

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF INDIANA MICHIGAN)
POWER COMPANY (I&M) FOR APPROVAL OF)
RENEWABLE ENERGY PURCHASE)
AGREEMENTS WITH THE HOOSIER LINE)
SOLAR PROJECT AND THE MEADOW LAKE IV) CAUSE NO. 46088
WIND PROJECT (CLEAN ENERGY PPA)
PROJECTS) AS CLEAN ENERGY PROJECTS)
AND ASSOCIATED ACCOUNTING AND)
RATEMAKING, INCLUDING TIMELY COST)
RECOVERY, UNDER IND. CODE § 8-1-8.8-11.)**

SUBMISSION OF PROPOSED ORDER

Petitioner Indiana Michigan Power Company (I&M or Company), by counsel, submits the attached Proposed Order. An editable version in Word format will be provided to the presiding Administrative Law Judge.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 27th day of September 2024, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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ORDER OF THE COMMISSION

Presiding Officers:

David E. Veleta, Commissioner

Ann S. Pagonis, Administrative Law Judge

On June 20, 2024, Indiana Michigan Power Company (“I&M” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) initiating this Cause. Also on June 20, 2024, I&M filed its prepared testimony and exhibits constituting its case-in-chief, as well as supporting workpapers, from the following witnesses:

- David Lucas – Vice President – Regulatory and Finance, I&M
- Mark Becker – Managing Director of Resource Planning, American Electric Power Service Corporation (“AEPSC”)
- Timothy Gaul – Director, Regulated Infrastructure Development, AEPSC
- Dean Koujak – Principal, Charles River Associates
- Justin Dehan – Manager, Regulated Infrastructure Development, AEPSC
- Joshua Burkholder – Managing Director of RTO Strategy and Policy, AEPSC
- Bartley Taberner – Transmission Planning Manager for East Transmission Planning in AEPSC’s Grid Solutions
- Edward Locigno – Manager Regulatory Analysis & Case, AEPSC

On August 19, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed testimony and exhibits of Utility Analyst Derek J. Leader and Utility Analyst Brian R. Latham. I&M filed its Notice of Intent not to File Rebuttal Testimony on September 4, 2024.

The Commission conducted an evidentiary hearing in this Cause on September 20, 2024, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated in the hearing by counsel and the evidence and testimony of Petitioner and the OUCC were admitted into the record without objection.

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

1. **Notice and Jurisdiction.** Notice of the public hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility within the meaning of the term in Ind. Code § 8-1-2-1(a). I&M is also an “eligible business” as that term is defined in Ind. Code § 8-1-8.8-6. I&M is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. Petition, ¶3. Accordingly, the Commission has jurisdiction over I&M and the subject matter of this proceeding.

2. **Petitioner’s Characteristics.** I&M is a wholly-owned subsidiary of American Electric Power Company, Inc., with its principal offices at Indiana Michigan Power Center, Fort Wayne, Indiana. I&M is engaged in rendering electric service and owns and operates plant and equipment within the States of Indiana and Michigan that are in service and used and useful in the generation, transmission, distribution, and furnishing of such electric service to the public. I&M has maintained and continues to maintain its properties in a reliable state of operating condition. Petition, ¶1.

I&M supplies electric service to approximately 482,000 retail customers in northern and east-central Indiana and 133,000 retail customers in southwestern Michigan. I&M’s Indiana service area covers approximately 3,200 square miles. In Indiana, I&M provides retail electric service to customers in the following Indiana counties: Adams, Allen, Blackford, DeKalb, Delaware, Elkhart, Grant, Hamilton, Henry, Howard, Huntington, Jay, LaPorte, Madison, Marshall, Miami, Noble, Randolph, St. Joseph, Steuben, Tipton, Wabash, Wells and Whitley. In addition, I&M serves wholesale customers in Indiana and Michigan. Petition, ¶2.

3. **Relief Requested.** I&M is requesting approval of renewable energy purchase agreements (“PPA”) with the Hoosier Line Solar Project and the Meadow Lake IV Wind Project (individually “Clean Energy Project”, and collectively “Clean Energy PPA Projects”). I&M requests Commission approval of each Project as a Clean Energy Project pursuant to Ind. Code § 8-1-8.8-11, authorize timely cost recovery and approve other accounting and ratemaking relief, including recovery of PPA development costs. Petition, ¶10. I&M proposes to administer timely cost recovery for the Clean Energy PPA Projects through I&M’s Fuel Cost Adjustment Clause (“FAC”). *Id.*

4. **I&M’s Evidence.**

A. **Clean Energy PPA Projects Overview.** I&M witness Lucas provided an overview of the relief sought by I&M. He testified I&M proposes two Clean Energy Projects as PPAs, with the Company contracting for the capacity and energy from these facilities. Lucas Direct at 10.

