercial or industrial purposes, the applicable power tariff will apply to such power service.

Customers with cogeneration and/or small power production facilities shall take service under Rider NMS-1 (Net Metering Service for Customers with Generating Facilities of 20 kW or less), Rider NMS-2 (Net Metering Service for Customers with Generating Facilities Greater than 20 kW), Tariff COGEN/SPP or by special agreement with the Company.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-15.00

TARIFF RS-SC
(Optional Residential Senior Citizen)

Availability of Service

Available to qualified customers desiring service for residential uses which include only those purposes, which are usual in individual private family dwellings or separately metered apartments and in the usual appurtenant buildings served through the residential meter who take Standard Service from the Company. This rate is not available for commercial or industrial service, for resale purposes, or for alternate residence. To qualify for this rate, the customer must be 65 years of age and head of the household.

The optional rate is not available for an alternate or seasonal home and the customer shall contract to remain on this rate for at least 12 months.

Monthly Rate (Tariff Codes 023)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	3.79 ~~3.63~~	3.79 ~~3.63~~
Energy Charge (¢ per kWh):				
For the first 300 kWh used per month	0.604 ~~0.762~~	2.611 ~~2.689~~	4.960 ~~3.502~~	8.175 ~~6.953~~
For the next 600 kWh used per month	2.538 ~~2.696~~	8.675 ~~8.185~~	4.972 ~~3.504~~	16.185 ~~14.385~~
For all kWh over 900 used per month	14.519 ~~13.438~~	26.866 ~~24.673~~	5.009 ~~3.510~~	46.394 ~~41.621~~

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge~~.~~ and all applicable riders~~.~~ levied on a dollar per customer per month basis.

~~Storage Water Heating Provision~~

~~This provision is closed except for the present installation of current customers receiving service hereunder at premises served prior to May 1, 1997.~~

~~If the customer installs a Company approved storage water heating system that consumes electrical energy only during off-peak hours as specified by the Company and stores hot water for use during on-peak hours, the following shall apply:~~

(Continued on Sheet No.D-16.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-16.00

TARIFF RS-SC
(Optional Residential Senior Citizen)

(Continued From Sheet No. D-15.00)

~~Tariff Code~~

~~24 For Minimum Capacity of 80 gallons, the last 300 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

~~25 For Minimum Capacity of 100 gallons, the last 400 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

~~26 (c) For Minimum Capacity of 120 gallons or greater, the last 500 kWh of use in any month shall be billed at the Storage Water-Heating Energy Charge.~~

	~~Power Supply~~		~~Delivery~~	~~Total~~
	~~Capacity~~	~~Non-Capacity~~		
~~Storage Water Heating Energy Charge (¢ per kWh)~~	~~0.762~~	~~2.689~~	~~3.140~~	~~6.591~~

~~These provisions, however, shall in no event apply to the first 200 kWh used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.~~

~~For purposes of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.~~

~~The Company reserves the right to inspect at all reasonable times the storage water-heating system and devices which qualify the residence for service under the Storage Water Heating Provision, and to ascertain by any reasonable means that the time-differentiated load characteristics of such devices meet the Company's specifications. If the Company finds that in its sole judgement the availability conditions of this tariff are being violated, it may discontinue billing the customer under this provision and commence billing under the standard monthly rate.~~

~~This provision is subject to the Service Charge as stated in the above monthly rate and all applicable riders.~~

Load Management Water-Heating Provision (Tariff Code 027)

This provision is closed except for the present installations of current customers receiving service at premises served prior to January 1, 2002.

(Continued on Sheet No. D-17.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-17.00

TARIFF RS-SC
(Optional Residential Senior Citizen)

(Continued From Sheet No. D-16.00)

For residential customers who install a Company-approved load management water-heating system, which consumes electrical energy primarily during off-peak hours specified by the Company and stores hot water for use during on-peak hours, of minimum capacity of 80 gallons, the last 250 kWh of use in any month shall be billed at the Load Management Water-Heating Energy Charge.

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Load Management Water-Heating Energy Charge (¢ per kWh)	0.604 ~~0.762~~	2.611 ~~2.689~~	4.581 ~~3.140~~	7.796 ~~6.591~~

This provision, however, shall in no event apply to the first 200 kWh used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.

For the purpose of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

The Company reserves the right to inspect at all reasonable times the load management water-heating system(s) and devices which qualify the residence for service under the Load Management Water-Heating Provision. If the Company finds that in its sole judgement the availability conditions of this provision are being violated, it may discontinue billing the customer under this provision and commence billing under the standard monthly rate.

This provision is subject to the Service Charge as stated in the above monthly rate and all applicable riders.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

(Continued on Sheet No. D-18.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-18.20

TARIFF RS – CPP
(Residential Service Critical Peak Pricing)

(Continued from Sheet No. D-18.10)

Critical Peak Events

Critical peak events shall be called at the sole discretion of the Company. Critical peak events shall not exceed five (5) hours per day and 15 events per calendar year.

Critical Peak Event Notification

Customers will be notified by the Company by 7 PM the evening prior to a critical peak event. Receipt of the price notification is the customers' responsibility. The Company has the ability to cancel a scheduled event with at least two (2) hours notice prior to the start of an event due to unforeseen changes in conditions.

In the event of an emergency, the Company may invoke a critical peak event at any time during the year, and will use best efforts to provide notice two (2) hours prior to the start of the event. Such emergency events will not count toward the total number of critical peak events, as defined above.

The Company will offer email notification and may also offer text messaging and/or other technologies approved by the Company. Any customer owned technology equipment utilized for notification shall be subject to Company review and approval.

Minimum Charge

This tariff is subject to a minimum charge equal to the monthly service charge, and all applicable riders. levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in Rule 460-122 of the MPSC rules. The due date shall be 21 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-18.20

(Continued on Sheet No. D-18.30)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-19.00

TARIFF GS
(General Service)

Availability of Service

Available for general service customers. Customers may continue to qualify for service under this tariff until their 12-month average metered demands exceeds 1,500 kW.

Monthly Rate

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
215, 218, 740 & 840	**Secondary**				
	Service Charge ($) Customers w/o Demand Meter Customers with Demand Meter	-- --	-- --	8.36 ~~6.25~~ 22.30 ~~17.45~~	8.36 ~~6.25~~ 22.30 ~~17.45~~
	Demands Greater Than 10 kW ($ per kW)	1.21 ~~1.27~~	2.97 ~~3.02~~	10.12 ~~8.14~~	14.30 ~~12.43~~
	First 4,500 kWh (¢ per kWh)	3.047 ~~2.832~~	7.486 ~~6.639~~	3.262 ~~1.934~~	13.795 ~~11.405~~
	Over 4,500 kWh	2.543 ~~2.333~~	8.184 ~~7.046~~	-0-	10.727 ~~9.379~~
217, 741 & 841	**Primary**				
	Service Charge ($)	--	--	165.00	165.00
	Demands Greater than 10 kW ($ per kW)	1.18 ~~1.25~~	2.89 ~~2.94~~	6.23 ~~4.80~~	10.30 ~~8.99~~
	First 4,500 kWh (¢ per kWh)	2.945 ~~2.741~~	7.236 ~~6.425~~	1.869 ~~0.872~~	12.050 ~~10.038~~
	Over 4,500 kWh (¢ per kWh)	2.458 ~~2.260~~	7.911 ~~6.819~~	-0-	10.369 ~~9.079~~
236 & 842	**Subtransmission**				
	Service Charge ($)	--	--	165.00	165.00
	Demands Greater Than 10 kW ($ per kW)	1.16 ~~1.22~~	2.84 ~~2.89~~	-0-	4.004~~4.11~~
	First 4,500 kWh (¢ per kWh)	2.897 ~~2.695~~	7.118 ~~6.320~~	-0-	10.015 ~~9.015~~
	Over 4,500 kWh (¢ per kWh)	2.418 ~~2.219~~	7.781 ~~6.708~~	-0-	10.199 ~~8.927~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

Bills computed under the above rate are subject to a~~the operation of~~ minimum bill equal to the monthly service charge~~. provisions as follows:~~, all applicable riders levied on a dollar per customer per month basis, and any applicable demand charges.

~~Minimum Charge For demand accounts up to 100 kW - the service charge and all applicable riders. For demand accounts over 100 kW - the sum of the service charge, the product of the demand charge and the monthly billing demand, and all applicable riders.~~

(Continued on Sheet No. D-20.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-20.00

IN CASE NO. U-21461

TARIFF GS
(General Service)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-22.00

TARIFF GS
(General Service)

(Continued From Sheet No. D-21.00)

The Company shall not be obligated to supply demands in excess of that contracted for. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

Standard Service customers with cogeneration and/or small power production facilities shall take service under Rider NMS-1 (Net Metering Service for Customers With Generating Facilities of 20 kW or Less, Rider NMS-2 (Net Metering Service for Customers with Generating Facilities Greater than 20 kW), Tariff COGEN/SPP or by special agreement with the Company.

OAD Customers with cogeneration, small power production facilities, or other on-site sources of electric energy designed to operate in parallel with the Company's system shall take service by special agreement with the Company.

Load Management Time-of-Day Provision

Available to Standard Service customers who use energy storage devices with time-differentiated load characteristics approved by the Company, such as electric thermal storage space-heating furnaces and water heaters which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and take Standard Service from the Company.

Customers shall have the option of receiving service under Tariff GS for their general-use load by separately wiring this equipment to a standard meter.

The customer shall be responsible for all local facilities required to take service under this provision.

Monthly Rate (Tariff Code 223)

Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Secondary				
Service Charge ($)				
Customers w/o Demand Meter	--	--	8.36 ~~7.45~~	8.36 ~~7.45~~
Customers with Demand Meter	--	--	22.30 ~~17.65~~	22.30 ~~17.65~~
Energy Charge (¢ per kWh):				
For all on-peak kWh used	5.079 ~~4.188~~	13.575 ~~10.713~~	3.851 ~~2.753~~	22.505 ~~17.654~~
For all off-peak kWh used	0.764 ~~0.707~~	3.002 ~~2.559~~	3.851 ~~2.753~~	7.617 ~~6.019~~

The above rates are available to Standard Service customers only.

For the purpose of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

This provision is subject to the terms and conditions of Tariff GS including all applicable riders.

(Continued on Sheet No. D-23.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-23.00

TARIFF GS
(General Service)

(Continued From Sheet No. D-22.00)

Optional Unmetered Service Provision

This tariff provision is withdrawn except for the present installations of customers receiving service hereunder at premises served prior to May 1, 2020. When new or upgraded facilities are required to maintain service to an existing customer, the customer shall be removed from the unmetered provision and placed on a standard metered, general service tariff for which the customer qualifies.

Available to customers who qualify for Tariff GS, use the Company's service for commercial purposes consisting of small fixed electric loads such as traffic signals and signboards. This service will be furnished at the option of the Company.

Each separate service delivery point shall be considered a contract location and shall be separately billed under the service contract. In the event one customer has several accounts for like service, the Company may meter one account to determine the appropriate kilowatt-hour usage applicable for each of the accounts.

The customer shall furnish switching equipment satisfactory to the Company. The customer shall notify the Company in advance of every change in connected load or change in operation and the Company reserves the right to inspect the customer's equipment at any time to verify the actual energy consumption. In the event of the customer's failure to notify the Company of an increase in load, the Company reserves the right to refuse to serve the contract location thereafter under this provision, and shall be entitled to bill the customer retroactively on the basis of the increased load as provided in the MPSC Consumer Standards and Billing Practice Rules.

Calculated energy use per month shall be equal to the contract capacity specified at the contract location times the number of days in the billing period times the specified hours of operation.

Monthly Rate (Tariff Codes 214, 204 and 831)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	5.00	5.00
Energy Charge (¢ per kWh): For all kWh used per month	3.047 ~~2.832~~	7.486 ~~6.639~~	3.262 ~~1.934~~	13.795 ~~11.405~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

This provision is subject to the terms and conditions of Tariff GS including all applicable riders.

ORIGINAL SHEET NO. D-24.00

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

TARIFF GS-TOD
(General Service Time-of-Day)

Availability of Service

This tariff is withdrawn except for the present installations of customers receiving service hereunder at premises served prior to May 28, 2021. When new or upgraded facilities are required to maintain service to a Tariff GS-TOD customer, the customer shall be removed from Tariff GS-TOD and be required to take service under an appropriate General Service tariff for which the customer qualifies.

Monthly Rate (Tariff Code 229)

Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Secondary				
Service Charge ($)				
Customers w/o Demand Meter	--	--	8.00 ~~7.45~~	8.00 ~~7.45~~
Customers with Demand Meter	--	--	22.30 ~~17.65~~	22.30 ~~17.65~~
Energy Charge (¢ per kWh):				
For all on-peak kWh used	5.079 ~~4.188~~	13.575 ~~10.713~~	3.851 ~~2.753~~	22.505 ~~17.654~~
For all off-peak kWh used	0.764 ~~0.707~~	3.002 ~~2.559~~	3.851 ~~2.753~~	7.617 ~~6.019~~

For the purpose of this tariff, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge~~.~~ ~~-~~and all applicable riders~~.~~ levied on a dollar per customer per month basis.

Metered Voltage

The rates set forth in this tariff are based upon the delivery and measurement of energy at the secondary voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss-compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered kWh values will be adjusted for billing purposes. If the Company elects to adjust kWh based on multipliers, the adjustment shall be 0.98 when measurements are taken at the high-side of a Company-owned transformer.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.1614, of the MPSC rules. The due date shall be 22 days following the date of transmittal.

(Continued on Sheet No. D-25.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIIGNAL SHEET NO. D-26.00

TARIFF GS-TOD2
(General Service Time-of-Day 2)

(Continued from Sheet No. D-25.00)

Availability of Service

Available for general service to customers with 12-month average metered demands of less than 10 kW through an advanced meter capable of measuring electrical energy consumption during variable pricing periods who take Standard Service from the Company. General Service customers that do not currently have an AMI meter may request one in order to participate in this tariff.

Rate (Tariff Code: 221)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($) Customers w/o Demand Meter Customers with Demand Meter	--	--	8.00 ~~7.45~~ 22.30 ~~17.65~~	8.00 ~~7.45~~ 22.30 ~~17.65~~
Energy Charge (¢ per kWh): On-Peak kWh~~High Cost Hours (P2)~~	6.857 ~~7.339~~	7.493 ~~7.544~~	3.851 ~~2.752~~	18.201 ~~17.635~~
Off-Peak kWh~~Low Cost Hours (P1)~~	2.755 ~~2.475~~	7.493 ~~7.544~~	3.851 ~~2.752~~	14.099 ~~12.771~~

For the purpose of this tariff, the on-peak billing period is defined as 2 p.m. to 6 p.m., Monday through Friday, for the months of May to September. The off-peak billing period is defined as those hours not designated as on-peak hours.

~~Billing Hours~~

~~Months~~	~~Low Cost Hours (P1)~~	~~High Cost Hours (P2)~~
~~Approximate Percent (%) Of Annual Hours~~	~~95%~~	~~5%~~
~~October through April~~	~~All Hours~~	~~None~~
~~May through September~~	~~Midnight to 2 PM, 6 PM to Midnight~~	~~2 PM to 6 PM~~

~~NOTES: All times indicated above are local time.~~
~~All kWh consumed during weekends are billed at the low cost (P1) level.~~

(Continued on Sheet No. D-27.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIIGNAL SHEET NO. D-27.00

TARIFF GS-TOD2
(General Service Time-of-Day 2)

(Continued from Sheet No. D-26.00)

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge~~.~~ and all applicable riders~~.~~ levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in the MPSC Consumer Standards and Billing Practice Rules. The due date shall be 22 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service, or Items 1, 11, and/or 17 of the Terms and Conditions of Open Access Distribution Service, as applicable.

Special Terms and Conditions

This tariff is subject to the Company's Terms and Conditions of Standard Service.

Customers with cogeneration and/or small power production facilities shall take service under Rider NMS-1 (Net Metering Service for Customers with Generating Facilities of 20 kW or Less, Rider NMS-2 (Net Metering Service for Customers with Generating Facilities Greater than 20 kW), Tariff COGEN/SPP or by special agreement with the Company.

M.P.S.C. 18 – ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-28.00

TARIFF G.S. – PEV
(General Service Plug-in Electric Vehicle)

Availability of Service.

Available to Standard Service, secondary voltage customers on Tariff GS, in good standing with the Company, having averaged less than 4,500 kWh use per month in the previous 12 months and use Plug-in Electric Vehicles (PEV). Customers under this tariff may not operate distributed generation resources or participate in the Company's Net Metering Service Rider.

Customers electing service under this tariff may choose from two available options. Option 1 allows for a stand-alone PEV service in addition to their existing Tariff GS service. Option 2 allows for a PEV Submeter placed to separately meter PEV usage within their existing GS service.

Option 1 – Stand-alone PEV Service: All PEV usage shall be metered through one, multi-register meter capable of measuring electrical energy consumption during on-peak and off-peak billing periods. All PEV kWh usage will be billed at the following Monthly Rates in addition to the customers qualifying Tariff GS account.

Rate: (Tariff 219)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Monthly Service Charge ($) Customers w/o Demand Meter Customers with Demand Meter			8.36 ~~7.45~~ 23.30 ~~17.65~~	8.36 ~~7.45~~ 23.30 ~~17.65~~
PEV On-Peak kWh (¢ per kWh)	3.820 ~~3.495~~	8.986 ~~7.663~~	4.811 ~~3.414~~	17.617 ~~14.572~~
PEV Off-Peak kWh (¢ per kWh)	0.306 ~~0.283~~	7.309 ~~7.523~~	0.385 ~~0.194~~	8.000

For the purpose of the PEV tariffs above, the daily on-peak billing period is defined as 6 a.m. to 11 p.m. Off-peak billing period is defined as those hours not designated as on-peak hours

Option 2 – Submetered PEV Time-of-Day: A submeter capable of measuring electrical energy consumption during on-peak and off-peak billing periods will be installed to separately measure PEV kWh usage. Total General Service usage will be billed at the customers Tariff GS Monthly Rates. A credit will be applied to the customer's bill for all off-peak PEV kWh usage measured at the submeter and billed under Tariff (220). There is no billing adjustment for PEV on-peak usage. A second meter charge of $1.45 ~~2.55~~ for the PEV Submeter applies when monthly PEV usage is less than 250 kWh.

(Continued on Sheet No. D-29.00)

M.P.S.C. NO. 18
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-29.00

TARIFF G.S. – PEV
(General Service Plug-in Electric Vehicle)

(Continued from Sheet No. D-28.00)

Rate (Tariff 220)

All General Service Usage	Tariff GS rate and Service Charge apply			
PEV Off-Peak Credit	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
	-2.742 ~~2.549~~	-0.117 ~~0.885~~	-2.936 ~~1.741~~	-5.795 ~~3.405~~
Second Meter Charge (if monthly PEV use is < 250 kWh ($)			1.45 ~~2.55~~	1.45 ~~2.55~~

For the purpose of the PEV credit above, the daily off-peak billing period is defined as 11 pm to 6 am.

Pilot Incentive Rebates

Customers participating in this tariff may be eligible to receive a one-time enrollment rebate of up to $2500 for wiring and EV charger with proof of qualifying PEV purchase after the start date of this program. Incentives are limited to the IM Plugged In aggregate spending cap approved by the Commission.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge(s). The second meter charge for the PEV submeter Option 2 is waived each month the PEV usage is 250 kWh or greater.

Applicable Riders

Monthly charges computed for both services under Option 1 shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00. For Option 2, the applicable riders will be charged on usage metered under the customers Tariff GS account, not for usage measured by the PEV Submeter.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill, which is not paid on or before the due date shown thereon as set forth in Rule 460.1614, of the MPSC rules. The due date shall be 22 days following the date of transmittal.

Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 2, 14, and/or 17 of the Terms and Conditions of Service.

Special Terms and Conditions

This tariff is subject to the Company's Terms and Conditions of Service.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-29.20

TARIFF GS – CPP
(General Service Critical Peak Pricing)

(Continued from Sheet No. D-29.10)

Critical Peak Event Notification

Customers will be notified by the Company by 7 PM the evening prior to a critical peak event. Receipt of the price notification is the customers' responsibility. The Company has the ability to cancel a scheduled event with at least two (2) hours notice prior to the start of an event due to unforeseen changes in conditions.

In the event of an emergency, the Company may invoke a critical peak event at any time during the year, and will use best efforts to provide notice two (2) hours prior to the start of the event. Such emergency events will not count toward the total number of critical peak events, as defined above.

