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October 3, 2025

Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
3rd Floor
Lansing, MI 48917

Re: U-21968 *In the matter of the application of INDIANA MICHIGAN POWER COMPANY for ex parte accounting authority to change the methodology for separating between Michigan and Indiana the jurisdictional costs of both existing and new generation resources.*

Dear Ms. Felice:

Enclosed for electronic filing in this matter are Indiana Michigan Power Company's Application and Testimony. Thank you.

Sincerely,

Dykema Gossett PLLC

Jason T. Hanselman

Enclosure

4923-3301-7455.1

**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of INDIANA)
MICHIGAN POWER COMPANY for *ex*)
parte accounting authority to change the) Case No. U-21968
methodology for separating between)
Michigan and Indiana the jurisdictional costs)
of both existing and new generation resources.)

APPLICATION

Indiana Michigan Power Company (“I&M” or the “Company”) respectfully files this Application with the Michigan Public Service Commission (“MPSC” or the “Commission”) for accounting authority to change in the methodology for allocating between Michigan and Indiana retail jurisdictions the costs of Current Generation Resources (as defined below) and to grant it additional relief as set forth herein. In support of this Application, I&M states as follows:

1. I&M is a corporation organized and existing under the laws of the State of Indiana and authorized to do business in Michigan, with its principal offices located at the Indiana Michigan Power Center in Fort Wayne, Indiana. I&M is a wholly-owned subsidiary of American Electric Power Company, Inc. (“AEP”) and is an operating subsidiary in the American Electric Power system, which is operated on an integrated, interconnected basis.

2. I&M is a public utility that operates in Michigan and Indiana as a public utility engaged in the business of generating, purchasing, distributing, and selling electric energy to a total of approximately 618,000 retail customers across its service territory, including 134,000 customers in Michigan. I&M’s service territory includes six counties in southwest Michigan and 24 counties in north and northeast Indiana. I&M’s electric system is completely integrated and interconnected and I&M operates that system as a single utility.

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

4. I&M is also subject to the jurisdiction of the Indiana Utility Regulatory Commission ("IURC") and the Federal Energy Regulatory Commission ("FERC") as to electric service provided by I&M to retail customers in Indiana and to wholesale customers, respectively.

5. I&M's transmission system is under the functional control of PJM Interconnection, L.L.C., a FERC-approved regional transmission organization ("RTO") and is used for the provision of open access non-discriminatory transmission service pursuant to PJM's Open Access Transmission Tariff on file with the FERC. As a member of PJM, charges and credits are billed to AEP and allocated to I&M for functional operation of the transmission system, management of the PJM markets, including the assurance of a reliable system, and general administration of the RTO. I&M must also adhere to the federal reliability standards developed and enforced by the North American Electric Reliability Corporation ("NERC"), which is the electric reliability organization certified by the FERC to establish and enforce reliability standards for the bulk power system. ReliabilityFirst (RF) is one of eight NERC Regional Entities and is responsible for overseeing regional reliability standard development and enforcing compliance. I&M's transmission facilities are wholly located within the RF region.

6. I&M renders electric service by means of electric production, transmission and distribution plant, as well as general property, equipment, and related facilities, including office buildings, service buildings and other similar properties, all of which are used and useful in the production, purchase, transmission, distribution and sale of electric energy for the convenience of

the public. To continue to properly serve the public located in its service area and to discharge its duties as a public utility, I&M has and continues to make numerous additions, replacements, and improvements to its electric utility systems.

7. I&M's property is classified in accordance with the Uniform System of Accounts ("USOA") as prescribed by the FERC and adopted by this Commission. See Mich Admin Code, R 460.9002.

8. As referenced above, I&M provides retail electric service to approximately 618,000 customers in Michigan and Indiana and owns substantial generation facilities to provide such service. These facilities, augmented with wholesale power purchases and demand response and energy efficiency programs, have historically operated as a single system on an integrated basis to provide service to both Michigan and Indiana customers in a cost-effective manner. I&M recovers its costs of owning and operating its generation system in retail rates established from time to time in Michigan and Indiana regulatory proceedings (as well as through wholesale formula rates).

9. With respect to recovery of I&M's generation costs in retail rates, state regulatory proceedings in both Michigan and Indiana generally determine what assets are used and useful in providing service to customers, as well as the reasonableness of associated costs to be included in the Company's revenue requirement in the applicable state proceeding. In each state's respective proceedings, it is necessary to determine what portion of these costs should be allocated to customers in that state for purposes of ratemaking. This jurisdictional allocation process has historically been updated during general rate cases based on the relative share of demand and energy during a period of time. Because the timing of rate cases can vary between Michigan and Indiana, the jurisdictional allocation of costs can vary from base rate case to base rate case and

not necessarily be consistent at a given point in time. Moreover, if each state commission makes a different decision regarding what resources should be reflected in I&M's rates in that state, or if the state commissions adopt different policies for allocating the costs of resources between the two states, the Company may not be afforded a reasonable opportunity to recover its full cost of providing electric service to customers in those states.

10. Historically, this process has worked because energy policies in both Michigan and Indiana have been reasonably compatible, and load has been relatively stable or the changes in load have been relatively consistent. However, differing state energy policies in Michigan and Indiana, along with rapidly diverging load in the two states, are increasingly challenging the feasibility of this approach to the jurisdictional allocation of generation resources.

11. Each of I&M's state regulatory commissions has the responsibility to pursue policies that it believes are in the public interest in its state. In this changing energy policy environment, however, it is essential for I&M to be able to devote its existing and new generating resources in a manner that is consistent with each state's unique energy policy. And it is important to allocate such costs in a manner which allows I&M a reasonable opportunity to recover its costs of providing service.

12. In late 2023, the Michigan Legislature enacted a clean energy act that establishes a clean energy standard of 80% by 2035 and 100% by 2040. See 2023 PA 235, MCL 460.1051 ("PA 235"). Electric providers, including I&M, will need to file plans with the Michigan Public Service Commission beginning no later than 2028. MCL 460.1051(3)(a). PA 235 also established a renewable energy standard of 50% by 2030 and 60% by 2035; electric providers, including I&M, were required to file amended renewable energy plans on February 27, 2025. MCL 460.1022(3); MCL 460.1028(1). I&M filed that plan in Case No. U-21843 and the Commission approved a

Settlement Agreement in that case finding that I&M’s plan complies with PA 235. In addition, PA 235 established a statewide energy storage target of 2,500 MW by December 31, 2029; investor-owned electric providers, including I&M, will need to file petitions for approvals related to the storage target. MCL 460.1101.

13. In contrast, Indiana’s energy policy contemplates a long-term strategy that includes fossil fuel-powered generation resources in addition to renewable and storage resources. See Ind Code § 8-1-2-0.6; Ind Executive Orders Nos. 25-49,25-50, and 25-66.