The Hoosier Line Solar Project (“Hoosier Line Project”) will be located in White County, Indiana and will produce 180 MWs of solar generation. The developer for this Project is Leeward Renewable Energy LLC. Petition, ¶8. The Hoosier Line Project is expected to be operational in March 2027. The renewable energy purchase agreement (referred to herein as PPA) provides that I&M will purchase all the renewable energy products (energy, capacity, and renewable energy certificates (“RECs”) by the facility for a term of 30 years. The Hoosier Line Project will be

capable of producing enough energy to power approximately 54,000 homes. *Id.*; Lucas Direct at 10.

The Meadow Lake IV Wind Project (“Meadow Lake Project”) is a repower of an existing wind facility that was placed in service in 2010 and located in White County, Indiana. Petition, ¶9; Lucas Direct at 10. The developer for this Project is EDP Renewables North America. The Project is expected to be operational by December 31, 2025. I&M will initially purchase 76 MWs of a bundled product (energy and RECs) starting at the re-power operation and step up to 100 MWs starting in June 2032. *Id.* I&M will be entitled to 100% of the accredited capacity from the Meadow Lake Project for the entire 20-year term of the PPA. The Meadow Lake Project will be capable of producing enough energy to power approximately 30,000 homes. *Id.*

B. Integrated Resource Plan (“IRP”). Mr. Lucas described I&M’s existing generation portfolio and the steps being taken by I&M to transition its generation portfolio. Lucas Direct at 4-7. He stated I&M is undergoing a major generation transformation as Rockport Unit 2 has fully transitioned to a merchant unit and Rockport Unit 1 will retire from service by the end of 2028. *Id.* at 7. He said the retirement of these units provides a significant opportunity for I&M to further diversify its generation portfolio and reduce its carbon emissions.

Mr. Lucas and Mr. Becker testified that the proposed PPAs are consistent with the Preferred Portfolio that was the result of the IRP process and are an important step in replacing the capacity from the Rockport facility by the end of 2028. Lucas Direct at 8, 15-16; Becker Direct at 28. Mr. Lucas said the objectives and metrics that I&M used during the IRP process to determine the Preferred Portfolio were very closely aligned with the Five Pillars. Lucas Direct at 8-9.

C. All-Source RFP and Project Evaluation/Selection. Mr. Lucas and Mr. Dehan discussed the competitive procurement process used to select the proposed PPAs. Lucas Direct at 14-15; Dehan Direct at 3-8. Mr. Dehan explained I&M developed a 2023 All Source Request for Proposal (“RFP”) to solicit responses from the market for capacity and energy resource needs identified in I&M’s Preferred Portfolio beginning with the 2028/2029 PJM Planning Year. Dehan Direct at 3-4. They explained the RFP was designed in a way that allowed for an open, non-discriminatory competitive procurement process that considered both third-party and utility ownership, a range of resource types or combinations of resource types, various sizes and capacities within practical limits, ancillary services, and cost reducing benefits. Lucas Direct at 14-15; Dehan Direct at 4. Mr. Lucas added that the RFP was also structured to comply with the terms of the Settlement Agreement approved by the Commission in its Order issued on December 8, 2021 in Cause No. 45546. Lucas Direct at 15.

Mr. Dehan provided further information on the development of the structure and requirements of the RFP, including the incorporation of stakeholder input. Dehan Direct at 5-8. Mr. Lucas and Mr. Dehan also testified that I&M used Charles River & Associates to fulfill the role of Independent Monitor, manage the stakeholder process, conduct the Eligibility and Threshold review for all proposals, and monitor the RFP administration from issuance to selection of a shortlist. Lucas Direct at 15; Dehan Direct at 6.

Mr. Koujak discussed the goal of the 2023 All Source RFP, as well as the eligible technologies and bidder thresholds, which he said are substantially the same or similar to other

RFPs he had overseen. Koujak Direct at 4-6. He described the evaluation and stakeholder processes and said each was reasonable. *Id.* at 6-8. Mr. Koujak provided an overview of the RFP results and explained the selection of ten proposals as part of the final shortlist as well as post-shortlist negotiations. *Id.* at 8-11. He provided a supporting report and concluded that: (i) I&M developed the RFP documentation in a clear and transparent manner; (ii) I&M performed the evaluation on a fair and consistent basis in-line with the process noted in the RFP; (iii) the criteria used in the evaluation is in-line with typical utility practice and reasonable to achieve the goals of the RFP; (iv) the shortlisting of finalists was also performed on a fair and consistent basis with the process published in the RFP; and (v) there is no evidence that the evaluation and selection process caused any unfair advantage or disadvantage to any interested respondent. *Id.* at 13-14; Attachment DDK-1.

