

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANA MICHIGAN )  
POWER COMPANY, AN INDIANA )  
CORPORATION, FOR APPROVAL OF 20 )  
MW<sub>AC</sub> CLEAN ENERGY SOLAR PROJECT; )  
FOR APPROVAL OF RELATED )  
ACCOUNTING AND RATEMAKING )  
INCLUDING: TIMELY RECOVERY OF COSTS )  
INCURRED DURING CONSTRUCTION AND )  
OPERATION OF THE PROJECT THROUGH )  
I&M'S BASIC RATES OR A SOLAR POWER )  
RIDER, APPROVAL OF DEPRECIATION )  
PROPOSAL, AND AUTHORITY TO DEFER )  
COSTS UNTIL SUCH COSTS ARE )  
REFLECTED IN RATES; AND FOR )  
APPROVAL OF SALE OF RENEWABLE )  
ENERGY CREDITS. )

**FILED**  
August 26, 2019  
INDIANA UTILITY  
REGULATORY COMMISSION

CAUSE NO. 45245

**SUBMISSION OF REBUTTAL TESTIMONY OF  
TOBY L. THOMAS**

Applicant, Indiana Michigan Power Company (I&M), by counsel, respectfully  
submits the rebuttal testimony and attachments of Toby L. Thomas in this Cause.



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Attorneys for Indiana Michigan Power  
Company

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the forgoing was served by hand delivery and or email transmission upon the following this 26th day of August, 2019:

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Attorneys for INDIANA MICHIGAN POWER COMPANY

I&M Exhibit \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

**CAUSE NO. 45245**

**PRE-FILED VERIFIED REBUTTAL TESTIMONY**

**OF**

**TOBY L. THOMAS**

**PRE-FILED VERIFIED REBUTTAL TESTIMONY OF TOBY L. THOMAS  
ON BEHALF OF  
INDIANA MICHIGAN POWER COMPANY**

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

2   A.    My name is Toby L. Thomas, and my business address is Indiana Michigan Power  
3       Center, P.O. Box 60, Fort Wayne, Indiana 46801.

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

5   A.    I am President and Chief Operating Officer of Indiana Michigan Power Company  
6       (I&M or Company).

7   **Q.    Have you previously testified in this proceeding?**

8   A.    Yes, I presented direct testimony in this Cause.

9                                   **PURPOSE OF TESTIMONY**

10  **Q.    What is the purpose of your rebuttal testimony in this proceeding?**

11  A.    My rebuttal testimony responds to the testimony offered by the Office of the Utility  
12       Consumer Counselor (OUCC) in opposition to the Company's proposal to construct  
13       a 20 MW solar facility that will benefit all of I&M's customers and allow us to continue  
14       to make progress toward an orderly transition of our generation fleet. In particular, I  
15       will rebut the notion that the South Bend Solar Project (SBSP or project) is being  
16       proposed solely for the benefit of the University of Notre Dame and is simply image  
17       building by I&M. I will also address the erroneous notion that the project is not in the  
18       best interests of I&M's customers. I also will rebut the suggestion that the Renewable  
19       Energy Certificates (RECs) associated with the project should be monetized no  
20       matter how much that will negate the economic development potential of the SBSP.



1 reasonable by attracting more load over which our fixed costs of service can be  
2 spread. The OUCC essentially ignores these vital points with recommendations that  
3 would harm customers, the company and the communities in which we live and work.

4 The OUCC's recommendations are also contrary to the State's energy policy,  
5 which not only supports the orderly deployment of renewable energy, but specifically  
6 encourages the very kind of project I&M is proposing here. The OUCC's  
7 recommendations would turn Indiana's "all-of-the-above" approach to energy into a  
8 shortsighted analysis that ignores the intangible merits of adding renewables to our  
9 generation portfolio.

