

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M) FOR AN ORDER)
AUTHORIZING (1) PRE-APPROVAL OF A)
CAPACITY PURCHASE AGREEMENT (CPA)) CAUSE NO. 45869
AND (2) TIMELY RECOVERY OF COSTS)
THROUGH I&M'S RESOURCE ADEQUACY)
RIDER (RAR) OF THE COST OF CAPACITY I&M)
WILL INCUR UNDER THE CPA.)

SUBMISSION OF DIRECT TESTIMONY OF
DAVID A. LUCAS

Applicant, Indiana Michigan Power Company (I&M), by counsel, respectfully submits the direct testimony and attachment of David A. Lucas in this Cause.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 30th day of March, 2023, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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I&M Exhibit: _____

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

DAVID A. LUCAS

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**DIRECT TESTIMONY OF DAVID A. LUCAS
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY**

I. Introduction of Witness

1 **Q1. Please state your name and business address.**

2 My name is David A. Lucas and my business address is Indiana Michigan
3 Power Center, P.O. Box 60, Fort Wayne, IN 46801.

4 **Q2. By whom are you employed and in what capacity?**

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

7 **Q3. Briefly describe your educational background and professional
8 experience.**

9 I have a Bachelor Degree in Business Management and a Master of Business
10 Administration from Marshall University. I have completed the Program for
11 Leadership Development at Harvard Business School and the American Electric
12 Power (AEP) Leadership Development Program at The Ohio State University.

13 I am a registered Project Management Professional (PMP). Prior to joining AEP,
14 I worked for more than 12 years in the heavy industrial construction industry. I
15 was an officer and Director of Business Operations for Williams Service Group,
16 Inc. My responsibilities in this position included working with the executive
17 management teams in multiple business units to develop strategic plans and
18 manage the financial functions of the business units.

19 I joined AEP in January 2005 as Manager – Financial Analysis & Budgeting
20 SCR and Environmental. My primary roles since joining AEP have been in the
21 areas of project management, budgeting, and project controls where I have
22 served as Manager – Project Cost Management and Director – Project Controls.

1 I also held the position of Director – Environmental Retrofits from November
2 2010 – January 2013.

3 In April 2014, I was named I&M's Vice President of Finance. In November 2016,
4 I was named I&M's Vice President Finance and Customer Experience. In
5 January 2021, I began my current role as Vice President – Regulatory and
6 Finance.

7 **Q4. Have you previously testified before any regulatory commissions?**

8 Yes. I have provided testimony in multiple I&M rate cases before the Indiana
9 Utility Regulatory Commission (IURC or Commission) docketed as Cause Nos.
10 45576, 45235 and 44967. I also provided testimony in I&M's Indiana South
11 Bend Solar case - Cause No. 45245. Additionally, I have provided testimony in
12 Michigan Public Service Commission (MPSC) Case Nos. U-20359, U-18370, U-
13 21189 and U-21377.

14 **Q5. What are your responsibilities as Vice President – Regulatory and**
15 **Finance?**

16 I am responsible for managing the integrated financial plan and strategic
17 planning process for all I&M business units – Fossil & Hydro Generation,
18 Nuclear Generation, Transmission, and Utility Operations – which includes
19 distribution, customer services and marketing, regulatory services, energy
20 efficiency and demand side management, and other corporate support groups.

21 I am also responsible for managing the business operations, project controls,
22 continuous improvement, energy efficiency strategy and regulatory services
23 organizations. I also serve as an Executive Sponsor on various projects and
24 strategic initiatives across the Company.

II. Purpose of Testimony

1 **Q6. What is the purpose of your testimony?**

2 My testimony provides an overview of the relief I&M is seeking in this
3 proceeding, and discusses the importance of a timely decision. I describe the
4 Company and our work to meet our customers' ongoing needs and interests in
5 reliable, affordable and sustainable generation resources through further
6 diversification of our generation resources. I discuss the retirement of the
7 Company's Rockport generating facility and the need to replace this capacity to
8 serve customers. I introduce the Capacity Purchase Agreement (CPA) with
9 Rockland Capital for generation capacity from the Montpelier Electric
10 Generating Station (Montpelier) and the Company's request for approval in this
11 case.