Mr. Gaul further discussed the shortlist due diligence and contract negotiation process for the Clean Energy Project PPAs. Gaul Direct at 4. He testified I&M began commercial contractual negotiations in the fall of 2023 once all parties were formally notified that their bids were selected for shortlist negotiations as a result of the 2023 All Source RFP process described by Mr. Dehan and Mr. Koujak. *Id.* He said due diligence efforts for the shortlisted projects focused on site development plans for each project; the status of land agreements, local approvals, and grid connections; and engineering studies, design expectations, and construction scope. He said formal commercial and contractual discussions included regular focused discussions on key contract terms and refining the agreement structure to best align with I&M's needs. *Id.*

Mr. Gaul described how the Meadow Lake PPA proposal was identified and integrated into the RFP process. Gaul Direct at 8. He noted wind project supply is limited in PJM representing less than 10% percent of the projects currently in the queue that could support this RFP. He said this notable lack of available wind resources is reflected in the bid results of I&M's last two RFPs, where only 5 of the 79 projects have been wind resources. *Id.* Moreover, he said none of these resources have remained in the RFPs, with nearly all accepting commercial/industrial offtake agreements prior to reaching the shortlist phase of the process. He stated the limited pool of wind projects is expected to continue for some time, as interconnection requests for new wind facilities have only recently increased to meaningful levels, and few if any of these projects would be expected to reach commercial operation until after 2030. *Id.* at 9. He testified the Meadow Lake Project was originally presented in EDP Renewables' original proposal, with reference to the fact that firm pricing for the project was not available at the time of proposal submittal. He stated EDP Renewables was ultimately able to provide pricing for the project and submit a complete proposal for consideration in early 2024. *Id.* He said this timing coincided with I&M's changes to the shortlist from the PJM Fast Lane announcement providing the Company the opportunity to engage with a wind project in shortlist negotiations. *Id.*

Mr. Gaul further discussed the due diligence efforts related to the Meadow Lake PPA, which focused on two primary areas: 1) confirming that the existing foundations and towers could support new nacelles and blades; and 2) confirming the dispatch process for the first approximately seven years of the repowered facility's twenty-year PPA. Gaul Direct at 14. He stated initial due diligence for the Meadow Lake PPA was heavily focused on the results of ongoing foundation studies, which are a critical step of the repower process, conducted to determine if the facility's existing towers and foundations can support the new nacelles and blades withing a reasonable range of foundation improvements. *Id.* He noted the final determination of the project's viability

and design of any foundation enhancements is dependent on the results of an ongoing foundation analysis conducted by an outside engineering firm. *Id.*

Mr. Gaul also testified regarding the due diligence efforts specific to the Hoosier Line PPA. Gaul Direct at 11. He stated Hoosier Line PPA due diligence efforts during shortlist negotiations specifically focused on two primary areas: 1) local approval requirements for the project; and 2) the project's interconnection status, expected costs, and potential for additional network upgrades. *Id.* He said due diligence efforts associated with the local approval process verified that current White County zoning rules consider solar project development an approved use, and therefore, that no discretionary permits are required for the project. Furthermore, he testified no recent changes to the zoning rules have been proposed that might otherwise undermine this determination. He explained I&M's evaluation of the project's interconnection studies, associated cost estimates, and potential for additional network upgrade allocations was an important part of project due diligence. *Id.*

Mr. Gaul and Mr. Burkholder discussed the impact of changes to PJM's capacity market rules and generation interconnection process on the negotiation of the PPAs. Mr. Burkholder explained PJM modified their approach for accreditation and risk modeling that in turn affects the planning reserve requirements ("PRM"). Burkholder Direct at 3-6. He said the overall impact of PJM's changes resulted in an overall lower PRM, reducing I&M's capacity PRM obligations as detailed by Mr. Becker. *Id.* at 6. Mr. Burkholder stated the changes to PJM's generation interconnection process also impacted I&M's resource selections. More specifically, he noted that certain projects were qualified by PJM to proceed under the "Fast Lane" process that was part of FERC-approved interconnection process reforms. Burkholder Direct at 6. Second, he said it was determined that a repowering option for the existing Rockport site would not meet the required commercial operations date based on how such a project would be considered in the reformed PJM interconnection process. *Id.* Mr. Gaul testified these changes were important for negotiations since it modified the expected accredited capacity value of all of the resources submitted into the 2023 All Source RFP relative to the accredited capacity values at the time of the 2021 IRP and issuance of the RFP. Gaul Direct at 6. He said this was important for the Portfolio Optimization Analysis, discussed by Company witness Becker, since it impacted all resource types differently with respect to both their seasonal operating limitations and prior performance during major outage events commensurate with their resource type. *Id.*