The Company will offer email notification and may also offer text messaging and/or other technologies approved by the Company. Any customer owned technology equipment utilized for notification shall be subject to Company review and approval.

Minimum Charge

This tariff is subject to a minimum charge equal to the monthly service charge~~,~~ ~~and~~ all applicable riders~~.~~ levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the unpaid balance shall be added to any delinquent bill as set forth in the MPSC Consumer Standards and Billing Practice Rules. The due date shall be 22 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service.

Special Terms and Conditions

This tariff is subject to the Company's Terms and Conditions of Standard Service.

Customers with cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP or by special agreement with the Company.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-30.00

TARIFF LGS
(Large General Service)

Availability of Service

Available for general service customers with metered demands greater than 100 kW. Customers may continue to qualify for service under this tariff until their 12-month average metered demand exceeds 1,500 kW.

Monthly Rate

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
240, 242, 750 & 850	**Secondary**				
	Service Charge ($)	--	--	44.00	44.00
	Demand Charge ($ per kW)	3.33 ~~3.25~~	8.60 ~~8.24~~	11.46 ~~8.72~~	23.39 ~~20.21~~
	Energy Charge (¢ per kWh):				
	For all on-peak kWh used	3.393 ~~3.266~~	5.388 ~~4.803~~	--	8.781 ~~8.069~~
	For all off-peak kWh used	--	5.388 ~~4.803~~	--	5.388 ~~4.803~~
244, 751 & 851	**Primary**				
	Service Charge ($)	--	--	207.00	207.00
	Demand Charge ($ per kW)	3.24 ~~3.14~~	8.37 ~~8.02~~	7.51 ~~5.37~~	19.12 ~~16.53~~
	Energy Charge (¢ per kWh):				
	For all on-peak kWh used	3.28 ~~3.162~~	5.208 ~~4.648~~	--	8.488 ~~7.810~~
	For all off-peak kWh used	--	5.208 ~~4.648~~	--	5.208 ~~4.648~~
248 & 852	**Subtransmission**				
	Service Charge ($)	--	--	207.00	207.00
	Demand Charge ($ per kW)	3.19 ~~3.10~~	8.23 ~~7.89~~	--	11.42 ~~10.99~~
	Energy Charge (¢ per kWh):				
	For all on-peak kWh used	3.226 ~~3.109~~	5.123 ~~4.572~~	--	8.349 ~~7.681~~
	For all off-peak kWh used	--	5.123 ~~4.572~~	--	5.123 ~~4.572~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

For the purpose of this tariff, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

(Continued on Sheet No. D-31.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-31.00

TARIFF LGS
(Large General Service)

(Continued From Sheet No. D-30.00)

Excess kVA Demand Charge
The monthly kVA demand shall be determined by dividing the maximum metered kW demand by the average monthly power factor. The excess kVA demand, if any, shall be the amount by which the monthly kVA demand exceeds the greater of (a) 101 % of the maximum metered kW demand or (b) 60 kVA. The metered voltage adjustment, as set forth below, shall apply to the customers excess kVA demand.

The Excess kVA Charge under this tariff shall be as follows:

Tariff Code	Service Voltage	Excess kVA Demand Charge ($ / kVA)
240, 242, 750, 850	Secondary	3.68
244, 751, 851	Primary	3.58
248, 852	Subtransmission	3.52

Minimum Charge
Bills computed under the above rate are subject to a minimum bill equal to the monthly service charge, all applicable riders levied on a dollar per customer per month basis, and any applicable demand charges. ~~This tariff is subject to a minimum monthly charge equal to the sum of the service charge., the product of the demand charge and the monthly billing demand, and all applicable riders. The power factor clause shall not operate to change the monthly minimum charge.~~

Monthly Billing Demand

Energy supplied hereunder will be delivered through not more than one single-phase or one polyphase meter. Billing demand in kW shall be taken each month as the single highest 15-minute integrated peak in kilowatts as registered during the month by a 15-minute integrating demand meter or indicator or, at the Company's option, as the highest registration of a thermal-type demand meter or indicator, subject to the off -peak hour provision.

Where energy is presently delivered through two meters, the billing demand will be taken as the sum of the two demands separately determined.

The minimum monthly billing demand established hereunder shall not be less than 60% of the greater of (a) the customer's contract capacity, or (b) the customer's highest previously established monthly billing demand during the past 11 months, or (c) 100 kW.

(Continued on Sheet No. D-32.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-32.00

TARIFF LGS
(Large General Service)

(Continued From Sheet No. D-31.00)

The minimum monthly billing demand shall not be less than 25% of the greater of (a) the customer's contract capacity, or (b) the customer's highest previously established monthly billing demand during the past 11 months, or (c) 100 kW during the billing months of May through November for customers with more than 50% of their connected load used for space-heating purposes.

The Metered Voltage adjustment, as set forth below, shall not apply to the customer's minimum monthly billing demand.

Billing demands shall be rounded to the nearest whole kW.

Off-Peak Hour Provision – Applicable to Standard Service customers only

Demand created during the off-peak billing period shall be disregarded for billing purposes provided that the billing demand shall not be less than 60% of the maximum demand created during the billing month.

Availability of this provision is subject to the availability of capacity in the Company's existing facilities.

Adjustments to Rate

Bills computed under the rate set forth herein will be adjusted as follows:

~~A. Power Factor~~

~~The rate set forth in this tariff is subject to power factor adjustment based upon the maintenance by the customer of an average monthly power factor of 85%, leading or lagging, as measured by integrating meters. When the average monthly power factor is above or below 85%, leading or lagging, the on-peak and off-peak kWh as metered will, for billing purposes, be multiplied by the constant, rounded to the nearest 0.0001, derived from the following formula:~~

$$\text{Constant} = 0.9510 + 0.1275 \left[\frac{\text{RKVAH}}{\text{KWH}} \right]^2$$

~~In no event shall the Constant derived from the above formula be greater than 2.0000.~~

(Continued on Sheet No. D-33.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-33.00

TARIFF LGS
(Large General Service)

(Continued From Sheet No. D-32.00)

~~B.~~ Metered Voltage

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss-compensating equipment, the use of formulas to calculate losses, or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

(1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.

(2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.1614, of the MPSC Rules. The due date shall be 22 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

Service under this tariff will be for an initial period of not less than one year and shall remain in effect thereafter until either party shall give at least six months' written notice to the other of the intention to discontinue service under the terms of this tariff. A written agreement may, at the Company's option, be required to fulfill the provisions of Items 1, 9, and/or 12 of the Terms and Conditions of Standard Service, or Items 1, 11, and/or 17 of the Terms and Conditions of Open Access Distribution Service, as applicable.

A new initial period will not be required for existing customers who increase their requirements after the original initial period unless new or additional facilities are required.

Where new Company facilities are required, the Company reserves the right to require initial contracts for periods greater than one year for all customers served under this tariff.

(Continued on Sheet No. D-34.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-34.00

TARIFF LGS
(Large General Service)

(Continued From Sheet No. D-34.00)

The Company may not be required to supply capacity in excess of that contracted for except by mutual agreement.

Notwithstanding any contractual requirement for longer than 90 days' notice to discontinue Standard Service, customers may elect to take service from a qualified Alternate Electric Supplier (AES), pursuant to the Terms and Conditions of Open Access Distribution Service, by providing 90 days' written notice to the Company. If upon completion of such 90-day notice period the customer has not enrolled with a qualified AES, then the customer must continue to take service under the Company's Standard Service for a period of not less than 12 consecutive months.

Special Terms and Conditions

This tariff is subject to the Company's Terms and Conditions of Standard Service, or Items 1, 11, and/or 17 of the Terms and Conditions of Open Access Distribution Service, as applicable.

This tariff is also available to customers having other on-site sources of electric energy supply, who purchase standby or backup service from the Company. Where such conditions exist, the customer shall contract for the maximum amount of demand in kW, which the Company might be required to furnish, but not less than 100 kW. The Company shall not be obligated to supply demands in excess of that contracted for. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

Contract for the maximum amount of demand in kW, which the Company might be required to furnish, but not less than 100 kW. The Company shall not be obligated to supply demands in excess of that contracted for. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

Standard Service customers with cogeneration and/or small power production facilities shall take service under Rider NMS-1 (Net Metering Service for Customers With Generating Facilities of 20 kW or Less, Rider NMS-2 (Net Metering Service for Customers with Generating Facilities Greater than 20 kW), Tariff COGEN/SPP or by special agreement with the Company.

OAD Customers with cogeneration or small power production facilities designed to operate in parallel with the Company's system shall take service by special agreement with the Company.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-34.10

TARIFF LGS
(Large General Service)

(Continued From Sheet No. D-34.00)

Load Management Time-of-Day Provision

Available to Standard Service customers who use energy storage devices with time-differentiated load characteristics approved by the Company, such as electric thermal storage space-heating furnaces and water heaters which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and take Standard Service from the Company.

Customers shall have the option of receiving service under Tariff LGS for their general-use load by separately wiring this equipment to a standard meter.

The customer shall be responsible for all local facilities required to take service under this provision.

Monthly Rate (Tariff Code 251)

Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
Secondary				
Service Charge ($)	--	--	44.00	44.00
Energy Charge (¢ per kWh):				
For all on-peak kWh used	4.199 ~~3.958~~	12.089 ~~10.626~~	2.663~~1.859~~	18.951~~16.444~~
For all off-peak kWh used	0.579 ~~0.535~~	2.640 ~~2.207~~	2.663 ~~1.859~~	5.882~~4.601~~

The above rates are available to Standard Service customers only.

For purpose of this provision, the on-peak and off-peak billing periods are the same as previously described in this tariff.

This provision is subject to the terms and conditions of Tariff LGS including all applicable riders.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-35.00

TARIFF LP
(Large Power)

Availability of Service

Available for general service customers with monthly billing demands of not less than 600 kW. The customer shall contract for a sufficient capacity to meet normal maximum requirements, but in no case shall the capacity contracted for be less than 2,000 ~~1,500~~ kW.

Monthly Rate

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
305 & 860	**Secondary**				
	Service Charge ($)	--	--	44.00	44.00
	Demand Charge ($ per kW)	6.33 ~~5.93~~	18.27 ~~15.44~~	11.68 ~~8.80~~	36.28 ~~30.17~~
	Energy Charge (¢ per kWh):				
	For the first 210 on-peak kWh used per kW	1.8767 ~~2.025~~	3.201 ~~3.152~~	-	5.068 ~~5.177~~
	For all over 210 on-peak kWh used per kW	--	3.201 ~~3.152~~	-	3.201 ~~3.152~~
	For all off-peak kWh used	--	3.201 ~~3.152~~	-	3.201 ~~3.152~~

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
306, 761 & 861	**Primary**				
	Service Charge ($)	--	--	250 ~~259~~.00	250 ~~259~~.00
	Demand Charge ($ per kW)	6.16 ~~5.77~~	17.78 ~~15.03~~	7.72 ~~5.45~~	31.66 ~~26.25~~
	Energy Charge (¢ per kWh):				
	For the first 210 on-peak kWh used per kW	1.085 ~~1.960~~	3.094 ~~3.051~~	--	4.899 ~~5.011~~
	For all over 210 on-peak kWh used per kW	--	3.094 ~~3.051~~	--	3.094 ~~3.051~~
	For all off-peak kWh used	--	3.094 ~~3.051~~	--	3.094 ~~3.051~~

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
308, 762 & 862	**Subtransmission**				
	Service Charge ($)	--	--	880.00	880.00
	Demand Charge ($ per kW)	6.06 ~~5.68~~	17.48 ~~14.78~~	0.57 ~~0.28~~	24.11 ~~20.74~~
	Energy Charge (¢ per kWh):				
	For the first 210 on-peak kWh used per kW	1.775 ~~1.928~~	3.043 ~~3.001~~	--	4.818 ~~4.929~~
	For all over 210 on-peak kWh used per kW	--	3.043 ~~3.001~~	--	3.043 ~~3.001~~
	For all off-peak kWh used	--	3.043 ~~3.001~~	--	3.043 ~~3.001~~

(Continued on Sheet No. D-36.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-36.00

TARIFF LP
(Large Power)

(Continued From Sheet No. D-35.00)

310 & 863	**Transmission**				
	Service Charge ($)	--	--	880.00	880.00
	Demand Charge ($ per kW)	5.97 ~~5.59~~	17.22 ~~14.55~~	0.40 ~~0.14~~	23.59 ~~20.28~~
	Energy Charge (¢ per kWh): For the first 210 on-peak kWh used per kW	1.751 ~~1.899~~	3.002 ~~2.959~~	--	4.753 ~~4.858~~
	For all over 210 on-peak kWh used per kW	--	3.002 ~~2.959~~	--	3.002 ~~2.959~~
	For all off-peak kWh used	--	3.002 ~~2.959~~	--	3.002 ~~2.959~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

For the purpose of this tariff, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

Reactive Demand Charge / Credit

Reactive demand charge for each kVAr of leading or lagging reactive demand in excess of 50% of the kW metered demand will be charged at $1.50 / kVAr.

Reactive demand charge for each kVAr of leading or lagging reactive demand less than 50% of the kW metered demand will be credited at $1.50 / kVAr.

Minimum Charge

Bills computed under the above rate are subject to a minimum bill equal to the monthly service charge, all applicable riders levied on a dollar per customer per month basis, and any applicable demand charges. ~~This tariff is subject to a minimum monthly charge equal to the monthly service charge., plus the product of the demand charge and the monthly billing demand, and all applicable riders. The power factor clause shall not operate to change the monthly minimum charge.~~

Monthly Billing Demand

The billing demand in kW shall be taken each month as the single highest 15-minute integrated peak in kW, as registered during the month by a demand meter or indicator, subject to off-peak hour provision, but the monthly billing demand so established shall, in no event, be less than 60% of the greater of (a) the customer's contract capacity, (b) the customer's highest previously established monthly billing demand during the past 11 months, or (c) 1,500 kW.

(Continued on Sheet No. D-37.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-37.00

TARIFF LP
(Large Power)

(Continued From Sheet No. D-36.00)

The Metered Voltage adjustment, as set forth below, shall not apply to the customer's minimum monthly billing demand.

Billing demands shall be rounded to the nearest whole kW.

Off-Peak Hour Provision – Applicable to Standard Service customers only
Demand created during the off-peak billing period shall be disregarded for billing purposes provided that the billing demand shall not be less than 60% of the maximum demand created during the billing month.

Availability of this provision is subject to the availability of capacity in the Company's existing facilities.

Adjustments to Rate

Bills computed under the rate set forth herein will be adjusted as follows:

~~A. Power Factor~~

~~The rates set forth in this tariff are subject to power factor adjustment based upon the maintenance by the customer of an average monthly power factor of 85%, leading or lagging, as measured by integrating meters. When the average monthly power factor is above or below 85%, leading or lagging, the on-peak and off-peak kWh as metered will, for billing purposes, be multiplied by the constant, rounded to the nearest 0.0001, derived from the following formula:~~

$$\text{Constant} = 0.9510 + 0.1275 \left[\frac{\text{RKVAH}}{\text{KWH}}\right]^2$$

~~In no event shall the Constant derived from the above formula be greater than 2.0000.~~

~~B.~~ Metered Voltage

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss-compensating equipment, the use of formulas to calculate losses, or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

(1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.

(2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

(Continued on Sheet No. D-38.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-38.00

TARIFF LP
(Large Power)

(Continued From Sheet No. D-37.00)

~~Furnace Load Provision – Applicable to Standard Service customers only~~

~~A reduced capacity charge, as stated below, shall apply to service for operation of electric furnaces for metal melting or ore reduction, where the demand for such load is separately metered. This provision shall apply only to electric furnace use with combined billing demand of 500 kW or more. The customer mustprovide special circuits in order that the Company may install separate metering for the furnace load. All other provisions of Tariff LP shall apply to the furnace load.~~

~~Furnace Demand Charge ($ per kW)~~	~~Power Supply~~		~~Delivery~~	~~Total~~
	~~Capacity~~	~~Non-Capacity~~		
~~Secondary~~	~~5.34~~	~~15.44~~	~~8.80~~	~~29.58~~
~~Primary~~	~~5.24~~	~~15.03~~	~~5.45~~	~~25.72~~
~~Subtransmission~~	~~5.20~~	~~14.78~~	~~0.28~~	~~20.26~~
~~Transmission~~	~~5.17~~	~~14.55~~	~~0.14~~	~~19.86~~

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.1614 of the MPSC Rules. The due date shall be 22 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

Contracts under this tariff will be made for an initial period of not less than two years and shall remain in effect thereafter until either party shall give at least one-year's written notice to the other of the intention to discontinue service under the terms of this tariff.

A new initial contract period will not be required for existing customers who increase their contract requirements after the original initial period unless new or additional facilities are required. Where new facilities are required, the Company reserves the right to require initial contracts for periods of greater than two years.

The Company may not be required to supply capacity in excess of that contracted for except by mutual agreement.

Notwithstanding any contractual requirement for longer than 90 days' notice to discontinue Standard Service, customers may elect to take service from a qualified Alternate Electric Supplier (AES), pursuant to the Terms and Conditions of Open Access Distribution Service, by providing 90 days' written notice to the Company. If upon completion of such 90-day notice period the customer has not enrolled with a qualified AES, then the

(Continued on Sheet No. D-39.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-40.00

TARIFF MS
(Municipal and School Service)

This tariff is in the process of elimination and is withdrawn except for the present installations of customers receiving service hereunder at premises serviced prior to October 1, 1976. When new or upgraded facilities are required to maintain service to a Tariff MS customer, the customer shall be removed from Tariff MS and be required to take service under an appropriate general service tariff for which the customer qualifies.

Availability of Service

Available to governmental authorities of municipalities, townships, counties, the State of Michigan, and the United States for the supply of electric energy to public buildings or locations which are supported by public tax levies and to primary and secondary schools.

Monthly Rate (Tariff Codes 543, 544 & 882)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	23.35 ~~25.15~~	23.35 ~~25.15~~
Energy Charge (¢ per kWh):				
For all kWh equal to the monthly billing demand (kW) times 250 hours of use	2.911 ~~2.686~~	7.938 ~~7.031~~	--	10.849 ~~9.717~~
For all kWh greater than the monthly billing demand (kW) times 250 hours of use	1.866 ~~1.641~~	7.938 ~~7.031~~	-	9.804 ~~8.672~~
Demand Charge ($ per kW)	--	--	9.43 ~~7.10~~	9.43 ~~7.10~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge ~~.~~ and all applicable riders levied on a dollar per customer per month basis.

(Continued on Sheet No. D-41.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
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ORIGINAL SHEET NO. D-42.00

TARIFF WSS
(Water and Sewage Service)

Availability of Service

Available for the supply of electric energy to waterworks systems and sewage disposal systems.

Monthly Rate

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
545 & 876	**Secondary**				
	Service Charge ($)	--	--	14.08~~14.00~~	14.08~~14.00~~
	Energy Charge (¢ per kWh)	1.901 ~~1.817~~	6.354 ~~5.817~~	--	8.255 ~~7.634~~
	Demand Charge ($ per kW)			8.02 ~~5.02~~	8.02 ~~5.02~~
546 & 877	**Primary**				
	Service Charge ($)	--	--	65.13~~64.00~~	65.13 ~~64.00~~
	Energy Charge (¢ per kWh)	1.838 ~~1.757~~	6.142~~5.630~~	--	7.980~~7.387~~
	Demand Charge ($ per kW)			4.16~~1.77~~	4.16~~1.77~~
542 & 878	**Subtransmission**				
	Service Charge ($)	--	--	64.00	64.00
	Energy Charge (¢ per kWh)	1.807 ~~1.730~~	6.041 ~~5.538~~	--	7.848 ~~7.268~~
	Demand Charge ($ per kW)			0.00	0.00

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

This tariff is subject to a minimum monthly charge that is equal to ~~the sum of~~ the service charge~~.~~ and all applicable riders levied on a dollar per customer per month basis.

