

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 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.)**

CAUSE NO. 45868

**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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The undersigned hereby certifies that a copy of the foregoing was served this 28th 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
14 AEP, I worked for more than 12 years in the heavy industrial construction
15 industry. I was an officer and Director of Business Operations for Williams
16 Service Group, Inc. My responsibilities in this position included working with the
17 executive management teams in multiple business units to develop strategic
18 plans and 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
4 2016, 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 energy through further diversification of our
6 generation resources. I discuss the retirement of the Company's Rockport
7 generating facility and the need to replace this capacity to serve customers. I
8 introduce the portfolio of solar projects requested for approval in this case and
9 discuss how the Company will manage these projects (referred to herein as
10 Clean Energy Projects). I also discuss the benefits associated with the Clean
11 Energy Projects and why Commission approval of the projects serves the public
12 convenience and necessity.

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

15 Yes.

16 **Q8. Are you sponsoring or co-sponsoring any attachments?**

17 Yes, I am sponsoring Attachment DL-1 – Verified Petition, which also includes
18 an index of witnesses. I am also co-sponsoring a portion of Attachment BT-1
19 and BT-2, which provides the information required under General Administrative
20 Order 2022-01.

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

23 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 IURC, the MPSC, and the
8 Federal Energy Regulatory Commission (FERC). I&M is a member of the PJM
9 Interconnection, LLC, a regional transmission organization (RTO) serving the
10 eastern portion of the country.

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

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

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

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

24 I&M's existing generation portfolio is currently comprised of two large central
25 station resources, the Cook Nuclear Plant located in Bridgman, Michigan and
26 the Rockport Plant, located in southern Indiana. In addition, I&M has purchase
27 power agreements with four wind farms and Ohio Valley Electric Corporation,

1 and owns a suite of relatively small solar and run-of-river hydro resources. The
2 specific resources are summarized in Table 5 on page 59 of the Company's
3 Integrated Resource Planning Report.¹

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

5 I&M has committed to retire Rockport Unit 1 and Unit 2 by the end of 2028. At
6 this time, and for purposes of I&M's most recent Integrated Resource Plan
7 (IRP), we assume Rockport Unit 1 will operate through 2028. With respect to
8 Unit 2, I&M's and American Electric Power Generating Company's (AEG) lease
9 interests terminated on December 7, 2022. I&M and AEG reacquired the unit in
10 December, 2022, as approved by FERC and allowed by a declination of
11 jurisdiction order issued by the IURC. Consistent with a settlement I&M reached
12 with its Indiana stakeholders in that declination of jurisdiction proceeding, I&M
13 will use Rockport Unit 2 as a capacity-only resource for its Indiana customers
14 from the end of the lease through May 31, 2024², after which it will transition to a
15 "merchant" resource in the PJM wholesale market until it is retired.

IV. I&M's Vision for the Future

16 **Q14. Please provide an overview of I&M's ongoing efforts to meet the need for**
17 **electric service to I&M's Indiana service territory.**

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

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

² According to the terms of the Settlement Agreement approved in Cause No. 45546.

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

8 The Petition in this proceeding is a result of the Company's 2021 IRP, the
9 planning tool the Company utilizes to determine how to meet the ongoing need
10 for reliable and economic electric demand in the Company's service area. The
11 proposed Clean Energy Projects in this proceeding are consistent with the
12 Preferred Portfolio that was the result of the IRP process and are an important
13 step in replacing the capacity from the Rockport facility.

14 **Q15. Has I&M already taken steps to implement this vision and make significant**
15 **reductions to its carbon emissions?**

16 Yes. I&M's carbon emissions as an integrated system have declined by 79
17 percent since 2005. This is in part due to I&M's retirement of the Tanners Creek
18 Plant in 2015, a 995MW four unit coal facility that was located in Lawrenceburg,
19 Indiana. I&M also added its largest solar facility to date, the St. Joseph solar
20 facility (20MW), in 2021. In 2021, more than 80 percent of I&M's energy used to
21 serve customers was generated from carbon-free resources.