Mr. Gaul concluded the PPAs are the result of a competitive RFP process, arms' length negotiation, reasonably reflect market risks and other economic conditions, and are consistent with current market prices based on the pool of bids received in the 2023 All Source RFP and is supported by other industry sources. Gaul Direct at 17. He said the PPA agreements themselves reasonably reflect industry trends and provide reasonable resolution for market events and project risks that are beyond the developers and I&M's control. *Id.* He stated the agreement terms are reasonably designed to manage potential industry and economic challenges while providing for the capacity and energy resources required by I&M to meet its customers' ongoing need for electricity. *Id.*

D. PPA Price. Mr. Gaul testified regarding the structure and terms of the PPAs. He testified that under the Hoosier Line PPA, I&M will purchase all of the renewable energy products (energy, capacity, and RECs) by the facility for a term of 30 years. Gaul Direct at 9. He

also provided additional confidential details regarding the terms of the PPA. *Id.* at 9-10. He further noted that the Hoosier Line PPA provides financial assurances that the developer will meet its obligation. *Id.* at 12. Mr. Gaul testified the Meadow Lake PPA has an expected repower commercial operation date of December 31, 2025, upon which date, I&M purchase 76 MW of a bundled product (energy and RECs) produced from the 100 MW Meadow Lake Project, which will step up to 100 MW starting in 2032 when the Meadow Lake Project's separate offtake agreement for 24% of the energy and RECs expires. *Id.* at 12. He said I&M will be entitled to 100% of the accredited capacity for the Meadow Lake Project for the entire 20-year term as the separate offtake agreement does not include capacity rights. He explained the Meadow Lake PPA will continue for a 20-year term from the repower commercial operation date. *Id.* Mr. Gaul went on to describe additional key features of the Meadow Lake PPA. Gaul Direct at 12-13. He further noted the Meadow Lake PPA provides financial assurances that the developer will meet its obligation. *Id.* at 15. Mr. Gaul also described the activities associated with the development costs related to the PPAs. Gaul Direct at 15-17.

E. GAO 2022-01. Mr. Taberner testified regarding the Commission's General Administrative Order ("GAO") 2022-01 and explained the transmission interconnection to the PJM RTO and cost estimates for the Clean Energy Projects. He provided links to the PJM Generation Interconnection System Impact Study Reports for the Clean Energy Projects, and co-sponsored Attachment BT-1 demonstrating compliance with the requirements specified in Appendix A to the GAO 2022-01. Taberner Direct at 3; Attachment BT-1. He testified the Hoosier Line Project will be connected to PJM, whereas the Meadow Lake Project is an existing resource already connected to PJM. Taberner Direct at 4. He described the PJM interconnection approval process for the Clean Energy Projects as well as the request status. *Id.* at 5-6. He stated I&M participated in this process as the transmission owner. *Id.* at 6. Finally, he testified the estimate of the required interconnection cost for the Hoosier Line Solar Project has been developed and is reflected in the Generation Interconnection System Impact Study Reports. *Id.* Mr. Taberner noted that stability analysis performed during the development of each project's Facilities Study may identify additional upgrades not considered in the System Impact Study Report. He stated these costs are taken into consideration in the Hoosier Line PPA. *Id.*

F. Accounting and Ratemaking. Mr. Locigno addressed the accounting and ratemaking associated with the PPAs. He said I&M seeks timely cost recovery under Ind. Code § 8-1-8.8-11 through a rate adjustment mechanism. Locigno Direct at 4. He said Ind. Code § 8-1-8.8-11 provides for financial incentives, including the timely recovery of costs and expenses incurred during the construction and operation of Commission-approved Clean Energy Projects, financial incentives to develop renewable energy projects, and other financial incentives the Commission considers appropriate. *Id.* He said this request is also consistent with Ind. Code § 8-1-2-42(a).

He testified I&M proposes timely cost recovery through I&M's FAC proceedings. He further stated I&M seeks the Commission to find each of the Clean Energy Projects is reasonable and necessary and authorize the associated timely cost recovery throughout the entire term of each agreement. *Id.* He said I&M also seeks confirmation that the costs thereof are recoverable through the FAC proceedings (or successor mechanism) without regard to the Ind. Code § 8-1-15 42(d)(1) test or any other FAC benchmarks. He said I&M will begin including the costs associated with the PPAs in I&M's monthly over / under-accounting when I&M begins incurring such costs. *Id.* Mr.