(Continued on Sheet No. D-43.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
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M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-45.00

TARIFF WSS
(Water and Sewage Service)

(Continued from Sheet No. D-43.00)

Tariff Codes	Voltage	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
547	**Secondary**				
	Service Charge ($)	--	--	14.08 ~~15.20~~	14.08 ~~15.20~~
	Energy Charge (¢ per kWh): For all on-peak kWh used For all off-peak kWh used	3.338 ~~2.831~~ .0760 ~~0.727~~	9.174 ~~8.552~~ 3.219 ~~2.876~~	2.719 ~~2.009~~ 2.719 ~~2.009~~	16.360 ~~13.392~~ 6.698 ~~5.612~~
549	**Primary**				
	Service Charge ($)	--	--	65.13 ~~65.20~~	65.13 ~~65.20~~
	Energy Charge (¢ per kWh): For all on-peak kWh used For all off-peak kWh used	3.227 ~~2.739~~ 0.735 ~~0.702~~	9.960 ~~8.276~~ 3.112 ~~2.783~~	1.342 ~~0.944~~ 1.342 ~~0.944~~	14.529 ~~11.960~~ 5.189 ~~4.429~~
551	**Subtransmission**				
	Service Charge ($)	--	--	65.13 ~~65.20~~	65.13 ~~65.20~~
	Energy Charge (¢ per kWh): For all on-peak kWh used For all off-peak kWh used	3.174 ~~2.695~~ 0.723 ~~0.692~~	9.796 ~~8.142~~ 3.061 ~~2.738~~	-- --	12.970 ~~10.837~~ 3.784 ~~3.430~~

For the purpose of this provision, the on-peak billing period is defined as 7 a.m. to 9 p.m., local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as all other hours in the week.

This provision is subject to the terms and conditions of Tariff WSS including all applicable riders.

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-46.00

TARIFF EHS
(Electric Heating Schools)

This tariff is withdrawn except for the present installations of customers receiving service hereunder at premises served prior to June 10, 1975. When new or upgraded facilities are required to maintain service to a Tariff EHS customer, the customer shall be removed from Tariff EHS and be required to take service under an appropriate general service tariff for which the customer qualifies.

Availability of Service

Available to primary and secondary schools and to college and university buildings, and additions thereto, where the principal energy requirements, including all lighting, heating, cooling, water heating, and cooking, are provided by electric energy.

Monthly Rate (Tariff Code 631 and 881)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($)	--	--	26.23 ~~25.15~~	26.23 ~~25.15~~
Energy Charge (¢ per kWh):				
For all kWh equal to the monthly billing demand (kW) times 250 hours of use	2.07 ~~2.082~~	6.403 ~~6.065~~	-	8.473 ~~8.147~~
For all kWh greater than the monthly billing demand (kW) times 250 hours of use	1.375 ~~1.387~~	6.403 ~~6.065~~	-	7.778 ~~7.452~~
Demand Charge ($ per kW)	--	--	11.89 ~~8.03~~	11.89 ~~8.03~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to the monthly service charge and all applicable riders ~~.~~ levied on a dollar per customer per month basis.

Monthly Billing Demand

Energy supplied hereunder will be delivered through not more than one single-phase and/or one polyphase meter. Billing demand in kW shall be taken each month as the single highest 15-minute peak as registered during the month by a 15-minute integrating demand meter or, at the Company's option, as the highest registration of a thermal-type demand meter. Where energy is presently delivered through two meters, the monthly billing demand will be taken as the sum of the two demands separately determined. The minimum billing demand shall be 10 kW.

(Continued on Sheet No. D-47.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-49.00

TARIFF IS
(Irrigation Service)

Availability of Service

Available to customers engaged in agricultural pursuits and desiring secondary voltage service for the irrigation of crops. The customer shall provide the necessary facilities to separately meter the irrigation load. Other general-use load shall be served under the applicable tariff.

Monthly Rate (Tariff Code 213 and 895)

Voltage	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Secondary				
Energy Charge (¢ per kWh)	7.858 ~~3.302~~	17.974 ~~8.449~~	14.375 ~~10.189~~	40.207 ~~21.940~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Minimum Charge

This tariff is subject to a minimum monthly charge equal to all applicable riders levied on a dollar per customer per month basis.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.1614 of the MPSC Rules. The due date shall be 22 days following the date of transmittal.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

Term of Contract

Contracts under this tariff may, at the Company's option, be required for an initial period of not less than one year and shall remain in effect thereafter until either party shall give at least six months' written notice to the other of the intention to discontinue service under the terms of this tariff. Where new Company facilities are required, the Company reserves the right to require initial contracts for periods greater than one year.

M.P.S.C. 18 – ELECTRIC
INDIANA MICHIGAN POWER COMPANY
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ORIGINAL SHEET NO. D-51.00

TARIFF OSL
(Outdoor Security Lighting)

Availability of Service

Available for security lighting to individual customers including community associations, real estate developers, and municipalities. This service is not available for street and highway lighting.

Monthly Rate

For each lamp with luminaire and an upsweep arm not over six feet in length or bracket mounted floodlight, controlled by photoelectric relay, where service is supplied from an existing pole and secondary facilities of Company (a pole which presently serves another function besides supporting a security light), the rates are $ per lamp per month as follows:

Tariff Code	Lamp Watts	Lumens/Lamp Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
		Standard Luminaire				
106 & 911	70	5,800 High Pressure Sodium	0.00	0.75 ~~0.75~~	6.75 ~~5.85~~	7.50 ~~6.60~~
094 & 912	100	9,500 High Pressure Sodium	0.00	1.05 ~~1.05~~	6.25 ~~5.45~~	7.30 ~~6.50~~
113 & 913	150	15,500 High Pressure Sodium	0.00	1.55 ~~1.50~~	6.80 ~~5.90~~	8.35 ~~7.40~~
097 & 914	200	22,000 High Pressure Sodium	0.00	2.25 ~~2.15~~	8.50 ~~7.40~~	10.75 ~~9.55~~
098 & 915	400	50,000 High Pressure Sodium	0.00	4.40 ~~4.30~~	11.70 ~~10.15~~	16.10 ~~14.45~~
129 & 929	41	4,800 LED	0.00	0.35	7.30 ~~7.40~~	7.65 ~~7.75~~
130 & 930	57	5,700 LED	0.00	0.50	7.75 ~~7.20~~	8.25 ~~7.70~~
131 & 931	88	8,500 LED	0.00	0.80 ~~0.75~~	8.65 ~~8.75~~	9.45 ~~9.50~~
135 & 935	139	14,000 LED	0.00	1.25 ~~1.20~~	11.05 ~~11.20~~	12.30 ~~12.40~~
138 & 938	219	23,000 LED	0.00	1.95 ~~1.90~~	13.40 ~~13.60~~	15.35 ~~15.50~~
		Floodlight				
107 & 921	200	22,000 High Pressure Sodium	0.00	2.25 ~~2.15~~	9.00 ~~7.80~~	11.25 ~~9.95~~
~~109 & 922~~	~~400~~	~~50,000 High Pressure Sodium~~	~~0.00~~	~~4.40 4.30~~	~~11.95 10.40~~	~~16.35 14.70~~
143 & 943	150	18,800 LED	0.00	1.30	13.90 ~~12.35~~	15.20 ~~13.65~~
146 & 946	297	37,800 LED	0.00	2.60 ~~2.55~~	19.50 ~~17.40~~	22.10 ~~19.95~~
110 & 925	250	17,000 Metal Halide	0.00	2.65 ~~2.55~~	9.50 ~~8.25~~	12.15 ~~10.80~~
116 & 926	400	28,800 Metal Halide	0.00	4.15 ~~4.05~~	11.65 ~~10.10~~	15.80 ~~14.15~~
		Post-Top				
122 & 928		9,500 HPS on Fiberglass Pole	0.00	1.05	28.55 ~~24.80~~	29.60 ~~25.85~~
152 & 952	85	8,300 LED on Fiberglass Pole	0.00	0.75	33.65 ~~26.60~~	34.40 ~~27.35~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

The above rates are subject to all applicable riders.

(Continued on Sheet No. D-52.00)

M.P.S.C. 18 – ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-52.00

TARIFF OSL
(Outdoor Security Lighting)

(Continued From Sheet No. D-51.00)

Other Equipment

When other new facilities are to be installed by the Company, the customer will, in addition to the above monthly charge, pay in advance the installation cost of such new overhead facilities extending from the nearest or most suitable pole of the Company to the point designated by the customer for the installation of said lamp, except that customer may, for the following facilities only, elect, in lieu of such payment of the installation cost, to pay the following distribution charges:

30 Foot Wood Pole	$ 7.00 per month
35 Foot Wood Pole	$ 8.10 per month
40 Foot Wood Pole	$ 9.45 per month
Overhead Wire Span Not Over 125 Feet	$ 3.25 per month
Underground Wire Lateral Not Over 50 Feet (Price includes pole riser and connections)	$ 6.75 ~~6.25~~ per month

When a customer requests service hereunder requiring wire span lengths in excess of 125 feet, special poles for fixtures or special protection for poles (for example, in parking lots), the customer will be required to make a contribution equal to the additional investment required as a consequence of the special facilities. This includes the cost of underground wire circuits in excess of 50 feet, for which the customer will be required to pay a distribution charge of $8.10 per foot of excess footage, plus any and all costs required to repair, replace, or push under sidewalks, pavement, or other obstacles.

Security lights supported by poles serving no other function, but which were placed in service under Tariff OL (Outdoor Lighting) may be served under this tariff. In such a case, the following schedule of distribution charges will apply to the wood poles and wire spans:

Overhead Wire Span	$ 3.25 per span per month
30 or 35 Foot Pole	$ 7.00 per pole per month

Tariff Code	Discontinued Lamps	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
	Standard Luminaire				
093 & 916	7,000 Mercury Vapor	0.00	1.90 ~~1.85~~	10.30 ~~8.95~~	12.20 ~~10.80~~
096 & 918	11,000 Mercury Vapor	0.00	2.65 ~~2.55~~	8.00 ~~6.95~~	10.65 ~~9.50~~
095 & 919	20,000 Mercury Vapor	0.00	4.15 ~~4.05~~	12.45 ~~10.80~~	16.60 ~~14.85~~
100 & 920	50,000 Mercury Vapor	0.00	10.00 ~~9.70~~	17.90 ~~15.55~~	27.90 ~~25.25~~
	Floodlight				
114 & 923	20,000 Mercury Vapor	0.00	4.15 ~~4.05~~	12.50 ~~10.85~~	16.65 ~~14.90~~
119 & 924	50,000 Mercury Vapor	0.00	10.00 ~~9.70~~	18.40 ~~16.00~~	28.40 ~~25.70~~
	Post Top				
099 & 917	7,000 Mercury Vapor	0.00	1.90 ~~1.85~~	10.35 ~~9.00~~	12.25 ~~10.85~~

(Continued on Sheet No. D-53.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON
AND AFTER

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMMISSION
DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-55.00

TARIFF SLS
(Streetlighting Service)

Availability of Service

This tariff is withdrawn except for existing streetlights serving those municipalities, counties, and other governmental subdivisions in the former St. Joseph Rate Area having contracted for such service under this tariff, Tariff SLS (Streetlighting - New and Rebuilt Systems), or a special contract prior to the first effective date of Tariff ECLS (Energy Conservation Lighting Service) on August 13, 1980.

The Energy Policy Act of 2005 requires the mercury vapor ballasts shall not be manufactured or imported as of January 1, 2008. To the extent that the Company has the necessary materials, the Company will continue to maintain existing mercury vapor lamp installations in accordance with this Tariff.

Streetlighting Facilities

All facilities necessary for streetlighting service hereunder, including, but not limited to, all poles, fixtures, streetlighting circuits, transformers, lamps, and other necessary facilities, shall be the property of the Company and may be removed if the Company so desires at the termination of any contract for service hereunder. The Company will maintain all such facilities; however, the Company will not be responsible for replacing or rebuilding obsolete, discontinued, decorative, or other facilities which, in the opinion of the Company, are too expensive or unusual to replace or rebuild. In such instances, the customer may, at its own expense, replace or rebuild the facilities or may contract for new service under any applicable tariff.

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

All SLS rates are subject to applicable riders as stated below.

Tariff Code 533 and 900	Monthly Rates ($) per Lamp			
Lumens/Lamp Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
On Wood Pole With Overhead Circuitry				
7,000 Lumen Mercury Vapor	0.00	1.90 ~~1.80~~	5.45 ~~4.65~~	7.35 ~~6.45~~
20,000 Lumen Mercury Vapor	0.00	4.15 ~~3.95~~	5.55 ~~4.70~~	9.70 ~~8.65~~
On Metallic, Concrete or Fiberglass Poles With Overhead Circuitry				
20,000 Lumen Mercury Vapor	0.00	4.15 ~~3.95~~	7.90 ~~6.70~~	12.05 ~~10.65~~
On Metallic, Concrete or Fiberglass Poles With Underground Circuitry				
7,000 Lumen Mercury Vapor	0.00	1.90 ~~1.80~~	10.20 ~~8.65~~	12.10 ~~10.45~~
20,000 Lumen Mercury Vapor	0.00	4.15 ~~3.95~~	10.25 ~~8.70~~	14.40 ~~12.65~~
50,000 Lumen Mercury Vapor	0.00	9.90 ~~9.40~~	10.35 ~~8.80~~	20.25 ~~18.20~~

(Continued on Sheet No. D-56.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-56.00

TARIFF SLS
(Streetlighting Service)

(Continued From Sheet No. D-55.00)

Public Efficient Streetlighting Program

The Public Efficient Streetlighting Program (PES) is a program implemented under the Company's Energy Waste Reduction Program (EWR), designed to encourage energy efficient streetlighting through the conversion of existing Company-owned streetlights to LED streetlights. The PES will be performed under the terms and conditions of contained in the PES as approved by the Commission.

PES Monthly Rate (Tariff Code 535 and 907)	Price Per Lamp Per Month			
Lumens / Lamp Conversion Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
On Wood Pole With Overhead Circuitry				
7,000 Lumen MV > LED	0.00	1.90 ~~1.80~~	5.45 ~~4.65~~	7.35 ~~6.45~~
20,000 Lumen MV > LED	0.00	4.15 ~~3.95~~	5.55 ~~4.70~~	9.70 ~~8.65~~
On Metallic, Concrete or Fiberglass Poles With Overhead Circuitry				
20,000 Lumen MV > LED	0.00	4.15 ~~3.95~~	7.90 ~~6.70~~	12.05 ~~10.65~~
On Metallic, Concrete or Fiberglass Poles With Underground Circuitry				
7,000 Lumen MV > LED	0.00	1.90 ~~1.80~~	10.20 ~~8.65~~	12.10 ~~10.45~~
20,000 Lumen MV > LED	0.00	4.15 ~~3.95~~	10.25 ~~8.70~~	14.40 ~~12.65~~
50,000 Lumen MV > LED	0.00	9.90 ~~9.40~~	10.35 ~~8.80~~	20.25 ~~18.20~~

Hours of Lighting

Streetlighting lamps shall burn from approximately one-half hour after sunset until approximately one-half hour before sunrise, every night, approximately 4,000 hours per annum.

Lamp Outages

All outages which are reported by a proper representative of the customer shall be repaired within two working days. If the lamp is not repaired within two working days, the monthly charge for that unit will be reduced by 1/30 for each day of the outage beyond two working days.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.125 of the MPSC Rules. Any governmental agency shall be allowed such additional period of time for payment of the net bill as the agency's normal fiscal operations require, not to exceed 30 days.

(Continued on Sheet No. D-57.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-58.00

TARIFF SLC
(Streetlighting - Customer-Owned System)

Availability of Service

Available to municipalities, counties, and other governmental subdivisions for streetlighting service supplied through streetlighting systems which are owned by the municipality, county, or other governmental subdivision.

This tariff is also available to community associations which have been incorporated as not-for-profit corporations.

Service rendered hereunder is predicated upon the execution by the customer of an agreement specifying the type, number, and location of lamps to be lighted.

The availability of this service may be withheld from extension to otherwise qualifying customers' systems if, in the opinion of the Company, the location or design of such lighting system will create safety hazards or extraordinary difficulties in the performance of maintenance.

The Energy Policy Act of 2005 requires the mercury vapor ballasts shall not be manufactured or imported as of January 1, 2008. To the extent the Company has the necessary materials, the Company will continue to maintain existing mercury vapor lamp installations in accordance with the Tariff.

Monthly Rate (Tariff Code 531 and 901)

Rates are $ per lamp per month.

Lamp Watts	Lumens/Lamp Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
70	5,800 High Pressure Sodium	0.00	0.75	1.25 ~~1.05~~	2.00 ~~1.80~~
100	9,500 High Pressure Sodium	0.00	1.05 ~~1.00~~	1.30 ~~1.10~~	2.35 ~~2.10~~
150	14,400 High Pressure Sodium	0.00	1.55 ~~1.50~~	1.40 ~~1.20~~	2.95 ~~2.70~~
200	22,000 High Pressure Sodium	0.00	2.35 ~~2.25~~	1.60 ~~1.35~~	3.95 ~~3.60~~
400	50,000 High Pressure Sodium	0.00	4.35 ~~4.15~~	2.20 ~~1.85~~	6.55 ~~6.00~~
175	7,000 Mercury Vapor *	0.00	1.90 ~~1.85~~	1.95 ~~1.65~~	3.85 ~~3.50~~
400	20,000 Mercury Vapor *	0.00	4.15 ~~3.95~~	2.30 ~~1.95~~	6.45 ~~5.90~~
1,000	50,000 Mercury Vapor *	0.00	10.00 ~~9.70~~	3.35 ~~2.85~~	13.35 ~~12.55~~
Span in Watts					
Up to 50 W	LED	0.00	0.35 ~~0.35~~	1.10 ~~1.05~~	1.45 ~~1.40~~
51W to 100W	LED	0.00	0.80 ~~0.75~~	1.45 ~~1.40~~	2.25 ~~2.15~~
101W to 150W	LED	0.00	1.25 ~~1.20~~	1.85 ~~1.80~~	3.10 ~~3.00~~
151W to 250W	LED	0.00	1.95 ~~1.85~~	2.50 ~~2.40~~	4.45 ~~4.25~~

*Rates apply to existing luminaries only and are not available for new business.
Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service. The above rates are subject to all applicable riders.

(Continued on Sheet No. D-59.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-61.00

TARIFF ECLS
(Energy Conservation Lighting Service)

Availability of Service

Available for streetlighting service to municipalities, counties, and other governmental subdivisions. This rate is applicable for service that is supplied through new or rebuilt streetlighting systems, including extension of streetlighting systems to additional locations where service is requested by the customer. Service rendered hereunder is predicated upon the execution by the customer of an agreement specifying the type, minimum number, and location of lamps to be supplied and lighted.

The Energy Policy Act of 2005 requires that mercury vapor ballasts shall not be manufactured or imported after January 1, 2008. To the extent that the Company has the necessary materials, the Company will continue to maintain existing mercury vapor lamp installations in accordance with this Tariff.