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

25 Yes. The 21st Century Energy Policy Development Task Force established two
26 frameworks that shape Indiana's energy policy. The first framework is "The Five
27 Pillars of Electric Utility Service" and includes: 1) Reliability; 2) Resilience; 3)
28 Stability; 4) Affordability; and 5) Environmental Sustainability. The second
29 framework is "A Managed Transition to Renewable Energy Resources" and

1 reinforces that “the transition to an increased reliance on renewable energy
2 resources must be managed in a way that doesn’t compromise the reliability,
3 resiliency, and stability of electric utility service, and that maintains affordability
4 for all customer classes.”³

5 The objectives and metrics that I&M used during the IRP process to determine
6 the Preferred Portfolio were very closely aligned with the work of the 21st
7 Century Energy Policy Development Task Force. I&M’s primary objectives were
8 Affordability, Sustainability, Reliability and Resource Diversification. I&M’s
9 Preferred Portfolio additions, when combined with I&M’s current generation
10 resources, directly aligns with Task Force findings by providing a diverse
11 resource mix that leverages the strengths of, mitigates the weaknesses inherent
12 in, each type of generation resources.⁴

13 The proposed Clean Energy Projects in this proceeding are a critical element in
14 implementing this Preferred Portfolio.

V. Overview of the Projects

15 **Q17. Please describe the Clean Energy Projects.**

16 I&M is proposing the following Clean Energy Projects as a Purchase and Sale
17 Agreement (PSA) with the Company assuming ownership at completion of
18 construction, and owning and operating the facilities during energy production.

- 19 • The Lake Trout Project will be located in Indiana and will produce 245
20 MWs⁵ of solar generation. The developer for this project is EDF
21 Renewables Development, Inc. The project is expected to be operational

³ 21st Century Energy Policy Development Task Force Report, October 19, 2022, pages 8-9.
<https://iga.in.gov/documents/b304c420>

⁴ 21st Century Energy Policy Development Task Force Report, October 19, 2022, page 9.

⁵ All MW references refer to installed capacity, or ICAP.

1 by the end of April 2026. The Lake Trout Project will be capable of
2 producing enough energy to power approximately 73,500 homes.

- 3 • The Mayapple Project will be located in Indiana and will produce 224
4 MWs of solar generation. The developer for this project is Lightsource
5 bp. The project is expected to be operational by the end of May 2026.
6 The Mayapple Project will be capable of producing enough energy to
7 power approximately 67,200 homes.

8 I&M proposes the following Clean Energy Projects as a Purchase Power
9 Agreement (PPA) with the Company contracting for the capacity and energy
10 from these facilities once the resources are operational.

- 11 • The Sculpin Project will be located in Indiana and will produce 180 MWs
12 of solar generation. The developer for this project is EDF Renewables
13 Development, Inc. The project is expected to be operational by
14 December 31, 2025. The Sculpin Project will be capable of producing
15 enough energy to power approximately 54,000 homes.
- 16 • The Elkhart County Solar Project will be located in Indiana and will
17 produce 100 MWs of solar generation. The developer for this project is
18 Savion. The project is expected to be operational by December 31,
19 2025. The Savion Project will be capable of producing enough energy to
20 power approximately 30,000 homes.

21 The Clean Energy Projects are discussed in detail by Company witness Gaul.

VI. Overview of Relief Sought

Q18. Please summarize the relief sought in this proceeding.

22 I&M requests the Commission to: (1) issue a certificate of public convenience
23 and necessity (CPCN) for the acquisition and development of each of the Clean
24

1 Energy PSA Projects described in I&M's testimony; (2) to find each of the Clean
2 Energy Projects are reasonable and necessary; and (3) to encourage the
3 development of each of the Clean Energy Projects by authorizing the timely
4 recovery of costs and associated accounting and ratemaking treatment, as
5 explained by Company witness Williamson.

6 **Q19. Is I&M's request for approval of the PSA Projects and PPA Projects as**
7 **"Clean Energy Projects" consistent with the statutory purpose of Indiana**
8 **Code chapter 8-1-8.8?**

9 Yes. Each of the Clean Energy Projects is a "clean energy resource" as defined
10 in IC § 8-1-8.8-2(2). As such, I&M has been encouraged by Indiana's energy
11 policy to develop Clean Energy Projects, which will allow I&M to diversify its
12 generation portfolio and continue to develop expertise in the construction,
13 operation, and maintenance of clean energy resources. In particular, the statute
14 (IC § 8-1-8.8-1) states in part that:

15 (a)(2) The development of a robust and diverse portfolio of energy
16 production or generating capacity, including... the use of renewable
17 energy resources, is needed if Indiana is to continue to be successful in
18 attracting new businesses and jobs. . . .

19 (b) The purpose of this chapter is to enhance Indiana's energy security
20 and reliability by ensuring all of the following:

21 (1) Indiana's and the region's energy production or generating
22 capacity continues to be adequate to provide for Indiana's current
23 and future energy needs, including the support of the state's
24 economic development efforts. . . .

