

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))
AND (2) TIMELY RECOVERY OF COSTS) CAUSE NO. 45869
THROUGH I&M'S RESOURCE ADEQUACY)
RIDER (RAR) OF THE COST OF CAPACITY I&M)
WILL INCUR UNDER THE CPA.)**

VERIFIED PETITION

Indiana Michigan Power (I&M, Company, or Petitioner) respectfully petitions the Indiana Utility Regulatory Commission (Commission) for the following approvals and authority: (1) pre-approval of a Capacity Purchase Agreement (CPA) with Rockland Capital related to its Montpelier Electric Generating Station (Montpelier) (the Montpelier CPA); (2) the timely recovery of costs for the full CPA term through I&M's Resource Adequacy Rider (RAR) of the cost of capacity I&M will incur under the Montpelier CPA; and (3) confidential treatment of the Montpelier CPA pricing and other negotiated commercial terms and related confidential information. In accordance with 170 IAC 1-1.1-8 and 1-1.1-9 of the Commission's Rules of Practice and Procedure, I&M submits the following information in support of this Petition.

I&M's Corporate Status

1. I&M, a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP), is a corporation organized and existing under the laws of the State of Indiana, with its principal offices at Indiana Michigan Power Center, Fort Wayne, Indiana. I&M is

engaged in, among other things, rendering electric service in the States of Indiana and Michigan. I&M owns and operates generation, transmission, and distribution plant and equipment within the States of Indiana and Michigan that are in service and used and useful in the 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.

2. I&M supplies electric service to approximately 476,000 retail customers in northern and east-central Indiana and 131,000 retail customers in southwestern Michigan, within a service area covering approximately 4,575 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 customers at wholesale in Indiana and Michigan. I&M's electric system is a fully integrated and interconnected entity that is operated within Indiana and Michigan as a single utility.

I&M's "Public Utility" Status

3. I&M is a "public utility" under Ind. Code § 8-1-2-1. I&M is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

4. I&M is also subject to the jurisdiction of the Michigan Public Service Commission and the Federal Energy Regulatory Commission (FERC) as to electric service provided by I&M to retail customers in Michigan and to wholesale customers, respectively.

5. I&M's transmission system is under the functional control of PJM Interconnection, L.L.C., a FERC-approved regional transmission organization (RTO), and is used for the provision of open access non-discriminatory transmission service pursuant to PJM's Open Access Transmission Tariff on file with the FERC. As a member of PJM, charges and credits are billed to AEP and allocated to I&M for functional operation of the transmission system, management of the PJM markets including the assurance of a reliable system, and general administration of the RTO. I&M must also adhere to the federal reliability standards developed and enforced by the North American Electric Reliability Corporation (NERC), which is the electric reliability organization certified by the FERC to establish and enforce reliability standards for the bulk power system. ReliabilityFirst (RF) is one of eight NERC Regional Entities and is responsible for overseeing regional reliability standard development and enforcing compliance. I&M's transmission facilities are wholly located within the RF region.

I&M's Electric Utility System

6. I&M renders electric service by means of electric production, transmission and distribution plant, as well as general property, equipment and related facilities, including office buildings, service buildings and other property, all of which is used and useful in the generation, purchase, transmission, distribution and furnishing of electric energy for the convenience of the public. In order to continue to properly serve the public located in its service area and to discharge its duties as public utility, I&M has and continues to make numerous additions, replacements and improvements to its electric utility systems.

7. I&M's property is classified in accordance with the Uniform System of

Accounts as prescribed by the FERC and adopted by this Commission.

The Montpelier CPA

8. The Montpelier CPA is a seven-year, capacity-only contract between I&M and Rockland Capital. It provides for the purchase of 210 MW of PJM accredited capacity beginning in PJM capacity year 2027/2028 (or June 1, 2027) and ending with the PJM capacity year 2033/2034 (or May 31, 2034).

9. Montpelier went into commercial operation in 2001 and is located in Wells County, Poneto, Indiana. It is connected to the American Electric Power transmission system.