14. In addition, I&M’s Michigan retail load is projected remain relatively stable over the next five years, while I&M’s Indiana service territory is currently experiencing a dramatic increase in retail customer load and is projected to increase more than four gigawatts during the same timeframe.

15. The differing approaches to energy policy in Michigan and Indiana, coupled with the divergence in load, necessitate a different approach to planning for, implementing, and allocating Current Generation Resources between Michigan and Indiana going forward. “Current Generation Resources” are the generation resources that are currently being used to provide service to I&M’s customers and those that have been approved in recent years related to I&M’s 2022 and 2023 All Source RFPs, that are not directly assigned to a single state retail jurisdiction.

16. To recognize and accommodate I&M’s changing business environment, I&M is seeking to establish a jurisdictional cost allocation framework that is transparent and supports each state having a predictable amount of generation resources that can effectively be relied upon to meet the future needs of customers and comply with future energy policies and objectives. Specifically, I&M proposes, on a going forward basis, to use the currently approved jurisdictional

allocation factors to allocate the non-fuel costs and fuel costs associated with its Current Generation Resources, taking into account future changes in I&M's wholesale load. For non-fuel costs, I&M proposes to set the retail jurisdictional allocation of Current Generation Resources using the Primary Allocation Factors approved in I&M's most recent Michigan and Indiana base rate cases, Case No. U-21461 and Cause No. 45933, and only adjust in the future to the extent I&M's wholesale demand energy percentages change. For fuel costs and PJM market revenues associated with the Current Generation Resources, I&M also proposes to allocate these using the Primary Allocation Factor for each generation resource and similar to non-fuel costs adjust in the future for changes in I&M's wholesale demand and energy. The Primary Allocation Factor is the jurisdictional allocation factor by which the majority of the cost for each Current Generation Resource is allocated between I&M's retail jurisdictions. I&M respectfully requests the Commission approve this proposal. Company witnesses Andrew J. Williamson and Jason M. Stegall explain the accounting methodology the Company proposes to implement for this approach.

17. Under I&M's proposal, the jurisdictional allocation of the costs of the Current Generation Resources between the states will no longer change from base rate case to base rate case other than to reflect changes in I&M's wholesale demand and energy. Michigan will be allocated those resources the Commission has approved, including, but not limited to: Elkhart Solar PPA, Lake Trout Solar PSA, Mayapple Solar PSA, Lawrenceburg CPA, Montpelier CPA. See, e.g., Case Nos. U-21189 and U-21377.

18. Nothing in I&M's proposal is intended to change or establish different allocation policies and procedures for purposes of allocating costs and revenues within Michigan among the

Company's retail Michigan customer classes, nor is I&M seeking to adjust customer rates in this filing.

19. A fundamental principle of jurisdictional cost allocation practices is to divide 100 percent of a set of costs between I&M's jurisdictions, recognizing the use and benefits being received. It is imperative that the outcome of this proceedings provide a coordinated result with the outcome in the companion filing I&M has made with the IURC and that both outcomes continue to follow this principle, resulting in the total jurisdictional allocation of I&M's Current Generation Resources adding up to 100 percent, including consideration of I&M's wholesale contracts. Because I&M's proposal must be approved by both this Commission and the IURC, and because the decisions of the two state commissions must be consistent with one another in order to be feasible to implement, I&M proposes that this Case proceed in up to two phases. I&M will propose that the IURC follow a similar procedure.

20. Specifically, I&M asks the Commission to process I&M's proposal and issue an order approving I&M's proposal, conditioned upon the IURC issuing an order that is consistent with the Commission's order. Ideally, the IURC will address I&M's proposal and issue a conditional order in a similar timeframe. I&M would not implement the conditional orders until each state commission has issued final orders that are consistent and acceptable to I&M.

21. Once both states have issued orders, I&M will determine whether the two states' orders are consistent and can be feasibly implemented.

22. If I&M determines they are consistent, I&M will notify the Commission that it accepts the terms of the order and the orders will become final. This proceeding would then conclude.

23. If, however, I&M determines that the two state commission orders are inconsistent and cannot be feasibly implemented, I&M would convene a settlement conference with the other parties to this proceeding to discuss if or how the Commission's conditional order can or should be modified to produce consistency. I&M anticipates that a similar settlement conference would take place in Indiana with the parties to the Indiana allocation proceeding. In this situation, depending upon the specifics of the two commissions' inconsistent conditional orders and the outcome of the settlement conference, I&M proposes the Commission hold a second phase of this proceeding with a settlement proposal and/or, if necessary, additional evidence from the parties.

24. Neither the requested change in cost allocation methodology, nor the proposed two-phase schedule, will cause alteration or amendment to the Company's current rates or rate schedules or result in an increase in the cost of service to the Company's customers. Accordingly, this Application "may be authorized and approved without notice or hearing." MCL 460.6a(3).

WHEREFORE, I&M respectfully requests that the Commission:

- A. Approve this application for filing on an *ex parte* basis and issue an order in this proceeding, as described above, without the time and expense of a public hearing.
- B. Approve I&M's proposed methodology for how the jurisdictional allocation of the costs of it Current Generation Resources will be determined in the future including the proposed allocation of fuel costs for Current Generation Resources effective June 1, 2025.
- C. Afford to I&M such other and additional relief as the Commission may deem appropriate and proper.

FURTHER, following the issuance of its conditional order in this proceeding, I&M respectfully requests the Commission conduct such further proceedings as may be necessary

and advisable to achieve consistency between Michigan and Indiana, and thereafter make and enter a final order in this proceeding.

Dated: October 3, 2025

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY

By: _____

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
INDIANA MICHIGAN POWER COMPANY) Case No. U-21968
for ex parte accounting authority to)
change the methodology for separating)
between Michigan and Indiana the)
jurisdictional costs of both existing and)
new generation resources.)

PRE-FILED DIRECT TESTIMONY
OF
ANDREW J. WILLIAMSON
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

DIRECT TESTIMONY OF ANDREW J. WILLIAMSON
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

1

I. Introduction

2 **Q. Please state your name and business address.**

3 A. My name is Andrew J. Williamson, and my business address is Indiana Michigan
4 Power Center, P.O. Box 60, Fort Wayne, IN 46801.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Indiana Michigan Power Company (I&M or Company) as
7 Vice President of Regulatory and Finance.

8 **Q. What are your responsibilities as Vice President of Regulatory & Finance?**

9 A. I am responsible for leading the integrated financial planning process for all I&M
10 business units and the Regulatory Services Department which has
11 responsibility for the rate and regulatory matters affecting I&M's Michigan and
12 Indiana jurisdictions.