	Tariff Codes 530 and 902	**Monthly Rates in ($) per Lamp**			
Lamp Watts	Lumens/Lamp Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
	On Wood Pole With Overhead Circuitry				
70	5,800 High Pressure Sodium	0.00	0.35 ~~0.75~~	4.30 ~~3.65~~	4.65 ~~4.40~~
100	9,500 High Pressure Sodium	0.00	1.05 ~~1.00~~	4.30 ~~3.65~~	5.35 ~~4.65~~
150	15,500 High Pressure Sodium	0.00	1.50 ~~1.45~~	4.45 ~~3.80~~	5.95 ~~5.25~~
200	22,000 High Pressure Sodium	0.00	2.20 ~~2.10~~	5.00 ~~4.25~~	7.20 ~~6.35~~
400	50,000 High Pressure Sodium	0.00	3.75 ~~4.15~~	5.55 ~~4.70~~	9.30 ~~8.85~~
100	3,500 Mercury Vapor*	0.00	0.90 ~~1.10~~	5.45 ~~4.65~~	6.35 ~~5.75~~
175	7,000 Mercury Vapor*	0.00	1.90 ~~1.80~~	5.45 ~~4.65~~	7.35 ~~6.45~~
250	11,000 Mercury Vapor*	0.00	2.60 ~~2.50~~	5.45 ~~4.65~~	8.05 ~~7.15~~
400	20,000 Mercury Vapor*	0.00	3.70 ~~3.95~~	5.55 ~~4.70~~	9.25 ~~8.65~~
1,000	50,000 Mercury Vapor*	0.00	4.35 ~~9.35~~	5.65 ~~4.80~~	10.00 ~~14.15~~
41	4,800 Lumen Roadway LED	0.00	0.35	15.80 ~~14.20~~	16.15 ~~14.55~~
88	8,500 Lumen Roadway LED	0.00	0.80 ~~0.75~~	16.65~~14.85~~	17.45 ~~15.60~~
139	14,000 Lumen Roadway LED	0.00	1.25 ~~1.20~~	18.50 ~~16.15~~	19.75 ~~17.35~~
219	23,000 Lumen Roadway LED	0.00	1.95 ~~1.85~~	20.05~~18.50~~	22.00 ~~20.35~~
	On Metallic, Concrete or Fiberglass Pole With Overhead Circuitry*				
70	5,800 High Pressure Sodium	0.00	0.75	8.95 ~~7.60~~	9.70 ~~8.35~~
100	9,500 High Pressure Sodium	0.00	1.05 ~~1.00~~	9.00 ~~7.65~~	10.05~~8.65~~
150	15,500 High Pressure Sodium	0.00	1.55 ~~1.45~~	9.10~~7.75~~	10.65 ~~9.20~~
200	22,000 High Pressure Sodium	0.00	2.20 ~~2.10~~	9.60 ~~8.15~~	11.80 ~~10.25~~

(Continued on Sheet No. D-62.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-62.00

TARIFF ECLS
(Energy Conservation Lighting Service)

(Continued from Sheet No. D-61.00)

400	50,000 High Pressure Sodium	0.00	4.35 ~~4.15~~	10.20 ~~8.65~~	14.55 ~~12.80~~
175	7,000 Mercury Vapor	0.00	1.90~~1.80~~	7.85 ~~6.65~~	9.75 ~~8.45~~
250	11,000 Mercury Vapor	0.00	2.60 ~~2.50~~	7.70 ~~6.55~~	10.30 ~~9.05~~
400	20,000 Mercury Vapor	0.00	4.15 ~~3.95~~	7.90 ~~6.70~~	12.05 ~~10.65~~
1,000	50,000 Mercury Vapor	0.00	10.00 ~~9.70~~	8.00~~6.80~~	18.00 ~~16.50~~
Lamp Watts	Lumens/Lamp Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
	On Metallic, Concrete or Fiberglass Pole With Underground Circuitry*				
70	5,800 High Pressure Sodium	0.00	0.75	8.95 ~~7.60~~	9.70 ~~8.35~~
100	9,500 High Pressure Sodium	0.00	1.05 ~~1.00~~	9.00 ~~7.65~~	10.05 ~~8.65~~
200	22,000 High Pressure Sodium	0.00	2.20 ~~2.10~~	9.60 ~~8.15~~	11.80~~10.25~~
400	50,000 High Pressure Sodium	0.00	4.35 ~~4.15~~	10.20 ~~8.65~~	14.55 ~~12.80~~
175	7,000 Mercury Vapor	0.00	1.90 ~~1.80~~	10.25 ~~8.70~~	12.15 ~~10.50~~
400	20,000 Mercury Vapor	0.00	4.15 ~~4.05~~	10.25 ~~8.70~~	14.40 ~~12.75~~
1,000	50,000 Mercury Vapor	0.00	10.00 ~~9.70~~	10.35 ~~8.80~~	20.35 ~~18,50~~
	Post-top Lamp on Fiberglass Pole With Underground Circuitry				
100	9,500 High Pressure Sodium	0.00	1.05 ~~1.00~~	5.75 ~~4.90~~	6.80 ~~5.90~~
175	7,000 Mercury Vapor *	0.00	1.90 ~~1.85~~	1.95 ~~1.65~~	3.85~~3.50~~
45	5,000 Lumen Post-Top LED	0.00	0.40	18.20 ~~15.45~~	18.60 ~~15.85~~
65	7,000 Lumen Post-Top LED	0.00	0.55	18.65 ~~15.85~~	19.20 ~~16.40~~
85	8,300 Lumen Post-Top LED	0.00	0.75	26.35 ~~22.40~~	27.10 ~~23.15~~

*Rates apply to existing luminaries only and are not available for new business.
Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

The above rates are subject to all applicable riders.

The customer will be required to make a contribution in aid of construction calculated in accordance with the formula set forth below if the customer requests the installation of any facility other than a standard Company luminaire and an upsweep arm not over 10 feet in length installed on a pole described in the above rate. The contribution in aid of construction will equal the difference between estimated cost of the streetlighting system requested by the customer and the estimated cost of a streetlighting system using a lamp controlled by a photoelectric relay, a standard Company luminaire, and an upsweep arm not over 10 feet in length installed on a wood pole with overhead circuitry of a span length not to exceed 150 feet. When underground facilities are requested by the customer, the estimated installed distribution cost of the underground circuit will be $8.10 per foot plus any and all costs required to repair, replace, or push under sidewalks, pavements, or other obstacles. A customer paying a contribution in aid of construction will pay the above monthly rate for wood poles with overhead circuitry.

(Continued on Sheet No. D-63.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-63.00

TARIFF ECLS
(Energy Conservation Lighting Service)

(Continued From Sheet No. D-62.00)

Public Efficient Streetlighting Program (PES)

The Public Efficient Streetlighting Program (PES) is a program implemented under the Company's Energy Waste Reduction Program, designed to encourage energy efficient streetlighting through the conversion of existing Company-owned streetlights to LED streetlights. The PES will be performed under the terms and conditions contained in the PES as approved by the Commission.

PES	Tariff Codes (536) and (908)	Monthly Rates in ($) per Lamp			
Lamp Watts	Lumens / Conversion Type	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
	On Wood Pole With Overhead Circuitry				
70	5,800 HPS > LED	0.00	0.35 ~~0.75~~	4.30 ~~3.65~~	4.65 ~~4.40~~
100	9,500 HPS > LED	0.00	1.05 ~~1.00~~	4.30 ~~3.65~~	5.35 ~~4.65~~
150	15,500 HPS > LED	0.00	1.50 ~~1.45~~	4.45 ~~3.80~~	5.95 ~~5.25~~
200	22,000 HPS > LED	0.00	2.20 ~~2.10~~	5.00 ~~4.25~~	7.20 ~~6.35~~
400	50,000 HPS > LED	0.00	3.75 ~~4.15~~	5.55 ~~4.70~~	9.30 ~~8.85~~
100	3,500 MV > LED	0.00	0.90 ~~1.10~~	5.45 ~~4.65~~	6.35 ~~5.75~~
175	7,000 MV > LED	0.00	1.90 ~~1.80~~	5.45 ~~4.65~~	7.35 ~~6.45~~
250	11,000 MV > LED	0.00	2.60 ~~2.50~~	5.45 ~~4.65~~	8.05 ~~7.15~~
400	20,000 MV > LED	0.00	3.70 ~~3.95~~	5.55 ~~4.70~~	9.25 ~~8.65~~
1,000	50,000 MV > LED	0.00	4.35 ~~9.35~~	5.65 ~~4.80~~	10.00 ~~14.15~~
	On Metallic, Concrete or Fiberglass Pole With Overhead Circuitry*	Capacity	Non-Capacity	Delivery	Total
70	5,800 HPS > LED	0.00	0.75	8.95 ~~7.60~~	9.70 ~~8.35~~
100	9,500 HPS > LED	0.00	1.05 ~~1.00~~	9.00 ~~7.65~~	10.05 ~~8.65~~
150	15,500 HPS > LED	0.00	1.55 ~~1.45~~	9.10 ~~7.75~~	10.65 ~~9.20~~
200	22,000 HPS > LED	0.00	2.20 ~~2.10~~	9.60 ~~8.15~~	11.80 ~~10.25~~
400	50,000 HPS > LED	0.00	4.35 ~~4.15~~	10.20 ~~8.65~~	14.55 ~~12.80~~
175	7,000 MV > LED	0.00	1.90 ~~1.80~~	7.85 ~~6.65~~	9.75 ~~8.45~~
250	11,000 MV > LED	0.00	2.60 ~~2.50~~	7.70 ~~6.55~~	10.30 ~~9.05~~
400	20,000 MV > LED	0.00	4.15 ~~3.95~~	7.90 ~~6.70~~	12.05 ~~10.65~~
1,000	50,000 MV > LED	0.00	10.00 ~~9.70~~	8.00 ~~6.80~~	18.00 ~~16.50~~
	On Metallic, Concrete or Fiberglass Pole With Underground Circuitry*				
70	5,800 HPS > LED	0.00	0.75	8.95 ~~7.60~~	9.70 ~~8.35~~
100	9,500 HPS > LED	0.00	1.05 ~~1.00~~	9.00 ~~7.65~~	10.05 ~~8.65~~
200	22,000 HPS > LED	0.00	2.20 ~~2.10~~	9.60 ~~8.15~~	11.80 ~~10.25~~
400	50,000 HPS > LED	0.00	4.35 ~~4.15~~	10.20 ~~8.65~~	14.55 ~~12.80~~

(Continued on Sheet No. D-64.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-64.00

TARIFF ECLS
(Energy Conservation Lighting Service)

(Continued From Sheet No. D-63.00)

PES	Tariff Codes (536) and (908)	Monthly Rates in $ per Lamp			
Lamp Watts	**On Metallic, Concrete or Fiberglass Pole With Underground Circuitry***	Power Supply Capacity	Power Supply Non-Capacity	Delivery	Total
175	7,000 MV > LED	0.00	1.90 ~~1.80~~	10.25 ~~8.70~~	12.15 ~~10.50~~
400	20,000 MV > LED	0.00	4.15 ~~4.05~~	10.25 ~~8.70~~	14.40 ~~12.75~~
1,000	50,000 MV > LED	0.00	10.00 ~~9.70~~	10.35 ~~8.80~~	20.35 ~~18,50~~
	Post-top Lamp on Fiberglass Pole With Underground Circuitry				
100	9,500 HPS > LED	0.00	1.05 ~~1.00~~	5.75 ~~4.90~~	6.80 ~~5.90~~
175	7,000 MV > LED	0.00	1.90 ~~1.85~~	1.95 ~~1.65~~	3.85 ~~3.50~~

*Rates apply to existing luminaries only and are not available for new business.

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

The above rates are subject to all applicable riders

Lamp Outages

All outages that are reported by a proper representative of the customer shall be repaired within two working days. If the lamp is not repaired within two working days, the monthly charge for that unit will be reduced by 1/30 for each day of the outage beyond two working days.

Streetlighting Facilities

All facilities necessary for streetlighting service hereunder, including but not limited to, all poles, fixtures, streetlighting circuits, transformers, lamps, and other necessary facilities, shall be the property of the Company and may be removed if the Company so desires at the termination of any contract. The Company will maintain all such facilities.

Hours of Lighting

Lamps shall burn from approximately one-half hour after sunset until approximately one-half hour before sunrise, every night, approximately 4,000 hours per annum.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00

(Continued on Sheet No. D-65.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-66.00

TARIFF SLCM
(Streetlighting - Customer-Owned System - Metered)

Availability of Service

Available to municipalities, counties, and other governmental subdivisions for lighting on streets and highways (including illuminated signs) and in parks and other such public areas. This tariff is also available for lighting systems serving outdoor recreational facilities such as baseball fields and football stadiums.

This tariff is also available to community associations which have been incorporated as not-for-profit corporations.

Monthly Rate (Tariff Codes 733, 734, 903 and 904)

	Power Supply		Delivery	Total
	Capacity	Non-Capacity		
Service Charge ($):				
Single Phase 120/240 volts	--	--	7.58 ~~7.77~~	7.58 ~~7.77~~
Single Phase 240/480 volts	--	--	16.58	16.58
Energy Charge (¢ per kWh)	0.00	2.65 ~~2.565~~	2.381 ~~2.235~~	5.031 ~~4.80~~

Capacity and Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Capacity Power Supply and Delivery Charges only are applicable to Open Access Distribution customers unless the Open Access Distribution customer obtains capacity service from its AES, in which case the full monthly Capacity Power Supply Charges above will be credited consistent with item 4 of the Self-Supply Capacity Terms and Conditions of Open Access Distribution Service.

Hours of Service

This service is available only during the hours each day between sunset and sunrise. Daytime use of energy under this rate is strictly forbidden except for the sole purpose of testing and maintaining the lighting system.

Delayed Payment Charge

A delayed payment charge of 2% of the total net bill shall be added to any bill which is not paid on or before the due date shown thereon as set forth in Rule 460.1614 of the MPSC Rules. The due date shall be 22 days following the date of transmittal. Any governmental agency shall be allowed such additional period of time for payment of the net bill as the agency's normal fiscal operations require, not to exceed 30 days.

Applicable Riders

Monthly charges computed under this tariff shall be adjusted in accordance with the applicable Commission-approved rider(s) listed on Sheet No. D-114.00.

(Continued on Sheet No. D-67.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-2146)

ORIGINAL SHEET NO. D-73.00

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Continued From Sheet No. D-72.00)

(2) Local Facilities Charge

Additional charges to cover the cost of safety equipment and other local facilities installed by the Company shall be determined by the Company for each case and collected from the customer. The customer shall make a one-time payment for such charges upon completion of the required additional facilities, or, at the customer's option, twelve consecutive equal monthly payments reflecting an annual interest charge equal to the maximum rate permitted by law not to exceed the prime rate in effect at the first billing for such installments.

Monthly Credits or Payments for Excess or Total Electrical Energy and Capacity Produced by COGEN/SPP Facilities

(1) Energy Credit (Energy-only Credit Option)

The following generation credits or payments from the Company to the customer shall apply for the excess electrical energy delivered to the Company under Option 2 or the total electrical energy produced by the customer's qualifying COGEN/SPP facilities under Option 3:

(a) For the first 5 years of the Contract term, all energy delivered or produced during the billing period shall be credited at fixed price per kWh in accordance with the following table:

	Energy Credits (¢/kWh)		
Year	Standard (non-TOD)	TOD On-Peak	TOD Off-Peak
2023	2.85	3.33	2.41
2024	2.56	2.99	2.16
2025	2.54	2.97	2.15
2026	2.56	2.99	2.17
2027	2.64	3.08	2.24
2028	2.77	3.23	2.36
2029	2.91	3.40	2.47
2030	3.09	3.25	2.94

(b) After the first 5 years of the Contract Term, all energy delivered or produced during the billing period shall be credited at the real-time PJM wholesale location marginal price at a Company pricing node mutually agreed upon by the Company and the customer, averaged over the month if standard energy meters are used and averaged over the on-peak period and off-peak period if TOD meters are used.

~~(b)~~(c) Customers not under a COGEN / SPP contract shall receive the annual energy credit rate as established on the chart above.

(2) Capacity Credit (Capacity and Energy Credit Option)

(Continued on Sheet No. D-74.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-74.00

TARIFF COGEN/SPP
(Cogeneration and/or Small Power Production Service)

(Continued From Sheet No. D-73.00)

Capacity Credit (Capacity and Energy Credit Option

This Capacity and Energy Credit ~~(Capacity and Energy Credit Option)~~ option will only be open to customers with units capable of generating greater than 20kW for the PJM Planning Years in which the Company has a capacity need. Consistent with I&M's 2021 IRP, this option is expected to be available through May 31, 2025, which represents the end of the 2024/2025 PJM Planning Year. A customer that elects this option, while available, would be eligible to receive the capacity payment for the life of the contract signed with the QF, regardless of the Company's future need for capacity.

If the customer contracts to deliver a specified average capacity during the on-peak monthly billing period (on-peak contract capacity), then the following capacity credits or payment from the Company to the customer shall apply:

2022/2023 $5.48 kW/month
2023/2024 $5.61 kW/month
2024/2025 $5.74 kW/month, times the lowest of:

(a) monthly on-peak capacity, or

(b) current month on-peak metered average capacity, i.e., on-peak kWh delivered to the Company divided by 305, or

(c) lowest on-peak average capacity metered during the previous two months.

Customers electing to receive a capacity credit will receive an energy credit at the real-time PJM LMP at the time of delivery.

On-Peak and Off-Peak Periods

The on-peak period shall be defined as starting at 7 a.m. and ending at 11 p.m., local time, Monday through Friday.

The off-peak period shall be defined as starting at 11 p.m. and ending at 7 a.m., local time, for all weekdays, Monday through Friday, and all hours of Saturday and Sunday.

Contract Term

A Contract ~~is~~may be required for customers with systems capable of generating 20 kW or less. Customers with systems capable of generating more than 20 kW ~~service under this Tariff. The customer~~ may select either a 5, 10, 15 or 20-year contract length.

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-80.00

RIDER AFS
(Alternate Feed Service)

(Continued From Sheet No. D-79.00)

Transfer Switch Provisions

In the event the customer receives basic service at primary voltage, the customer shall install, own, maintain, test, inspect, operate and replace the transfer switch. Customer-owned switches are required to be at primary voltage and must meet the Company's engineering, operational and maintenance specifications. The Company reserves the right to inspect the customer-owned switches periodically and to disconnect the AFS for adverse impacts on reliability or safety.

Existing AFS customers, who receive basic service at primary voltage and are served via a Company-owned transfer switch and control module, may elect for the Company to continue ownership of the transfer switch. When the Company-owned transfer switch and/or control module requires replacement or repair, and the customer desires to continue the AFS, the customer shall pay the Company the total cost to replace such equipment which shall be grossed up for federal and state income taxes, assessment fees and utility receipts taxes. In addition, the customer shall pay a monthly rate of $20.01 ~~15.71~~ for the Company to annually test the transfer switch / control module and the customer shall reimburse the Company for the actual costs involved in maintaining the Company-owned transfer switch and control module.

In the event a customer receives basic service at secondary voltage and requests AFS, the Company will provide the AFS at primary voltage. The Company will install, own, maintain, test, inspect and operate the transfer switch and control module. The customer shall pay the Company a nonrefundable amount for all costs associated with the transfer switch installation. The payment shall be grossed-up for federal and state income taxes, assessment fees and utility receipts taxes. In addition, the customer is required to pay the monthly rate for testing and ongoing maintenance costs defined above. When the Company-owned transfer switch and/or control module requires replacement, and the customer desires to continue the AFS, customer shall pay the Company the total cost to replace such equipment which shall be grossed up for federal and state income taxes, assessment fees and utility receipts taxes.

After a transfer of service to the AFS, a customer utilizing a manual or semi-automatic transfer switch shall return to the basic service within one (1) week or as mutually agreed to by the Company and customer. In the event system constraints require a transfer to be expedited, the Company will endeavor to provide as much advance notice as possible to the customer. However, the customer shall accomplish the transfer back to the basic service within ten minutes if notified by the Company of system constraints. In the event the customer fails to return to basic service within 12 hours, or as mutually agreed to by the Company and customer, or within ten minutes of notification of system constraints, the Company reserves the right to immediately disconnect the customer's load from the AFS source. If the customer does not return to the basic service as agreed to, or as requested by the Company, the Company may also provide 30 days' notice to terminate the AFS agreement with the customer.

The customer shall make a request to the Company for approval three days in advance for any planned switching.

(Continued on Sheet No. D-81.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-81.00

RIDER AFS
(Alternate Feed Service)

(Continued From Sheet No. D-80.00)

Monthly AFS Capacity Reservation Demand Charge

Monthly AFS charges will be in addition to all monthly basic service charges paid by the customer under the applicable tariff.

The Monthly AFS Capacity Reservation Demand Charge for the reservation of distribution station and primary lines is $6.78 ~~4.90~~ per kW.

AFS Capacity Reservation

The customer shall reserve a specific amount of AFS capacity equal to, or less than, the customer's normal maximum requirements, but in no event shall the customer's AFS capacity reservation under this rider exceed the capacity reservation for the customer's basic service under the appropriate tariff. The Company shall not be required to supply AFS capacity in excess of that reserved except by mutual agreement.

If the customer plans to increase the AFS demand at anytime in the future, the customer shall promptly notify the Company of such additional demand requirements. The customer's AFS capacity reservation and billing will be adjusted accordingly. The customer will pay the Company the actual costs of any and all additional dedicated and/or local facilities required to provide AFS in advance of construction and pursuant to an AFS construction agreement. If customer exceeds the agreed upon AFS capacity reservation, the Company reserves the right to disconnect the AFS. If the customer's AFS metered demand exceeds the agreed upon AFS capacity reservation, which jeopardizes company facilities or the electrical service to other customers, the Company reserves the right to disconnect the AFS immediately. If the Company agrees to allow the customer to continue AFS, the customer will be required to sign a new AFS agreement reflecting the new AFS capacity reservation. In addition, the customer will promptly notify the Company regarding any reduction in the AFS capacity reservation.

The customer may reserve partial-load AFS capacity, which shall be less than the customer's full requirements for basic service subject to the conditions in this provision. Prior to the customer receiving partial-load AFS capacity, the customer shall be required to demonstrate or provide evidence to the Company that they have installed demand-controlling equipment that is capable of curtailing load when a switch has been made from the basic service to the AFS. The Company reserves the right to test and verify the customer's ability to curtail load to meet the agreed upon partial-load AFS capacity reservation.

