ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF	**)**	
INDIANA MICHIGAN POWER COMPANY	**)**	**CAUSE NO. 43774 PJM 16**
FOR AUTHORIZATION OF NEW OFF	**)**	
SYSTEM SALES MARGIN SHARING / PJM	**)**	**APPROVED: MAY 20 2026**
COST RIDER ADJUSTMENT FACTORS.	**)**	

ORDER OF THE COMMISSION

Presiding Officers:
Bob Deig, Commissioner
Steve Henke, Administrative Law Judge

On October 23, 2025, Indiana Michigan Power Company ("Petitioner" or "I&M") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") requesting an adjustment to its rates through its Off System Sales Margin Sharing/PJM Cost Rider ("OSS/PJM Cost Rider") beginning with the first full billing cycle following a Commission Order. In support of the Petition, Petitioner filed the direct testimony, attachments and supporting workpapers of Eder A. Anzurez, Malinda L. Dielman, Caleb R. Loveman, and Richard A. Farinas.

On January 29, 2026, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Kaleb G. Lantrip.

On February 12, 2026, the Petitioner filed the rebuttal testimony of Caleb R. Loveman.

On February 25, 2026, Petitioner filed a Joint Submission of Stipulation of Facts in Lieu of cross-examinations of OUCC witness Lantrip and I&M witness Loveman.

The Commission noticed and held an evidentiary hearing at 9:30 a.m. on February 26, 2026, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated by counsel, and the testimony and exhibits of I&M and the OUCC were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Statutory Notice and Commission Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. Proofs of publication of the notice are contained in the official files of the Commission. Petitioner is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(a), the Commission has jurisdiction over changes in Petitioner's schedules of rates and charges. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner's Characteristics and Business. Petitioner is a public electric generating utility, organized and existing under the laws of the State of Indiana, with its principal office and place of business at Indiana Michigan Power Center, Fort Wayne, Indiana. I&M renders electric service in the State of Indiana, and owns and operates plants and equipment within the State of Indiana used for the generation, transmission, delivery, and furnishing of such service to the public.

3. Background Information and Relief Requested. On May 30, 2018, the Commission approved a settlement in I&M's basic rate case in Cause No. 44967 ("44967 Order"). The 44967 Order provided for combining off-system sales ("OSS") margin sharing and PJM cost tracking into a single rider ("OSS/PJM Cost Rider"). The 44967 Order authorized I&M to continue tracking recovery annually of charges and credits related to I&M's membership in PJM, including PJM administrative costs, the cost of PJM Regional Transmission Expansion Plan ("RTEP") projects, and net transmission congestion costs.

The May 8, 2024 Commission Order in I&M's most recent basic rate case in Cause No. 45933 ("45933 Order") included no Indiana jurisdictional OSS margins in I&M's base rates, but passed through all OSS margins above zero to I&M's customers through the OSS/PJM Cost Rider.

The 45933 Order authorized I&M to recover Network Integration Transmission Service ("NITS") charges through the OSS/PJM Cost Rider, subject to an annual cap amount of $31.18 per MWh multiplier applied to total actual MWh sales for the year, with said cap compared to Petitioner's actual Indiana jurisdictional PJM NITS costs as reflected in FERC Accounts 4561035 and 5650016 over the same July 2024 through June 2025 annual reconciliation period. The 45933 Order further approved I&M's request to embed the forecasted test year level of non-NITS PJM costs (that is, $67,547,191) in I&M's base rates and to track any annual over/under variance from that level. The 45933 authorized Petitioner to create regulatory assets including NITS costs exceeding the annual cap and carrying charges on the deferred balance for a future rate case.

The Commission's June 18, 2025 Cause No. 43774 PJM 15 Order ("PJM 15 Order") permitted I&M to update demand and energy allocation factors monthly beginning January 2025 to apply to reflect a true-up of the costs for each month and the actual jurisdictional allocation factor for that month. The PJM 15 Order noted that testimony expected an increase in Indiana's proportional share of Petitioner's PJM costs in the monthly accounting reconciliation.

In this cause, Petitioner seeks approval of: (1) its reconciliation of actual OSS/PJM Cost Rider costs for the period July 1, 2024 through June 30, 2025 ("Reconciliation Period") and (2) its projection of PJM charges and credits and OSS margins for the calendar year 2026 ("Forecast Period"). Further, Petitioner seeks to make the new OSS/PJM Cost Rider factors effective commencing with the first full billing cycle following approval. After incorporating changes to its request, Petitioner's total revenue requirement requested in the OSS/PJM Cost Rider is $295,260,452.