13 **Q. Briefly describe your educational background and professional experience.**

14 A. I received a Degree of Bachelor of Business Administration, Accounting and
15 Finance Majors, in May 2004 from Ohio University. In January 2007, I passed the
16 Certified Public Accountant Examination. I am licensed in the state of Ohio and a
17 member of the American Institute of Certified Public Accountants.

18 I was employed by PricewaterhouseCoopers, LLP (PwC) as a Staff and Senior
19 Auditor from August 2004 until December 2007. At PwC, I assisted and led the
20 audits of the books and records of public and private companies, compilation of

1 financial statements and compliance with the standards set forth under the
2 Sarbanes-Oxley Act of 2002.

3 In January 2008, I joined American Electric Power (AEP) as a Staff Accountant in
4 the Accounting Policy and Research department. Thereafter, I held positions as
5 a Staff and Senior Accountant in Financial Policy Transaction and Analysis,
6 Senior Financial Analyst in Transmission Investment Strategy and Manager of
7 Regulatory Accounting Services. In March 2014, I assumed the role as Director
8 of Regulatory Services for I&M. In August 2025, I assumed my current position as
9 I&M's Vice President of Regulatory of Finance.

10 **Q. Have you previously filed testimony before any regulatory commissions?**

11 A. Yes. I have testified before the Michigan Public Service Commission (MPSC or
12 Commission) on behalf of I&M in numerous cases, including the Company's most
13 recent base rate case (Case No. U-21461) and its integrated resource plan case
14 (Case No. U-21189).

15 I have also testified before the Indiana Utility Regulatory Commission (IURC) on
16 behalf of I&M and before the Public Utility Commission of Texas on behalf of AEP
17 Texas Central Company (TCC), AEP Texas North Company (TNC),
18 Electric Transmission Texas, LLC (ETT) and Southwestern Electric Power
19 Company (SWEPCO), and before the Corporation Commission of the State of
20 Oklahoma on behalf of Public Service Company of Oklahoma (PSO).

21 **Q. Are you sponsoring any attachments or workpapers?**

22 A. No.

1 **Q. Was this document prepared or assembled by you or under**
2 **your supervision?**

3 A. Yes.

4 **Q. What is the purpose of your testimony?**

5 A. My testimony explains and supports I&M's proposed jurisdictional cost allocation
6 procedures for "Current Generation Resources", which are defined as generation
7 resources that are currently being used to provide service to I&M's customers in
8 both of I&M's retail jurisdictions And those that have been approved in recent
9 years related to I&M's 2022 and 2023 All Source RFPs. I explain the reason for
10 these modifications and how the modifications benefit I&M's customers by
11 creating transparency as to how the costs and benefits of these generation
12 resources will be allocated to I&M's retail customers going forward.

13 **II. Background**

14 **Q. Please explain the purpose of this filing.**

15 A. The purpose of this filing is to specifically address the future jurisdictional
16 allocation of Current Generation Resources to create a framework that is
17 transparent and supports each state having a predictable amount of these
18 generation resources that it can effectively rely upon to meet the future needs of
19 its customers and comply with future energy policies and objectives. This creates
20 valuable clarity for assessing resource adequacy and planning for new generation
21 needs. In addition, as discussed in more detail by Company witness Stegall,
22 I&M's proposal modifies the allocation of fuel- and energy-related costs
23 associated with Current Generation Resources to better align these variable costs

1 and benefits with the fixed cost responsibility of each jurisdiction has associated
2 with the underlying resource. In other words, I&M's proposal is to better match
3 the energy benefits to the related capacity benefits.

4 **Q. Is I&M requesting a rate change in this filing?**

5 A. No.

6 **Q. Please provide an overview of I&M's business operations as it relates to the**
7 **historical allocation of generation resource costs.**

8 A. I&M is a multi-jurisdictional utility that serves approximately 134,000 retail
9 customers in Michigan and approximately 484,000 retail customers in Indiana.
10 In addition, I&M has multiple long-term wholesale generation contracts that have
11 been in place for many years and have current terms ending between 2033 and
12 2038. These wholesale contracts are structured as formula rate agreements that
13 pay a "slice of system" based on the respective load ratio share of I&M's
14 generation costs as reported in the Federal Energy Regulatory Commission
15 (FERC) Form 1, essentially operating like a 3rd jurisdiction as it relates to
16 allocation of generation costs. Historically, I&M's generation costs have been split
17 between these three jurisdictions based on the relative share of demand and
18 energy. For I&M's retail jurisdictions, jurisdictional allocation factors have typically
19 been updated through periodic base rate case and fuel proceedings.
20 This historical practice has generally worked well because I&M's jurisdictional
21 allocation percentages have remained relatively stable, I&M did not require
22 significant additions of new generation, and Michigan and Indiana state energy
23 policies were reasonably compatible. Figure AJW-1 below shows the historical

1 demand and energy allocations between Michigan and Indiana for the last several
 2 years as well as Michigan’s and Indiana’s relative demand and energy.

3 **Figure AJW-1**

Indiana			
Cause No.	Test Year	Demand	Energy
45933	2024	71.3910%	69.2481%
45576	2022	70.6960%	68.5671%
45235	2020 ¹	70.6544%	68.3723%
44967	2018	65.2103%	63.7683%

Michigan			
Case No.	Test Year	Demand	Energy
U-21461	2024	15.7803%	15.6228%
N/A	2022 ²	15.8644%	15.6851%
U-20359	2020	15.8644%	15.6851%
U-18370	2018	14.4206%	14.1930%

Retail Demand			
Test Year	Demand Total	Indiana	Michigan
2024	87.1712%	81.8974%	18.1026%
2022	86.5604%	81.6725%	18.3275%
2020	86.5187%	81.6637%	18.3363%
2018	79.6309%	81.8907%	18.1093%

Retail Energy			
Test Year	Energy Total	Indiana	Michigan
2024	84.8709%	81.5923%	18.4077%
2022	84.2523%	81.3831%	18.6169%
2020	84.0575%	81.3400%	18.6600%
2018	77.9613%	81.7949%	18.2051%

¹I&M’s proposed jurisdictional allocation that represented the demand and energy study filed in that case.

²No base rate case in Michigan for Test Year 2022. 2020 Test Year allocator used.