Determination of Billing Demand

Full-Load Requirement:

For customers requesting AFS equal to their load requirement for basic service, the AFS billing demand shall be taken each month as the single-highest 15-minute integrated peak as registered during the month by a demand meter or indicator, but the monthly AFS billing demand so established shall in no event be less than the greater of (a) the customer's AFS capacity reservation, or (b) the customer's highest previously established monthly billing demand on the AFS during the past 11 months, or (c) the customer's basic service

(Continued on Sheet No. D-82.00)

M.P.S.C. 18 - ELECTRIC
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ORIGINAL SHEET NO. D-83.00

ECONOMIC DEVELOPMENT RIDER

Availability of Service

THIS TARIFF IS WITHDRAWN WITH THE EXCEPTION OF CUSTOMERS RECEIVING SERVICE HEREUNDER OR WHO HAVE AN APPROVED EDR APPLICATION PRIOR TO THE Effective date of tariff sheets resulting from the Commission's XX/XX/XX order in MPSC Case No. U-21461

In order to encourage economic development in the Company's service area, limited-term credits for incremental billing demands described herein are offered to qualifying new and existing retail customers who make application for service under this Rider prior to the effective date of the Order in I&M's next general rate case.

Service under this Rider is intended for customers whose operations, by their nature, will promote sustained economic development based on plant and facilities investment and job creation. This Rider is available to commercial and industrial customers taking service from the Company under Tariffs G.S., L.G.S. or L.P. who meet the following requirements:

(1) A new customer must have a billing demand of 300 kW or more. An existing customer must increase billing demand by 300 kW or more over the maximum billing demand during the 12 months prior to the date of the application by the customer for service under this Rider (Base Maximum Billing Demand). The Base Maximum Billing Demand for new customers is zero (0).

(2) The customer must apply for and receive economic development assistance from State or local government or other public agency.

(3) The customer must demonstrate to the Company's satisfaction that, absent the availability of this Rider, the qualifying new or increased demand would be located outside of the Company's service territory or would not be placed in service due to poor operating economics.

(4) OAD customers are eligible for the EDR unless the customer obtains capacity service from its AES, which will disqualify the customer from the EDR and subject the customer to the terms of reimbursement, as provided in the Terms of Contract below.

Availability is limited to customers on a first-come, first-served basis for loads aggregating 50 MW.

Terms and Conditions

(1) To receive service under this Rider, the customer shall make written application to the Company with sufficient information contained therein to determine the customer's eligibility for service.

(2) For new customers, billing demands for which credits will be applicable under this Rider shall be for service at a new service location and not merely the result of a change of ownership. However, if a change in ownership occurs after the customer enters into a Contract for service under this Rider, the successor customer may be allowed to fulfill the balance of the Contract under this Rider. Relocation of the delivery point of the Company's service does not qualify as a new service location.

(Continued To Sheet D-84.00)

M.P.S.C. 18 - ELECTRIC
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(RATE CASE U-21461)

ORIGINAL SHEET NO. D-98.00

RIDER HEM
(Home Energy Management Rider)

Bring-Your-Own-Device (BYOD) Thermostat Load Management Program

Availability of Service

Available on a voluntary basis for customers receiving residential electric service who desire to participate in a state-of-the art energy management program.

For non-owner occupied multi-family dwellings, the Company may require property owner authorization for customers to install the required smart, WiFi enabled load control equipment and, if necessary, auxiliary communicating devices such as remote sensors or additional control devices. Customers will not be eligible for this rider if the property owner does not allow installation of such equipment.

Program Description

To participate, customers must install program compliant smart, WiFi enabled load control equipment, connect that equipment to their home WiFi broadband internet connection, and maintain that connection with continuous operation and availability for the duration of the program annual operational period defined as May through September of each program year. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. Customer load control equipment must comply with the Company's approved list of devices. Initially, the Company will determine and provide a program smart, or WiFi connected thermostat compliant list, but as technology, device capability, and the program's load management platform evolves, the Company may allow and provide for additional approved devices, where the program is eventually anticipated to accommodate a Bring Your Own Device (BYOD) load management capability. The Company may provide for and determine the appropriate level of customer equipment rebates, as needed and required, in order to facilitate customer installation and ownership of the required equipment as part of the Home Energy Management Program

The Company will utilize a load management software platform that will operate and control Customer load control devices primarily to reduce customer's demand and use. The Company's load management platform will primarily operate to optimize and/or reduce demand use through either peak period use load reduction management techniques or load shaping to achieve optimum and efficient Customer demand use of electricity. ~~To participate, customers, or their authorized agents, must install program compliant smart, WiFi enabled load control equipment, connect that equipment to their home WiFi broadband internet connection, and maintain that connection for the duration of the program. Also, if necessary, the customer must install any program required auxiliary communicating devices to further facilitate the program's management and control of certain customer owned loads. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. Customer load control equipment must comply with the Company's approved list of devices. Initially, the Company will determine and provide a program smart, WiFi thermostat compliant list, but as technology, device capability, and the program's energy management platform evolves, the Company may allow and provide for additional approved devices, where the program is eventually anticipated to accommodate a Bring Your Own Device (BYOD) energy management capability.~~

(Cont'd on Sheet No. D-99.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON
AND AFTER

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMMISSION
DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-99.00

RIDER HEM
(Home Energy Management Rider)

~~(Cont'd from Sheet No. D-98.00)~~

~~The Company will utilize an energy management software platform that will operate and control customer load control devices to reduce and optimize customer's energy use. The Company's energy management platform will operate to optimize energy use through load shaping to achieve optimum and efficient customer use of electricity.~~

~~Program demand reduction/load management activities can occur during coincident peak and non-coincident peak demand periods according to Company and PJM system load forecasting techniques. Coincident peak, non-coincident peak, and emergency demand reduction/load management activities will be coordinated during electric power system peak load periods determined according to both I&M system and PJM system requirements. The Company plans to utilize load management activities focused primarily on managing home temperature set points with consideration to minimize customer comfort impact during the period of peak demand load management activity. Peak and emergency conditions demand reduction activities will primarily focus on control of the central electric cooling/heat pump unit(s) during summer month peak demand periods. Peak period demand load control events can occur based on I&M and/or PJM system need, as determined by the Company~~
~~Program energy management activities can occur during peak and non-peak periods determined at the sole discretion of the Company. The Company will utilize a continuous load shaping strategy where energy management activities undertaken through this program will occur within customer-selected home temperature threshold set points to minimize customer comfort impact. However, other energy management strategies may be employed and evaluated to determine the strategy that optimizes energy reduction without affecting customer comfort within the pre-determined customer preference set points. Energy management activities will focus on control of the central electric cooling/heat pump unit(s) during any month of the year.~~

Peak period energy management events shall curtail customer load based on system need, at the sole discretion of the Company, during the months of May through September and shall not exceed 15 events per year with no single event lasting more than six (6) consecutive hours and no more than one event per day.

~~Non-peak energy management activities will seek to optimize customer central electric cooling/heat pump unit(s) usage according to customer selected home temperature threshold set points in order to minimize customer comfort impact but maximize efficient operation of the equipment to achieve reduced energy consumption for the relevant operation period of the year for this equipment.~~

The Company may communicate events to customers through the energy management platform, via a smart phone application push notification, or via email or other electronic notification means. The customer may opt out of an energy management event by adjusting the temperature set point of the thermostat. The Company's energy management software algorithm will facilitate and accept the temperature adjustment as an event opt out unless customer internet and WiFi connectivity issues inhibit such activity.

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ORIGINAL SHEET NO. D-100.00

RIDER HEM
(Home Energy Management Rider)

(Cont'd from Sheet No. D-99.00)

Load~~Energy~~ Management Credit

Customers shall receive a monthly billing credit only for the number of peak period or emergency demand reduction events called and participated in per month for each central electric cooling/heat pump unit controlled during the billing months of May to September, up to a maximum of 15 events per year. Monthly billing credits will be calculated and applied to customer bills at $2.40 per event called and participated in, subject to the annual 15 event maximum.
~~Customers shall receive a monthly billing credit for the number of peak period energy management events called and participated in per month for each central electric cooling/heat pump unit controlled during the billing months of May through September. Monthly billing credits will be calculated and applied to customer bills at $1.95 per event called and participated in, based upon final determination of event participation and Company billing period cycles. For the purpose of determining the total annual Energy Management Credit, peak period energy management events shall not exceed 15 events per year and shall occur only during the months of May through September.~~

Customers that opt out of load~~energy~~ management events shall not be eligible for a billing credit for those events. The Company, at its sole discretion, reserves the right to remove enrolled customers from the program and their eligibility for bill credits under the program due to consistent and iterative opt out of demand response events but only if opt outs exceed fifty percent of the coincident peak period demand reduction events called during any annual program period. The Company shall provide billing credits proration up to and including events called and participated in by the Customer.
~~Customers shall not be eligible for energy management credits if the Company's energy management platform cannot manage customer loads during peak period events due to issues such as customer internet and/or WiFi outages or lack of connectivity.~~

Such credit shall not reduce the customer's bill below the minimum charge as specified in the tariff under which the customer takes service.

~~No monthly billing credit will be provided or paid to customers for non-peak period energy management activities that seek to optimize and reduce the customers' energy consumption through this program.~~

Contract

Participating customers must agree to participate for an initial period of one (1) year or one peak period season period (defined as May through September) as applicable and thereafter may discontinue participation by contacting the Company.
~~Participating customers must agree to participate for an initial period of one (1) year and thereafter may discontinue participation by contacting the Company.~~

(Cont'd on Sheet No. D-100.10)

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ORIGINAL SHEET NO. D-100.10

RIDER HEM
(Residential Home Energy Management Rider)

(Cont'd from Sheet No. D-100.00)

Equipment

The customer~~, or its authorized agent,~~ will furnish and install, smart, WiFi enabled and broadband internet connected load control equipment, and, if necessary, an auxiliary communicating device. All equipment will be owned and maintained by the customer, from installation, throughout program participation, and until such time as the Home Energy Management Program is discontinued or the customer requests to be removed from the program after completing the initial period of one (1) year. At that time, the Company will cease both its energy management and control of the program equipment, along with any auxiliary communicating devices, and the Load~~Energy~~ Management Credit provided for by the program.

Should the customer lose, damage, or not maintain the required WiFi and internet connectivity of the load control devices or auxiliary communicating equipment, the Company will contact the customer in an attempt to reinstate program required equipment functionality. If such attempts by the Company do not facilitate reinstatement of the program required functionality, the Company will remove the customer from the program and will cease the Load~~Energy~~ Management Credit. Customer will receive credits for any events called and participated in by the customer prior to removal from the program.

Special Terms and Conditions

This rider is subject to the Company's Terms and Conditions of Service and all provisions of the tariff under which the customer takes service, including all payment provisions.

The Company shall not be required to offer the program to customers who cannot maintain WiFi and internet connectivity for required functionality of the load control equipment, or if the continued operation of the program cannot be justified for reasons such as: customer preference, electric power market conditions, technological functionality and limitations, safety concerns, or abnormal customer premise conditions, including vacation or other limited occupancy residences.

The Company and its authorized agents shall confirm installation through WiFi and internet connectivity of the load control device(s). In the event full WiFi and internet connectivity is not available, the Company may require access to inspect the load control device(s) and/or provide the customer thirty (30) days to successfully restore or provide full WiFi and internet connectivity. Should full WiFi and internet connectivity not be available after 30 days, the customer will be promptly removed from the program and the Energy Management Credit discontinued until such time as the Company is able to gain the required access. The Company shall not be responsible for the repair, maintenance or replacement of any customer-owned equipment.

Customer-specific information within data collected during the course of this energy management and control program will be held as confidential and data presented in any analysis will protect the identity of the individual customer.

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ORIGINAL SHEET NO. D-100.20

RIDER HEM
(Residential Home Energy Management Rider)

(Cont'd from Sheet No. D-100.10)

Load Management Pilot Programs

Availability of Service

Available on a voluntary basis for qualifying customers with an AMI meter receiving residential electric service, subject to ~~the enrollment caps listed below for each~~ program availability as determined by the Company. Customers that do not currently have an AMI meter may request one in order to participate in this tariff.

Customers are not eligible to take service under the Company's Residential Time of Day 2 tariff or Critical Peak Pricing tariff while enrolled and participating in any load management program offered under this Rider. Customers that enroll and participate in the AMI DLC load management pilot programs are not eligible to enroll and participate in the Customer Engagement Demand Response Pilot Program for the same program year. Customers may enroll and participate in more than one AMI direct load control (DLC) load management pilot program offered under this Rider but are not eligible to enroll and participate in the BYOD thermostat load management program for the same program year.

For non-owner occupied multi-family dwellings, the Company may require property owner authorization on behalf of customers for the Company or its authorized agents to install any of the required load control equipment and, if necessary, any required supplemental communication devices or auxiliary communicating devices such as remote sensors or additional control devices. Customers will not be eligible for this rider if the property owner does not allow installation of such equipment.

Program Option Descriptions

Home Energy Management – AMI Direct Load Control (DLC) ~~Pilot~~ Program

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Qualified customers must agree, either in writing or via verbal recording, to allow the Company or its authorized agents to install, operate, and maintain the required load control switch at or near the customer's air conditioner or heat pump central unit(s). Qualified customers must also allow the Company or its authorized agents access, as required and appropriate, to such customer owned equipment for the purposes of program related installation, operation, maintenance, and data collection.

The Company plans to initially utilize an adaptive cycling strategy of the central electric cooling unit(s) during summer months, which can result in a 50% cycling strategy or higher but will be dependent upon an assessment of customer comfort impact. Other cycling strategies may be employed and evaluated to determine the strategy that optimizes load reduction without significantly affecting customer comfort.

~~Enrollment maximum: 625 customers~~

(Cont'd on Sheet No. D-100.30)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-100.30

RIDER HEM
(Residential Home Energy Management Rider)

(Cont'd from Sheet No. D-100.20)

Residential AMI Electric Water Heat Direct Load Control Pilot Program

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Qualified customers must agree to participate, either in writing or via verbal recording, in the Water Heater DLC~~AMI DLC Pilot~~ Program to allow the Company or its authorized agents to install, operate, and maintain the required load control switch at or near the customer's electric resistance element water heater unit(s). Qualified customers must also allow the Company or its authorized agents access, as required and appropriate, to such customer owned equipment for the purposes of program related installation, operation, maintenance, and data collection.

The Company plans to initially allow qualified participating customers to choose one of three levels of electric hot water heater unit load management approach, Form 1, Form 2, or Form 3. Form 1 is minimally invasive to hot water control cycling strategy, Form 2 is moderately invasive hot water heater control cycling strategy, and Form 3 is the most invasive hot water heater control cycling strategy. Other cycling strategies may be employed and evaluated to determine the strategy that optimizes load reduction without significantly affecting customer comfort, but with customer advance agreement.

~~Enrollment maximum: 634 customers~~

Residential Customer Engagement Demand Response Pilot Program

This ~~pilot~~ program requires customer self-action to manage their own end-use consumption during periods of peak usage notification from the Company.

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Qualified customers must agree to participate, either in writing or via verbal recording, in the Customer Engagement Demand Response ~~Pilot~~ Program.

Additional customer requirements:

- Have an active I&M AMI data portal account, or otherwise engaged through one of the AMI residential usage information offerings (e.g. Weekly AMI Report, or WAMI);
- Primary residence is located within I&M service territory;
    - Single family residence that is not electrically served and metered as part of a master metering arrangement;
    - Multi-family residence that is not electrically served and metered as part of a master metering arrangement.

(Cont'd on Sheet No. D-100.40)

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RIDER HEM
(Residential Home Energy Management Rider)

(Cont'd from Sheet No. D-100.30)

And, any of the following:

- Subscription to broadband internet services with a valid email address capable of receiving email demand response event notification;
- Smart cell phone with a valid email address capable of receiving email demand response event notification;
- Smart cell phone with an I&M app capable of receiving text and/or push demand response event notification;

~~Enrollment maximum: 16,951 customers.~~

Except for the Residential Customer Engagement Demand Response ~~Pilot~~ Program, the Company will utilize a load management software platform to operate and control enrolled load control devices primarily to reduce customer's demand and use. The Company's load management platform will primarily operate to optimize and/or reduce demand use through either peak period use load reduction management techniques or load shaping to achieve optimum and efficient Customer demand use of electricity.

Program demand reduction/load management activities can occur during coincident peak and non-coincident peak demand periods according to Company and PJM system load forecasting techniques. Coincident peak, non-coincident peak, and emergency demand reduction/load management activities will be coordinated during electric power system peak load periods determined according to both I&M system and PJM system requirements. The Company plans to utilize load management activities focused primarily on managing enrolled and active load control devices during peak and emergency conditions and will seek to minimize customer comfort impact during the period of peak demand load management activity to the extent practical. Peak period demand load control events can occur based on I&M and/or PJM system need, as determined by the Company

Peak period load management events shall curtail customer load based on system need, at the sole discretion of the Company, during the months of May through September and shall not exceed 15 events per year with no single event lasting more than six (6) consecutive hours and no more than one event per day.

The Company may communicate events to Customers through the program's load management platform, via a smart phone application push notification, or via email or other electronic notification means. The customer may opt out of a Company planned load management event by providing the Company appropriate notice through the requisite and identified program opt out means of communication.

Load Management Credit

Customers shall receive a monthly billing credit only for the number of peak period or emergency demand reduction events called and participated in per month for each load management device controlled during the billing months of May to September, up to a maximum of 15 events per year. Monthly billing credits will be calculated and applied to customer bills according to the Home Energy Management Load Management program enrolled in, per event called and participated in, subject to the annual 15 event maximum.

(Cont'd on Sheet No. D-100.50)

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ORIGINAL SHEET NO. D-100.50

RIDER HEM
(Residential Home Energy Management Rider)

(Cont'd from Sheet No. D-100.40)

Home Energy Management - AMI Direct Load Control (DLC) ~~Pilot~~ Program

$1.95 per load management event called and participated in, subject to the annual 15 event maximum. Customers that opt out of demand reduction events shall not be eligible for a billing credit for those events.

Home Energy Management - AMI Electric Water Heat Direct Load Control ~~Pilot~~ Program

$0.80 (Form 1), $1.00 (Form 2) or $1.10 (Form 3) per load management event called and participated in, subject to the annual 15 event maximum. Credit is determined according to the demand reduction Form the customer enrolls in. Further information is available in the program requirements. Customers that opt out of demand reduction events shall not be eligible for a billing credit for those events.

Home Energy Management - Customer Engagement Demand Response ~~Pilot~~ Program

$1.00 per kWh of verified reduced energy consumption per load management event called and participated in, subject to the annual 15 event maximum.

If the customer does not reduce load as determined by the Company based on their hourly event usage measured at the AMI electric meter for the premise enrolled in this Pilot, that customer will be considered as opt out of the load control event and therefore will not be paid a demand response event bill credit.

The Company, at its sole discretion, reserves the right to remove enrolled customers from the program, along with their eligibility for bill credits under the program, due to consistent and iterative opt out of demand response events but only if opt outs exceed fifty percent of the peak period demand reduction events called during a program year. The Company shall provide billing credits proration up to and including events called and participated in by the Customer.

Such credit shall not reduce the customer's bill below the minimum charge as specified in the tariff under which the customer takes service.

Contract

Participating customers must agree to participate for a period of two (2) years or two peak period season periods (defined as May through September) as applicable and thereafter may discontinue participation by contacting the Company.

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M.P.S.C. 18 - ELECTRIC
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STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-101.00

RIDER WEM
(Work Energy Management Rider)

Commercial and Industrial Load Management Program

Availability of Service

Available on a voluntary basis to customers taking firm service from the Company under Tariffs GS, GS-TOD, GS-TOD2, LGS, LP, MS, WSS, or EHS who have the ability to reduce consumption under the provisions of this rider. The Company's Work Energy Management (WEM) program provides participating customers an opportunity to respond voluntarily by reducing consumption and receiving payment for such reduction during times of peak period consumption, according to the load management program enrolled in under this radar. ~~voluntarily respond to locational marginal prices (LMP) by reducing consumption and receiving payment for such reduction during those times when LMP prices are high.~~

Depending upon the program enrolled in under this rider, for non-owner occupied commercial and industrial buildings, the Company may require customers to obtain permission from the building owner to install the required load control equipment and, if necessary, any required supplemental communication devices or auxiliary communicating devices such as remote sensors or additional control devices. Customers will not be eligible for this rider if the owner does not allow installation of such equipment or does not agree to program terms and requirements through a contractual agreement.