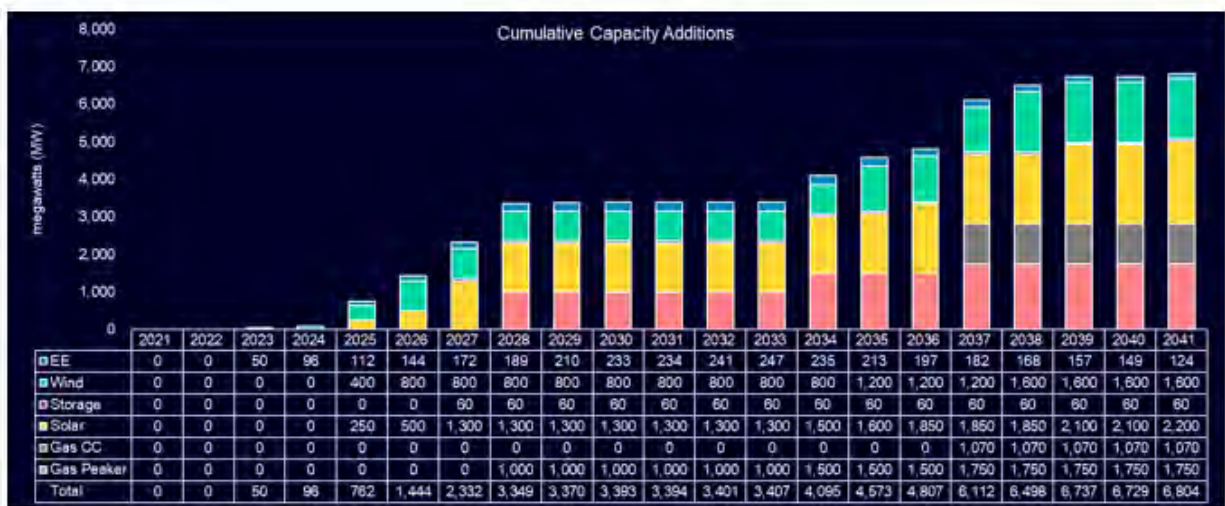
VII. Introduction of the Preferred Portfolio

Q20. Please briefly describe the Preferred Portfolio that supports the proposed Clean Energy Projects.

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

As recognized in the IRP, the Company has clearly identified a need for new supply-side and demand-side resources beginning in 2024 through 2028 to replace the capacity and energy associated with retirement of the Company’s Rockport facility by 2028. The Company’s Preferred Portfolio is a reasonable least cost plan, that best balances the Company’s IRP objectives related to affordability, sustainability, and reliability and resource diversification, while also limiting exposure to future market risks, and provides the Company with needed flexibility for future decisions at our Cook Nuclear Plant. Figure DAL-1 provides an overview of the cumulative capacity additions (representing installed capacity ratings or ICAP) included in the Preferred Portfolio submitted to the Commission on January 31, 2022.

Figure DAL-1



1 **Q21. What is the status of the Company's Preferred Portfolio?**

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

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

15 With respect to Clean Energy Projects that are the subject of this proceeding,
16 the modifications to the Company's Preferred Portfolio do not change the
17 capacity need or the type of resources that are proposed to meet that need. Put
18 another way, the Company continues to have a need starting in 2025 to replace
19 the Rockport capacity and the Preferred Portfolio continues to address that need
20 with renewable capacity additions.

VIII. Competitive Procurement Process

21 **Q22. Did I&M utilize a Competitive Procurement Process to select the proposed**
22 **Clean Energy Projects?**

23 Yes. As discussed in detail by Company witness Gaul, the Company developed
24 a 2022 All Source Request for Proposal (RFP) to solicit responses from the

⁶ Michigan Public Service Commission Case Number U-21189.

1 market for capacity resource needs identified in the Company's Preferred
2 Portfolio for the 2025/2026 and 2026/2027 PJM Planning Years. The RFP was
3 designed in a way that allowed for an open, non-discriminatory competitive
4 procurement process that considered both third-party and utility ownership,
5 resource types or combinations of resource types, various sizes and capacities
6 within practical limits, ancillary services, and cost reducing benefits. The RFP
7 was also structured to comply with the terms of the Settlement Agreement
8 approved by the Commission in Cause No. 45546. I&M will issue a second All
9 Source RFP in 2023 for the remaining capacity resource needs through 2028.

