

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M) FOR APPROVAL OF)
(1) ISSUANCE TO I&M OF CERTIFICATES OF)
PUBLIC CONVENIENCE AND NECESSITY)
UNDER IND. CODE § 8-1-8.5-2 FOR THE)
ACQUISITION AND DEVELOPMENT THROUGH)
PURCHASE SALE AGREEMENTS (PSA) OF)
TWO SOLAR POWER GENERATING FACILITIES)
TO BE KNOWN AS LAKE TROUT, AND)
MAYAPPLE (CLEAN ENERGY PSA PROJECTS);)
(2) TO THE EXTENT NECESSARY, ISSUANCE)
OF AN ORDER PURSUANT TO IND. CODE § 8-1-)
2.5-5 DECLINING TO EXERCISE JURISDICTION) CAUSE NO. 45868
UNDER IND. CODE § 8-1-8.5-5(e) (3) APPROVAL)
OF EACH PSA PROJECT AS A CLEAN ENERGY)
PROJECT UNDER IND. CODE § 8-1-8.8-11; (4))
APPROVAL OF TWO SOLAR RENEWABLE)
ENERGY PURCHASE AGREEMENTS FOR)
PROJECTS TO BE KNOWN AS ELKHART)
COUNTY AND SCULPIN (CLEAN ENERGY PPA)
PROJECTS) AS CLEAN ENERGY PROJECTS)
UNDER IND. CODE § 8-1-8.8-11; (5))
ASSOCIATED TIMELY COST RECOVERY)
UNDER IND. CODE § 8-1-8.8-11 FOR ALL PSA)
AND PPA PROJECTS; AND (6) OTHER)
ACCOUNTING AND RATEMAKING AUTHORITY.)

**I&M'S SUBMISSION OF RESPONSE TO
DOCKET ENTRY DATED JUNE 20, 2023**

Petitioner Indiana Michigan Power Company (I&M), by counsel, hereby submits
the attached response to the Docket Entry dated June 20, 2023.

Respectfully submitted,



Teresa Morton Nyhart (Atty. No. 14044-49)

Lauren Aguilar (Atty. No. 33943-49)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Aguilar Phone: (317) 231-6474
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Aguilar Email: laguilar@btlaw.com

Tammara D. Avant (Atty. No. 31466-49)
American Electric Power Service Corporation
101 W. Ohio St., Suite 1320
Indianapolis, Indiana 46204
Phone: (317) 508-9262
Email: tdavant@aep.com

Attorneys for
Indiana Michigan Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 22nd day of June, 2023, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

T. Jason Haas
Indiana Office of Utility Consumer
Counselor
Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov
thaas@oucc.in.gov

Jeremy L. Fetty
J. Michael Deweese
PARR RICHEY FRANDSEN
PATTERSON KRUSE LLP
201 N. Illinois Street, Suite 1800
Indianapolis, IN 46204
jfetty@parrlaw.com
jdeweese@parrlaw.com

Jennifer A. Washburn
Citizens Action Coalition
1915 West 18th Street, Suite C
Indianapolis, Indiana 46202
jwashburn@citact.org

Copy to:
Reagan Kurtz
rkurtz@citact.org



Lauren Aguilar

Teresa Morton Nyhart (Atty. No. 14044-49)
Lauren Aguilar (Atty. No. 33943-49)
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Aguilar Phone: (317) 231-6474
Fax: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Aguilar Email: laquilar@btlaw.com

Tammara D. Avant (Atty. No. 31466-49)
American Electric Power Service Corporation
101 W. Ohio St., Suite 1320
Indianapolis, Indiana 46204
Phone: (317) 508-9262
Email: tdavant@aep.com

Attorneys for INDIANA MICHIGAN POWER COMPANY

DMS 26715056v1

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. IURC DR 1
IURC CAUSE NO. 45868

DATA REQUEST NO IURC 1-01

REQUEST

I&M Attachment BT-1 presents the estimated capacity factors for Lake Trout as 23.64% and Mayapple as 21.74%. I&M Attachment AJW-2 presents a comparison of the estimated PTC and ITC for these same projects.

1. What level of confidence does I&M have in the estimated capacity factors of Attachment BT-1, and what is the support I&M is relying on for that confidence?

RESPONSE

I&M contracted a 3rd party solar engineering firm, DNV, to conduct an independent analysis of the Lake Trout and Mayapple proposals during the RFP process and develop a modeled capacity factor for the projects. These analyses are attached as IURC 1-01 Confidential Attachment 1 and Attachment 2, respectively. DNV's analysis considered a wide range of detailed project information and site variables, including information on the solar array, inverter, transformer, power line, and conditions of the physical site. Notably, the primary driver in the different capacity factors for the Lake Trout and Mayapple Projects is the developers' selected solar module manufacturer. First Solar panels, which are used in the Mayapple Project, use a thin film Cadmium Telluride technology that has a lower capacity factor relative to the modules used in EDF's Lake Trout Project.

The capacity factors represent the P50 level of confidence. P50 is the statistical level of confidence that that the predicted solar energy production may be exceeded with 50% probability.

INDIANA MICHIGAN POWER COMPANY
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST SET NO. IURC DR 1
IURC CAUSE NO. 45868

DATA REQUEST NO IURC 1-02

REQUEST

I&M Attachment BT-1 presents the estimated capacity factors for Lake Trout as 23.64% and Mayapple as 21.74%. I&M Attachment AJW-2 presents a comparison of the estimated PTC and ITC for these same projects.

At what estimated capacity factor for these projects would the comparison presented in AJW-2 no longer favor the PTC over ITC choice proposed by I&M?

RESPONSE

I&M estimates that the capacity factor for these projects would have to decrease by over 2% before ITC would be a more comparable option. However, capacity factor is not the only variable to consider when choosing between ITC and PTC. ITC are subject to the normalization requirements of the Internal Revenue Code (IRC) whereas PTC are not. Due to the normalization requirements of the IRC, an ITC cannot be passed to customers until I&M is able to offset its tax liability.¹ This means that unless an ITC is sold to a third party, the ability to pass the benefit of an ITC to customers is limited by the tax capacity of I&M and not of the AEP the consolidated return group. Because the PTC is not subject to the normalization requirements the tax capacity of the AEP consolidated return group can be considered in the utilization of the credits.

It should be noted, that the Lake Trout and Mayapple PSAs also contain a provision whereby the parties will jointly engage a 3rd party solar engineer, DNV, to conduct the same independent solar analysis described in Q1 to determine the modeled capacity factor of the project at contract execution and closing at or near the Commercial Operation Date. As described in the PSAs, this provision would proportionally reduce the purchase price of the projects if the estimated capacity factors are reduced in the period of time between execution of the contract and closing. As a result, both the ITC and PTC value would be impacted by changes to the facility that result in a reduced estimated capacity factor.

¹ Revenue Ruling 81-16