Locigno testified I&M's proposal is consistent with the recovery mechanism that the Commission recently approved for the Sculpin and Elkhart PPAs in Cause No. 45868. *Id.*

Mr. Locigno stated I&M incurred reasonable and necessary costs related to the development of the Clean Energy Projects that are not otherwise captured by the ratemaking process. Locigno Direct at 4-5. He said I&M requests Commission approval to establish a regulatory asset and authority to recover these costs in the Solar Power Rider ("SPR") over a period of two years, including a pre-tax return on the unamortized balance, which is consistent with the authority approved by the Commission in Cause No. 45868. *Id.* at 5. He testified the PPA development costs incurred as of April 30, 2024, are approximately \$1.16 million on a Total Company basis. *Id.* He said additional costs will continue to be incurred until all condition precedents and other applicable contract terms are met and final. He stated following the Commission's approval of I&M's request, I&M will include the final CPA development cost balance in the SPR. *Id.*

Mr. Locigno also provided an estimate of the overall incremental rate impact of the Lawrenceburg CPA to I&M's customers. He stated as shown on Attachment EJJ-1, I&M estimates the annual rate impact based on calendar year 2028 for all rate classes to be 0.60%. Locigno Direct at 6. He said the calculated rate impact includes the estimated value of the market energy revenues, and REC revenues associated with the Clean Energy Projects. Mr. Locigno also discussed recent cost reductions associated with I&M's generation transformation and provided an overall estimated rate impact based on 2028 inclusive of the PPAs, the Lawrenceburg CPA, the projects approved in Cause Nos. 45868 and 45869, and the cost reductions associated with both Rockport Units 1 and 2. *Id.* at 7-8; Attachment EJJ-2C. He stated the estimated bill impact for a residential customer with 1,000 kWh of usage would be an increase of approximately \$0.88 based on the cost, inclusive of energy and REC revenues, of the Clean Energy Projects and a decrease of approximately \$16.00 based on the net bill impact presented in Attachment EJJ-2C, which includes the estimated cost reductions associated with Rockport. *Id.* at 8.

Finally, Mr. Locigno discussed I&M's plan with respect to the RECs it will receive from the Clean Energy Projects. Locigno Direct at 8. He stated I&M's approach to the RECs it will receive from the Clean Energy Projects will be consistent to the treatment of RECs that was approved in Cause No. 45868. He said the Clean Energy Projects will increase the number of RECs I&M has available to sell into the market and support customer renewable programs, such as I&M's GoGreen program. *Id.* He testified the associated net revenues I&M realizes will benefit all of I&M's customers through a partial offset to the cost of service. He explained the net proceeds from the GoGreen programs and market sales will continue to be credited in ongoing FAC proceedings and the net proceeds from customer programs will be credited according to the provisions approved for such program(s). *Id.* at 9.

G. Benefits and Public Interest. Mr. Lucas testified the Clean Energy PPAs provide a number of benefits to I&M's customers, including economic development benefits, environmental benefits, diversity of generation resources, REC benefits, and local economic benefits. Lucas Direct at 16-18. More specifically, he testified that I&M has recently had multiple major announcements for economic development opportunities in its region. He said transitioning to a cleaner energy portfolio is of significant interest to the companies seeking to locate in northeast Indiana and will benefit maintaining and attracting new investment and jobs to the region. *Id.* at

16-17. He testified I&M and AEP are committed to reducing carbon emissions and improving their overall environmental performance. *Id.* at 17. He said AEP has a target to reduce full Scope 1 greenhouse gas (“GHG”) emissions by 80%, from a 2005 baseline, by 2030 and has a target of net-zero (Scopes 1 and 2) by 2045. He said the proposed Clean Energy Projects are consistent with these targets and will increase I&M’s renewable generation. *Id.*

Mr. Lucas reiterated that I&M is at a point of transition in its mix of generating assets. He said with the Cook Nuclear facility as I&M’s anchor, the proposed Clean Energy Projects combined with I&M’s existing wind, solar, and hydro resources; the projects currently under development; and the 697 MW natural gas CPA that Company is seeking approval of from the 2023 All-Source RFP in a separate case, I&M is continuing its transition to a more diversified fleet of resources. Lucas Direct at 17. He said the Clean Energy Projects will benefit customers by reducing risks associated with future fuel prices and environmental or regulatory policies that can impact specific types of generation resources. He added that a diverse portfolio also provides operational flexibility as different resources have different operating characteristics. *Id.*

Mr. Lucas testified the Clean Energy Projects will provide RECs that I&M can utilize through approved customer programs to meet customers’ growing interests in renewable energy while also benefiting all customers as the value of any monetized renewable energy credits can be passed back to customers to partially offset the cost of the Clean Energy Projects. *Id.* at 17-18.