12 **Q7. Are you familiar with the Petition in this proceeding and the relief that it**
13 **seeks?**

14 Yes.

15 **Q8. Are you sponsoring any attachments?**

16 Yes, I am sponsoring I&M Attachment DAL-1 – Verified Petition, which also
17 includes an index of witnesses.

18 **Q9. Was this attachment prepared or assembled by you or under your**
19 **direction and supervision?**

20 Yes.

III. Overview of I&M's System and Resources

1 **Q10. Please describe I&M and its organizational structure.**

2 I&M provides electric service to approximately 476,000 retail customers in
3 northern and east-central Indiana and 131,000 retail customers in southwestern
4 Michigan. I&M operates generation, transmission and distribution plant and
5 equipment in Indiana and Michigan as a single integrated system that provides
6 electric service to its retail and wholesale customers in both states.

7 I&M is subject to the regulatory authority of the Indiana Utility Regulatory
8 Commission (IURC), the Michigan Public Service Commission (MPSC), and the
9 Federal Energy Regulatory Commission (FERC). I&M is a member of the PJM
10 Interconnection, LLC, a regional transmission organization (RTO) serving the
11 eastern portion of the country.

12 **Q11. Please describe the relationship between AEP and I&M.**

13 AEP owns electric operating companies, including I&M, located in the
14 Midwestern and Central parts of the country. To effectively manage the costs of
15 common activities, American Electric Power Service Corporation (AEPSC)
16 provides corporate support services to the operating companies, including
17 generation-related services, project management, integrated planning, human
18 resources, information technology, accounting, finance, and legal.

19 I&M as a member of PJM is located in the AEP System – East Zone (AEP East).
20 AEP's operating companies, including I&M, are responsible for day-to-day
21 operations and management of local business affairs, including responsibility
22 and accountability for the operation of each operating company's generating
23 plants.

24 **Q12. Please describe I&M's existing generation portfolio of resources.**

25 I&M's existing generation portfolio is currently comprised of two large central
26 station resources, the Cook Nuclear Plant located in Bridgman, Michigan and
27 the Rockport Plant, located in southern Indiana. In addition, I&M has purchase

1 power agreements with four wind farms and Ohio Valley Electric Corporation,
2 and a suite of relatively small owned solar and run-of-river hydro resources. The
3 specific resources are summarized in Table 5 on page 59 of the Company's
4 Integrated Resource Planning Report.¹

5 **Q13. Please describe the Company's future plans for the Rockport facility.**

6 I&M has committed to retire Rockport Unit 1 and Unit 2 by the end of 2028. At
7 this time, and for purposes of I&M's most recent Integrated Resource Plan
8 (IRP)², we assume Rockport Unit 1 will operate through 2028. With respect to
9 Unit 2, I&M's and American Electric Power Generating Company's (AEG) lease
10 interests terminated on December 7, 2022. I&M and AEG reacquired the unit in
11 December, 2022, as approved by FERC and allowed by a declination of
12 jurisdiction order issued by the IURC. Consistent with a settlement I&M reached
13 with its Indiana stakeholders in that declination of jurisdiction proceeding, I&M
14 will use Rockport Unit 2 as a capacity-only resource for its Indiana customers
15 from the end of the lease through May 31, 2024³, after which it will transition to a
16 "merchant" resource in the PJM wholesale market until it is retired.

17 **Q14. What steps has the Company taken to date to transition its generation**
18 **portfolio?**

19 I&M began its generation transition in 2015 with the retirement of the Tanners
20 Creek plant, a 995MW four unit coal facility that was located in Lawrenceburg,
21 Indiana. As a result of the retirement of Tanners Creek and an increase in
22 renewable resources, I&M's carbon emissions as an integrated system have
23 declined by 79 percent since 2005. I&M also added its largest solar facility to
24 date, the St. Joseph solar facility (20MW), in 2021. In 2021, more than 80

¹ Indiana Michigan Power, Integrated Resource Planning Report to the IURC, January 31, 2022.

² <https://www.indianamichiganpower.com/community/improving-our-community/projects/irp/or> IURC website.

³ According to the terms of the Settlement Agreement approved in Cause No. 45546 (IURC Dec. 8, 2021).

1 percent of I&M's energy used to serve customers was generated from carbon-
2 free resources.

3 Looking forward, I&M has plans to replace the capacity from Rockport through a
4 responsible transition to a combination of intermittent renewable generation
5 resources and dispatchable natural gas resources. I&M has made a CPCN
6 filing⁴ with the IURC for the first tranche of intermittent renewable resources and
7 this proceeding is seeking approval of the Montpelier CPA that will provide firm
8 capacity for I&M's customers.