Requested Relief

10. I&M requests the Commission approve the Montpelier CPA and authorize Petitioner to recover associated costs throughout the terms of the Montpelier CPA via the Company's existing Resource Adequacy Rider (RAR) or successor rate adjustment mechanism in accordance with Indiana Code § 8-1-2-42(a). I&M seeks associated accounting and ratemaking relief, including recovery of CPA development costs, as described in the testimony of Company witness Williamson.

RAR

11. The RAR allows recovery of the Company's ongoing capacity costs. The Company's Commission-approved RAR tariff¹ provides:

"The Resource Adequacy Rider (RAR) allows the Company to recover costs associated with incremental changes in the Company's purchased power capacity costs. This rider also allows customers to benefit from sales of

¹ <https://www.indianamichiganpower.com/company/about/rates/in>. Tariff Sheet No. 50.

capacity related to Indiana retail service that may occur in the future. . . .”

12. The RAR was established in accordance with the May 30, 2018 Order in Cause No. 44967 (the “44967 Order”), the Commission approved a Settlement Agreement that, among other things, provided for approval of a RAR to track incremental changes in I&M’s purchased power costs, including capacity costs, but excluding those costs recovered through the fuel adjustment charge, compared to the amount embedded in base rates. The RAR was continued in accordance the March 11, 2020 Order in Cause No. 45235 (“45235 Final Order”) and the February 23, 2022 Order in Cause No. 45576.

13. While changes in the Company’s capacity costs are processed on an annual basis via Cause No. 45164 RA X, the Company filed this separate petition for approval of the Montpelier CPA and associated cost recovery to facilitate review of the Montpelier CPA and obtain approval and associated cost recovery over its full seven-year term. This approach is administratively efficient.

Applicable Law

14. I&M considers the provisions of the Public Service Commission Act, as amended, including Ind. Code §§ 8-1-2-4, 10, 12, 38, 39, 42 and 61, among others, are or may be, applicable to the subject matter of this Petition. The Commission has authority under Ind. Code § 8-1-2-42(a) to approve rate adjustment mechanisms and the implementation of RAR is consistent with that authority.

I&M’s Integrated Resource Plan and All-Source Request For Proposals.

15. Indiana’s utility regulatory framework requires I&M to submit an Integrated Resource Plan (IRP) to the Commission every three years. Ind. Code § 8-1-8.5-3(e)(2);

170 Indiana Administrative Code (IAC) 4-7-2.

The IRPs are subject to a rigorous stakeholder process. IRPs describe how the utility plans to deliver safe, reliable, and efficient electricity at just and reasonable rates. Further, these plans must be in the public interest and consistent with state energy and environmental policies. Each utility's IRP explains how it will use existing and future resources to meet customer demand. When selecting these resources, the utility must consider a broad range of potential future conditions and variables and select a combination that would provide reliable service in an efficient and cost-effective manner.²

16. I&M's most recent IRP was submitted to the Commission on January 31, 2022 ("2021 IRP").³ The study period for I&M's 2021 IRP is 2022-2041.

17. I&M is on the brink of a major generation transformation as Rockport Unit 1 and Unit 2 will retire by the end of 2028. Beginning in 2024, I&M's projected capacity shortfall is in excess of 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. These coal-fired resources represent nearly one-half of the Company's generation fleet and the retirement of these units provides a significant opportunity for I&M to further diversify its generation portfolio, and reduce its carbon emissions.

18. In accordance with the Commission's rules, I&M's 2021 IRP includes a Preferred Resource Portfolio. I&M has prepared the Preferred Portfolio with a near-term plan, 2022–2028 and a long-term indicative plan, 2029–2041. The near-term plan includes the resource additions that will be necessary for the Company to make from

²<https://www.in.gov/iurc/energy-division/electricity-industry/integrated-resource-plans/>

³ *Id.*

2022 through 2028 and is inclusive of the Company's Short-Term Action Plan. The long-term-indicative plan includes the resource decisions that the Company will need to make from 2029 through the end of the planning period in 2041.⁴

19. As called for in the Short-Term Action Plan, I&M issued an RFP on March 10, 2022. The RFP solicited proposals for all or a portion of I&M's forecasted capacity short position. I&M did not submit a self-build proposal and no affiliate submitted a bid. I&M contracted Charles River Associates (CRA) to serve as an independent monitor. CRA also managed the stakeholder process on behalf of the Company and ensured all stakeholder feedback was received by the Company and reasonably considered in the RFP process.