5. OUC’s Evidence. OUC witness Leader testified the projects comport to the reliability, affordability, resiliency, stability, and environmental sustainability attributes of the Five Pillars. Pub. Ex. 1 (Leader) at 2. More specifically, he stated the projects will contribute to replacing capacity lost from the planned retirement of the Rockport Generating Station, and to efforts to provide an adequate supply of electricity in the future. He said both reliability and stability would be hindered if I&M did not replace the Rockport capacity and thereby necessitated more dependence on the PJM market to meet its current and future customer demand. *Id.* He further testified the system will be more resistant to disturbances, because of both the decentralized nature and diverse sources of the projects. He explained this diversity will also assist I&M in responding to market effects, either within PJM’s market or outside it, such as fuel shortages. He noted the new generation capacity will result in reductions to most air pollutants, mercury, and CO₂ emissions. *Id.* at 3.

Mr. Leader discussed I&M’s IRP and noted the Commission recognized I&M’s IRP demonstrated a need for new capacity resulting from the retirement of Rockport Units 1 and 2. Pub. Ex. 1 at 5-6. He said the solar and wind projects in this case will help I&M meet its load obligation and decrease its reliance on the PJM energy market. *Id.* at 5. He discussed I&M’s consideration of other resource options as well as the prices of the two projects. He testified he reviewed the annual LCOE issued by Lazard for 2024, which shows the current LCOE for utility scale solar to be between \$29 and \$92 per MWh. *Id.* at 6. He said the levelized cost of Hoosier Line is within this range. He said the same report puts onshore wind between \$27 and \$73 per MWh, and that Meadow Lake IV is within this range. *Id.* at 6-7. He stated based on his review, he does not oppose I&M’s requests in this docket. *Id.* at 7.

OUC witness Latham addressed affordability and the recovery mechanisms of the two proposed PPAs. He stated affordability is crucial when determining the generation needed to

service projected load, and this is best viewed holistically within the context of resource selection used within the IRP. Pub. Ex. 2 (Latham) at 2. He said while affordability is always a concern, the OUCC does not oppose I&M's proposed PPAs because of the relatively attractive economics of the project and the need for capacity after the retirement of Rockport Unit 1 and the Rockport Unit 2 lease ending, as well as to serve the projected increase in load related to data centers and battery plants. *Id.*

Mr. Latham testified that based on his research with comparable projects, the estimated incremental bill impact of \$0.88 per month for a residential customer using 1,000 kWh is reasonable. Pub. Ex. 2 at 3. However, he noted I&M's \$16.00 rate impact reduction is a static change, representing I&M's current projections that measure I&M's recently approved and currently proposed generating capacity against I&M's planned Rockport Unit 1 generation retirement and the Rockport Unit 2 lease ending. He said as I&M adds additional generation capacity (to replace the Rockport Units), the \$16.00 rate impact reduction will diminish. *Id.* He testified the \$16.00 rate impact reduction is a useful number to measure the current overall potential cost change incurred from the addition of future generation assets. But he said until all future generation assets necessary to replace the Rockport coal generation facilities are identified, it does not provide a road map that is indicative of future customer costs. *Id.* at 3-4. He also noted that the \$16.00 rate impact reduction omits the Rockport Unit 1 fuel cost reduction, which would increase the rate impact reduction by an unknown amount. *Id.* at 4.

Mr. Latham next addressed recovery of development costs. He said through April 30, 2024, I&M had incurred approximately \$1.16 million in development costs, and additional development costs will continue to be incurred until the contract is finalized. Pub. Ex. 2 at 4. He said I&M proposes to recover these costs through the establishment of a regulatory asset to be amortized over two years including a pre-tax return on the unamortized balance. He noted this approach is consistent with the requested and approved development cost treatment in Cause No. 45868. Mr. Latham stated he did not oppose this method of cost recovery, nor did he oppose I&M's request for approval of the PPAs. *Id.* at 4-5.

6. Commission Discussion and Findings.

A. Clean Energy Project and Financial Incentives. Ind. Code § 8-1-8.8-11 provides that “[t]he commission shall encourage clean energy projects by creating . . . financial incentives for clean energy projects, if the projects are found to be just and reasonable[.]” An “eligible business” is an energy utility that “undertakes a project to develop alternative energy sources, including renewable energy projects[.]” Ind. Code § 8-1-8.8-6(3). Although I&M is not constructing and will not own the physical facilities comprising the Clean Energy PPA Projects, it is proposing to enter into the PPAs to purchase the capacity and energy from these facilities and is, therefore, contributing to the development of the projects. Therefore, we find that I&M is an “eligible business” for purposes of reviewing its request for the creation of financial incentives under Ind. Code § 8-1-8.8-11. As stated above, I&M is an “energy utility.”