4. Petitioner's Evidence. Mr. Loveman, Regulatory Manager in the Regulatory Services Department for I&M, supported I&M's proposed OSS/PJM Cost Rider revenue requirement, reported on Regional Transmission Expansion Plan ("RTEP") projects owned by American Electric Power ("AEP") and/or I&M, and explained how the Commission's Order in Cause No. 45164 RA 5 ("45164 RA 5 Order") affects into this filing.

Mr. Loveman explained the revenue requirement is equal to the sum of the Indiana jurisdictional PJM and OSS forecasts (less the base rate amounts), the reconciliation variance, and the gross up revenue. He stated the gross-up revenue is equal to the gross revenue requirement multiplied by the gross revenue conversion factor, which is based on I&M's Public Utility Assessment Fee and its most recent uncollectible rate.

Mr. Loveman described the PJM NITS Cap methodology authorized by the Commission in the 45933 Order. He testified that I&M forecasts the jurisdictional amounts of Federal Energy Regulatory Commission ("FERC") accounts 4561035 and 5650016 to be under the cap in the Forecast Period.

Mr. Loveman also discussed PJM RTEP project costs. He stated PJM RTEP projects are transmission expansions and enhancements required to achieve compliance with PJM's system reliability, operational performance, or market efficiency requirements. He further explained how the costs for RTEP projects are allocated in PJM, and which PJM RTEP projects I&M currently owns. Finally, Mr. Loveman testified that there are RTEP project charges or credits in the Forecast Period which are based on (1) an estimated construction schedule for major projects approved by FERC to the PJM-required in-service date, and (2) the required in-service date for minor projects.

Mr. Loveman testified that I&M provided the OUCC with the information requested to audit this filing and that I&M met with the OUCC on September 11, 2025, as required by the PJM 15 Order. He concluded that I&M's PJM 16 filing reasonably reflects the reconciliation of the OSS/PJM Cost Rider over the period July 2024 through June 2025 and the expected revenue requirement over the forecasted period January 2026 through December 2026.

Ms. Dielman, Regulatory Accounting Case Manager in Regulatory Accounting Services for American Electric Power Service Corporation ("AEPSC"), compared the revenues I&M has collected from its OSS/PJM Cost Rider to actual OSS margins and PJM costs I&M has incurred during the Reconciliation Period. She also described changes during the Reconciliation Period resulting from the PJM 15 Order and the 45164 RA 5 Order.

Ms. Dielman explained that, per the 45933 Order, I&M continues to perform over-/under-recovery accounting based on the level of I&M non-NITS expenses included in its Indiana base rates. She further explained that this accounting evaluation is reflected in Petitioner's Exhibit 2, Attachments MLD-1.0 through MLD-1.7.

Ms. Dielman testified that Financial Transmission Right revenues and Load Serving Entity congestion costs are included in the OSS/PJM Cost Rider and that I&M compares total Financial Transmission Right revenues to Load Serving Entity congestion costs. She said for the reconciliation, if total Financial Transmission Right revenues exceed Load Serving Entity congestion costs, then the net amount is included in the OSS Margin Sharing portion of the OSS/PJM Cost Rider calculation. She testified that the actual net congestion costs exceeded the total Financial Transmission Right revenues for the Reconciliation Period, and so were included in the PJM Cost Section of the calculation.

Ms. Dielman testified that I&M did not exceed the NITS cap for the Reconciliation Period as reflected in Petitioner's Exhibit 2, Attachment MLD-1.0.

Ms. Dielman summarized the changes implemented by I&M in response to the PJM 15 Order for jurisdictional allocation factors used to calculate PJM costs. She explained that the PJM 15 Order approved I&M's proposal to update its Indiana jurisdictional allocation factors applied to PJM costs monthly beginning January 2025. She summarized the I&M Indiana jurisdictional allocation factors used in the accounting for I&M's PJM costs included in the OSS/PJM Rider during the period July 1, 2024 through June 30, 2025.

She explained that, per the 45164 RA 5 Order, I&M's Indiana retail jurisdiction assumed what has historically been I&M's Michigan retail jurisdictional share of the inter-company power agreement with Ohio Valley Electric Corporation ("OVEC") effective June 1, 2025. She said the OVEC OSS margins are included in Account 4470089, PJM Energy Sales Margin.

Ms. Dielman concluded her testimony with a summary of I&M's OSS/PJM Cost Rider over- and under-recovery balances.

Mr. Anzurez, Senior Regulatory Consultant for AEPSC, presented the forecast of Petitioner's OSS margins and PJM charges and credits and discussed the variances between the prior year's forecast of PJM charges and credits and the actual PJM charges. He also described the methodologies used to develop forecasted OSS margins for the Forecast Period.