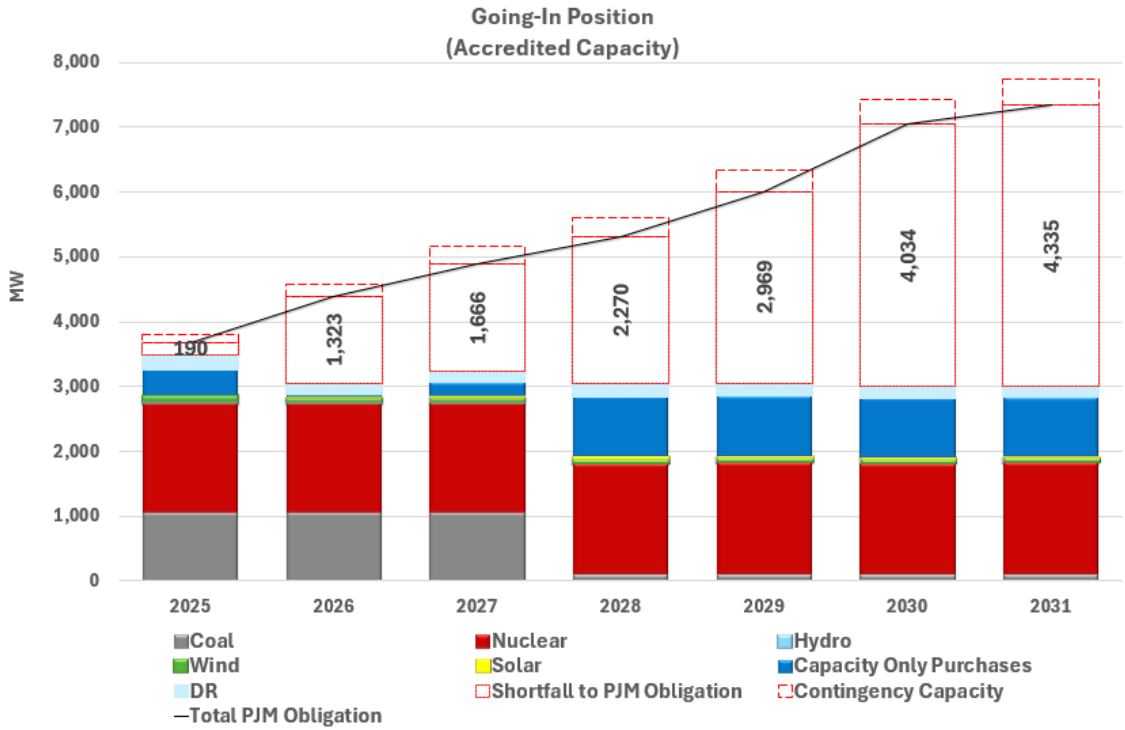
4 **Q. Please explain how I&M’s business is changing as it relates to load and**
 5 **generation resource requirements.**

6 A. For many years, I&M’s retail load has been relatively stable with flat to slowly
 7 declining load across both Michigan and Indiana. However, over the next five
 8 years, I&M’s Indiana retail load is expected to more than double, growing by more
 9 than four gigawatts (GW),¹ due primarily to hyperscaler business development.
 10 This unprecedented load growth will require a significant increase in the number
 11 of generation resources I&M requires to serve its customers. In contrast, over
 12 this same period of time Michigan’s retail and I&M’s long-term wholesale load is
 13 expected to remain relatively stable. Figure AJW-2 below is the forecasted
 14 Going-In Capacity Position through 2031 from I&M’s 2024 Indiana IRP, and also

¹ Approximately 3.5 GW is currently under fully executed long-term electric service agreements associated with customers that are currently operating.

1 summarizes I&M's forecasted Indiana jurisdictional load requirement and
 2 generation resource needs over the next several years.²

3 **Figure AJW-2**



4 **Q. What challenges does significant changes in load present considering**
 5 **historical cost allocation practices for Current Generation Resources?**

6 **A.** As explained in more detail by Company witness Stegall, historical jurisdictional
 7 allocation practices revise the amount of Current Generation Resources and their
 8 related costs each state receives, based on changes in their proportional share of
 9 demand and energy. When any one of I&M's three jurisdictions experiences large
 10 changes in load relative to the others, it can cause disparate results that do not

² Contingency Capacity represents future risks associated with load requirements and capacity accreditation that are largely outside the utilities' control.

1 align well with traditional cost causation principles or demonstration of need as it
 2 relates to supporting approval of new generation resources.
 3 As an example, with the significant increase in Indiana retail load over the next
 4 five years, historical cost allocation practices would cause the proportional
 5 amount of Current Generation Resources to increase significantly for Indiana
 6 retail customers and decrease significantly for Michigan retail customers.
 7 Meaning, under historical jurisdictional cost allocation practices, a large increase
 8 in Indiana retail load would create a large need for new generation to serve
 9 Michigan retail customers. This would occur, not because retail load in Michigan
 10 has increased, but because historical jurisdictional cost allocation practices would
 11 result in a sharp and significant reduction to Michigan's jurisdictional allocation of
 12 Current Generation Resources. The same would be true if the situation were
 13 reversed and the near-term large load growth was focused in Michigan.
 14 Figure AJW-3 below provides an illustrative example of how a disparate change
 15 in load in one jurisdiction could significantly change the allocation of resources
 16 over a short period of time.

17

Figure AJW-3

Illustrative Example of Load Growth Impact							
Example 1	2024 Demand		2025-2030 Large Load Additions	2030 Demand		Difference	% Change
	MW	%	MW	MW	%		
Michigan	460	18%	-	460	7%	-11%	-64%
Indiana	2,100	82%	4,500	6,600	93%	11%	14%
	2,560			7,060			
Example 2	2024 Demand		2025-2030 Large Load Additions	2030 Demand		Difference	% Change
	MW	%	MW	MW	%		
Michigan	460	18%	4,500	4,960	70%	52%	291%
Indiana	2,100	82%	-	2,100	30%	-52%	-64%
	2,560			7,060			

1 **Q. Is there the potential for additional large load growth beyond that**
2 **described above?**

3 A. Yes, I&M is actively working with prospective customers in both states that could
4 result in additional large load growth beyond 2030. If these projects materialize,
5 they have the potential to be similar to or exceed the load growth I&M expects to
6 experience through 2030. This would create additional instability to the
7 jurisdictional allocation of Current Generation Resources under historical cost
8 allocation practices.

9 **Q. How do state energy policies compare across I&M's retail jurisdictions?**

10 A. In recent years, the state energy policies in Michigan and Indiana have
11 significantly diverged with respect to the types of generation expected or required
12 to serve customers.