10 **Q23. Is the Company using an Independent Monitor as a part of the competitive**
11 **procurement process?**

12 Yes. The Company is utilizing Charles River & Associates (CRA) to fulfill the
13 role of Independent Monitor. In addition to the defined role of an Independent
14 Monitor, CRA also managed the stakeholder process on behalf of the Company
15 and ensured all stakeholder feedback was received by the Company and
16 reasonably considered in the RFP process. Please see witness Koujak's
17 testimony for more detailed information on the role of CRA and their report.

18 **Q24. Are the proposed Clean Energy Projects resulting from the Competitive**
19 **Procurement Process consistent with Preferred Portfolio?**

20 Yes.

21 **Q25. Please explain.**

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

27 The All Source RFP utilizes the results of the IRP planning process to determine
28 the amount and types of capacity resources to target. It is the market, however,

1 that ultimately determines what actual resources are available at the time of the
2 solicitation and the costs of specific resources. It is not unusual that what is
3 available in the market at the point in time the RFP is issued may differ from the
4 assumptions that are used in the IRP.

5 I&M received responses from the RFP that were aligned with the overall
6 capacity amounts requested in the RFP, however, the breakdown of capacity
7 across the various technology types differed. I&M received a robust response to
8 the RFP from solar projects and other qualified supplemental capacity
9 resources, including thermal, and standalone storage resources. The
10 responses for wind projects were less than the amount originally targeted in the
11 RFP, notwithstanding I&M's efforts to reach a broader set of wind resources in
12 neighboring states and in Midcontinent Independent System Operator, Inc.
13 (MISO). Company witness Gaul provides a detailed breakdown of the proposals
14 received by each technology type.

15 The Clean Energy Projects proposed in this case are the result of a Competitive
16 Procurement Process and represent the optimal set of resources available in the
17 market to fulfill the capacity need consistent with that identified through the IRP
18 planning process.

19 **Q26. Are the costs of the Clean Energy Projects consistent with the costs**
20 **utilized in the development of the Preferred Portfolio?**

21 Yes. As discussed in detail by Company witness Becker, the blended portfolio
22 costs of the Clean Energy Projects is consistent with the costs utilized in the
23 development of the Preferred Portfolio. Based on the Tier 1 and Tier 2 solar
24 prices included in the IRP process, the blended Levelized Cost of Energy
25 (LCOE) for 750MW of solar in the Preferred Portfolio would be approximately
26 \$80/MWh. The blended LCOE for the Clean Energy Project portfolio is
27 approximately [REDACTED], roughly a [REDACTED] difference from the IRP blended LCOE.

28 [REDACTED]

29 [REDACTED]

1

2

3 **Q27. Does the Preferred Portfolio include specific types of ownership**
4 **structures for the new generation resources?**

5 No. The IRP is based on resource types and costs and is agnostic to the
6 commercial structure that is used to acquire the capacity. The commercial
7 structure is determined based on the responses to the RFP and the evaluation
8 of the various ownership and contract structures. Based on the responses to
9 the All Source RFP, the Company is proposing a combination of utility-owned
10 and third-party-owned resources. It is important for our customers and the
11 Company that utility ownership is a substantial portion of the selected resource
12 mix.

13 The Company supported ownership of the Clean Energy PSA Projects helps
14 meet objectives in supplying long-term reliable, sustainable, and cost effective
15 energy for its customers and provides better alignment of utility and customer
16 needs. Regulated utilities have an obligation to provide safe and reliable supply
17 of electricity for their customers. The utility's obligation to serve, along with its
18 long-term approach to resource planning, supports the utility-ownership model
19 and distinguishes it from PPAs that have different characteristics, oversight and
20 goals. Ownership allows for greater flexibility and management discretion that
21 can maximize the value of the resource for customers over its life. Ownership
22 also provides the Commission with ongoing insight and oversight into the
23 operation and maintenance of the facilities.

IX. Timeline

24 **Q28. Is a timely decision important?**

25 Yes. I&M asks the Commission to issue a decision 120 days after the date of
26 the filing of the Petition and supporting case-in-chief. The current landscape for

1 renewable projects is rapidly evolving and a timely order in this proceeding is an
2 important and significant milestone in being able to move the Clean Energy
3 Projects forward. Regulatory approval is a specific condition precedent in the
4 developer agreements and is necessary for the Company to provide the
5 developers with a Notice to Proceed (NTP) for the projects.⁷ Also, Company
6 witness Williamson discusses I&M's request for ongoing review to ensure the
7 Commission has timely insight into the progress of the projects.

