

ORIGINAL

| Commissioner | Yes | No | Not Participating |
|--------------|-----|----|-------------------|
| Zay | √ | | |
| Deig | √ | | |
| Swinger | √ | | |
| Veleta | √ | | |
| Ziegner | √ | | |

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE APPLICATION OF)
INDIANA MICHIGAN POWER COMPANY FOR)
APPROVAL OF A FUEL COST ADJUSTMENT)
FOR ELECTRIC SERVICE APPLICABLE FOR)
THE BILLING MONTHS OF MAY 2026 THROUGH)
OCTOBER 2026; FOR CONTINUED RECOVERY)
OF THE COSTS OF WIND POWER PURCHASES)
PURSUANT TO CAUSE NOS. 43328, 43750, 44034,)
AND 44362; FOR CONTINUED RECOVERY OF) **CAUSE NO. 38702 FAC 96**
THE COSTS OF EXCESS DISTRIBUTED)
GENERATION PURCHASES PURSUANT TO) **APPROVED: JUN 03 2026**
CAUSE NO. 45506; FOR CONTINUED RECOVERY)
OF THE ENERGY-RELATED COSTS OF)
COGENERATION PROJECT PURCHASES AND)
DEMAND RESPONSE PROGRAMS; FOR)
CONTINUED RECOVERY OF NET HEDGING)
COSTS; AND FOR CERTAIN IMPROVEMENTS)
TO THE EARNINGS TEST CALCULATION)

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On February 3, 2026, Indiana Michigan Power Company (“I&M” or “Applicant”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Verified Application and supporting case-in-chief testimony and exhibits.

On March 27, 2026, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its case-in-chief testimony and exhibits.

On April 6, 2026, Applicant filed its rebuttal testimony. On April 14, 2026, the OUCC filed revisions to its case-in-chief, and on April 20, 2026, Applicant filed supplemental testimony.

On April 29, 2026, the parties filed a settlement agreement (“Settlement Agreement”) designed to resolve all issues in this proceeding. On May 1, 2026, both Applicant and the OUCC filed testimony in support of the Settlement Agreement.

An evidentiary hearing was held at 10:00 a.m. on May 11, 2026, in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Applicant and the OUCC appeared and participated in the hearing by counsel, and the prefiled testimony and exhibits of the parties were admitted into evidence without objection.

The Commission, based upon the applicable law and the evidence of record, now finds as follows:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. I&M is an Indiana corporation engaged in rendering electric utility service in the State of Indiana and is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Applicant's fuel cost charge. Therefore, the Commission has jurisdiction over Applicant and the subject matter of this proceeding.

2. Applicant's Request. In its Verified Application, I&M requested Commission approval to implement its proposed fuel adjustment cost ("FAC") during the billing months of May through October 2026 and continued approval of I&M's ratemaking treatment of wind power purchase costs. I&M also requested continued approval of ratemaking treatment for excess distributed generation costs, energy-related costs associated with cogeneration and demand response programs, and net hedging costs. In addition, I&M also requested approval of certain modifications to the calculation of earnings for purposes of the FAC earnings test.

3. Source of Fuel and Coal Market Strategy Pricing. As a condition of receiving its requested FAC, Applicant must demonstrate compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(1) by making every reasonable effort to acquire fuel and generate or purchase power, or both, so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible. Applicant's witness Kimberly K. Chilcote summarized Applicant's long-term coal supply agreements and described I&M's coal purchasing strategy. She discussed the delivery of actual tons delivered from the Powder River Basin and the Central Appalachian coal from June 2025 through November 2025 ("Reconciliation Period") and how it affected the actual cost of coal delivered to the Rockport Plant as compared to forecasted costs. Ms. Chilcote stated how Central Appalachian and Powder River Basin coal prices remained stable during the Reconciliation Period. Ms. Chilcote stated that coal and gas continued to compete with each other as the lowest cost fuel to produce electricity in 2025, resulting in fluctuation in the coal market during 2025. She also discussed how I&M utilized various strategies to address inventory concerns. Applicant's witness Jason M. Stegall discussed the activity in the PJM Interconnection LLC ("PJM") market during the Reconciliation Period, including an increase in locational marginal prices. Applicant's witness Keith A. Steinmetz described the operation of the Cook Nuclear Plant ("Cook") units, major nuclear fuel contracts and nuclear fuel leases, and actions taken to minimize I&M's nuclear fuel costs.