13 In November 2023, Michigan Governor Whitmer signed a “historic clean energy
14 and climate action package” that established a 50 percent renewable portfolio
15 standard (RPS) by 2030, increasing to 60 percent by 2035 and a 100 percent
16 clean energy standard by 2040.³

17 In December 2024, Indiana Governor Braun released his 2025 Policy Agenda
18 which outlined an “all of the above” energy strategy that includes fossil,
19 renewable, and nuclear resources with a focus on resource adequacy, reliability
20 and affordability.⁴ In April 2025, Indiana Governor Braun signed Executive Orders

³ [Governor Whitmer Signs Historic Clean Energy & Climate Action Package](#)

⁴ <https://www.brauntransition.com/2024/12/03/governor-elect-mike-braun-announces-freedom-and-opportunity-agenda/>

1 25-48⁵ and 25-50⁶, which emphasized the importance of advanced nuclear
2 development as well as coal and natural gas fueled base load generation. In June
3 2025, Indiana Governor Braun signed Executive Order 25-66, which directed the
4 Indiana Secretary of Energy and Natural Resources to oversee a Strategic Energy
5 Growth Task Force to create an energy growth plan for Indiana that achieves,
6 among other things, an “all-of-the-above” approach to energy policy.⁷

7 **Q. How do Michigan and Indiana state energy policies influence I&M’s future**
8 **approach to generation planning and acquisition?**

9 A. I&M’s objectives are to provide all customers with safe, reliable and affordable
10 power in a way that supports resource adequacy and best aligns with the energy
11 policies and laws of each state. I&M’s Current Generation Resources provide a
12 critical foundation to achieving this objective in both Michigan and Indiana.
13 However, as load and generation resource requirements increase in either state,
14 the differences in state energy policies will necessarily require a different
15 approach to new generation to continue to meet this objective. As a result,
16 I&M has decided to transition to a state-specific planning and generation
17 acquisition model that will allow future generation resource decisions to be
18 tailored to the unique state-specific needs and energy policies of Michigan and
19 Indiana. This transition began with I&M’s 2024 Indiana Integrated Resource Plan
20 (IRP), which reflected an Indiana-specific resource plan (submitted to the Indiana
21 Utility Regulatory Commission on March 28, 2025). Similarly, I&M plans to

⁵ <https://www.in.gov/gov/files/EO-25-48-.pdf>

⁶ <https://www.in.gov/gov/files/EO-25-50-.pdf>

⁷ <https://www.in.gov/gov/files/EO-25-66-.pdf>

1 conduct its next IRP in Michigan during 2026 which will be a Michigan-specific
2 IRP. Additionally, going forward new generation resources will be specific to
3 either state with the costs and benefits allocated accordingly.⁸

4 **Q. How does I&M's proposal benefit customers in both retail jurisdictions?**

5 A. I&M's proposal ensures each respective state continues to benefit in the future
6 from a similar amount of I&M's Current Generation Resources as they do today
7 and have over many years, creating stability and better aligning future generation
8 resource needs with the respective changes in load in either state. This will allow
9 future generation resource additions to focus on the individual needs of each state
10 based on changes in their respective load and compliance with state energy
11 policies and objectives.

12 **III. Current Generation Resources**

13 **Q. Please provide an overview of I&M's Current Generation Resources.**

14 A. As explained previously, Current Generation Resources are the generation
15 resources that are currently being used to provide service to all of I&M's
16 customers and those that have been approved in recent years related to I&M's
17 2022 and 2023 All Source RFPs, that are not specifically assigned to a single
18 state retail jurisdiction.⁹ Figure AJW-4 below summarizes these resources.

⁸ The direct assignment of future generation resources to either state will need to take into account I&M's remaining long-term wholesale contract obligations.

⁹ The Lawrenceburg capacity purchase agreement (CPA) is a state-specific contract, see final order in Cause No. 46083; and beginning June 1, 2025 the OVEC ICPA is only used to provide retail electric service to Indiana customers, See final order in Cause No. 45164 RA 5.

1

Figure AJW-4

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

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

2 **Q. Why are Current Generation Resources an important foundation of**
 3 **generation supply for both Michigan and Indiana?**

4 A. Current Generation Resources represent a diverse mix of dispatchable and
 5 renewable resources that are necessary to meet I&M's current resource
 6 adequacy requirements and the energy policies of both states. The Cook Nuclear
 7 Plant and Rockport Unit 1 provide the majority of capacity needed to meet I&M's
 8 PJM load obligation for Michigan and Indiana. In recent years, both the IURC and
 9 MPSC approved new generation resources from I&M's 2022 and 2023 RFPs to
 10 meet I&M's capacity requirements once Rockport Unit 1 retires. This has

1 positioned I&M well to have adequate resources to meet the needs of its
2 customers prior to the consideration of the load growth I&M will experience over
3 the next several years. In addition, the Cook Nuclear Plant is critical to meeting
4 Michigan's renewable and clean energy standards and also important to Indiana
5 Governor Braun's energy policy objectives.¹⁰ Also, as explained previously, the
6 jurisdictional share of Current Generation Resources represented in retail rates in
7 both states, has remained relatively constant for many years.

8 **Q. Why is it important that the new generation resources from I&M's 2022 and**
9 **2023 RFPs are included in the determination of Current Generation**
10 **Resources**

11 A. These RFPs were conducted following I&M's 2021 IRP, which was conducted on
12 multi-jurisdictional basis and focused on a resource plan that would allow I&M to
13 replace the capacity needs of Michigan and Indiana created by the retirement of
14 Rockport Unit 1 in 2028. Each of the resources from these RFP's were submitted
15 to and approved by the MPSC and IURC. These filings contemplated and were
16 predicated on the respective resources being used to meet I&M's future capacity
17 and energy obligations for both states. Even though these resources are not yet
18 being used to provide service to I&M's customers, it is important that the future
19 jurisdictional allocation remain consistent with the original intent and purpose of
20 the resource actions the underly the Commission approvals.

¹⁰ Over the last several years approximately 85 percent of the energy used to serve Michigan and retail customers has been produced from clean energy resources, primarily due to the Cook Nuclear Plant.

V. Conclusion

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Q. Please summarize your testimony.

A. I&M's proposal provides a framework that is transparent and supports each state having a predictable amount of its Current Generation Resources that it can effectively rely on in the future to. This creates valuable clarity for assessing resource adequacy and planning for new capacity needs. It also supports rate stability and better aligns future generation resource needs with the respective changes in load in either state. For these reasons, I&M's proposal should be approved.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
INDIANA MICHIGAN POWER) Case No. U-21968
COMPANY for ex parte accounting)
authority to change the methodology for)
separating between Michigan and)
Indiana the jurisdictional costs of both)
existing and new generation resources.)

PRE-FILED DIRECT TESTIMONY
OF
JASON M. STEGALL
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

1 fuel-related and purchased power-related filings across AEP's eleven retail
2 jurisdictions. In September 2022, I was promoted into my current role.