8 Additionally, as I have mentioned previously, I&M has a clear and specific need
9 for capacity associated with the Rockport facility. A timely decision is
10 reasonable and necessary to allow the Clean Energy Projects to be built,
11 commercially operable, and interconnected to the PJM system in order to be
12 used as a capacity resource for I&M customers.

X. Benefits of the Solar Projects

13 **Q29. Are the Company's proposed investments in the Clean Energy Projects** 14 **beneficial?**

15 Yes, the projects have many benefits for I&M's customers, including but not
16 limited to:

- 17 • Economic development benefits – I&M and AEP are very active in
18 pursuing economic development opportunities in our communities.
19 Over the past few years, the number of economic development
20 opportunities that request and/or require access to renewable energy
21 has increased significantly. Increasing the amount of renewable
22 energy available to serve the Northeast Indiana region will be a
23 significant benefit to maintaining and attracting new investment and
24 jobs to the region.

⁷ The Clean Energy Project agreements are sponsored by Company witness Gaul.

- 1 • Environmental benefits – I&M and AEP are committed to reducing
2 carbon emissions and improving our overall environmental
3 performance. AEP has announced a goal to reduce full Scope 1
4 emissions by 80%, from a 2005 baseline, by 2030 and has set a goal
5 of net-zero by 2045. The proposed Clean Energy Projects are
6 consistent with these goals and will improve environmental
7 performance for I&M customers.
- 8 • Diversity of generation resources – As mentioned previously, I&M is at
9 a point of transition in its mix of generating assets. With the Cook
10 Nuclear facility as our anchor, the proposed Clean Energy Projects
11 combined with our existing wind, solar, and hydro resources continue
12 the next step in our transition to a more diversified fleet of resources.
13 The Clean Energy Projects will benefit customers by reducing risks
14 associated with environmental or regulatory policies that can impact
15 one type of generation resources. A diverse portfolio also provides
16 operational flexibility as different resources have different operating
17 characteristics.
- 18 • Renewable energy certificate benefits – The Clean Energy Projects
19 will provide renewable energy certificates that the Company can
20 utilize through approved customer programs to meet customers'
21 growing interests in renewable energy while also benefiting all
22 customers as the value of any monetized renewable energy credits
23 can be passed back to customers to offset the cost of the Clean
24 Energy Projects.
- 25 • Tax benefits – The Clean Energy Projects are eligible to take
26 advantage of the Production Tax Credits as a result of the Inflation
27 Reduction Act. As discussed by Company witnesses Hodgson and
28 Williamson, I&M is presenting proposals in this case to ensure the tax
29 benefits are realized by I&M customers and also to mitigate the

1 volatility and variability of the costs of the projects over their expected
2 service life.

- 3 • Local economic benefits – The Clean Energy Projects will benefit the
4 local communities by generating significant incremental investment in
5 Indiana that will benefit Northeast Indiana families, businesses, and
6 industries.

7 **Q30. Are the proposed Clean Energy Projects consistent with expectations that**
8 **the Company is hearing from customers?**

9 Yes. I&M has been in conversations with a number of communities and
10 customers that have expressed a strong interest in renewable energy. Our
11 three largest cities – the City of Fort Wayne, the City of South Bend, and the
12 City of Muncie have all communicated a desire that I&M consider increasing the
13 amount of generation from renewable resources. Many of our smaller
14 communities have expressed a similar interest.

15 Additionally, I&M has had many discussions with our commercial and industrial
16 customers on the importance of access to renewable energy. An increasing
17 number of customers have developed their own sustainability goals and some
18 have shared that they are being required by their customers to establish
19 sustainability commitments in order to remain under consideration as a future
20 supplier.

21 Safe, reliable, affordable, and sustainable electric generation resources will
22 allow I&M to meet its existing customers' expectations and also provide a
23 competitive advantage to attract new customers to Northeast Indiana. Retaining
24 and attracting new customers is essential to the Northeastern Indiana economy
25 and I&M is committed to working with our communities to capitalize on these
26 investments.