A “clean energy project” includes “[p]rojects to develop alternative energy sources, including renewable energy projects[.]” Ind. Code § 8-1-8.8-2(2). “Energy from wind” and “solar energy” are both specifically listed as one of the clean energy resources in Ind. Code § 8-1-37-4(a), thus making both Clean Energy Projects a “renewable energy resource” under Ind. Code § 8-

1-8.8-10. I&M is undertaking the two proposed projects to develop solar and wind energy resources and so is eligible for the relief provided in Ind. Code § 8-1-8.8-11.

According to Ind. Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects, if found to be just and reasonable. While Ind. Code ch. 8-1-8.8 does not set forth specific factors the Commission should consider in determining whether a clean energy project is just and reasonable, the Commission has considered some of the factors outlined in Ind. Code chs. 8-1-8.5 and 8-1-8.7 in other cases. We have found it appropriate to consider: (1) the cost of the project; (2) the consistency of the project with Petitioner's IRP; (3) the need for the project; and (4) competitive solicitation of the project.

i. Cost of the Clean Energy Project PPAs. The evidence in this Cause, discussed above, supports a finding that the energy to be obtained from the Clean Energy Projects through the PPAs is reasonably priced compared to other alternatives and provides material benefits. The uncontested evidence of record also demonstrates that the pricing of the PPAs are the result of a competitive RFP process, arms' length negotiation, reasonably reflect market risks and other economic conditions, and are consistent with current market prices based on the pool of bids received in the 2023 All Source RFP and is supported by other industry sources. Gaul Direct at 17. The OUCC's analysis confirmed the PPA prices are consistent with and within the range of other utility scale solar and onshore wind projects. Pub. Ex. 1 at 6-7. Accordingly, the Commission finds the estimated costs of the Hoosier Line and Meadow Lake Projects are reasonable and are approved.

ii. Consistency with I&M's IRP. There is no evidence in the record that questions the consistency of the Clean Energy Projects with I&M's 2021 IRP. The 2021 IRP projected I&M to have a clear and significant need for capacity resulting from the retirement of Rockport Units 1 and 2 by 2028. Becker Direct at 8. Beginning in 2024, I&M's projected capacity shortfall is more than 300 MW as a result of Rockport Unit 2 no longer being an available capacity resource. By 2028, the capacity shortfall increases to approximately 1,500 MW due to the retirement of Rockport Unit 1. *Id.* The record shows the Clean Energy PPAs continue to be selected in the POA resource. The OUCC agreed the Clean Energy Projects will contribute to replacing capacity lost from the planned retirement of the Rockport Generating Station, and to efforts to provide an adequate supply of electricity in the future. Pub. Ex. 1 at 2. Based on the evidence of record, the Commission finds the Clean Energy Projects are consistent with I&M's 2021 IRP.

iii. Need. As noted in the preceding sections, substantial evidence from both parties demonstrates there is a need for the Clean Energy PPAs to fulfill future capacity and energy needs reflected in I&M's 2021 IRP. The Commission has recognized that fuel diversity may help mitigate risk and that there are benefits of adding additional energy and capacity from diverse resources located in Indiana to a utility's portfolio. We have previously noted that "[a] key consideration in long-term resource planning is the need to retain maximum flexibility in utility resource decisions to minimize risks." *S. Ind. Gas & Elec. Co.*, Cause No. 45052, at 24 (Apr. 24, 2019) (citation omitted). Therefore, the Commission finds the evidence of record shows that the Clean Energy Projects are needed by I&M.

iv. Competitive Solicitation. The evidence of record demonstrates that the Clean Energy Projects' costs compare favorably to the proposals received in Petitioner's 2023

All Source RFP. Becker Direct at 17; Pub. Ex. 1 at 3-4. The evidence also supports a conclusion that the PPA costs are the result of the competitive RFP process and direct negotiation. The RFP processes and market data confirm the reasonableness of the PPA costs, and the Commission finds it was commercially practicable to secure the costs of the Clean Energy Project PPAs in this manner.

v. **Conclusion.** Based on the evidence of record, we find that the Clean Energy Projects are a reasonable addition to I&M's portfolio of resources necessary to meet the need for electricity within I&M's service area. The proposed Projects are consistent with I&M's 2021 IRP Preferred Portfolio and Short-Term Action Plan. The cost of the PPAs results from a competitive All Source RFP and negotiation process. Therefore, we find that the Clean Energy Projects should be approved.