3 **Q. What are your responsibilities as Director of Regulatory Services?**

4 A. I manage the team that supports all regulatory filings that include costs associated
5 with owned and contracted generation resources. In this role I provide witness
6 testimony and analysis. In addition, I regularly provide support, advice, and
7 assistance to Commercial Operations and Fuel Procurement personnel. I also
8 continue to perform duties related to cost-of-service and rate design.

9 **Q. Have you previously filed testimony with the Michigan Public Service
10 Commission (MPSC or Commission) or any other commission?**

11 A. Yes. I have filed testimony and appeared before the MPSC on the Company's
12 behalf, most recently in Case Nos. U-21262 and U-21428.

13 I have also filed testimony before the Indiana Utility Regulatory Commission
14 (IURC) on behalf of I&M and before the regulatory commission in Arkansas,
15 Kentucky, Louisiana, Ohio, Oklahoma, Texas, Virginia, and West Virginia. I have
16 appeared before the commission in Kentucky, Louisiana, Ohio, Oklahoma, Texas,
17 Virginia, and West Virginia.

18 **Q. Are you sponsoring any attachments or workpapers?**

19 A. No.

20 **Q. What is the purpose of your testimony?**

21 A. My testimony explains and supports I&M's proposed jurisdictional cost allocation
22 procedures for "Current Generation Resources", which are defined by Company
23 witness Williamson and represent the generation resources that are currently
24 being used to provide service to all of I&M's customers and those that have been

1 approved in recent years related to I&M's 2022 and 2023 All Source RFPs.
2 My testimony breaks down the proposal between non-fuel and fuel costs.

3 **II. Current Generation Resources: Non-Fuel Costs Jurisdictional**
4 **Allocation Proposal**

5 **Q. Please describe what non-fuel costs you are referring to in this section of**
6 **your testimony.**

7 A. Non-fuel costs include all costs associated with the Current Generation Resources
8 that are not fuel-related costs. For example, these non-fuel costs include
9 depreciation expense, decommissioning expense, Operations and Maintenance
10 (O&M) expense, the authorized return on rate base, and other costs such as income
11 tax expense that are not included in fuel.

12 **Q. Please explain the current and historical jurisdictional allocation of non-fuel**
13 **costs associated with Current Generation Resources.**

14 A. For I&M's retail jurisdictions, the jurisdictional allocation of non-fuel costs
15 associated with Current Generation Resources have typically been updated
16 through periodic base rate case proceedings. The allocation basis has generally
17 been determined using the percentage of production demand or energy each
18 jurisdiction represented of I&M's total system demand or energy. Demand has
19 typically been used to allocate non-fuel costs associated with owned resources and
20 dispatchable power purchase agreements. Energy has typically been used to
21 allocate renewable PPAs. As mentioned by Company witness Williamson, these
22 percentages have historically been relatively stable.

1 **Q. When was the last time I&M reset its jurisdictional allocation factors in**
 2 **both states?**

3 A. In 2023, I&M filed base rate cases in Michigan and Indiana that utilized a forecasted
 4 2024 test year and demand and energy study to determine the jurisdictional
 5 allocation of generation resource costs. These cases provided for a recent,
 6 consistent and coordinated set of allocation factors. Figure JMS-1 below
 7 summarizes the jurisdictional allocation factors that were approved in these
 8 respective rate cases and were used to determine I&M's current base rates.

Figure JMS-1

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

9 **Q. What is I&M's proposal related to jurisdictional cost allocation of the**
 10 **non-fuel costs related to the Current Generation Resources?**

11 A. I&M's proposal is that as jurisdictional non-fuel costs are determined going
 12 forward that the Primary Allocation Factor approved in I&M's most recent
 13 Michigan and Indiana rate cases, Case No. U-21461 in Michigan and Cause
 14 No. 45933 in Indiana, will be used for Current Generation Resources. I define
 15 what is meant by Primary Allocation Factor below. Under this proposal, going
 16 forward the fixed allocations assigned to Michigan and Indiana will only be
 17 adjusted if and to the extent I&M's wholesale demand and energy percentages
 18 change. I explain the future adjustments that will be necessary to recognize

1 changes in the wholesale jurisdiction's load ratio share of I&M's system in more
 2 detail later in my testimony. In other words, going forward I&M will no longer
 3 determine the jurisdictional share of Current Generation Resource costs using an
 4 updated demand and energy study. Rather the retail jurisdictional allocation of
 5 these resources will remain the same as approved in I&M's last rate case and
 6 reflected in current rates, other than updating for changes related to I&M's
 7 wholesale generation contracts. This means that when all of I&M's wholesale
 8 contracts end, the retail allocation of Current Generation Resources will equal the
 9 retail-only allocation factors shown in Figure JMS-1 above.

10 **Q. Are all Current Generation Resource costs allocated solely on a**
 11 **demand basis?**

12 A. No. Some resources have traditionally had costs allocated on both a demand and
 13 energy basis, for example Rockport and the Donald C. Cook Nuclear Plant
 14 (D.C. Cook). For these resources, the majority of the non-fuel costs have been
 15 allocated based on each jurisdiction's proportional responsibility for the
 16 Company's peak demand while the fuel costs were assigned in each jurisdiction's
 17 fuel rider based on historic energy consumption and for Rockport, consumables
 18 expenses are allocated on an energy basis. The basis by which the majority of
 19 the costs for each Current Generation Resource is recovered is the Primary
 20 Allocation Factor.

21 **Q. Please explain what you mean by the Primary Allocation Factor.**

22 A. The Primary Allocation Factor is the jurisdictional allocation factor by which the
 23 majority of the cost for each Current Generation Resource is allocated between
 24 I&M's retail jurisdictions. For example, both Rockport and D.C. Cook's Primary

1 Allocation Factor would be the demand allocator as this is the jurisdictional
 2 allocation factor used to allocate the majority of the underlying resource costs.
 3 Figure JMS-2 below summarizes each Current Generation Resource and the
 4 jurisdictional allocation factor that was approved by the IURC and the MPSC in
 5 I&M's most recent base rate cases that allocates the majority of each resources
 6 costs and will be utilized as the Primary Allocation Factor for the purposes of
 7 allocating all costs associated with the Current Generation Resources including
 8 I&M's fuel cost as discussed below.