1 **Q31. Do the Clean Energy Projects provide long-term financial benefits to I&M's**
2 **customers?**

3 Yes. The Clean Energy Projects are an integral part of I&M's overall generation
4 transition strategy as we replace the Rockport facility. In I&M's most recent rate
5 case, I&M adjusted customer rates to reflect cost reductions associated with the
6 transition of the Rockport Unit 2. The Clean Energy Projects serve to fulfill the
7 capacity need created by the Rockport Unit 2 transition, while further diversifying
8 I&M's generation resources and providing a predictable and stable cost of
9 generation. As discussed by Company witness Williamson, when considering
10 the costs I&M is no longer incurring related to Rockport Unit 2, the Clean Energy
11 Projects present a significant cost reduction opportunity for I&M's customers.

XI. Project Management

12 **Q32. How will the Company manage the development of the proposed Clean**
13 **Energy PSA Projects?**

14 As discussed in detail by Company witness Lozier, I&M will work closely with the
15 project management organization to provide oversight of the development,
16 engineering, procurement, and construction of the Clean Energy Projects that
17 are being proposed as PSA's – Lake Trout and Mayapple.

18 Each of the individual projects has a project specific PSA between the Company
19 and the developer. Each PSA contains a purchase price that includes the
20 engineering, procurement, and construction of the Clean Energy Project. The
21 developer will be responsible for overall engineering and design, procurement of
22 all material and components, obtaining and adhering to all required permits and
23 legal requirements, construction management, interconnecting to the grid, and
24 commissioning and testing the facility. These agreements are discussed in
25 more detail by Company witness Gaul.

1 The PSA's establish well-defined expectations and requirements for the
2 developer specific to each individual Clean Energy Project. The project
3 management team will provide oversight of the developer to ensure that all
4 elements of the PSA are executed in a manner consistent with the terms of the
5 PSA. This will include verification that engineering standards are met, material
6 procurements meet agreed upon specifications in the PSA, permits are received
7 in a timely manner, and construction is completed consistent with terms of the
8 PSA and Company expectations.

9 Prior to the Company taking ownership of the project at the completion of
10 construction, the Company will perform a thorough inspection and review of the
11 facility, participate in functional testing of all equipment, and be heavily engaged
12 in ensuring the facility is effectively integrated with the PJM system. Company
13 witness Lozier discusses these specific steps further in her testimony.

XII. Public Convenience and Necessity

14 **Q33. Does the public convenience and necessity require the Company to move**
15 **forward with the construction of the Clean Energy Projects proposed in**
16 **this proceeding?**

17 Yes. As demonstrated by the Company's testimony in this case, I&M has a
18 clear need for capacity to replace Rockport Unit 2 as it is removed from I&M's
19 capacity plan in 2024 and Rockport Unit 1 when it is retired by the end of 2028.
20 As discussed by Company witness Becker, the Company considered a number
21 of portfolio options in its IRP and after an extensive stakeholder engagement,
22 modeling, and evaluation process the Preferred Portfolio was determined to be
23 the optimal portfolio when evaluated across a number of balanced scorecard
24 metrics.

25 To fulfill the capacity need identified in the Preferred Portfolio the Company
26 engaged in an All Source RFP to solicit responses from the market on the

1 projects available to meet this need. The Clean Energy Projects proposed in
2 this proceeding are the result of that RFP and when compared against the
3 alternatives available from the responses to the RFP, the energy and capacity
4 from the Clean Energy Projects is reasonably priced and provides other benefits
5 to our communities, our customers, and the entire Northeast Indiana region.
6 The addition of multiple resources to meet demand also maintains flexibility.

7 Therefore, each of the Clean Energy Projects proposed in this case stand on
8 their own merit and each one is reasonable, necessary, and in the public
9 interest, convenience and necessity will be served by I&M developing these
10 Projects. Accordingly, the Commission should approve each of the Clean
11 Energy Projects and associated relief as requested by the Company.

XIII. Conclusion

Q34. What is your conclusion and recommendation?

12 I&M has clearly established a need for capacity. The Clean Energy Projects
13 proposed in this proceeding are the result of a competitive procurement process
14 and represent a reasonable, least cost option for the Company to utilize in
15 meeting its ongoing obligation to provide adequate and reliable service and
16 facilities.
17

18 Therefore, I&M is requesting that the Commission find each of the Clean Energy
19 Projects proposed in this proceeding to be reasonable and necessary, issue
20 CPCNs for the Clean Energy PSA Projects, approve each of the Clean Energy
21 Projects as a “clean energy resource”, and authorize the accounting and
22 ratemaking sought by the Company.

Q35. Does this conclude your pre-filed direct testimony?

23 Yes.
24

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: 3/28/23

DAVID A. LUCAS

David A. Lucas

Attachment DAL-1 – Verified Petition

[NOT REPRODUCED HEREIN]