Other than the impact of the change in the earnings calculation ultimately resolved in the Settlement Agreement, OUCG witness Gregory T. Guerrettaz confirmed the accuracy of I&M's calculations in conformance with the applicable statute and pertinent Commission orders and ultimately recommended the Commission approve I&M's proposed billing factors for May 2026 through October 2026.

OUCG witness Michael D. Eckert testified that I&M is in compliance with the settlement agreement associated with its wind purchased power agreements. Mr. Eckert ultimately recommended approval of I&M's proposed FAC factors consistent with the Settlement Agreement. He recommended I&M continue to provide in its FAC filings updates on its coal

inventory and file testimony, schedules, and workpapers to justify any actual need for, or use of, coal increment or decrement pricing. Mr. Eckert also discussed the agreement between the OUCC and I&M, in Cause No. 43774 PJM 16, regarding the allocation of off-system sales credits.

Applicant's evidence demonstrates that it has made every reasonable effort to obtain available fuel or power as economically as possible, and no party presented any evidence to the contrary. Based on the evidence presented, as indicated here and further below, the Commission finds that Applicant endeavors to acquire fuel for its internal generation, or purchase power, so as to provide electricity at the lowest fuel cost reasonably possible.

4. Other Activities Impacting the FAC Factor. Applicant's witness Jason E. Walcutt described how the FAC factor presented in this proceeding reflected cogeneration, distributed generation, demand response, and hedging activity, as previously authorized by the Commission. OUCC witness Michael D. Eckert stated that I&M has complied with the Settlement Agreement in Cause No. 43328 and provisions of the wind purchased power agreements. We find that I&M's treatment of cogeneration, distributed generation, demand response, hedging activity, and wind power purchases should be approved as proposed.

5. Operating Expenses. Ind. Code § 8-1-2-42(d)(2) requires the Commission to find that increases in a utility's fuel cost have not been offset by decreases in other operating expenses. Applicant's operating expenses excluding fuel costs for the 12-month period ended November 30, 2025 in the amount of \$1,339,633,000, as reflected on Applicant's Exhibit No. 7, Attachment 1-F, Schedule 1, Column 9, Line 39, which is more than the corresponding amount determined in Cause No. 45933, Applicant's last base rate case, of \$1,044,127,000 by an amount of \$295,506,000. Accordingly, Applicant's filing demonstrates that I&M's increase in fuel costs has not been offset by decreases in other operating expenses. We find that I&M is in compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(2).

6. Return Earned. I&M proposed two changes to its earnings test calculation, prompted by a significant increase in Indiana retail load and corresponding revenues during 2025. Ms. Goodin testified that one of the changes involves transmission ratemaking under the PJM Open Access Transmission Tariff ("OATT"). The second change relates to jurisdictional cost allocation, and consists of two parts: (1) the application of monthly updated demand and energy allocation factors (approved by the Commission in Cause No. 43774 PJM 15) to generation-related costs; and (2) using account level allocation factors (from its base case cost of service study and approved in Cause No. 45933 ("45933 Order")), instead of using a high-level blended average of allocation factors.