Mr. Anzurez testified I&M projects the OSS margins in the Forecast Period will be $93.5 million. Mr. Anzurez compared the 2026 projected OSS margin costs to current actual costs for the 12 months ended June 30, 2025, and explained the forecasted increase in OSS margins is driven by a continued increase in expected capacity factor during the Forecast Period, which is influenced by the ongoing rise in load growth and forecasted power prices. Mr. Anzurez opined that the OSS margins projected by I&M for the Forecast Period are reasonable.

Mr. Anzurez described the development of Petitioner's forecasted PJM charges and credits for the Forecast Period. He testified the total company projected PJM costs and credits for the Forecast Period is $534.8 million, which he said includes PJM Financial Transmission Right revenue accounts and PJM Load Serving Entity congestion costs. He concluded the PJM charges and credits projected for the Forecast Period are reasonable and show a trend of increasing transmission investment that has continued from prior years' filings.

Mr. Farinas, Regulatory Consultant Principal in the Regulated Pricing and Analysis Department for AEPSC, supported the calculation of the OSS/PJM Cost Rider adjustment factors and addressed the calculation of forecasted 2026 jurisdictional demand and energy allocation factors.

Mr. Farinas explained that I&M prepares a demand and energy study to create allocation factors for each of the jurisdictions Petitioner serves based on each jurisdiction's proportional share of total company Test Year demand and energy. He said demand allocation factors are calculated using an average of 12 monthly loss adjusted coincident peak demands. Energy allocation factors are calculated using annual loss adjusted kilowatt-hour ("kWh") usage. He explained retail demand and retail energy allocation factors, based solely on retail load, are also calculated for those items in a jurisdictional cost of service study that should not be allocated to Petitioner's wholesale customers because they are related only to retail service.

Mr. Farinas stated I&M also calculates demand and energy allocators that exclude shopping by removing the demand and energy related to Michigan shopping customers from the original demand and energy allocation factors. He said these calculations properly allocate the power supply costs related to service provided to Indiana and non-shopping Michigan customers.

Mr. Farinas testified the Commission approved jurisdictional allocation factors in the 45933 Order based on the demand and energy study prepared for that base case filing, which used a 2022 historical year and a 2024 forecasted test year. He stated I&M updated the demand and energy study and corresponding jurisdictional allocation factors for use in this filing in accordance with the PJM 15 Order. He explained that consistent with the PJM 15 Order, Petitioner will update demand and energy allocation factors monthly to apply to actual PJM costs in the monthly over/under accounting reconciliation. He said updating the allocation of PJM costs in the monthly over/under calculations will reflect the expected increase in Indiana's proportional share of PJM costs in the monthly accounting reconciliation as these costs occur.

Mr. Farinas next discussed the OSS/PJM Cost Rider rate design. He identified the components of the revenue requirement and explained how I&M's Indiana retail jurisdictional OSS/PJM Cost Rider costs are allocated among the tariff classes. He explained that once the rider costs were allocated among the tariff classes, an energy factor was calculated using the Forecast Period billing energy for that class. In addition, demand charges were calculated for the General Service ("GS"), Large General Service ("LGS"), Industrial Power ("IP"), and Electric Heating General ("EHG") tariff classes based on the projected classes' Forecast Period billing demand.

Mr. Farinas testified that upon implementation, a residential customer using 1,000 kWh of electricity per month will see a monthly rate decrease of $5.75 or 3.4% based upon I&M's current rates in effect at the time of this filing.

5. <u>OUCC's Evidence</u>. Mr. Lantrip, a Senior Utility Analyst in the Electric Division of the OUCC, recommended adjusting Petitioner's proposed OSS/PJM Cost Rider amounts to reflect a jurisdiction allocation for both factors considering the PJM 15 Order to calculate the interstate allocation on a monthly basis.

Mr. Lantrip testified regarding the substance of the 45933 Order and the PJM 15 Order. He discussed the effect of I&M's proposed adjustment to the jurisdictional allocations.

With respect to recovery, Mr. Lantrip explained that Petitioner seeks to update its current OSS/PJM Cost Rider factors based on: (1) the interstate allocation between Indiana and Michigan; (2) the forecasted OSS margin sharing for the Forecast Period; (3) the forecasted PJM costs and revenues for the Forecast Period; (4) reconciliation of actual PJM costs and revenues for the Reconciliation Period; and (5) inclusion of a gross revenue conversion factor including public utility fees and an adjustment for uncollectible revenue. He identified and discussed the costs proposed for recovery as well as the evidence submitted by I&M.