~~For non-owner occupied commercial and industrial buildings, the Company may require customers to obtain permission from the building owner to install the required load control equipment and, if necessary, auxiliary communicating devices such as remote sensors or additional control devices. Customers will not be eligible for this rider if the owner does not allow installation of such equipment or does not agree to program terms and requirements through a contractual agreement.~~

Customers participating in this rider are not eligible for enrollment in any other Company or PJM Interconnection, L.L.C. RTO (PJM) demand response program or peak period pricing tariff.

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ORIGINAL SHEET NO. D-102.00

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-101.00

Conditions of Service

(1) The Company reserves the right to make changes to this rider in order to continue effective program operation.

(2) An AMI meter is required for eligibility of programs under this rider.

~~(2) An interval meter is required. The Company will provide this meter as part of the program to qualifying participants.~~

(3) The Company will inform the participant regarding the communication process and timing required to participate in this program and rider. ~~The customer is ultimately responsible for receiving and acting upon notifications as part of this program and rider.~~

~~(4) Participants shall not receive credit for any curtailment periods to the extent that the customer's program managed load is already reduced due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment force majeure, strike, economic conditions, or any event other than the Company's program that causes the customer's energy consumption to fall outside of that considered normal operating conditions.~~

Load Management Option Terms ~~Program Description~~

~~To participate, customers, or their authorized agents, must allow the Company and its authorized agents to install program compliant load control equipment, connect that equipment to Company owned communication equipment, and maintain both the load control equipment and associated communication equipment connections for the duration of the program. Also, if necessary, the customer must allow the Company to install any program required auxiliary communicating devices to further facilitate the program's management and control of certain customer loads and/or customer sited electric power supply equipment as deemed necessary and appropriate for program operation. The program will initially, but not exclusively, focus on the customer's end-use lighting and HVAC unit(s) loads for program remote control and management. Load control equipment available to participate in the program will be jointly determined and agreed upon by the Company, the Company's authorized agents and the customer. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. The load control equipment must comply with the Company's approved list of devices. The customer must allow the Company to interface both through software algorithms and hardware devices to existing customer end-use load and communication equipment. The Company and its authorized agents will perform an initial site survey in order to fully determine and assess the viability of customer end-use load and electric energy usage and consumption patterns to validate customer participation and program effectiveness. The Company and its authorized agents will maintain all program equipment installed on customer premises for the duration of the customer's participation of the program. The Company and its authorized agent will provide customer access and use of program energy management and control software for the duration of the customer's participation in the program.~~

(Cont'd on Sheet No. D-103.00)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-102.00)

Load control equipment available to participate in the program will be jointly determined and agreed upon by the Company, the Company's authorized agents and the customer. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. The load control equipment must comply with the Company's approved list of devices. The customer must allow the Company to interface both through software algorithms and hardware devices to existing customer end-use load and communication equipment. The Company and its authorized agents may perform an initial site survey in order to fully determine and assess the viability of customer end use load and electric energy usage and consumption patterns to validate customer participation and program effectiveness. The Company and its authorized agents will maintain any Company owned program equipment installed on customer premises for the duration of the customer's participation of the program.

~~The Company will utilize an energy management software platform that will operate and control customer load control devices to reduce customer's demand and energy use. The Company's energy management platform will operate to optimize energy use through load shaping to achieve optimum and efficient customer use of electricity. Energy reductions will be coordinated during electric power system peak load periods determined at the sole discretion of the Company. Non-emergency energy management events can occur for up to 800 hours per year with no single event lasting more than six (6) consecutive hours. The Company plans to initially target energy management events for up to 487 hours per year but reserves the right to undertake energy management events up to 800 hours per year according to, and appropriate for, individual Customer load profiles and business operating conditions and requirements. The Company and its authorized agent may utilize a load shaping strategy; however, other strategies may be employed and evaluated to determine the strategy that optimizes energy reduction without significantly affecting predetermined customer business preferences, operating conditions, and requirements.~~

Small Business AMI Direct Load Control (DLC) Program

Air Conditioner (AC) DLC Program Option

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company and must have an electric account under an eligible tariff with an AMI meter installed by the Company at the premise in which the load management device is used and active. Customers must agree to install program compliant WiFi enabled load control equipment and/or energy management system(s), connect that equipment and system(s) to their WiFi broadband internet connection, and maintain that connection with continuous operation and availability for the duration of the program annual operational period defined as May through September of each program year. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. Customer owned devices must comply with the Company's approved list of devices.

(Cont'd on Sheet No. D-104.00)

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ORIGINAL SHEET NO. D-104.00

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-103.00)

Initially, the Company will determine and provide a program WiFi connected energy management system and device compliant list, but as technology, device capability, and the program's load management platform evolves, the Company may allow and provide for additional approved devices. The Company may provide for and determine the appropriate level of customer equipment rebates, as needed, and required, in order to facilitate customer installation and ownership of the required equipment as part of this load management program.

For thermostat device control, the Company plans to initially utilize a pre-cooling and 2 or 4 degree temperature setback cycling strategy of the central electric cooling unit(s) during summer months. Other cycling strategies may be employed and evaluated to determine the strategy that optimizes load reduction without significantly affecting customer comfort.

The Company will arrange for its preferred Program business partner DLC measures and EMS to be made available for installation and customer ownership as a Program incentive. I&M will also arrange and provide for Program measures and systems to be installed as part of the Program. Customers will own all Program measures and systems once provided by the Program, and will continue ownership, responsibility for future maintenance, and program compliance after the Program concludes. After Program completion, Program customers must agree to continue participation in the Company's Work Energy Management tariff demand response offering for a minimum of two (2) summer cooling seasons.

AC DLC Program Eligibility

Small business customers with at least one existing and operational central air conditioning and/or heat pump units located at the same commercial business property that are identified and qualified as meeting the following criteria:

- A maximum of 40 kW in monthly peak demand usage as measured by the Company's electric meter
- An AMI meter and telecommunication system installed by I&M sufficient to support the technology needs of this program
- At least one HVAC equipment measure available for demand response control through wireless, remote capability including
  - Compliant Wi-Fi connected thermostats in which the Customer allows the Company to vary the air conditioner compressor motor or heat pump compressor motor run time for demand response events

(Cont'd on Sheet 104.10)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.00)

Water Heater DLC Program Option

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Qualified customers must agree to participate, either in writing or via verbal recording, in the Water Heater DLC Program option to allow the Company or its authorized agents to install, operate, and maintain the required load control switch at or near the customer's electric resistance element water heater unit(s). Qualified customers must also allow the Company or its authorized agents access, as required and appropriate, to such customer owned equipment for the purposes of program related installation, operation, maintenance, and data collection.

Water Heater DLC Program Eligibility

Small business customers with at least one existing and operational electric resistance water heater located at the same commercial business property that are identified and qualified as meeting the following criteria:

- A maximum of 40 kW in monthly peak demand usage as measured by the Company's electric meter;
- An AMI meter and telecommunication system installed by I&M sufficient to support the technology needs of this program;
- At least one electric resistance water heater equipment measure available for demand response control through wireless, remote capability

The Company plans to initially allow qualified participating customers to choose one of three levels of electric hot water heater unit load management approach, Form 1, Form 2, or Form 3. Form 1 is minimally invasive to hot water control cycling strategy, Form 2 is moderately invasive hot water heater control cycling strategy, and Form 3 is the most invasive hot water heater control cycling strategy. Other cycling strategies may be employed and evaluated to determine the strategy that optimizes load reduction without significantly affecting customer comfort, but with customer advance agreement.

Small Business Direct Load Control Program Load Management Events

Load management (i.e., peak reduction, non-emergency) events will be called at the discretion of the Company, with up to 15 events per year. Emergency events will be at the discretion of PJM as defined in PJM Manual 13 – Emergency Operations, with up to 10 events per PJM planning year.
~~Energy management events will be called according to and in alignment with predetermined customer preferences and business requirements. Non-emergency energy management events shall not exceed 800 hours per year and depend upon individual customer load profile and energy use footprint.~~

(Cont'd on Sheet 104.20)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.10)

The customer may opt out of a non-emergency energy management event through the program energy management system software platform or by contacting the Company and/or its authorized agent personnel. The Company's energy management software algorithm will facilitate and accept the event opt out. The Company will communicate events to customers through the energy management platform and via other means required by the customer. The method of event notification may change as determined by the Company and in conjunction with customers, to email or other electronic notification means.

Small Business Direct Load Control Program Equipment

Air Conditioner (AC) DLC Program Option

The Customer will furnish and install program compliant WiFi enabled and broadband internet connected load control energy management system(s) and equipment, and, if necessary, an auxiliary communicating device. All equipment will be owned and maintained by the customer, from installation, throughout program participation, and until such time as this program is discontinued or the customer requests to be removed from the program after completing the initial period set forth above. At that time, the Company will cease both its energy management and control of the program equipment, along with any auxiliary communicating devices, and the Load Management Credit provided for by the program.

Should the customer lose, damage, or not maintain the required WiFi and internet connectivity of the load control devices or auxiliary communicating equipment, the Company will contact the customer in an attempt to reinstate program required equipment functionality. If such attempts by the Company do not facilitate reinstatement of the program required functionality, the Company will remove the customer from the program and will cease the Load Management Credit. Customer will receive credits for any events called and participated in by the customer prior to removal from the program.

The Company shall not be required to offer the program to customers who cannot maintain WiFi and internet connectivity for required functionality of the load control equipment, or if the continued operation of the program cannot be justified for reasons such as: customer preference, electric power market conditions, technological functionality and limitations, safety concerns, or abnormal customer premise conditions, including any limited business operation premises.

(Cont'd on Sheet 104.30)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.20)

The Company and its authorized agents shall confirm installation through WiFi and internet connectivity of the load control device(s). In the event full WiFi and internet connectivity is not available, the Company may require access to inspect the load control device(s) and/or provide the customer thirty (30) days to successfully restore or provide full WiFi and internet connectivity. Should full WiFi and internet connectivity not be available after 30 days, the customer will be promptly removed from the program and the Load Management Credit discontinued until such time as the Company is able to gain the required access. The Company shall not be responsible for the repair, maintenance or replacement of any customer-owned equipment.

Water Heater DLC Program Option

To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Qualified customers must agree to participate, either in writing or via verbal recording, in the Water Heater DLC Program to allow the Company or its authorized agents to install, operate, and maintain the required load control switch at or near the customer's electric resistance element water heater unit(s). Qualified customers must also allow the Company or its authorized agents access, as required and appropriate, to such customer owned equipment for the purposes of program related installation, operation, maintenance, and data collection. Also, if necessary, and appropriate, the customer must allow the Company to install any program required auxiliary communicating devices to further facilitate the program's management and control of certain customer loads and/or customer sited electric power supply equipment as deemed necessary and appropriate for program operation.

Small Business Direct Load Control Program Load Management Credit

$2.40 per event called and participated in during the summer months of May, June, July, August and September for each air-conditioning/heat pump unit/variable air flow motor or electric resistance water heater unit participating in the called events. In the case where a customer has two or more HVAC or electric resistance water heater units, or measures, participating in an event, the customer will receive a bill credit, as described above, for each HVAC unit, electric resistance water heater, or other compliant measures completing the participation in the event. A single customer may receive a bill credit for each HVAC unit and electric resistance water heater unit participating in the same demand response event.

(Cont'd on Sheet No. D-104.40)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.30)

~~Energy Management Credit~~

~~Customers will only receive either a monthly or annual payment, as mutually agreed upon by each customer and the Company, based on the Hourly Curtailed Energy and 90% of the applicable LMP (Day-Ahead) established by PJM (including congestion and marginal losses) . Energy Management Credits will vary based on market hourly energy prices and program effectiveness as determined by the Company and its authorized agent. No payment will be made to customers who opt out of energy management activity for the period of time that the customer opted out for. The Company may assess a penalty to customers who opt out of Company determined system emergency conditions at a penalty rate consistent with and based upon the Company's cost to provide such opt out energy during emergency conditions.~~

~~Equipment~~

~~The Company, and its authorized agent, will furnish and install load control equipment, and, as necessary, auxiliary communicating devices at the customer's premise. All equipment will be owned and maintained by the Company and its authorized agent until such time as the Work Energy Management Program is discontinued or the customer requests to be removed from the program after completing the initial period of three (3) years. At that time, the Company will cease both its energy management and control of the load control equipment and any auxiliary communicating devices, remove Company owned program equipment, and cease annual customer incentives paid by the program.~~

~~Should the customer lose, damage, or not allow the Company and its authorize agent to operate and maintain the required load control devices and auxiliary communicating equipment, the Company and its authorized agent will contact the customer in an attempt to re-instate program required equipment functionality. If such attempts by the Company do not facilitate reinstating the program required functionality, the Company will remove the customer from the program, remove Company owned equipment, and will cease the program customer incentive payments.~~

~~Contract~~

~~Participating customers must agree to participate for an initial period of not less than three (3) years and shall remain a participant thereafter until either party gives at least six months' written notice to the other of the intention to discontinue participation under the terms of this rider.~~

~~Curtailed Energy~~

~~For each curtailment period, Curtailed Energy shall be defined as the difference between the customer's Customer Baseline Load (CBL) calculation and the customer's actual energy used during each hour of the curtailment period~~.

(Cont'd on Sheet No. D-104.50)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
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ORIGINAL SHEET NO. D-104.50

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.40)

~~Customer Baseline Load Calculation~~

~~The Company will utilize the energy management platform data and Company billing system data to determine a Customer Baseline Load (CBL) for each hour corresponding to each curtailment event hour in order to determine the amount of energy reduced for Energy Management Credit purposes. The CBL shall accurately reflect the customer's normal consumption profile, to the extent possible. The Company will provide to each WEM program customer how the CBL is determined.~~

~~Special Terms and Conditions~~

~~This rider is subject to the Company's Terms and Conditions of Service and all provisions of the tariff under which the customer takes service, including all payment provisions.~~

~~The Company shall not be required to offer the program to customers when the Company and its authorized agent cannot maintain the required functionality of the load control equipment, or if the continued operation of the program cannot be justified for reasons such as: customer preference, electric power market conditions, technological functionality and limitations, safety concerns, or abnormal customer premise conditions, including vacation or other limited occupancy residences.~~

~~The Company and its authorized agents shall be permitted access to the customer's premises during normal business hours to confirm installation and connectivity of the load control device(s). In the event the Company requires access to load control device(s), and the customer does not provide such access within 30 days of the request, the Company may discontinue the Energy Management Credit until such time as the Company is able to gain the required access. The Company shall not be responsible for the repair, maintenance or replacement of any customer-owned equipment.~~

~~The Company will collect data during the course of this energy management and control program. Customer-specific information will be held as confidential and data presented in any analysis will protect the identity of the individual customer.~~

~~Small Business AMI Direct Load Control (DLC) Pilot Program~~

~~Availability of Service~~

~~Available on a voluntary basis to eligible customers with an AMI meter taking firm service from the Company under Tariffs GS, GS-TOD, GS-TOD2, MS, or EHS who agree to reduce consumption under the provisions of this Pilot. Customers that do not currently have an AMI meter may request one in order to participate in this tariff.~~

(Cont'd on Sheet 104.60)

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RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.50)

~~For non-owner occupied commercial and industrial buildings, the Company may require customers to obtain permission from the building owner to install the required load control equipment and, if necessary, auxiliary communicating devices such as remote sensors or additional control devices. Customers will not be eligible for this DLC Pilot if the owner does not allow installation of such equipment or does not agree to program terms and requirements through a contractual agreement.~~

~~Customers participating in this DLC Pilot are not eligible for enrollment in any other Company or PJM Interconnection, L.L.C. RTO (PJM) demand response program.~~

~~Program Description~~
~~To participate, customers must meet program specific qualification criteria as stated in program specific requirement documents as provided by the Company. Customers must agree to install program compliant WiFi enabled load control equipment and/or energy management system(s), connect that equipment and system(s) to their WiFi broadband internet connection, and maintain that connection with continuous operation and availability for the duration of the program annual operational period defined as May through September of each program year. All such devices shall be installed at a time that is consistent with the orderly and efficient deployment of this program. Customer owned devices must comply with the Company's approved list of devices.~~

~~Initially, the Company will determine and provide a program WiFi connected energy management system and device compliant list, but as technology, device capability, and the program's load management platform evolves, the Company may allow and provide for additional approved devices. The Company may provide for and determine the appropriate level of customer equipment rebates, as needed and required, in order to facilitate customer installation and ownership of the required equipment as part of this DLC Pilot.~~

~~For thermostat device control, the Company plans to initially utilize a pre-cooling and 2 or 4 degree temperature setback cycling strategy of the central electric cooling unit(s) during summer months. Other cycling strategies may be employed and evaluated to determine the strategy that optimizes load reduction without significantly affecting customer comfort.~~

~~The Company will arrange for its preferred Pilot business partner DLC measures and EMS to be made available for installation and customer ownership as a pilot incentive. I&M will also arrange and provide for pilot measures and systems to be installed as part of the DLC Pilot. Customers will own all pilot measures and systems once provided by the DLC Pilot, and will continue ownership, responsibility for future maintenance, and program compliance after the DLC Pilot concludes.~~

(Cont'd on Sheet 104.70)

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ORIGINAL SHEET NO. D-104.70

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet 104.60)

~~Eligibility~~

~~Small business customers with at least one existing and operational central air conditioning and/or heat pump units located at the same commercial business property that are identified and qualified as meeting the following criteria:~~

- ~~A maximum of 40 kW in monthly peak demand usage as measured by the Company's electric meter;~~
- ~~Telecommunication system installed by I&M sufficient to support the technology needs of this pilot;~~
- ~~At least one HVAC equipment measure available for demand response control through wireless, remote capability including:~~
  - ~~Compliant Wi-Fi connected thermostats in which the Customer allows the Company to vary the air conditioner compressor motor or heat pump compressor motor run time for demand response events;~~
  - ~~Compliant Wi-Fi connected variable control air flow motors with carbon dioxide (CO_2) or occupancy sensors that the Customer allows the Company to vary for demand response events;~~
- ~~Customer-owned broadband internet services;~~

~~Customer-owned and pilot compliant remote control energy management system (EMS) and/or remote~~

- ~~electronic means of access to program controlled DR measures such as through a pilot compliant thermostat manufacturer API arrangement.~~
  - ~~Customer-owned Company business partner EMS DR measure and equipment system preferred~~
- ~~Commercial business hours of operation identified as overlapping with typical Company and PJM summer cooling season peak periods (e.g. weekday, noon to 8 pm) where high probability exists for HVAC system typical operation.~~

~~Load Management Events~~

~~Load management (i.e. peak reduction, non-emergency) events will be called at the discretion of the Company, with up to 15 events per year. Emergency events will be at the discretion of PJM as defined in PJM Manual 13 – Emergency Operations, with up to 10 events per PJM planning year.~~

~~Equipment~~

~~The Customer will furnish and install program compliant WiFi enabled and broadband internet connected load control energy management system(s) and equipment, and, if necessary, an auxiliary communicating device. All equipment will be owned and maintained by the customer, from installation, throughout program participation, and until such time as this pilot program is discontinued or the customer requests to be removed from the program after completing the initial period set forth above. At that time, the Company will cease both its energy management and control of the program equipment, along with any auxiliary communicating devices, and the Load Management Credit provided for by the program.~~

(Cont'd on Sheet 104.80)

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ORIGINAL SHEET NO. D-104.80

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.70)

~~Should the customer lose, damage, or not maintain the required WiFi and internet connectivity of the load control devices or auxiliary communicating equipment, the Company will contact the customer in an attempt to reinstate program required equipment functionality. If such attempts by the Company do not facilitate reinstatement of the program required functionality, the Company will remove the customer from the program and will cease the Load Management Credit. Customer will receive credits for any events called and participated in by the customer prior to removal from the program.~~

~~The Company shall not be required to offer the program to customers who cannot maintain WiFi and internet connectivity for required functionality of the load control equipment, or if the continued operation of the program cannot be justified for reasons such as: customer preference, electric power market conditions, technological functionality and limitations, safety concerns, or abnormal customer premise conditions, including any limited business operation premises.~~

~~The Company and its authorized agents shall confirm installation through WiFi and internet connectivity of the load control device(s). In the event full WiFi and internet connectivity is not available, the Company may require access to inspect the load control device(s) and/or provide the customer thirty (30) days to successfully restore or provide full WiFi and internet connectivity. Should full WiFi and internet connectivity not be available after 30 days, the customer will be promptly removed from the program and the Load Management Credit discontinued until such time as the Company is able to gain the required access. The Company shall not be responsible for the repair, maintenance or replacement of any customer-owned equipment.~~

~~Enrollment Maximum: 32~~

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ORIGINAL SHEET NO. D-104.90

RIDER WEM
(Work Energy Management Rider)

(Cont'd from Sheet No. D-104.80)

~~Load Management Credit~~

~~$1.95 per event called and participated in during the summer months of May, June, July, August and September for each air-conditioning/heat pump unit/variable air flow motor participating in the called events. In the case where a customer has two or more HVAC units, or measures, participating in an event, the customer will receive a bill credit, as described above, for each HVAC unit or measures completing the participation in the event.~~

Contract

Participating customers must agree to participate for a period of two (2) years or two-peak period season periods (defined as May through September) as applicable and thereafter may discontinue participation by contacting the Company.