The OUCC agreed with I&M's proposed changes to its earnings test calculation except for I&M's proposed jurisdictional allocation changes for all accounts that are not: (1) directly assigned, (2) PJM related, and (2) generation related. OUCC witness Eckert testified that I&M's proposed methodology for these accounts allocates an additional \$1,827,134 in annual expenses to Indiana (before tax gross-up), reducing the earnings credit available to customers. He testified that the OUCC's objection is primarily procedural and policy based, asserting that adjustments to jurisdictional allocation factors are best done in a rate case. He testified it is not fair or appropriate to change how the earnings test has been calculated based on only one significant change when there may have been other significant changes that have occurred since the utility's last base rate

case. In addition, tracker proceedings, like FACs, have limited review time and are designed for cost verification, not for resolving complex allocation methodology changes. He noted that I&M itself could not isolate the specific dollar impact of this allocation change from the rest of the earnings test.

On rebuttal, I&M witness Goodin explained how load growth makes necessary the use of updated costs using previously approved account level allocation factors. She testified that the change is not piecemeal regulation, but instead simply aligns the earnings test allocation methodology with the same approach already used in I&M's base rate cases. She reiterated that I&M proposed three changes to the earnings test: (1) adjusting authorized net operating income ("NOI") by applying its weighted cost of capital approved by the Federal Energy Regulatory Commission ("FERC") to the growth in transmission investment since the last rate case; (2) applying monthly updated demand and energy allocation factors to generation-related costs; and (3) using account level allocation factors from its base case cost of service study, instead of blended allocation factors. She noted that although the OUCC accepted the first two changes, OUCC witness Eckert did not address the downstream impacts of approving change (2) without also implementing change (3).

Ms. Goodin explained that the blended allocation factors are applied to large groupings of different costs and reflect a composition of distribution, generation, transmission and other costs that are individually allocated. If modifications are made to the allocation methodology for a subset of costs within a grouping, then the blended allocation factor must be recalculated to exclude the costs that are no longer allocated to the Indiana retail jurisdiction using the blended methodology. She said that failing to do so will result in jurisdictional earnings that are inaccurate.

The parties ultimately entered into the Settlement Agreement, which provides the parties' agreement that I&M may implement all three components of its proposed changes to the earnings test methodology, subject to certain terms. The three components of the agreed-upon methodology are: (1) I&M will adjust its authorized NOI to reflect the actual amount of transmission investment associated with the Transmission Owner revenues included in the earnings test; (2) I&M will update the allocation of generation-related costs to the Indiana jurisdiction utilizing the monthly updated demand and energy allocation factors as proposed by I&M, consistent with the monthly demand and energy studies that are being used to allocate PJM costs, or as otherwise approved by the Commission; and (3) I&M will allocate remaining costs on a detailed FERC-account level, which is the same methodology used in the jurisdictional cost of service study approved in the 45933 Order (i.e., instead of using blended allocation factors to apply to groupings of accounts in the earnings test to calculate Indiana jurisdictional costs, Total Company costs will be allocated at an account level using the same jurisdictional allocation factors approved by the Commission which apply to each account when setting rates).

The parties agree that this earnings test methodology produces in this FAC an earnings test credit of approximately \$52,651,000. Additionally, I&M will provide a one-time credit of \$1,000,000 to residential customers in this FAC, yielding a residential FAC factor of 1.933 mills/kWh and a non-residential FAC factor of 2.422 mills/kWh. I&M will also provide an additional one-time \$1,000,000 residential credit in its next FAC (i.e., FAC 97). The parties further agree that I&M will provide to the OUCC, on a quarterly basis, its earnings test workpapers using the agreed-upon earnings test methodology, in conjunction with the FAC workpapers already

provided for the OUCC's statutory quarterly review of I&M's fuel costs. The FAC procedural schedule will also be extended by six calendar days (for a total of 55 days) for OUCC review of I&M's semi-annual FAC filings.

Both I&M witness Goodin and OUCC witness Eckert testified in support of the Settlement Agreement, explaining why they believed it was in the public interest and should be approved. Mr. Eckert also noted that I&M is required to file a base rate case between July 1, 2026, and October 31, 2026, which will allow the parties to reassess the jurisdictional allocation issue and make any adjustments if necessary.