20. I&M entered into the Montpelier CPA, as it is a critical element in implementing the Preferred Portfolio and supporting resource adequacy for I&M's customers.

Procedural and Other Matters

21. I&M is filing its case-in-chief contemporaneous with its Petition, including direct testimony, attachments, and workpapers of the following Company witnesses:

⁴ I&M 2021 IRP Report at 6

Name	Title	Subject Matter
David A. Lucas	Vice President – Regulatory and Finance	Filing Overview
Mark Becker	Managing Director of Resource Planning and Operational Analysis	Consistency with IRP
Dean Koujak	Principle, Charles River	Independent Monitor
Tim Gaul	Director – Regulated Infrastructure Development	2022 All-Source Request for Proposal & CPA contract negotiations
Andrew J. Williamson	Director of Regulatory Services	Accounting and Ratemaking

Per Commission General Administrative Order (GAO) 2020-05 an index of the filing is attached to this Petition as Exhibit A.

22. A Motion for Protective Order and supporting affidavits are being filed contemporaneous with this Petition to protect certain confidential, proprietary, competitively sensitive, and/or trade secret information included with I&M's filing from public disclosure.

23. I&M seeks a final Commission order approving this capacity resource and the associated timely cost recovery within approximately 120 days. A decision within this timeframe is necessary to satisfy deadlines for the transaction negotiated with Rockland. It will also allow the Company time to pursue alternative capacity options in the event the relief sought in this proceeding is denied.

24. In accordance with 170 IAC 1-1.1-9(a)(8), I&M will work with the Indiana Office of Utility Consumer Counselor (OUCC) and any intervenors to come to agreement on the following proposed procedural schedule and associated terms and will file any such agreement in this Cause.

Petitioner's Authorized Representatives

25. The names and address of I&M's attorneys in this matter who are duly authorized to accept service of papers in this Cause on behalf of I&M are:

Teresa Morton Nyhart (Atty. No. 14044-49)
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WHEREFORE, I&M respectfully requests the Commission to promptly publish notice, make such investigation and hold such hearings as are necessary and advisable, and thereafter make and enter an order in this Cause:

(i) approving the Montpelier CPA to purchase capacity only from Rockland Capital;

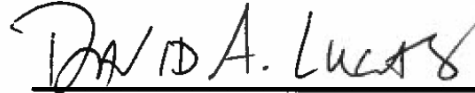
(ii) authorizing timely cost recovery through I&M's RAR (or successor rate adjustment mechanism) for the full term of the CPA and other accounting and ratemaking treatment as proposed by I&M; and

(iii) granting to I&M such other and further relief in the premises as may be appropriate and proper.

Dated this 30th day of March, 2023.

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY



David A. Lucas
Vice President – Regulatory and Finance
Indiana Michigan Power Company



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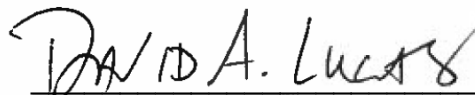
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COMPANY

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.

Dated: March 30, 2023


A handwritten signature in black ink that reads "DAVID A. LUCAS". The signature is written in a cursive style with some capital letters.

David A. Lucas

CERTIFICATE OF SERVICE

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

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**Indiana Michigan Power Company
Index of Issues, Requests, and Supporting Witnesses¹**

The Petition requests the Commission approve the Montpelier capacity purchase agreement (CPA) described in this proceeding and authorize the timely recovery of costs through the Resource Adequacy Rider or successor rate adjustment mechanism in accordance with Ind. Code § 8-1-2-42(a). The following Index of Issues, Requests, and Supporting Witnesses is being provided in accordance with General Administrative Order (GAO) 2020-05.