Mr. Lantrip testified that his calculation of Petitioner's residential bill differs from I&M's calculations due to Mr. Lantrip's consistent use of I&M's demand and energy allocation factors (excluding shopping) for both the PJM costs and the OSS credits between the jurisdictions. Mr. Lantrip testified that, according to his calculation, a typical I&M residential customer using 1,000 kWh per month would experience a $22.72 charge, which is a $6.18 decrease from I&M's currently approved rate, and $0.43 less than Petitioner's recommended factor.

Mr. Lantrip discussed the OSS and PJM forecast, stating that Petitioner requests authority to credit customers with the total forecasted Indiana Jurisdictional customer share of $65,779,290 in incremental OSS margins, and that Petitioner requests recovery of $398,002,854 in total forecasted PJM costs for Indiana jurisdictional customers. He testified that, aside from I&M's decision to use different allocations for its PJM costs and its OSS credits, I&M's forecasted total company amounts were in line with what was reported in previous filings under this cause.

With respect to I&M's OSS margin and PJM cost variances, Mr. Lantrip explained that Petitioner's testimony identified that as of June 30, 2025, I&M had a net over-recovery of ($16,749,210) for its OSS/PJM Cost Rider, but his calculation—which adjusted the gross OSS amount calculation to be in line with the monthly adjustments Petitioner was making to its PJM costs for the Reconciliation Period —showed an additional ($335,383) in over-recovery reducing the total revenue requirement.

Mr. Lantrip discussed load servicing entities ("LSE") congestion costs and financial transmission rights ("FTR") revenues. He stated that Petitioner included LSE costs of $7,369,920 for the Reconciliation Period and $10,090,824 for the Forecast Period, in line with the settlement agreement approved in Cause No. 43306.

Mr. Lantrip recommended that Petitioner's OSS/PJM Cost Rider factors use the same interstate jurisdictional allocation factors for its OSS credits and PJM costs, and that the rates become effective at the start of the first full billing cycle following a Commission Order in this proceeding.

6. <u>Petitioner's Rebuttal</u>. In rebuttal, Mr. Loveman testified that Petitioner's direct filing in this proceeding is in accordance with the PJM 15 Order. He explained that the PJM 15 Order did not address application of the monthly jurisdictional allocation factors to the OSS portion of I&M's OSS/PJM Rider, and noted that Petitioner's proposal settled by the PJM 15 Order was only to apply monthly updated jurisdictional allocation factors specifically to PJM costs in Petitioner's OSS/PJM Rider. Mr. Loveman explained PJM costs are specifically related to charges received from PJM, while OSS margins are reflective of Petitioner's generation resource mix, not assigned by PJM or based on zonal load share.

Mr. Loveman testified that Petitioner would agree with Mr. Lantrip's recommendation on two conditions: (1) the application of the monthly jurisdictional allocation factors to the OSS portion of the rider begins June 2025, which coincides with the new six-month measurement period reflected in I&M's earnings test filed in Cause No. 38702 FAC 96; and (2) the jurisdictional allocation of fixed costs of I&M's generation resources are also updated in I&M's earnings test calculation to reflect the monthly changes in Indiana retail load. Mr. Loveman explained that, if I&M's earnings test calculation is not updated, Indiana customers would receive the benefit of a greater proportional share of OSS credits without the same proportional share of fixed costs necessary to produce that benefit. Mr. Loveman explained that as part of the Indiana monthly fuel adjustment charge ("FAC") process the Petitioner updates FAC costs to reflect monthly changes in the Indiana net energy requirement as compared to Petitioner's overall total system net energy requirement. He stated that the same methodology should applied consistently to allocate the non-fuel costs and OSS margins of Petitioner's generation resources for determining Petitioner's expenses and benefits represented in the earnings test, and that Petitioner should have an opportunity to recover the fixed cost associated with the generation being used to serve Indiana's growing load and to support the OSS recognized here.

Regarding the application of the monthly jurisdictional factors to the OSS margins, Mr. Loveman stated that Mr. Lantrip applied the factors beginning January 2025, which led to Mr. Lantrip calculating a different final revenue requirement from what Mr. Loveman calculated. Mr. Loveman testified that the factors should begin in June 2025 and not January 2025 to align the allocation of generation-related costs and OSS margins with Petitioner's semi-annual FAC filings. Mr. Loveman explained that the Petitioner began applying the factors in its earnings test in June 2025, the last month of the Reconciliation Period, and that prior FAC filings included earnings test credits that did not recognize the updated allocation factors for the fixed costs and OSS margins associated with Petitioner's generation resources. He explained that increasing the level of OSS margins allocated to Indiana retail customers beginning in January 2025 would reduce the total earnings test credit Petitioner's customers benefited from in Cause No. 38702 FAC 95.