As we have previously noted, settlements are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co., Inc.*, 735 N.E.2d 790, 803 (Ind. 2000). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports a conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that it serves the public interest. *See, Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996).

Based on evidence presented, we find that the Settlement Agreement is reasonable and in the public interest and should be approved. The statutory earnings test, which was enacted to protect customers from rates that result in a utility earning more than its authorized return, derives its effectiveness from the proper evaluation of a utility's earnings. Thus, it is important to match the utility's jurisdictional revenues with the expenses used to derive those revenues. If utility revenues used in the earnings test include revenues not attributable to retail utility service, earnings would be overstated; conversely, earnings would be understated if the earnings test included expenses that were not reasonably attributable to retail.

It is also important to recognize that a utility's base rates are set to produce revenues necessary for the provision of utility service at a particular moment in time. In cost-of-service ratemaking, this includes the use of jurisdictional allocation factors to determine the proper cost of serving a particular jurisdiction's customers. Because rates are set at a moment in time, the true cost associated with serving a single customer, a class of customers, or customers within an entire jurisdiction can change between base rate proceedings. While costs and revenues associated with customers should align with each other, it is administratively inefficient to update allocations between base rate cases unless a material change warrants such adjustment.

The evidence demonstrates that I&M is experiencing significant load growth, resulting in a corresponding significant increase in Indiana retail revenue. We agree this is a material change that makes a review of the earnings test methodology reasonable and appropriate to ensure that the determination of Indiana retail costs is an accurate reflection of I&M's actual cost to serve the load represented in Indiana retail revenues. We further find that the parties' agreement concerning the modifications to the earnings test methodology is reasonable and should provide a more accurate reflection of Indiana's jurisdictional costs in I&M's earnings test calculation. I&M's upcoming rate case filing will also provide the parties and the Commission with the opportunity to reassess the jurisdictional allocation issue and ensure the earnings test methodology is consistent with the statutory intent and purpose.

The evidence also shows that the Settlement Agreement will support affordability for residential customers by providing for rate credits totaling \$2,000,000. Under the Settlement Agreement, residential customers will receive a \$1,000,000 credit in this FAC and an additional \$1,000,000 credit in I&M's next FAC proceeding. The Settlement Agreement also requires I&M to provide the OUCC with additional information related to the FAC calculations and additional time for review, which will facilitate and support the OUCC's statutory obligation to review such FAC filings.

Finally, the evidence shows that pursuant to the 45933 Order, I&M is authorized to earn an NOI of \$330,990,000. Ms. Goodin testified that the estimated value of certain nuclear production tax credits ("PTCs") was reflected in the earnings test calculation in this FAC. She explained that the Internal Revenue Service ("IRS") has yet to issue guidance on the calculation of such PTCs. Accordingly, I&M plans to reconcile the PTC amounts reflected in this FAC earnings test calculation in a future FAC once IRS guidance is issued. The authorized NOI was adjusted in accordance with various Commission orders (i.e., Cause Nos. 45245, 45546, 45576, 45868, and 45933), resulting in an authorized NOI for the 12 months ended November 30, 2025 of \$356,499,000. According to Applicant's Exhibit No. 7, Attachment 1-F, Schedule 1, for the 12 months ended November 30, 2025, I&M earned an actual jurisdictional NOI of \$435,584,000. This results in I&M's actual return being more than its authorized return for the most recent 12-month period and the sum of the differentials for the relevant period is also greater than zero, meaning that the Commission should find that the "return" test of Ind. Code § 8-1-2-42(d)(3) is not satisfied. Therefore, in accordance with Ind. Code § 8-1-2-42(d)(3) a reduction to I&M's FAC factor is necessary. This amount is to be the lower of the 12-month overearnings and the sum of the differentials for the relevant period. Using the methodology discussed by Ms. Goodin (and reflected in the Settlement Agreement), the overearnings amount for the 12-month period was \$79,085,000 and the sum of differentials for the relevant period is \$241,533,000. For this reason, I&M will base its credit on the 12-month period amount, and divide it in half due to I&M filing semi-annual FAC proceedings. This results in a total FAC credit of \$39,543,000 or \$52,651,000 when grossed up for taxes, before factoring in the additional \$1,000,000 rate credit for residential customers.