IV. I&M's Vision for the Future

9 **Q15. Please provide an overview of I&M's ongoing efforts to meet the need for**
10 **electric service to I&M's Indiana service territory.**

11 I&M is on the brink of a major generation transformation as Rockport Unit 1 and
12 Unit 2 retire from service by the end of 2028. These coal-fired resources
13 represent nearly one-half of the Company's generation fleet and the retirement
14 of these units provides a significant opportunity for I&M to transition to more
15 renewable resources, further diversify I&M's generation portfolio, and reduce its
16 carbon emissions.

17 I&M's vision for the future is an integrated approach to planning that will be used
18 to develop resource solutions that provide a reliable and resilient electric power
19 system. New resources, when combined with I&M's existing resources, will
20 provide a diversified and flexible portfolio of supply-side and demand-side
21 resources that will stabilize energy costs over time, stimulate economic
22 development growth, reduce emissions, and take advantage of new
23 technologies.

⁴ Cause No. 45868

1 The Petition in this proceeding seeks approval of a resource that is consistent
2 with the Company's 2021 IRP, the planning tool the Company utilizes to
3 determine how to meet the ongoing need for reliable and economic electric
4 demand in the Company's service area. The Montpelier CPA provides firm
5 capacity that is consistent with the capacity benefits associated with the fully
6 dispatchable combustion turbine resources in the Company's Preferred Portfolio
7 and is an important step in replacing the capacity from the Rockport facility by
8 the end of 2028.

9 **Q16. Is I&M's vision for the future and the proposals presented in this**
10 **proceeding consistent with Indiana's energy policy, as outlined in the 21st**
11 **Century Development Task Force report?**

12 Yes. The 21st Century Energy Policy Development Task Force established two
13 frameworks that shape Indiana's energy policy. The first framework is "The Five
14 Pillars of Electric Utility Service" and includes: 1) Reliability; 2) Resilience; 3)
15 Stability; 4) Affordability; and 5) Environmental Sustainability. The second
16 framework is "A Managed Transition to Renewable Energy Resources" and
17 reinforces that "the transition to an increased reliance on renewable energy
18 resources must be managed in a way that doesn't compromise the reliability,
19 resiliency, and stability of electric utility service, and that maintains affordability
20 for all customer classes."⁵

21 The objectives and metrics that I&M used during the IRP process to determine
22 the Preferred Portfolio were very closely aligned with the work of the 21st
23 Century Energy Policy Development Task Force. I&M's primary objectives were
24 Affordability, Sustainability, and Reliability and Resource Diversification. I&M's
25 Preferred Portfolio additions, when combined with I&M's current generation
26 resources, directly align with Task Force findings by providing a diverse

⁵ 21st Century Energy Policy Development Task Force Draft Final Report, October 19, 2022, pages 8-9;
available at: <https://iga.in.gov/documents/121e6215>.

1 resource mix that leverages the strengths of, and mitigates the weaknesses
2 inherent in, each type of generation resources.⁶

3 The Montpelier CPA is a critical element in implementing this Preferred Portfolio.

V. Overview of the Project and Relief Sought

4 **Q17. Please describe the Montpelier CPA.**

5 The Montpelier CPA is a capacity-only contract I&M has entered into with
6 Rockland Capital for 210 MW of firm capacity from the Montpelier Electric
7 Generating station. I&M's contract does include any energy purchases.

8 The Montpelier Generating Station is an existing natural gas combustion turbine
9 facility that went into commercial operation in 2001 and is located in Poneto, IN
10 (Wells County). This facility is connected to the AEP transmission system. The
11 contract term for the Montpelier CPA is seven years, starting in PJM capacity
12 year 2027/2028 and ending in 2033/2034. I&M has established the term of this
13 CPA to better align with the scheduled expiration of existing wholesale
14 contracts. Company witness Gaul provides additional detail on the terms of the
15 Montpelier CPA in his testimony.

16 **Q18. What relief is I&M seeking in this proceeding?**

17 I&M requests the Commission approve the Montpelier CPA described in this
18 proceeding and authorize the timely recovery of costs through the Resource
19 Adequacy Rider, as explained by Company witness Williamson.

⁶ 21st Century Energy Policy Development Task Force Draft Final Report, October 19, 2022, page 9.