I. Supporting Witnesses

AES Indiana Witnesses		
Name	Position	Major Subject Area
David A. Lucas	Vice President – Regulatory and Finance, Indiana Michigan Power Company (I&M or Company).	<ul style="list-style-type: none"> ▪ Provides an overview of the relief I&M is seeking in this proceeding. ▪ Discusses the importance of a timely decision. ▪ Describes the Company and its work to meet customers’ ongoing needs and interests in reliable, affordable and sustainable generation resources through further diversification of generation resources. ▪ Discusses the retirement of the Company’s Rockport generating facility and the need to replace this capacity to serve customers. ▪ Introduces the Capacity Purchase Agreement (CPA) with Rockland Capital ▪ Discusses the benefits associated with the CPA and why Commission approval of

¹ This Index of the Company’s case-in-chief is intended to highlight issues and is not an exhaustive list of the Company’s requests in this proceeding. A complete account of the Company’s requested relief can be found in the Company’s filing in this Cause, including the petition, case-in-chief, and workpapers.

Indiana Michigan Power Company Petition
Exhibit A

		the CPA serves the public convenience and necessity.
Mark Becker	Managing Director of Resource Planning, American Electric Power Service Corporation (AEPSC).	<ul style="list-style-type: none"> ▪ Provides an overview of I&M's 2021 Integrated Resource Plan (IRP), the price evaluation of projects from I&M's 2022 All-Source Request for Proposals ("RFP"), how CPA requested for approval by the Company is consistent with I&M's 2021 IRP, and the IRP resource alternatives considered ▪ Provides a brief discussion of the IRP process and results. ▪ Explains I&M's need for additional capacity. ▪ Describes the results of the Economic Evaluation that provided the price evaluation ranking of the RFP proposals. ▪ Describes the consistency between the IRP Preferred Plan and the Montpelier CPA. ▪ Describes the Company's consideration of IRP resource alternatives.
Timothy Gaul	Director – Regulated Infrastructure Development, AEPSC.	<ul style="list-style-type: none"> ▪ Supports I&M's request for approval of the CPA, which was selected through a competitive all-source RFP. ▪ Provides an overview of the RFP and selected projects. ▪ Reviews the RFP development and issuance process and engagement of Independent Monitor. ▪ Describes the proposal review and selection.

Indiana Michigan Power Company Petition
Exhibit A

		<ul style="list-style-type: none"> ▪ Provides an overview of the negotiation process, market pressures. ▪ Presents the Montpelier CPA. ▪ Presents the CPA costs.
Dean Koujak	Principal, Charles River Associates.	<ul style="list-style-type: none"> ▪ Introduces and describes CRA's role and conclusions as the Independent Monitor for I&M's procurement process under the RFP. ▪ Presents Independent Monitor's Report.
Andrew Williamson	Director of Regulatory Services, I&M.	<ul style="list-style-type: none"> ▪ Addresses the accounting and ratemaking associated with the Montpelier CPA. ▪ Addresses I&M's request for timely cost recovery through I&M's existing Resource Adequacy Rider (RAR) for the cost of capacity under the CPA. ▪ Supports various accounting and ratemaking proposals related to the CPA, including: <ul style="list-style-type: none"> ○ the request to defer costs incurred prior to recovery in I&M's rates; and ○ recovery of development costs associated with the CPA. ▪ Provides an estimate of the overall incremental rate impact of the CPA to I&M's customers.