Mr. Loveman stated that, after updating the jurisdictional allocation factors applied to OSS margins for June 2025 and the forecasted jurisdictional allocation factors to forecasted OSS margins in the Forecast Period, I&M's total revenue requirement is $295,260,452, as noted in Petitioner's Exhibit 5, Attachment CRL-1R. He explained this is approximately $7.6 million less than what was presented in Petitioner's direct case.

Mr. Loveman stated that Petitioner calculated a revised rate impact to reflect the change in the OSS allocation. He stated a residential customer using 1,000 kWh of electricity per month will see a monthly rate decrease of $6.16 or 3.6%. He testified that Attachment CRL-6R showed the percentage decreases at various usage levels for Petitioner's major tariff schedules. He stated that the calculations were based upon Petitioner's rates in effect as of October 1, 2025, the same date as Petitioner's direct case.

7. **<u>Commission Discussion and Findings</u>.** Under the OSS/PJM Cost Rider, Petitioner tracks recovery through its retail rates of charges and credits related to OSS margins allocated to the Indiana retail jurisdiction and tracks recovery from certain I&M costs and revenues related to its membership in PJM. Petitioner's proposed factors reflect the reconciliation of its OSS margins and PJM costs for the Reconciliation Period and the forecast of OSS margins and PJM costs for the Forecast Period. The OUCC recommended the same jurisdictional allocation factors for Petitioner's OSS margins as for its PJM costs, and further recommended that the OSS/PJM Rider factors begin on the first full billing cycle following this Order. In rebuttal, I&M recommended that the OUCC's proposal on allocation OSS margins be approved only if the allocation aligned with the allocation of generation-related costs in I&M's FAC earnings test beginning June 2025. . Based on Joint Exhibit 1, the OUCC does not object to this approach. In this instance, the Commissison finds this to be reasonable.

Based on the evidence presented, the Commission finds that I&M's proposed factors, as revised, are reasonable and should be approved. We find Petitioner should be authorized to apply its requested factors to its Indiana retail tariffs until modified by the Commission. Petitioner's Exhibit 5, Attachment CRL-4R sets forth the proposed factors for each customer class as follows:

Tariff Class	¢/kWh	$/kW
RS, RS-TOD, RS-TOD2, RS-OPES, RSD, RS-PEV, and RS-CPP	2.2753	--
GS (up to 4,500 kWh)	1.7635	--
GS (over 4,500 kWh), LGS, and LGS-TOD	(0.4297)	
GS (over 10kW), LGS and LGS-TOD		6.666
GS-LM-TOD, GS-TOD2, GS Unmetered, GS-TOD, GS-PEV, GS-CPP, and LGS-LM-TOD	1.7635	--
IP and CS-IRP2	(0.4297)	7.316
MS	2.2053	--
WSS	1.2002	--
IS	0.4839	--
EHG	(0.4297)	5.109
OL	(0.3140)	--
SLS, ECLS, SLC, SLCM, and FW-SL	(0.3075)	--

Upon implementation, the bill of a typical residential customer using 1,000 kWh per month will decrease by approximately $6.16 or 3.6%.

8. **<u>Confidentiality</u>.** On October 23, 2025, I&M filed a motion for protection and nondisclosure of confidential and proprietary information, which was supported by affidavit showing customer-specific load information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2, and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. In a Docket Entry dated October 29, 2025, the Presiding Officers found the information should be held confidential on a preliminary basis. After review of the information and consideration of the affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held as confidential and protected from public access and disclosure by the Commission.

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

1. Petitioner is authorized to implement its requested OSS/PJM Cost Rider Adjustment factors as outlined above.

2. Prior to implementing the OSS/PJM Cost Rider adjustment factors, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall become effective on I&M's first billing cycle of the first month after the Order date, subject to Division review and agreement with the amounts reflected.

3. The information filed in this Cause pursuant to Petitioner's motions for protective order is deemed confidential pursuant to Ind. Code § 5-14-3-4, is exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

4. This Order shall be effective on and after the date of its approval.

<u>ZAY, DEIG, SWINGER, AND VELETA CONCUR; ZIEGNER ABSENT</u>:

APPROVED: MAY 20 2026

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

Dana Kosco
Digitally signed by Dana Kosco
Date: 2026.05.20 10:21:31 -04'00'

Dana Kosco
Secretary of the Commission