Upon consideration of the record evidence, the Commission finds I&M has properly determined the authorized operating income for the 12 months ended November 30, 2025, and properly reflected the prorated returns based on the returns authorized by the relevant Commission orders. Thus, by the mechanics of the applicable statute and by incorporating the provisions of the Settlement Agreement, the Commission finds I&M appropriately calculated and applied the reduction amount to its proposed FAC factor in accordance with the return I&M earned during the 12 months ended November 30, 2025.

7. Estimating Techniques. I&M's overall weighted average fuel cost estimating error during the months of the Reconciliation Period was an under-estimation of approximately 2.37%. I&M's witness Walcutt noted that the primary driver of the higher than forecasted costs during the Reconciliation Period was an increase in other system purchases during the Reconciliation Period. I&M projected its fuel costs for the billing months of May 2026 through October 2026. I&M's filing demonstrates that the estimates of I&M's prospective average fuel costs for the projected period are reasonable after taking into consideration the difference between I&M's projected and actual fuel cost for the Reconciliation Period. No party presented any

evidence to the contrary. Based on the evidence, we find that Applicant's estimating techniques are reasonable and its estimate of fuel costs for May 2026 through October 2026 should be accepted.

8. Wind Power Purchases. Applicant's witness Michael J. Stanek testified in support of I&M's request for approval of ratemaking treatment for costs related to I&M's wind power purchases. Mr. Stanek testified that I&M is projected to receive energy from the Fowler Ridge I and II, Wildcat, and Headwaters wind farms, and beginning in June of 2026, the Grand Ridge I and Kelly Creek wind farms. OUCC witness Eckert testified that I&M has forecasted the costs of wind power that it will be incurring in the future by using the cost per MWh from the wind power purchase agreements and has identified the wind power MWhs and costs on separate line items. I&M's wind purchases are shown consistent with the Commission's Order in Cause No. 38702 FAC 63, and inclusion of these costs conforms to the Commission's November 28, 2007 Order in Cause No. 43328, January 6, 2010 Order in Cause No. 43750, September 21, 2011 Order in Cause No. 44034, and the November 25, 2013 Order in Cause No. 44362. Accordingly, the record supports, and the Commission finds, that the wind power purchase costs reflected in I&M's filing are reasonable and the Commission therefore approves the ratemaking treatment of such costs.

9. Fuel Cost Adjustment Charges. Applicant's Exhibit No. 7, Attachment 1-C sets forth I&M's actual incurred fuel costs for the Reconciliation Period. I&M's fuel costs for the Reconciliation Period were over-recovered, in the amount of \$4,498,138, based upon projected fuel costs for those months previously approved by the Commission.

Applicant's total estimated cost of fuel for the billing months May 2026 through October 2026 is \$275,873,876 and its total estimated sales are 13,849,711 MWhs. I&M's estimated cost of fuel, as indicated on Applicant's Exhibit No. 7, Attachment 1-B, Schedule 1, line 27 of Exhibit 1, is therefore 19.919 mills per kWh. Combining the variance factor with the estimated per kWh cost of fuel, the per kWh reduction amount resulting from Ind. Code § 8-1-2-42(d)(3) and subtracting the base cost of fuel in Cause No. 45933, results in a proposed total fuel factor of 2.422 mills per kWh (for non-residential customers). For residential customers, after reflecting the \$1,000,000 credit provided for in the Settlement Agreement, the proposed fuel factor is 1.933 mills per kWh.