B. **Cost Recovery.** I&M proposed that timely cost recovery of the PPAs be administered through I&M's FAC proceedings (or successor mechanism). Locigno Direct at 4. I&M also proposed that development costs associated with the Clean Energy Projects be deferred as a regulatory asset and recovered (including a pre-tax return on the unamortized balance) through I&M's SPR over a period of two years. *Id.* at 5. The OUCC did not oppose I&M's proposed cost recovery. Pub. Ex. 1 at 7; Pub. Ex. 2 at 4-5. Ind. Code § 8-1-8.8-11 provides that renewable energy projects, such as the Clean Energy Project PPAs, are eligible for incentives, including timely recovery of costs. We find that the costs to be incurred pursuant to the Clean Energy Project PPAs are reasonable through the terms of the PPAs. Based on the evidence of record, the Commission finds that the recovery of all purchased power costs over the full terms of the PPAs should be approved. We further find that I&M should recover the PPA costs through its FAC proceeding (or successor mechanism). Based on the record evidence and consistent with prior Commission decisions in other PPA proceedings, we find that I&M's recovery of its Clean Energy Project PPA costs should not be subject to the requirements of Ind. Code § 8-1-2-42(d) or any other tests or benchmarks. With respect to the project development costs, we authorize I&M to defer such costs (including a pre-tax return on the unamortized balance) in a regulatory asset for recovery through its SPR proceedings over a two-year period. In conclusion, we find these assurances of timely and lifetime cost recovery are reasonable incentives to encourage the development of the Clean Energy Project PPAs.

C. **Five Pillars.** Ind. Code § 8-1-2-0.6 provides that it is the continuing policy of the State of Indiana "that decisions concerning Indiana's electric generation resource mix, energy infrastructure, and electric service ratemaking constructs must consider" reliability, affordability, resiliency, stability, and environmental sustainability (commonly referenced as the "Five Pillars").

The record demonstrates that, in deciding to pursue the Clean Energy Project PPAs, Petitioner considered the attributes comprising the Five Pillars. Lucas Direct at 8-9. Regarding affordability, Mr. Locigno provided the estimated rate impact of the PPAs and explained that when combined with the projects approved in Cause Nos. 45868 and 45869, combined with the cost reductions associated with the retirement of Rockport Units 1 and 2, results in a net savings for I&M's customers. Locigno Direct at 6-8. With respect to reliability, resiliency, and stability, the record shows the Clean Energy Projects will allow I&M to further diversify its generation resource portfolio which includes a combination of dispatchable and intermittent resources of various

technology types. Lucas Direct at 8-9; Becker Direct at 30-33. Finally, as to environmental stability, the evidence shows the Clean Energy Projects will provide I&M with renewable energy generation. In addition, the RECs generated from the Projects will be available to be utilized through Commission-approved programs to meet customers' interest in renewable energy. Lucas Direct at 9. The OUCC's testimony confirmed the Projects comport with the Five Pillars. Pub. Ex. 1 at 2-3; Pub. Ex. 2 at 2.

Based on the evidence of record, we find that the Clean Energy Project PPAs support affordability for I&M's customers while allowing it to transition its generation fleet in a way that supports environmental sustainability, reliability, resource diversity, and resource adequacy for its customers. The Commission has considered the Five Pillars enumerated in Ind. Code § 8-1-2-0.6 in reaching our decision in this proceeding and finds that the proposed PPAs are consistent with the legislative directives.

7. Confidential Information. On June 20, 2024, I&M filed a motion seeking a determination that designated confidential information involved in this proceeding be exempt from public disclosure under Ind. Code § 8-1-2-29 and Ind. Code ch. 5-14-3. The request was supported by an affidavit showing the designated documents offered into evidence at the evidentiary hearing were trade secret information within the scope of Ind. Code § 5-14-3-4(a) (4) and Ind. Code § 24-2-3-2. On July 3, 2024, the Presiding Officer issued a docket entry finding such information confidential on a preliminary basis. I&M subsequently submitted designated confidential information in accordance with this finding.

After reviewing the designated confidential information, the Commission finds all such information qualifies as confidential trade secret information pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. I&M takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to I&M. Therefore, we affirm the preliminary ruling and find this information should be exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29 and held confidential and protected from public disclosure by this Commission.

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

1. The Hoosier Line Solar Project and Meadow Lake IV Wind Project PPAs are approved.
2. The Hoosier Line Solar Project PPA and Meadow Lake IV Wind Project PPA are each approved as a Clean Energy Project.
3. I&M's requested accounting and ratemaking treatment of the PPAs is approved. I&M is authorized to recover the costs of each of the PPAs over its full term pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11, to be administered through I&M's FAC proceedings (or successor mechanism). This recovery shall not be subject to any FAC tests or benchmarks.

4. I&M's proposed accounting and ratemaking treatment of PPA development costs is approved.

5. The confidential information filed under seal in this Cause shall continue be treated by the Commission as confidential and not subject to public disclosure.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED:

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

**Dana Kosco
Secretary of the Commission**

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