VI. Introduction of the Preferred Portfolio

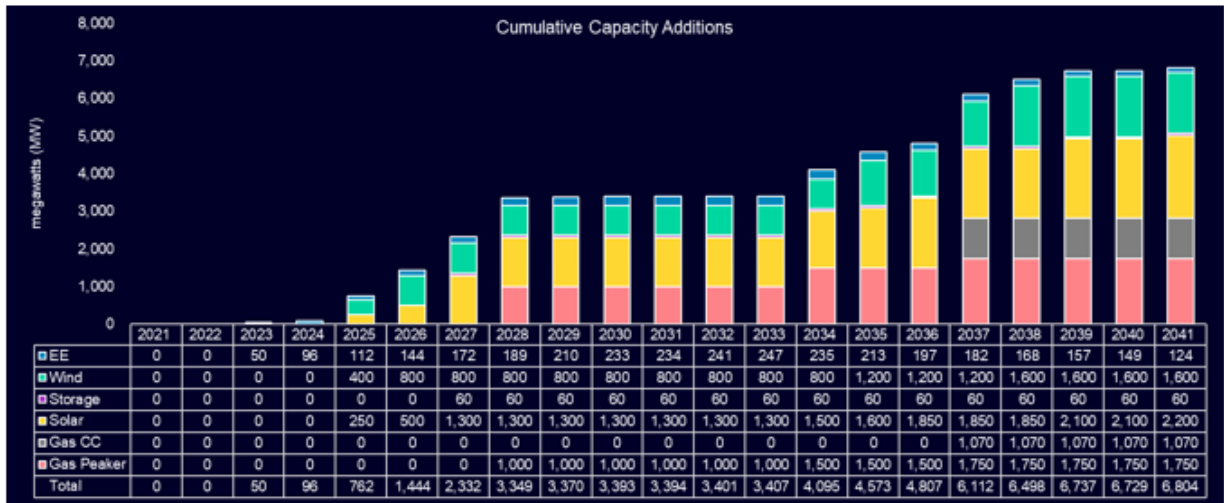
1 **Q19. Please briefly describe the Preferred Portfolio that supports the Montpelier**
2 **CPA.**

3 As described in detail by Company witness Becker, over a nine-month period in
4 2021, I&M conducted a comprehensive IRP process to evaluate the Company's
5 future load obligations and the resources that were necessary to fulfill those
6 obligations. The IRP process ultimately resulted in a Preferred Portfolio, which
7 was the result of extensive modeling, analysis, and stakeholder engagement.

8 As recognized in the IRP, the Company has clearly identified a need for new
9 supply-side and demand-side resources beginning in 2024 through 2028 to
10 replace the capacity and energy associated with retirement of the Company's
11 Rockport facility by 2028.⁷ The Company's Preferred Portfolio is a reasonable
12 least cost plan that best balances the Company's IRP objectives related to
13 affordability, sustainability, reliability, and resource diversification, while also
14 limiting exposure to future market risks and providing the Company with needed
15 flexibility for future decisions at our Cook Nuclear Plant. Figure DAL-1 provides
16 an overview of the cumulative capacity additions (representing installed capacity
17 ratings or ICAP) included in the Preferred Portfolio.

⁷ Indiana Michigan Power, Integrated Resource Planning Report to the IURC, January 31, 2022.

1 **Figure DAL-1 – Preferred Portfolio Cumulative Capacity Additions**



2

3 **Q20. What is the status of the Company’s Preferred Portfolio?**

4 The MPSC is required to review and approve IRPs through a formal docketed
 5 proceeding. Throughout 2022, the Company was engaged in a case before the
 6 MPSC to review and approve the Company’s IRP and Preferred Portfolio.⁸ The
 7 IRP submitted in the case before the MSPC was the same company-wide IRP
 8 submitted to the Commission on January 31, 2022. The review process was
 9 resolved via a settlement agreement that was approved by the MPSC on
 10 February 2, 2023.

11 As a result of this settlement agreement, the Company’s Preferred Portfolio
 12 included some modifications to decrease the amounts of natural gas and
 13 increase the amounts of battery storage capacity compared to the Preferred
 14 Portfolio submitted to the Commission on January 31, 2022. The Company
 15 intends to submit an update with the Commission later to align both states to
 16 one common Preferred Portfolio for the Company.

17 With respect to the Montpelier CPA that is the subject of this proceeding, the
 18 modifications to the Company’s Preferred Portfolio do not change the capacity
 19 need or the type of resources that are proposed to meet that need. Put another

⁸ Michigan Public Service Commission Case Number U-21189.