In accordance with the base cost of fuel approved in the 45933 Order and the evidence presented in this proceeding, we find Applicant is authorized to apply: (1) an FAC factor of 2.422 mills per kWh to Applicant's Indiana retail non-residential tariffs, and (2) an FAC factor of 1.933 mills per kWh to Applicant's Indiana retail residential tariffs, for the billing months of May 2026 through October 2026. The typical residential bill for a customer using 1,000 kWh per month will increase by \$2.59 or 1.54% compared to the factor approved in Cause No. 38702 FAC 95 (excluding taxes and before reflecting the additional rate credit provided for in the Settlement Agreement).

10. Required Reporting. I&M's FAC filing continues to utilize the semi-annual filing practice and such practice was unopposed; accordingly, the Commission approves a fuel cost factor for a six-month period. However, in accordance with Ind. Code § 8-1-2-42(c), the OUCC is obligated to perform a quarterly review of I&M's books and records pertaining to the cost of fuel and report to the Commission by May 31, 2026. Because of the extended timeline in this Cause, the OUCC shall file its quarterly review of I&M's books and records pertaining to the cost of fuel

on or before June 30, 2026. Applicant has agreed to cooperate and provide reasonable support in the OUCC's fulfillment of this requirement.

In addition, consistent with the OUCC's recommendations, Applicant shall continue to provide all new Nuclear Fuel Leases, bid results, and invoices related to the next fuel batches at the time when FAC workpapers are provided. Further, Applicant shall continue to provide the Commission with information on how it proposes to address its coal inventory and shall also provide the calculation inputs of any coal decrement or increment pricing.

11. Effect of Settlement Agreement. The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at *7-8 (IURC March 19, 1997).

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. In accordance with Ind. Code § 8-1-2-42, the fuel cost adjustment charges set forth in Finding No. 9 above for the billing months of May 2026 through October 2026 are approved.
2. I&M's ratemaking treatment for the cost of wind power purchases pursuant to the Commission's Orders in Cause Nos. 43328, 43750, 44034, and 44362 is approved.
3. I&M's ratemaking treatment for cogeneration, distributed generation, demand response, and hedging activity pursuant to the Commission's Orders in Cause Nos. 44696, 45506, and 38702 is approved.
4. I&M shall be authorized to reconcile the estimated value of nuclear PTCs to the actual value for earnings test purposes once the IRS issues guidance on such calculation.
5. The Settlement Agreement, a copy of which is attached, is approved.
6. Prior to implementing the rates, Applicant shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division.
7. This Order shall be effective on and after the date of its approval.

ZAY, DEIG, SWINGER, VELETA, AND ZIEGNER CONCUR:

APPROVED: JUN 03 2026

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

**Dana Kosco
Secretary of the Commission**

FILED
April 29, 2026
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE APPLICATION OF)
INDIANA MICHIGAN POWER COMPANY)
FOR APPROVAL OF A FUEL COST)
ADJUSTMENT FOR ELECTRIC SERVICE)
APPLICABLE FOR THE BILLING MONTHS)
OF MAY 2026 THROUGH OCTOBER 2026;)
FOR CONTINUED RECOVERY OF THE)
COSTS OF WIND POWER PURCHASES)
PURSUANT TO CAUSE NOS. 43328, 43750,)
44034, AND 44362; FOR CONTINUED)
RECOVERY OF THE COSTS OF EXCESS)
DISTRIBUTED GENERATION PURCHASES)
PURSUANT TO CAUSE NO. 45506; FOR)
CONTINUED RECOVERY OF THE)
ENERGY-RELATED COSTS OF)
COGENERATION PROJECT PURCHASES)
AND DEMAND RESPONSE PROGRAMS;)
FOR CONTINUED RECOVERY OF NET)
HEDGING COSTS; AND FOR CERTAIN)
IMPROVEMENTS TO THE EARNINGS)
TEST CALCULATION)

IURC
JOINT

EXHIBIT No. 1
5-11-26 AT
DATE REPORTER

CAUSE NO. 38702 FAC 96

OFFICIAL
EXHIBITS

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement”) is entered into by and between Indiana Michigan Power Company (I&M) and the Indiana Office of Utility Consumer Counselor (OUCC) (collectively Parties). The Parties agree that this Settlement is a reasonable compromise that resolves all issues between the Parties related to this Cause.