II. Index of Issues and Requests

Subject	General	Witness/Other Reference
Statutory Authority	<ul style="list-style-type: none"> • IC 8-1-2-42(a) (cost recovery through RAR) • IC 8-1-2-4, 10, 12, 38, 39, and 61 (Other Accounting & Ratemaking Authority). 	<ul style="list-style-type: none"> ▪ Petition, ¶ 14.
Case Timeline	<ul style="list-style-type: none"> • I&M will work with the Indiana Office of Utility Consumer Counselor and any intervenors to come to agreement on procedural schedule. • Timely decision is critical for I&M to meet its contract commitments and to be able to include the Montpelier CPA in the Company's future capacity plan submittals to PJM for the 2027/2028 PJM Planning Year. 	<ul style="list-style-type: none"> ▪ 170 IAC 1-1.1-9(a)(8) ▪ Petition, ¶24. ▪ Lucas, Q/A 25.
I&M characteristics	<ul style="list-style-type: none"> • Service area. • Generating Resource Portfolio. 	<ul style="list-style-type: none"> ▪ Petition, ¶2. ▪ Lucas, Q/As 10, 12-14.
Project Description		
The Montpelier CPA	<ul style="list-style-type: none"> • The Montpelier CPA is a seven-year, capacity-only contract between I&M and Rockland Capital. It provides for the purchase of 210 MW of PJM accredited capacity beginning in PJM capacity year 2027/2028 (or June 1, 2027) and ending with the PJM capacity year 2033/2034 (or May 31, 2034). • Montpelier went into commercial operation in 2001 and is located in Wells County, Poneto, Indiana. It is connected to the American Electric Power transmission system. 	<ul style="list-style-type: none"> ▪ Petition, ¶¶8-9. ▪ Lucas, Q/A 17 (Overview of Project). ▪ Gaul, Q/A 11 and Section VI. Overview of the Montpelier CPA.
Project Selection and IRP Consistency		
Solicitation Process	<ul style="list-style-type: none"> • The Company conducted an All Source RFP to solicit competitive resource proposals. 	<ul style="list-style-type: none"> ▪ Lucas Q/A 21. ▪ Gaul, Q/As 12-28 (RFP development, review and Project selection). ▪ Koujak Q/As 17, 20, 32 (Fairness and consistency of the solicitation process).

Index of Issues and Requests (cont'd)		
Project Selection and IRP Consistency (cont'd)		
Consideration of resource alternatives	<ul style="list-style-type: none"> • The Company considered a number of options in the IRP process including conventional thermal generation, renewable energy, energy storage, several types of demand-side management including demand response, load management, conservation, conservation voltage reduction and cogeneration. 	<ul style="list-style-type: none"> ▪ Becker, Q/As 38-40 (Section VII. Consideration of Resource Alternatives) and Attachments MAB 1, MAB 2, MAB 3 and MAB 3C, and MAB 4 (I&M's 2021 IRP and Appendices). ▪ Gaul, Q/As 12-28 (RFP development, and review).
Consistency with IRP	<ul style="list-style-type: none"> • The Montpelier CPA is consistent with I&M's 2021 IRP and Commission's analysis for expansion of electric generating capacity. 	<ul style="list-style-type: none"> ▪ Lucas, Q/A 19-20, 23-24. ▪ Becker, Q/As 36-37, (Section VI. Clean Energy Projects Consistency with 2021 I&M IRP CT Resource).
Relief Requested		
I&M request	<ul style="list-style-type: none"> • I&M requests the Commission approve the Montpelier CPA described in this proceeding and authorize the timely recovery of costs through the Resource Adequacy Rider or successor rate adjustment mechanism in accordance with Ind. Code § 8-1-2-42(a). • The Company seeks the Commission to find the Montpelier CPA is reasonable and necessary and authorize the associated timely cost recovery throughout the entire seven (7) year term the agreement. • I&M requests Commission approval to establish a regulatory asset and authority to recover CPA development costs in the RAR over a period of two years, including a pre-tax return on the unamortized balance. 	<ul style="list-style-type: none"> ▪ Petition, ¶10. ▪ Lucas, Q/A 18. ▪ Williamson, Q/A 11, 13.

	Index of Issues and Requests (cont'd)	
	Relief Requested (cont'd)	
	<ul style="list-style-type: none">• The Company is requesting Commission authority to defer and record as a regulatory asset the Montpelier CPA costs until such time as these costs are included in I&M's rates, either RAR rates as proposed in this proceeding or I&M's basic rates.	<ul style="list-style-type: none">▪ Williamson, Q/A 16.

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