1 way, the Company continues to have a need starting in 2025 to replace the
2 Rockport capacity and the Preferred Portfolio continues to address that need
3 through a combination of renewables, battery storage, and natural gas capacity
4 additions.

VII. Competitive Procurement Process

5 **Q21. Did I&M utilize a Competitive Procurement Process to select the**
6 **Montpelier CPA?**

7 Yes. As discussed in detail by Company witness Gaul, the Company developed
8 a 2022 All-Source Request for Proposal (RFP) to solicit responses from the
9 market for capacity resource needs identified in the Company's Preferred
10 Portfolio for the 2025/2026 and 2026/2027 PJM Planning Years. The RFP was
11 designed in a way that allowed for an open, non-discriminatory competitive
12 procurement process that considered both third-party and utility ownership,
13 resource types or combinations of resource types, various sizes and capacities
14 within practical limits, ancillary services, and cost reducing benefits. The RFP
15 was also structured to comply with the terms of the Settlement Agreement
16 approved by the Commission in Cause No. 45546. I&M will issue another RFP
17 in 2023 for the remaining capacity resource needs through 2028.

18 **Q22. Did the Company use an Independent Monitor as a part of the competitive**
19 **procurement process?**

20 Yes. The Company utilized Charles River & Associates (CRA) to fulfill the role
21 of Independent Monitor. In addition to the defined role of an Independent
22 Monitor, CRA also managed the stakeholder process on behalf of the Company
23 and ensured all stakeholder feedback was received by the Company and
24 reasonably considered in the RFP process. Please see witness Koujak's
25 testimony for more detailed information on the role of CRA and their report.

1 **Q23. Is the Montpelier CPA the result of a Competitive Procurement Process**
2 **and is it consistent with the Preferred Portfolio?**

3 Yes.

4 **Q24. Please explain.**

5 The IRP is a planning process to determine capacity requirements and the
6 optimal resource selections based on modeling assumptions, resulting in a
7 Preferred Portfolio. These assumptions utilize the best information available at
8 the time relative to the supply, costs, and operating characteristics of each of the
9 resource types.

10 The All-Source RFP utilizes the results of the IRP planning process to determine
11 the amount and types of capacity resources to target. It is the market, however,
12 that ultimately determines what actual resources are available at the time of the
13 solicitation and the costs of specific resources. It is not unusual that what is
14 available in the market at the point in time the RFP is issued may differ from the
15 assumptions that are used in the IRP.

16 I&M received responses from the RFP that were aligned with the overall
17 capacity amounts requested in the RFP, however, the breakdown of capacity
18 across the various technology types differed. I&M received a robust response to
19 the RFP from solar projects and other qualified supplemental capacity
20 resources, including thermal, and standalone storage resources. The
21 responses for wind projects were less than the amount originally targeted in the
22 RFP, notwithstanding I&M's efforts to reach a broader set of wind resources in
23 neighboring states and in MISO. Company witness Gaul provides a detailed
24 breakdown of the proposals received by each technology type.

25 The Montpelier CPA requested for approval in this case is the result of a
26 Competitive Procurement Process and is one of the best scoring projects
27 available in the market to fulfill the capacity need consistent with that identified
28 through the IRP planning process. In addition, the Montpelier CPA provides firm

1 capacity that is consistent with the capacity benefits associated with the fully
2 dispatchable combustion turbine resources in the Company's IRP.

VIII. Timeline

3 **Q25. Is a timely decision important?**

4 Yes. I&M asks the Commission to issue a decision consistent with the
5 procedural schedule agreed to between the Company and the OUCC. A timely
6 decision in this proceeding is a critical step for I&M to meet its contract
7 commitments and to be able to include the Montpelier CPA in the Company's
8 future capacity plan submittals to PJM for the 2027/2028 PJM Planning Year.

IX. Benefits of the Montpelier CPA

9 **Q26. Please describe the benefits customers will experience as a result of the** 10 **Montpelier CPA.**

11 The Montpelier CPA is a relatively unique opportunity that provides a number of
12 benefits to I&M customers, including:

- 13 • The Montpelier CPA is one of the best scoring projects from the 2022
14 All Source RFP which means, when compared to alternatives
15 available in the market, this project is one of the best alternatives the
16 Company has to meet its capacity obligations.
- 17 • The Montpelier CPA, when combined with I&M's existing generation
18 resources and other new capacity additions identified in the IRP,
19 provides I&M with a diversified generation portfolio that takes
20 advantage of the positive attributes of each generation resource to
21 provide safe and reliable service to I&M's customers.