Special Terms and Conditions

The Small Business AMI Direct Load Control (DLC) Program~~This DLC Pilot~~ is subject to the Company's Terms and Conditions of Service and all provisions of the tariff under which the customer takes service, including all payment provisions.

Customer-specific information within data collected during the course of implementation for the Small Business AMI Direct Load Control (DLC) Program ~~DLC Pilot load management program~~ will be held as confidential and data presented in any analysis will protect the identity of the individual customer.

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18- ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-113.00

RIDER DLMS
(Discretionary Load Management Service)

Availability of Service

Discretionary Load Management Service (DLMS) is available to customers that take firm service from the Company under a Standard Service demand metered rate schedule and that have the ability to curtail load under the provisions of this Rider. Each customer electing service under Rider DLMS shall contract, via a Contract Addendum, for a definite amount of firm and interruptible capacity agreed to by the Company and the customer. The interruptible capacity amount shall not exceed the customer's average on-peak demand for the past 12 months. The Company reserves the right to limit the aggregate amount of interruptible capacity contracted for under this Rider. The Company will take customer DLMS requests in the order received.

Conditions of Service

1. The Company, in its sole discretion, reserves the right to call for curtailments of the customer's interruptible load at any time. Such interruptions shall be designated as Discretionary Interruptions and shall not exceed sixty (60) hours of interruption during any Interruption Year. The Interruption Year shall be defined as the consecutive twelve (12) month period commencing on June 1 and ending on May 31. Should this Rider become effective on a date other than June 1, the period from the effective date of this Rider until the next May 31 after such effective date shall be referred to as the Initial Partial Interruption Year. In any Initial Partial Interruption Year, Discretionary Interruptions shall not exceed a number of hours equal to the product of the number of full calendar months during the Initial Partial Interruption Year and the annual interruption hours divided by 12.

2. Customers participating in a third-party demand response program, and customers receiving competitive energy services from a Curtailment Service Provider (CSP) or aggregator, are not eligible to participate under this Rider. No credit shall be given under this program for hours that a customer is responsible for curtailing under another program. Customers taking service under Open Access Distribution tariffs are not eligible for Rider DLMS.

3. The monthly Interruptible Demand Credit Rate shall be $5.00/kW-month, credited to participating Customers' bills for Standard Service.

4. The Company will endeavor to provide the customer with as much advance notice as possible of a Discretionary Interruption. The Company shall provide notice at least 90 minutes prior to the commencement of a Discretionary Interruption. Such notice shall include both the start and end time of the Discretionary Interruption. For any Discretionary Interruption, the customer shall be permitted to choose not to interrupt and to continue to operate during the event, provided that the customer pays the DLMS Event Failure Charge. Discretionary Interruptions shall begin and end on the clock hour.

5. Discretionary Interruption events shall be three (3) consecutive hours and there shall not be more than six (6) hours of Discretionary Interruption per day.

(Continued on Sheet No. 113.1~~0~~0)

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RIDER DLMS
(Discretionary Load Management Service)

(Cont'd from Sheet No. 113.00)

6. The Company will inform the customer regarding the communication process for notices to curtail. The customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company

7. The minimum interruptible capacity contracted for under this Rider will be 500 kW at a single metering point.

8. All customer meter data required under this Rider shall be determined from 15-minute integrated metering, as applicable based on the customer's rate schedule, with remote interrogation capability and demand recording equipment. Such metering equipment shall be owned, installed, operated, and maintained by the Company.

9. NO RESPONSIBILITY OR LIABILITY OF ANY KIND SHALL ATTACH TO OR BE INCURRED BY THE COMPANY FOR, OR ON ACCOUNT OF, ANY LOSS, COST, EXPENSE, OR DAMAGE CAUSED BY OR RESULTING FROM, EITHER DIRECTLY OR INDIRECTLY, ANY INTERRUPTION OF SERVICE UNDER THE PROVISIONS OF THIS RIDER.

Interruptible Capacity Reservation

The customer shall have established a total Capacity Reservation under its Contract for Service under the applicable demand-metered rate schedule. In a Contract Addendum, the customer shall designate a set kW amount of the total Capacity Reservation as the Firm Service Capacity Reservation, which is not subject to interruption under this Rider. The Interruptible Capacity Reservation shall be the customer's average on-peak demand over the past 12 months in excess of the Firm Service Capacity Reservation. The Interruptible Capacity Reservation shall be established annually, subject to annual review and adjustment by the Company and the customer. The Interruptible Capacity Reservation shall be established by mutual agreement of I&M and the customer for customers with less than twelve months of established usage history or customers with a significant change in usage.

Monthly Interruptible Demand Credit

The monthly Interruptible Demand Credit shall be equal to the product of Demand Credit per kW-Month and the customer's Interruptible Capacity Reservation kW.

Interruption Event Compliance

Customers will be determined to have failed a DLMS interruption event if they have not achieved at least ninety (90) percent reduction of their agreed upon interruptible capacity reservation during the duration of a DLMS interruption event.

(Continued on Sheet No.113.2~~9~~0)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18- ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-113.20

RIDER DLMS
(Discretionary Load Management Service)

(Cont'd from Sheet No. 113.1~~90~~)

DLMS Event Failure Charge

Customers that fail one or more DLMS interruption events shall repay a portion of their total annual DLMS Interruptible Demand Credit per the following table:

Number of Failures	Penalty Payment %
Failure 1	10%
Failure 2	10%
Failure 3	10%
Failure 4	10%
Failure 5	15%
Failure 6	20%
Failure 7	25%
Total	100%

DLMS Event Failure Charge = Interruptible Capacity Reservation kW x DLMS Interruptible Demand Credit Rate x 12 months x DLMS Event Failure Charge Penalty Payment %

Under no circumstance will a customer be charged a DLMS Event Failure Charge, for DLMS interruption failures, in an amount greater than the customer's annual amount of DLMS Interruptible Demand Credits they would or have received in an Interruption Year.

Settlement

The monthly Interruptible Demand Credit will be included on the customer's monthly bill for electric service.

Term

A Contract or Contract Addendum under this Rider shall be made for a period of one (1) Interruption Year or the Initial Partial Interruption Year and shall remain in effect for each subsequent Interruption Year until either party provides sixty (60) days written notice prior to June 1 of its intention to discontinue service effective June 1 under the terms of this Rider. Any participating customer must participate for at least one full Interruption Year. Therefore, a customer that begins service under this Rider during an Initial Partial Interruption Year, must then also participate in the subsequent full Interruption Year.

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ORIGINAL SHEET NO. D-114.00

APPLICABLE POWER SUPPLY AND DELIVERY CHARGE SURCHARGES AND RIDERS

Commission-approved surcharges and riders applicable to Standard Service customers only:

Power Supply Charges Applicable to Standard Service Customers	Sheet No.
Power Supply Cost Recovery Factor	D-115.00
Rate Realignment Surcharge/Credit	D-117.00
Renewable Energy Surcharge	D-120.00
~~Phase-in Rate Adjustment Credit Rider~~	~~D-123.00~~

Commission-approved surcharges and riders applicable to Standard Service and Open Access Distribution Service customers:

Delivery Charges Applicable to Standard Service and Open Access Distribution Service customers	Sheet No.
Energy Waste Reduction Surcharge	D-118.00
Nuclear Decommissioning Surcharge	D-119.00
Net Lost Revenue Tracker Surcharge	D-121.00
Low-Income Energy Assistance Fund Surcharge	D-122.00
Tax Rider	D-123.00
~~Tax Reform Credit B Rider Adjustment~~	~~D-124.00~~

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON
AND AFTER

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMMISSION
DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-115.00

POWER SUPPLY COST RECOVERY FACTOR

This clause permits the monthly adjustment of rates for power supply to allow recovery of the booked costs, including transportation costs, reclamation costs, and disposal and reprocessing costs, of fuel burned for electric generation, the booked costs of purchased and net interchange power transactions and the cost of transmission service incurred under reasonable and prudent policies and practices. All rates for standard Michigan retail electric service, unless otherwise provided in the applicable rate schedule, shall include a Power Supply Cost Recovery factor.

For purposes of this clause, the following definitions apply:

"Power supply cost recovery factor" means that element of the rates to be charged for electric service to reflect power supply costs incurred and made pursuant to a power supply cost recovery clause incorporated in the rates or rate schedule.

"Power supply cost recovery plan" means a filing made at least annually describing the expected sources of electric power supply and changes over a future 12-month period specified by the Commission and requesting for each of those 12 months a specific power supply cost recovery factor.

"Power supply costs" means those elements of allowable costs of fuel, purchased and net interchanged power costs, and transmission costs as determined by the Commission to be included in the calculation of the power supply cost recovery factor.

"Cost of power" means those elements of costs of fuel and purchased and net interchanged power costs as determined by the Commission to be recovered in base rates pursuant to a general rate proceeding but which are not allowable in the calculation of the monthly power supply cost recovery factor.

The Power Supply Cost Recovery factor shall, in accordance with the hearing procedures adopted by the Michigan Public Service Commission, consist of 0.010374~~1~~ mills per kWh for each full .01 mill per kWh of power supply costs, rounded to the nearest .01 mills per kWh, less an amount of 48.163~~8.56~~ mills per kWh representing power supply costs included in base rates.

The power supply cost recovery factor to be applied to the Company's Michigan retail customers' monthly kilowatt-hour usage represents the power supply costs as established by Commission order pursuant to a power supply and cost review hearing conducted by the Commission. The power supply and cost review will be conducted not less than once a year for the purpose of evaluating the power supply cost recovery plan filed by the Company and to authorize an appropriate power supply cost recovery factor. Contemporaneously with its power supply cost recovery plan, the Company will file a five-year forecast of the power supply requirements of its customers, its anticipated sources of supply, and projections of power supply costs.

Not more than 45 days following the last day of each billing month in which a power supply cost recovery factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the power supply cost recovery factor, the allowance for cost of power included in the base rates established in the latest Commission order for the Company, and the cost of power supply.

(Continued to Sheet No. D-116.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-116.00

POWER SUPPLY COST RECOVERY FACTOR

(Continued from Sheet No. D-115.00)

Not less than once a year and not later than 90 days after the end of the 12-month period covered by the Company's most recently authorized power supply cost recovery plan, a power supply cost reconciliation proceeding will be commenced to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Commission under the Company's most recent power supply cost recovery plan, among other things. The Company shall be required to refund to customers, or to credit to customers' bills any net amount, plus interest, determined to have been recovered which is in excess of the amounts properly expensed by the Company for power supply. The Company shall recover from customers any net amount, plus interest, by which the amount determined to have been recovered over the period covered was less than the amount determined to have been properly expensed by the Company for power supply.

Maximum allowable Power Supply Cost Recovery Factors approved by the Commission:

(1)	(2)	(3)	(4)
Billing Month	Total PSCR Costs (Mills/kWh)	PSCR Costs In Base Rates (Mills/kWh)	PSCR Factor Charge/(Credit) (Mills/kWh)
			(Col. 2 - Col. 3)
Jan - Dec 2019	33.14	37.71	(4.57)
Jan 2020	35.61	37.71	(2.10)
Feb – Dec 2020	35.61	38.56	(2.95)
Jan – Dec 2021	41.41	38.56	2.85

Should the Company apply a lesser factor than the above, or if the factor is later revised pursuant to Commission Orders or 1982 PA 304, the Company will notify the Commission if necessary and file a revision to the above list.

Actual Power Supply Cost Recovery factors billed pursuant to 1982 PA 304, Section 6j(9):

(1)	(2)	(3)	(4)
Billing Month	Total PSCR Costs (Mills/kWh)	PSCR Costs In Base Rates (Mills/kWh)	PSCR Factor Charge/(Credit) (Mills/kWh)
			(Col. 2 - Col. 3)
Jan – Dec 2022	44.79	38.56	6.23
Jan – Dec 2023	43.64	38.56	5.08
Jan – Dec 2024	xx.xx	xx.xx	x.xx

Rates to be determined in annual PSCR filings.

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF 1982 PA 304, SECTION 6(j) AND THE MICHIGAN PUBLIC SERVICE COMMISSION IN CASE NO. U-21461

M.P.S.C. 18- ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-117.00

RATE REALIGNMENT SURCHARGE/CREDIT

All customer bills subject to the provisions of this surcharge, including any bills rendered under special contract, shall be adjusted by the Rate Realignment Surcharge/Credit charge per kWh as follows:

Tariff	Year 1
	(¢/kWh)
RS, RS-TOD, RS-OPES, RS-PEV, RS-SC, and RS-TOD2	0.0628 ~~0.0042~~
GS, GS-TOD, GS-PEV and GS-TOD 2	0.0580 ~~0.0038~~
LGS	0.0422 ~~0.0026~~
LP and CS-IRP	0.0460 ~~0.0023~~
MS	0.0539 ~~0.0038~~
WSS	0.0387 ~~0.0025~~
EHS	0.0558 ~~0.0037~~
IS	(14.6368) ~~(1.1712)~~
OSL	0.1157 ~~0.0081~~
SLS, SLC, ECLS and SLCM	0.0720 ~~0.0048~~

ISSUED
BY STEVE F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18- ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-119.00

NUCLEAR DECOMMISSIONING SURCHARGE

All customer bills subject to the provisions of this surcharge, including any bills rendered under special contract, shall be adjusted by the Nuclear Decommissioning Surcharge per kWh as follows:

Tariff	¢/kWh
RS, RS-TOD, RS-OPES, RS-PEV, RS-SC, and RS-TOD2	0
GS, GS-TOD, GS-PEV and GS-TOD 2	0
LGS	0
LP and CS-IRP	0
MS	0
WSS	0
EHS	0
IS	0

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET 123.00

~~PHASE-IN RATE ADJUSTMENT (PRA)~~

~~The Phase-In Rate Adjustment (PRA) allows the Company to phase-in base rate adjustments that appropriately align base rate expenses, as they occur, and as approved by the Commission. All customer bills subject to the provisions of this rider shall be adjusted by the PRA adjustment factor per billing kWh and kW or kVA as follows:~~

~~**RATES EXPIRE ON JUNE 1, 2020**~~

~~Tariff Class~~	~~¢/kWh~~
~~RS, RS-TOD, RS-TOD2, RS-PEV, RS-SC and RS-OPES~~	~~-0.4656~~
~~GS-SEC, GS-TOD, GS-PEV , GS-TOD2, GS-NM, WSS-SEC LGS-SEC, LGS-TOD , MS, EHS, IS, ECLS, SLC, SLS, OSL SLC and SLCM~~	~~-0.3993~~
~~GS-PRI, GS-SUB, LGS-PRI, LGS-SUB, LP-PRI, LP-SUB, LP-TRAN, WSS-PRI and WSS-SUB~~	~~-0.3361~~

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN RATE CASE U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-123.00

TAX RIDER

The Tax Rider consists of three components:

1. Credits related to the Tax Cuts and Jobs Act (TCJA) to pass back unprotected excess accumulated deferred income tax;
2. ~~Corporate Alternative Minimum Tax Expense (CAMT); and~~
3. ~~Production Tax Credits (PTCs) related to Cook Nuclear facility.~~

The Tax Rider applies to all tariff classes, including special contracts, on a bills rendered basis at the following rates:

	Power Supply Non-Capacity		Delivery	
Tariff	Energy ¢/kWh	Demand $/kW	Energy ¢/kWh	Demand $/kW
RS, RS-TOD, RS-OPES/PEV, RS-SC and RS-TOD2	(0.2395)	-	(0.0572)	-
GS Secondary, GS-TOD, GS-TOD2	(0.2422)	-	(0.0474)	-
GS Primary	(0.2226)	-	(0.0282)	-
GS Subtransmission	(0.2043)	-	(0.0018)	-
LGS Secondary	-	(0.87)	-	(0.14)
LGS LM-TOD	(0.1964)	-	(0.0309)	-
LGS Primary	-	(0.88)	-	(0.10)
LGS Subtransmission	-	(0.76)	-	-
LP Secondary	-	(0.87)	-	(0.14)
LP Primary	-	(0.86)	-	(0.10)
LP Subtransmission	-	(0.94)	-	-
LP Transmission	-	(0.55)	-	-
MS	-	(0.58)	-	(0.11)
WSS Secondary	-	(0.42)	-	(0.10)
WSS Primary	-	(0.85)	-	(0.10)
WSS Subtransmission	-	(0.76)	-	-
EHS	-	(0.46)	-	(0.14)
IS	(0.5345)	-	(0.1580)	-
OSL	(0.0554)	-	(0.2071)	-
SLS, SLC, ECLS AND SLCM	(0.0554)	-	(0.1271)	-

Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Delivery Charges only are applicable to Open Access Distribution customers.

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. D-124.00

~~TAX REFORM CREDIT B RIDER ADJUSTMENT (TRCB)~~RIDER

~~These credits and charges reflect an adjustment to the Tax Cuts and Jobs Act refund received February 1, 2019 through July 31, 2019. The Customer's bills shall be adjusted by the "*Credit B*" credits effective during the billing month of August 2020 and charges effective during the billing month of October 2020 on a bills rendered basis. The customer bills for the tariff classes below are subject to the provisions of this rider, including any bills rendered under special contract, and shall be adjusted by the Tax Reform Credit B Rider as follows:~~

~~Credits Effective for the Billing Month of August 2020~~		
~~Tariff~~	~~Power Supply Non-Capacity~~ ~~$/Customer/Mo.~~	~~Delivery~~ ~~$/Customer/Mo.~~
~~GS Secondary, GS-TOD, GS-TOD2~~	~~(1.84)~~	~~(0.95)~~
~~GS Primary~~	~~(460.02)~~	~~(171.73)~~
~~GS-Subtransmission~~	~~(1,171.06)~~	~~(118.81)~~
~~LGS LM-TOD~~	~~(1,423.53)~~	~~(729.41)~~
~~LGS Primary~~	~~(142.84)~~	~~(47.09)~~
~~LGS Subtransmission~~	~~--~~	~~--~~
~~LP Secondary~~	~~--~~	~~--~~
~~LP Primary~~	~~(5,543.40)~~	~~--~~
~~LP Subtransmission~~	~~(18,136.51)~~	~~--~~
~~MS~~	~~(18.08)~~	~~(13.16)~~
~~WSS Primary~~	~~(453.40)~~	~~(160.81)~~
~~WSS Subtransmission~~	~~--~~	~~--~~
~~EHS~~	~~(23.95)~~	~~(16.72)~~
~~IS~~	~~(18.24)~~	~~(19.97)~~
~~OSL~~	~~--~~	~~--~~
~~SLS, SLC, ECLS and SLCM~~	~~(0.69)~~	~~(6.47)~~

~~Charges Effective for the Billing Month of October 2020~~		
~~Tariff~~	~~Power Supply Non-Capacity~~ ~~$/Customer/Mo.~~	~~Delivery~~ ~~$/Customer/Mo.~~
~~RS, RS-TOD, RS-OPES RS-PEV, RS-SC and RS-TOD2~~	~~0.54~~	~~0.48~~
~~LGS Secondary~~	~~46.94~~	~~30.06~~
~~LP Primary~~	~~--~~	~~82.89~~
~~LP Subtransmission~~	~~--~~	~~78.51~~
~~LP Transmission~~	~~17,841.45~~	~~--~~
~~WSS Secondary~~	~~5.99~~	~~4.51~~

~~Non-Capacity Power Supply and Delivery Charges are applicable to Standard Service customers. Delivery Charges only are applicable to Open Access Distribution customers.~~

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-3.00

(Continued From Sheet No. E-2.00)

Customers may change AESs no more than once during any month subject to the provisions below.

Requests to change a customer's AES must be received by the Company from the new AES. If the Company receives such a request to change a customer's AES, the customer shall be notified by the Company concerning the requested change within two business days. If the customer challenges the requested change, the change will not be initiated. The customer has ten days from the date on the notice to contact the Company to rescind the enrollment request or notify the Company that the change of AES was not requested by the customer. Within two business days after receiving a customer request to rescind enrollment with an AES, the Company shall initiate such rescission and mail the customer confirmation that such action has been taken.