Figure JMS-2

Unit Name	Primary Allocation Factor	Current Indiana Percentage	Current Michigan Percentage
Rockport 1	Demand	71.3910%	15.7803%
Montpelier	Demand	71.3910%	15.7803%
Berrien Springs 1-12	Demand	71.3910%	15.7803%
Buchanan 1-10	Demand	71.3910%	15.7803%
Constantine 1-4	Demand	71.3910%	15.7803%
Elkhart 1-3	Demand	71.3910%	15.7803%
Mottville 1-4	Demand	71.3910%	15.7803%
Twin Branch 1-8	Demand	71.3910%	15.7803%
Cook 1	Demand	71.3910%	15.7803%
Cook 2	Demand	71.3910%	15.7803%
Deer Creek	Demand	71.3910%	15.7803%
Elkhart	Energy Excluding Shopping	70.3690%	14.2570%
Hoosier Line	Energy Excluding Shopping	70.3690%	14.2570%
Lake Trout	Demand	71.3910%	15.7803%
Mayapple	Demand	71.3910%	15.7803%
Olive	Demand	71.3910%	15.7803%
St. Joseph Solar	Demand	71.3910%	15.7803%
Twin Branch Solar	Demand	71.3910%	15.7803%
Watervliet	Demand	71.3910%	15.7803%
Fowler Ridge 1	Energy Excluding Shopping	70.3690%	14.2570%
Fowler Ridge 2	Energy Excluding Shopping	70.3690%	14.2570%
Headwaters	Energy Excluding Shopping	70.3690%	14.2570%
Meadow Lake	Energy Excluding Shopping	70.3690%	14.2570%
Wildcat	Energy Excluding Shopping	70.3690%	14.2570%

1 **Q. Please explain I&M’s proposal related to adjusting retail jurisdictional**
 2 **allocation factors for future changes in I&M’s wholesale demand and**
 3 **energy percentages.**

4 A. The significant growth in Indiana retail load will cause a corresponding growth in
 5 I&M’s overall system load, and as a result, the load served under I&M’s long-term
 6 wholesale generation contracts will decline as a percent of total
 7 generation-related demand and energy. As that happens, these wholesale loads
 8 will continue to receive service from a load ratio share of I&M’s total system
 9 generation resources, including any new state-specific resources. To account for
 10 the share of the Current Generation Resources currently being used to serve the
 11 wholesale loads I&M proposes to adjust the future retail jurisdictional allocation of
 12 Current Generation Resources for the relative share of the changes to I&M’s
 13 wholesale load, defined below as “Retail-Only Percentage(s).” This will allow I&M
 14 to periodically rebalance the allocation of these resources such that if I&M’s
 15 long-term wholesale contracts ended, its Current Generation Resources would be
 16 fully allocated to Michigan and Indiana retail operations based on the percentages
 17 approved in both states in I&M’s last rate cases as noted below. Figure JMS-3
 18 below presents the respective ratios that will used to adjust retail jurisdictional
 19 allocation factors for changes in I&M’s wholesale load.

Figure JMS-3

	Approved Allocation Factors ¹		Retail-Only Percentages ²	
	Demand	Energy	Demand	Energy
Indiana	71.3910%	70.3690%	81.8974%	83.1529%
Michigan	15.7803%	14.2570%	18.1026%	16.8471%
Sum Total =	87.17%	84.63%	100.00%	100.00%

1 - Indiana approved in Cause No. 45933, Michigan approved in Case No. U-21461
 2 - Calculated as each state's percentage as a percentage of the sum of both states. Ex. Indiana Demand = 71.39%/87.17% = 81.89%.

1 **Q. How are I&M's long-term wholesale customers allocated costs related to the**
2 **Current Generation Resources?**

3 A. As discussed by Company witness Williamson, I&M's long-term wholesale
4 customer contracts are structured as formula rate agreement that pay a "slice of
5 system" based on the respective load ratio share of I&M's generation costs as
6 reported in the Federal Energy Regulatory Commission (FERC) Form 1.
7 Essentially, I&M's wholesale customers pay for a portion of I&M's total generation
8 costs based on their relative load to I&M's total load. For example, if I&M's
9 wholesale customers had a total load obligation of approximately 400 MW and
10 I&M's total company load obligation was approximately 4,000 MW, I&M's
11 wholesale customers, through the formula rate agreement, would pay
12 approximately 10% of I&M's total company generation costs. Assuming there are
13 no changes to I&M's wholesale load, as I&M's total company system load
14 increases I&M's wholesale customer load will become a smaller percentage of
15 the total system which will reduce its reliance on and cost responsibility for Current
16 Generation Resources and that will allow I&M to allocate more of those resources
17 to its retail jurisdictions.

18 **Q. Please illustrate how the periodic update for changes in I&M's wholesale**
19 **load will operate.**

20 A. The table below illustrates how I&M's proposal would operate assuming a series
21 of future rate cases and changes in wholesale load percentages. As discussed
22 above, the currently approved jurisdictional allocators serve as a foundation going
23 forward and are only changed to the extent wholesale load changes. As illustrated
24 below, at each future case the change in wholesale demand and energy is

1 rebalanced to the respective retail jurisdiction based on its Retail-Only Percentage
 2 established in this proceeding. This will ensure that the sum of the retail allocation
 3 factors and wholesale load percentage continues to rebalance to 100 percent.
 4 Please note, Figure JMS-4 is not intended to be an indication or forecast of the
 5 timing of future rate cases or changes in wholesale load.

Figure JMS-4

ILLUSTRATIVE EXAMPLE OF RETAIL ALLOCATION FACTOR UPDATES FOR CHANGES IN WHOLESALE LOAD

	Current Allocation Factors	Retail-Only Percentages	Rate Case - 202X	Adjust for Wholesale Change	Rate Case - 203X	Adjust for Wholesale Change	Rate Case - 203X	Adjust for Wholesale Change
Wholesale-Demand	12.8%		12.0%	-0.8%	5.0%	-7.0%	0.0%	-5.0%
Indiana-Demand	71.4%	81.9%	72.1%	0.7%	77.8%	5.7%	81.9%	4.1%
Michigan-Demand	15.8%	18.1%	15.9%	0.2%	17.2%	1.3%	18.1%	0.9%
Total =	100.0%	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Wholesale-Energy	15.4%		10.0%	-5.4%	4.0%	-6.0%	0.0%	-4.0%
Indiana-Energy	70.4%	83.2%	74.8%	4.5%	79.8%	5.0%	83.2%	3.3%
Michigan-Energy	14.3%	16.8%	15.2%	0.9%	16.2%	1.0%	16.8%	0.7%
Total =	100.0%	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%

6 **III. Current Generation Resources: Fuel Costs and PJM Revenues**
 7 **Jurisdictional Allocation Proposal**

8 **Q. Please describe what fuel costs and PJM revenues you are referring to in this**
 9 **section of your testimony.**

10 A. Specifically, for I&M's Current Generation Resources, my testimony is referring to
 11 fuel costs for I&M's fossil and nuclear generation, spent nuclear fuel, purchases
 12 from AEP Generating Company, wind purchases, and associated energy to off-
 13 system sales.