- 1 • The term of the Montpelier CPA allows the Company to better align its
2 capacity resources with expected changes in its capacity obligation as
3 wholesale contracts reach their expiration date.
- 4 • The Montpelier CPA allows the Company to utilize an existing
5 generation resource located in Indiana to meet its capacity obligation.
6 Utilizing an existing resource eliminates siting concerns, delays in
7 interconnect approvals, supply chain concerns, and a number of other
8 potential risks associated with new generation resources.
- 9 • The Montpelier CPA provides an opportunity to balance I&M's
10 immediate need for firm long-term capacity with the opportunity in
11 seven years to re-evaluate options for flexible and dispatchable
12 resources. This will allow I&M to consider, and potentially take
13 advantage of, new technologies that have matured and become
14 commercially available that support the Company's net zero goals.

15 **Q27. Does the Montpelier CPA provide a financial benefit to I&M's customers?**

16 Yes. The Montpelier CPA is an integral part of the I&M's overall generation
17 transition strategy as we replace the Rockport facility. In I&M's most recent rate
18 case, I&M adjusted customer rates to reflect cost reductions associated with the
19 transition of Rockport Unit 2. As discussed by Company witness Williamson,
20 when considering the Montpelier CPA, the Clean Energy Projects requested for
21 approval in Cause No. 45868, and the recent cost reductions associated with
22 Rockport Unit 2, combined, represent a significant cost reduction opportunity for
23 I&M's customers.

24 **Q28. Does the Montpelier CPA support the responsible generation transition
25 strategy supported by PJM?**

26 Yes. In PJM's "Renewable Energy Transition Study" published December 2021,
27 one of the five key focus areas was that "thermal generators provide essential

1 reliability services today and an adequate supply will be needed until a
2 substitute is deployed at scale.”⁹

3 The Montpelier CPA provides I&M an opportunity to enter into a relatively short-
4 term capacity only contract to manage I&M’s generation transition as the
5 Rockport facility retires in 2028 through 2034. Having this resource available as
6 I&M adds a significant amount of renewables to the I&M system is a responsible
7 step to ensure the Company has firm capacity available to serve customers.
8 This is in direct alignment with PJM’s assessment and is a positive resource
9 addition to the Company’s portfolio as we better understand the capacity
10 performance of renewable resources within PJM.

X. Conclusion

11 **Q29. What is your conclusion and recommendation?**

12 I&M’s IRP process has clearly established a need for capacity. The Montpelier
13 CPA is the result of a Competitive Procurement Process and represents a
14 reasonable, least cost option for the Company to utilize in meeting its ongoing
15 obligation to provide adequate and reliable service and facilities. The Montpelier
16 CPA provides a unique opportunity for the Company to use existing resources to
17 replace needed capacity in a timeframe that is well aligned with expected
18 changes in I&M’s future capacity obligations. The CPA will benefit customers,
19 help ensure continued system reliability, and is in the public interest.

20 Therefore, I&M requests the Commission approve the Montpelier CPA and
21 authorize the timely recovery of costs through the Resource Adequacy Rider.

22 **Q29. Does this conclude your pre-filed verified direct testimony?**

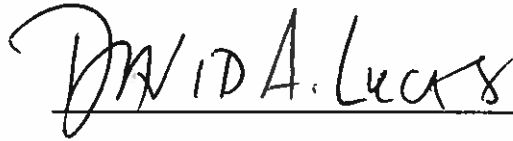
23 Yes, it does.

⁹ Energy Transition in PJM: Frameworks for Analysis, December 15, 2021, page 2, available at: [20211215-item-09-energy-transition-in-pjm-whitepaper.ashx](https://www.pjm.com/~/media/committees-and-panels/energy-transition-in-pjm-whitepaper/20211215-item-09-energy-transition-in-pjm-whitepaper.ashx)

VERIFICATION

I, David A. Lucas, I&M Vice President – Regulatory and Finance, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: 3-30-23

A handwritten signature in black ink that reads "DAVID A. Lucas". The signature is written in a cursive style with a large, looping initial "D".

David A. Lucas

Attachment DAL-1 – Verified Petition

[NOT REPRODUCED HEREIN]