The customer shall pay a charge of $5.00 to the Company for each transaction in which a customer authorizes a change in one or more AESs. However, this switching charge shall not apply in the following specific circumstances: (a) the customer's initial change to service under the Company's tariffs and Terms and Conditions of Open Access Distribution Service and service from an AES, (b) the customer's AES is changed involuntarily, (c) the customer returns to service from the customer's former AES following an involuntary change in AES, or (d) the customer's former AES's services have been permanently terminated and the customer must choose another AES.

Customers returning to the Company's Standard Service must remain on the Company's Standard Service for a period of not less than 12 consecutive months. If the customer's return to the Company's Standard Service is the result of AES default or AES withdrawal, the customer shall have 30 calendar days to choose an alternative AES before the above requirement shall apply. Customers returning from service from an AES that self-supplies capacity shall be subject to the additional requirements as defined in Section E, Self-Supply Capacity Service Terms and Conditions of Open Access Distribution Service Number 11.

A customer may contact the Company and request to return to the Company's Standard Service. The return to the Company's Standard Service shall be conducted under the same terms and conditions applicable to an enrollment with an AES. The customer will have a ten-calendar day rescission period after requesting a return to the Company's Standard Service. Provided the customer has observed all applicable tariff and contract notification requirements and the Company has effectuated the request to return to the Company's Standard Service at least 15 calendar days prior to the customer's regularly scheduled meter reading date, the customer will be returned to the Company's Standard Service at the end of the customer's regularly scheduled meter reading date.

In the event that an AES's services are permanently terminated, and the AES has not provided for service to the affected customers, the AES shall send timely notification to the Company and the affected customers regarding the termination of such services. Such notification shall describe the process for selecting a new AES and note that service will be provided by the Company under the Company's Standard Service if a new AES is not selected within 30 calendar days.

(Continued on Sheet No. E-4.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-6.00

(Continued From Sheet No. E-5.00)

7. LOCATION AND MAINTENANCE OF COMPANY'S EQUIPMENT

The Company shall have the right to construct its poles, lines, and circuits on the property and to place its transformers and other apparatus on the property or within the buildings of the customer, at a point or points convenient for the purpose, as required to provide Open Access Distribution Service to the customer. The customer shall keep company equipment clear from obstruction and obstacles including landscaping, structures, etc., and provide suitable space for the installation, repair and maintenance of necessary measuring instruments so that the instruments may be protected from injury by the elements or through negligence or deliberate acts of the customer or any other person who is not an agent or employee of the Company.

When Company facilities are damaged due to customer actions or negligence, the Customer shall be responsible for the costs of repairs.

8. RELOCATION OF COMPANY'S FACILITIES AT CUSTOMER'S REQUEST

Whenever, at customer's request, work is performed on the Company's facilities or the Company's facilities are relocated solely to suit the convenience of customer, the customer shall reimburse the Company for the entire cost incurred in performing the work or making such change including any and all required engineering studies.

9. COMPANY'S LIABILITY

The Company will use reasonable diligence in delivering a regular and uninterrupted supply of energy to the customer, but does not guarantee uninterrupted service. The Company shall not be liable for damages in case such service should be interrupted or fail by reason of an act of God, the public enemy, accidents, labor disputes, or orders or acts of civil authority. Further, the Company shall not be liable for damages in case such service should be interrupted due to causes or conditions beyond the Company's reasonable control, including extraordinary repairs, breakdowns, or injury to machinery, transmission lines, distribution lines, or other facilities of the Company. Further, the Company shall not be liable for damages for interrupting service to any customer whenever, in the judgment of the Company, such interruption is necessary in order to prevent or limit any instability or disturbance on the electric system of the Company or any electric system interconnected with the Company, such interruptive action to be taken in accordance with predetermined plan and only in situations that threaten massive curtailments of service on the Company's system.

The Company shall not be liable for damages in case such service to the customer should be interrupted by failure of the customer's AES to provide appropriate energy to the Company for delivery to the customer.

Unless otherwise provided in a contract between Company and customer, the point at which service is delivered by Company to customer, to be known as "delivery point," shall be the point at which the customer's facilities are connected to the Company's facilities. The metering device is the property of the Company; however, the meter base and all internal parts inside the meter base are customer owned and are the responsibility of the customer to install and maintain. The Company shall not be liable for

(Continued on Sheet No. E-7.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-10.00

(Continued From Sheet No. E-9.00)

Individually metered seasonal sites such as campsites shall be placed on the appropriate commercial general service tariff and not be considered residential in nature. Locations that provide site availability throughout the year may be put in an individual customer's name under the residential tariff if they otherwise meet the qualifications set forward.

13. RESORT SERVICE

Where customers desire Open Access Distribution Service for summer homes, summer resort hotels, or other summer resort establishments that are located adjacent to existing distribution lines of the Company and can be served without the extension of primary lines, they shall have the privilege of purchasing all-year distribution service under the applicable all-year tariffs or of purchasing Open Access Distribution Service for less than a full year under the applicable residential or general service tariffs, subject to payment in advance of an amount commensurate with the cost of handling the customer's account, for connection to and disconnection from the Company's lines.

14. TRANSMISSION SERVICE

Transmission service shall be made available under the terms and conditions contained within the applicable Open Access Transmission Tariff as filed with and accepted by the Federal Energy Regulatory Commission. PJM Interconnection, LLC shall be the Transmission Provider. The AES or the customer shall contract for transmission service under the applicable Open Access Transmission Tariff. The contracting entity or its designee is responsible for scheduling under the applicable Open Access Transmission Tariff. Unless other arrangements have been made, the scheduling entity will be billed by the Transmission Provider for transmission services. The contracting entity must also purchase or provide ancillary services as specified under the applicable Open Access Transmission Tariff.

Billing and payment shall be performed as specified in the applicable Open Access Transmission Tariff. Any remaining unpaid amounts and associated fees for transmission service are the responsibility of the customer.

Provisions for scheduling and imbalance are contained within the applicable Open Access Transmission Tariff.

15. LOSSES

The AES or the Transmission Provider shall provide, through appropriate arrangements, both transmission and distribution losses as required to serve customers at various delivery voltages. If an AES arranges to provide transmission losses under the provisions of the applicable Open Access Transmission Tariff, then the AES must also arrange for the appropriate distribution losses. Customers served at transmission and subtransmission voltages require no additional losses other than the losses specified in the applicable Open Access Transmission Tariff. Customers served at primary distribution voltage require 2.0% additional losses of amounts received by the Transmission Provider for delivery to the customer. Customers served at secondary distribution voltage require 5.0% additional losses of amounts received by the Transmission Provider for delivery to the customer.

(Continued on Sheet No. E-11.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-18.00

(Continued From Sheet No. E-17.00)

20. DENIAL OR DISCONTINUANCE OF SERVICE

Pursuant to Rules 460.136, 460.137, and 460.1625, the Company reserves the right to shutoff service to any customer without notice, in case of an emergency or to prevent fraud upon the Company. Additional shutoff of service rules applicable to nonresidential service are set forth in the MPSC Rules in Part 7 of the Billing Practices Applicable to Non-Residential Electric and Gas Customers, as referenced herein, and are set forth, as applicable, to residential service in Part 8 of the Consumer Standards and Billing Practices for Electric and Gas Residential Service, as referenced herein.

Any shutoff of service shall not terminate the contract between the Company and the customer nor shall it abrogate any minimum charge that may be effective.

The Company may disconnect service without request by the customer and with proper notification in writing of at least 14 days when:

(a) The customer does not provide adequate access to the meter during normal business hours or denies access to other Company equipment; or
(b) The customer does not provide a minimum of 15" on either side and 48" (72" for CT rated) ~~dequate safe~~ clearance in front of ~~and around~~ metering and associated equipment as indicated in the Company Meter and Service Guide; or
(c) The customer does not allow safe egress and regress across the customer's property to access metering and other Company equipment; or
(d) The meter is located in an inaccessible location such as a basement, fenced area, porch, etc., and the customer denies the Company reasonable access; or
(e)The customer's equipment falls into disrepair due to aging or abuse and needs to be replaced due to eminent safety considerations; or
(f) The meter installation does not fall under commonly acceptable installation practices or where conditions at the customer's site change, causing the meter installation to no longer meet acceptable installation guidelines.

The Company may disconnect service without request by the customer and without prior notice only:

(a) If a condition dangerous or hazardous to life, physical safety, or property exists; or
(b) Upon order by any court, the Commission or other duly authorized Public Authority; or
(c) If fraudulent or unauthorized use of electricity is detected and the Company has reasonable grounds to believe the affected customer is responsible for such use; or
(d) If the Company's regulating or measuring equipment has been tampered with and the Company has reasonable grounds to believe that the affected customer is responsible for such tampering.

(Continued on Sheet No. E-19.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-19.00

(Continued From Sheet No. E-18.00)

21. VOLTAGES

The standard nominal distribution service voltages within the service area of the Company are:

Secondary		Primary	
Single Phase	Three Phase	Single Phase	Three Phase
120/240 Volts	120/208 Volts	2400 Volts**	4160/2400 Volts**
120/208 Volts	120/240 Volts*	7200 Volts	12470/7200 Volts
480 Volts	277/480 Volts	19950 Volts	34500/19950 Volts
	480 Volts*		

* Not available when supplied from 34500/19950 primary distribution systems.

** Limited to existing 4160/2400 volt distribution systems or from a dedicated subtransmission or transmission station.

The standard subtransmission and transmission service voltages within the service area of the Company are:

Subtransmission	Transmission
Three Phase	Three Phase
34.5 kV	138 kV
69 kV	345 kV
	765 kV

22. SPECIAL SERVICE CHARGES

The following schedule reflects the amounts to be charged for the special services stipulated. The Company will endeavor to comply with customer requested work subject to a minimum of three days prior notification and / or manpower availability.

SCHEDULE OF CHARGES	AMOUNT
1. AMI Opt-out Reconnect during regular business hours.	$~~78.13~~ 98~~.00~~
2. AMI Opt-out Reconnect during workday overtime hours and ~~all day~~ Saturday.	$~~93~~ 112.00
3. Reconnect on Sundays or holidays.	$~~177~~ 211.00
~~4. Trip charge where Company employees are sent to customer premises to specifically notify the customer that bill payment is due.~~	~~$33.00~~

(Continued on Sheet No. E-20.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

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IN CASE NO. U-21461

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-20.00

(Continued From Sheet No. E-19.00)

45. Meter Dept. ~~Disconnect~~ trip~~s~~ charge where notification / site visit is provided~~left~~ for the customer at the premises because of access or other issue. ~~or the customer signs a Company form agreeing to make payment by the end of business the same day and no disconnect is made.~~	$~~41~~ 50.00
56. Reconnect when disconnect is required to be made from a vault, manhole, or service box.	$~~732.19~~ 915.00
67. Reconnect when disconnect is required to be made at pole during regular business hours.	$~~97.50~~ 122.00
78. Reconnect when disconnect is required to be made at pole during workday overtime hours and all day Saturday.	$~~132.00~~ 165
89. Reconnect when disconnect is required to be made at pole on Sunday or holidays	$~~245.00~~ 306.00
910. Trip charge for no-power service call when the customer's facilities are clearly at fault or for scheduled work and the customer is not ready when Company is on site and customer was advised of the charge .	$~~42.81~~ 53.51
101. Meter test or change when charge is permitted in accordance with the the Consumer Standards and Billing Practice Rules.	$~~39.06~~ 49.00
112. Customer's check returned for nonsufficient funds.	$20.00

23. MISCELLANEOUS CUSTOMER CHARGES

When the Company detects that its regulating, measuring equipment, or other facilities have been tampered with or when fraudulent or unauthorized use of electricity has occurred, a rebuttable presumption arises that the customer or other user has benefited by such fraudulent or unauthorized use of such tampering. Therefore, that customer or other user is responsible for payment of the reasonable cost of the service used during the period such fraudulent or unauthorized use or tampering occurred or is reasonably assumed to have occurred and is responsible for the cost of field calls and the cost of making repairs necessitated by such use and/or tampering, plus a charge of $50 per occurrence. Under such circumstances the Company will institute the procedures outlined in the Consumer Standards and Billing Practice Rules.

24. CUSTOMER OWNED EQUIPMENT TROUBLESHOOTING

When requested by the customer to investigate any problems with customer owned equipment that is connected to the Company's system, such as a generator, transformer, or other unique customer-owned facilities, the Company will conduct investigations at no charge to the customer. Company will make all reasonable attempts to resolve any problems when the Company is found to be at fault. If the customer owned equipment is found to be at fault, the Company may at the customer's request, and upon mutual agreement, continue troubleshooting the problem if the customer consents to paying for all additional charges which shall be based on actual labor and material incurred.

(Continued on Sheet No. E-21.00)

ISSUED
BY STEVEN F. BAKER
PRESIDENT
FORT WAYNE, INDIANA

EFFECTIVE FOR SERVICE RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE MICHIGAN PUBLIC SERVICE COMMISSION DATED
IN CASE NO. U-21461

SECTION E

SELF-SUPPLY CAPACITY TERMS AND CONDITIONS OF OPEN ACCESS DISTRIBUTION SERVICE

1. APPLICATION

Notwithstanding the Company and Supplier Terms and Conditions of Service located from Sheet No. E-1.00 to E-31.00, these Self-Supply Capacity Terms and Conditions herein are applicable to any customer that has chosen to take service from an Alternative Electric Supplier (AES) that self-supplies capacity needed to serve their customers within the I&M service area in Michigan.

Beginning with the 2022/2023 Base Residual Auction (BRA) for the PJM Capacity Market, commonly known as the Reliability Pricing Model (RPM), I&M will allow AES to self-supply capacity for customers who are active Michigan Choice participants. As I&M is currently self-supplying its Capacity Obligation via the Fixed Resource Requirement (FRR) alternative in RPM all self-supplied MWs provided will be included in I&M's FRR Capacity plan.

2. CUSTOMER CHOICE OF ALTERNATIVE ELECTRIC SUPPLIER

Customers taking service under the Company's Terms and Conditions of Open Access Distribution Service may elect self-supply capacity services from a qualified Alternative Electric Supplier (AES) offering such service. Such services are allowed under the provisions of Open Access Distribution Service to the extent permitted by law and according to the terms and conditions of service as described herein. A customer is permitted to choose energy-only services from an AES according to the Open Access Distribution Terms and Conditions of Service located within Sheet No. E-1.00 to E-31.00.

3. SELF-SUPPLY CAPACITY COMMITMENTS BY ALTERNATIVE ELECTRIC SUPPLIER

Self-supply capacity commitments will be made prior to the deadlines established below for each Delivery years FRR submittal deadline for the BRA. Self-supply commitments will be subject to Capacity Performance and other PJM requirements.

For the following BRA's 2022/2023, 2023/2024, 2024/2025 and 2025/2026 which are expected to have compacted schedules due to the FERC Minimum Offer Price Rule (MOPR) Order, all required data necessary for I&M to satisfy its FRR submission to PJM must be supplied by the AES to I&M 60~~30~~ days prior to the date scheduled by PJM for the FRR plan submittal on the RPM website. I&M is not responsible if an AES misses any deadline and a grace period will not be permitted.

(Continued on Sheet No. E-33.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-33.00

(Continued from Sheet No. E-32.00)

Beginning with the 2026/2027 planning year, all required data must be supplied by the AES 45 days prior to the date scheduled by PJM for the FRR plan submittal on the RPM website. I&M is not responsible if an AES misses any deadline and a grace period will not be permitted.

If I&M determines that it will forgo the FRR alternative for any Delivery year, AES will be notified in writing within 3 business days of formally notifying PJM of its decision.

No adjustments or revisions of resources will be permitted after the BRA self-supply commitment is made by an AES other than finalization of the resources' Equivalent demand Forced Outage rate (EFORd) or Capacity Factor (for Wind or Solar resources) to determine final UCAP MWs. Up to five business days prior to the delivery year, substitutions of resources that meet PJM requirements and these terms can be made by an AES after the BRA self-supply commitment is made by the AES. Intra-delivery year substitutions of resources are not permitted.

AES Capacity Resource Amount delivered shall be committed exclusively to I&M for the delivery of Capacity during the applicable Delivery Year and shall not be committed, obligated, or operated in any manner such that it is not available to meet the Capacity Resource Amount to be delivered to I&M during the Delivery Year.

4. CUSTOMER CREDITS FOR SELF-SUPPLY CAPACITY

Customers represented by an AES who self-supply will receive a credit rate equal to I&M's power supply capacity rate. The credits issued for self-supplied capacity will be direct assigned to Michigan and recoverable as a Power Supply Cost Recovery (PSCR) cost.

5. INSUFFICIENT SUPPLY OF ALTERNATIVE ENERGY SUPPLIER CAPACITY COMMITTMENTS

If an AES has not provided sufficient capacity to fully cover its customers total capacity needs, the AES will notify the Company within 3 business days of which customer(s) capacity was not self-supplied. Partial self-supply coverage of individual Choice customers will not be permitted. The full customer obligation will be charged by I&M at approved tariff rates.

6. OVERSUPPLY OF ALTERNATIVE ENERGY SUPPLIER CAPACITY COMMITMENTS

If an AES oversupplies capacity above its final obligation, I&M will purchase the AES's oversupplied amount up to 10% of the AES's original capacity commitment at 90% of the applicable Base Residual Clearing Price on a monthly basis. Any capacity supplied above the 10% cap will not be purchased or returned.

(Continued on Sheet No. E-34.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-35.00

(Continued from Sheet No. E-34.00)

9. CAPACITY SELF-SUPPLY NOTIFICATIONS

For BRAs for Delivery years 2023/2024 through 2025/2026, nine months notifications of intent to no longer self-supply capacity would be required prior to the applicable BRA. Starting with Delivery year 2026/2027, the AES must provide a one year notification before the next BRA of intent to no longer self-supply capacity.

I&M will act in good faith to notify the Michigan Public Service Commission and AES's who are self-supplying capacity for I&M customers of any change in PJM rules or regulations, or Michigan state rules or regulations that have a material impact on and necessitate a change to the terms and conditions of capacity self-supply and/or the FRR option within 60 days of such change.

10. EXTENSION OF SERVICE FOR CAPACITY SELF-SUPPLY OAD CUSTOMERS

Except for contributions in aid of construction for underground service made under the provisions of Section E Company Terms and Conditions of Open Access Distribution Service, Item 18 C, the Company will finance the construction cost necessary to extend its facilities to serve new or upgraded facilities for commercial or industrial customers choosing the capacity self-supply option, when such investment does not exceed two times the annual delivery charge revenue anticipated to be collected from customers initially served by the extension.

When the estimated cost of construction of such facilities exceeds the Company's maximum initial investment as defined in above, the applicant or customer, shall be required to make a deposit in the entire amount of such excess construction costs prior to the commencement of construction to serve the new or upgraded customer load.

~~Section E, Company Terms and Conditions of Open Access Distribution, Item 17 B iii and iv, apply except as modified above.~~

11. RETURN TO STANDARD SERVICE

A customer taking self-supply capacity services from an AES may contact the Company and request to return to the Company's Standard Service subject to all Terms and Conditions regarding customers return to the Company's Standard Service. In addition, the customer shall be subject to the following additional requirements.

For any initial, partial PJM Planning Year and the ensuing three full PJM Planning Years following the customers return to Company's Standard Service, the customer will pay the Company for the incremental cost of capacity acquired to serve that customer, if such cost is higher than the revenue collected from that customer under the Company's power supply capacity charges for the period the capacity wasrequired.

(Continued on Sheet No. E-36.00)

M.P.S.C. 18 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(RATE CASE U-21461)

ORIGINAL SHEET NO. E-36.00

(Continued from Sheet No. 35.00)

The incremental cost of capacity shall include the cost of any capacity purchases made, any capacity sales terminated, any capacity deficiency charges incurred, and any capacity penalties incurred as a result of the Company having to provide capacity for the customer's load. The Company may seek recovery of the portion of any incremental costs not paid by the customer in subsequent PSCR reconciliation filings.

Section E, Company Terms and Conditions of Open Access Distribution, Item 17 B iii and iv, apply except as modified above.

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

STATE OF MICHIGAN)

Case No. U-21461

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on July 2, 2024 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Brianna Brown

Subscribed and sworn to before me
this 2nd day of July 2024.

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

Service List for Case: **U-21461**

Name	On Behalf Of	Email Address
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Amit T. Singh	MPSC Staff	singha9@michigan.gov
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