A. Substantive Provisions

The Parties agree that:

1. I&M should be authorized to implement the earnings test calculation methodology described below and proposed in the FAC 96 proceeding (the “FAC 96 earnings test methodology”) in this FAC 96 and subsequent FAC proceedings, subject to the terms outlined herein, and the OUCC will support the use of the FAC 96 earnings test methodology in future I&M FAC proceedings, subject to modifications approved in I&M’s future rate case proceedings.

- a. I&M will adjust its authorized net operating income (“NOI”) to reflect the actual amount of transmission investment associated with the Transmission Owner revenues included in the earnings test.
 - b. I&M will update the allocation of generation-related costs to the Indiana jurisdiction utilizing the monthly updated demand and energy allocation factors as proposed by I&M, consistent with the monthly demand and energy studies that are being used to allocate PJM costs, or as otherwise approved by the Commission.
 - c. I&M will allocate remaining costs on a detailed FERC-account level which is the same methodology used in the jurisdictional cost of service study approved in I&M's last base rate case, Cause No. 45933. In other words, instead of using blended allocation factors to apply to groupings of accounts in the earnings test to calculate Indiana jurisdictional costs, Total Company costs will be allocated at an account level using the same jurisdictional allocation factors approved by the Commission which apply to each account when setting rates.
2. The FAC 96 earnings test methodology produces an earnings test credit of approximately \$52,651,000.
 - a. For purposes of this FAC 96, I&M will provide an additional, one-time credit of \$1,000,000 to residential customers. The FAC factor for residential customers, including this additional credit, is 1.933 mills/kWh.
 - b. The FAC 96 factor for non-residential customers is 2.422 mills/kWh.
3. For FAC 97, I&M will provide an additional, one-time credit of \$1,000,000 to residential customers when computing the final FAC factors approved in that future proceeding.
4. I&M will provide the OUCC, on a quarterly basis (in conjunction with the FAC workpapers already provided to the OUCC for its statutory quarterly review of I&M's fuel costs), its earnings test workpapers using the FAC 96 earnings test methodology.
5. The FAC procedural schedule will be extended 6 calendar days (for a total of 55 days) for the OUCC to review I&M's semi-annual FAC filings, beginning on the date that I&M files its FAC application and supporting testimony.

6. This settlement is conditioned upon approval by the IURC of the settlement terms in their entirety.

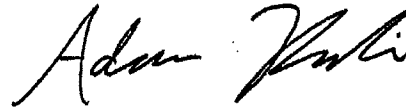
B. General Provisions

1. The positions taken by the Parties in this Settlement shall not be deemed to be admissions by any of the Parties and shall not be used as precedent, except as necessary to implement the terms of this Settlement. This provision shall survive termination/voiding of this Agreement.
2. It is understood that this Settlement is reflective of a good faith negotiated settlement and neither the making of the Settlement nor any of its provisions shall constitute an admission by any Party in this or any other litigation or proceeding except as necessary to implement or enforce this Settlement Agreement. It is also understood that each and every term of the Settlement Agreement is in consideration and support of each and every other term.
3. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Party, and shall not to be used in any manner in connection with any other proceeding or otherwise. This provision shall survive termination/voiding of this Agreement.
4. The undersigned Parties have represented and agreed that they are fully authorized to execute the Settlement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.
5. The provisions of this Settlement shall be enforceable by any Party before the Commission and thereafter in any Indiana court of competent jurisdiction as necessary.

[Signature Pages to Follow]

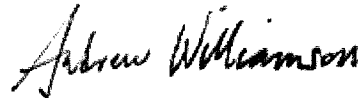
ACCEPTED AND AGREED AS OF THE 28th DAY OF APRIL, 2026.

**INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR**



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