14 **Q. How is I&M proposing to change its jurisdictional allocation of fuel costs and**
 15 **PJM revenues associated with Current Generation Resources?**

16 A. I&M is proposing to set the retail jurisdictional allocation of Current Generation
 17 Resource non-fuel costs using the Primary Allocation Factors approved in I&M's
 18 most current base rate cases in Michigan and Indiana. The Company would only

1 adjust these allocations in the future to the extent I&M's wholesale demand and
 2 energy percentages change as I describe above. In addition to I&M's proposal for
 3 allocation of non-fuel costs for its Current Generation Resources, I&M proposes to
 4 also allocate its fuel costs and PJM market revenues using the Primary Allocation
 5 Factor for each resource. For example, D.C. Cook's primary allocator is demand,
 6 meaning its non-fuel costs as well fuel and PJM revenues going forward will be
 7 allocated using the demand allocation factor. This will ensure jurisdictional capacity
 8 and energy benefits are aligned. I&M is proposing this change begin on June 1,
 9 2026, which is the beginning of the 2026/2027 PJM Planning Year.

10 **Q. How does I&M currently allocate fuel costs and PJM revenues?**

11 A. Currently, I&M's fuel costs and of PJM revenues are allocated strictly on an energy
 12 basis using a net energy requirement (NER) calculation that is updated monthly.
 13 The NER rate essentially takes I&M's fuel costs and associated PJM Revenues on
 14 a Total Company basis and divides that amount by a Total Company Megawatt-
 15 hour (MWh) sales to arrive at a Mill/kilowatt-hour (kWh) rate. This rate is then
 16 applied to each kWh sale in I&M's Michigan Power Supply Cost Recovery Factor
 17 (PSCR) and Indiana Fuel Cost Adjustment Rider (FAC).

18 **Q. Why is it important to also change how fuel costs and PJM revenues**
 19 **associated with Current Generation Resources are jurisdictionally**
 20 **allocated?**

21 A. If the fuel costs and OSS continued to be allocated on the NER calculation as it
 22 operates today, I&M's Indiana customers would see a disproportionate energy
 23 benefit based on its allocation of fixed costs for Current Generation Resources
 24 due to the nature of Indiana retail load and usage growing relative to Michigan's

1 relatively stable retail load. This would create the disparate results discussed by
2 Company witness Williamson. However, the shift to Indiana would occur prior to
3 the shift in the allocation of fixed costs because the jurisdictional allocation of fuel
4 costs is updated monthly whereas the jurisdictional allocation of non-fuel costs is
5 typically updated during periodic rate cases.

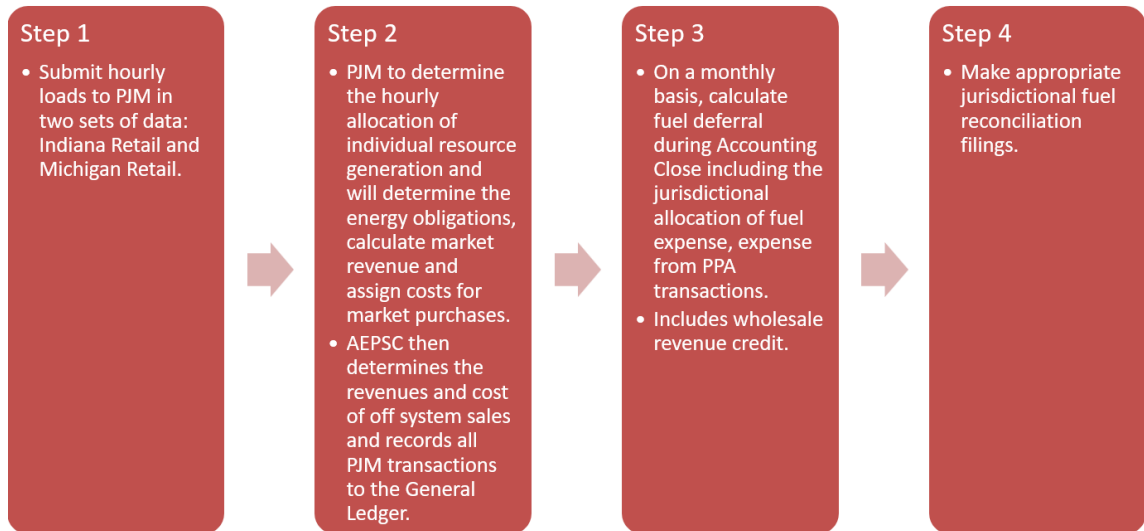
6 I&M's proposed method to allocate fuel costs and OSS based on the Current
7 Generation Resource's primary allocator allows for the matching of energy
8 benefits of generation resources to the proportional fixed cost borne by Michigan
9 and Indiana retail customers based on I&M's allocation proposal above.
10 Essentially, if a retail jurisdiction is charged 70% of a resource's fixed costs
11 (i.e non-fuel costs), it will be entitled to 70% of the unit's hourly output and
12 associated market revenues and be responsible for 70% of the associated
13 fuel costs.

14 **Q. How will I&M's proposal operate in practice?**

15 A. For PJM settlement purposes I&M will create two jurisdictions, Michigan Retail
16 and Indiana Retail, using the Retail Only Allocation factors presented above in
17 Figure JMS-3. Each jurisdiction will also include its respective share of I&M's
18 wholesale load, also based on the Retail Only Allocation factors. I&M will provide
19 PJM with allocation factors for its Current Generation Resources to be applied to
20 each resource, owned and contracted. Additionally, I&M will provide the load data
21 for each jurisdiction, Michigan Retail and Indiana Retail, that will be used to
22 calculate PJM purchases and OSS for each jurisdiction. The net fuel revenues
23 from wholesale customers will be credited to each retail jurisdiction representing
24 the amount of fuel costs and OSS applicable to I&M's wholesale contracts.

1 This offset will effectively remove the monthly allocation of wholesale net energy
 2 costs to arrive at a retail-only fuel cost calculation for each jurisdiction. Please see
 3 Figure JMS-5 below for a step-by-step settlement process.

Figure JMS-5



IV. Conclusion

Q. Please summarize your testimony.

A. I&M’s proposal to use the Primary Allocation Factor to jurisdictionally allocate, both non-fuel and fuel costs, for Current Generation Resources provides its retail customers in Michigan and Indiana an important foundation for safe, reliable, and affordable power that aligns with the energy policies in both states. This proposal reasonably addresses the disparate results that are otherwise created by historical jurisdictional cost allocation practices as I&M’s retail load composition changes significantly in the future. I&M’s proposal also more accurately aligns the energy benefit for each resource with the jurisdictional allocation of the underlying capacity and related costs. For these reasons, the Commission should approve I&M’s proposal.

1 Q. Does this conclude your pre-filed direct testimony?

2 A. Yes.