10 The OUCC's conclusion that this project was developed for and only benefits  
11 the University of Notre Dame is simply wrong. The SBSP is the first of a few small  
12 solar projects I&M plans to deploy in our larger cities to encourage economic  
13 development and transition the generation portfolio. Part of that effort is intended to  
14 work with providing our customers interested in sustainable energy the opportunity  
15 to participate in the projects to help them succeed as customers. While Notre Dame  
16 is a leader in this kind of endeavor, it is not the only customer that has expressed or  
17 may have an interest in a collaborating with us. Leveraging the interest of these  
18 customers helps offset the cost of the projects, which benefits all customers.  
19 However, it is not, contrary to the OUCC's impression, the reason for moving the  
20 project forward in the first place.

21 Last, the OUCC's recommendations to limit the recovery of the costs of the  
22 project are unwarranted. The cost of the project are reasonable and should be  
23 reflected in rates as proposed by I&M.

1   **Q.    The OUCC asserts (Aguilar; 4/2-3) that the Commission should consider the**  
2       **impact on customers when evaluating the project. Do you agree?**

3   A.    Yes, but we reach a fundamentally different conclusion because the OUCC does not  
4       recognize that the project benefits customers by increasing the amount of renewable  
5       energy serving their needs and by encouraging the economic development of the  
6       communities in which they live. Economic development is an important element of  
7       the filing because it is essential to increase the amount of load over which I&M's fixed  
8       costs of service can be recovered. I&M's load over the past decade has been flat or  
9       declining for a number of reasons, which puts upward pressure on rates. While I&M  
10      has worked hard to control the costs of serving customers, it is important to also grow  
11      load as a means of keeping rates reasonable for all customers. Attracting new  
12      customers, who are increasingly interested in being recognized as being served by  
13      renewable resources located in close proximity, is an important part of achieving that  
14      goal. The SBSP will be an important feature that attracts new customers who can  
15      keep rates lower for all customers.

16   **Q.    Do you agree with the OUCC (Aguilar; 3/11) that Notre Dame is the sole**  
17       **customer driving the need for the SBSP?**

18   A.    No. While Notre Dame's involvement with the project is important (Attachment TLT-  
19       2R - Letter of Support from UND) and beneficial to all customers, the project was  
20       developed for and benefits all customers, as previously described. The partnership  
21       with Notre Dame provide revenues that will offset the revenue requirement of the  
22       project and increase the awareness and stature of the project nationwide. However,  
23       Notre Dame is not the only customer that may want to more closely align itself with

1 the project. For example, it is readily conceivable that a progressive city like the City  
2 of South Bend may want to be recognized as a supporter of the project (Attachment  
3 TLT-3R Comments of the Green Ribbon Commission of the City of South Bend filed  
4 in Cause No. 45235).

5 In any event, the project meets the interests of I&M's customers in being  
6 served with more renewable energy, as expressed numerous times during the field  
7 hearings in Cause No. 45235. Existing and prospective customers desire more  
8 renewable energy and the SBSP was developed to meet their interests, not just Notre  
9 Dame's. As such, it would be premature to sell the remaining RECs of the SBSP  
10 into the market, as suggested by OUCC Witness Haselden, because it would  
11 eliminate the ability of the SBSP to attract new or existing customers who may be  
12 attracted to the opportunity provided by the SBSP to meet their sustainability goals.  
13 While those goals may not have been satisfied by I&M's existing green programs,  
14 I&M continues to evolve its offerings as it competes to meet those goals.

15 **Q. OUCC Witness Aguilar (3/13; 4/3) considers I&M to have "captive customers."**  
16 **Please respond.**

17 A. The notion that I&M's customers are captive points out the OUCC's antiquated  
18 approach to transformation underway in the regulated industry in which I&M  
19 operates. I&M's customers have numerous options to taking service from us and if  
20 we are unable to meet the customers' needs, we will fail to be able to provide service  
21 at reasonable rates. Self-generation, distributed generation, energy efficiency,  
22 relocation, and other resources are all means by which customers can and are able  
23 to have their needs met by competitive alternatives to I&M. If I&M is not allowed to



1 transform its business in the way that customers want, our business will decline and  
2 the costs of service will be spread over fewer and fewer units. To the extent I&M has  
3 “captive customers,” it is in their interest that I&M be able to move forward into the  
4 new reality of the energy world by successfully serving its customers as they want to  
5 be served.

6 **Q. Do you agree with the OUCC (Aguilar; 2/15-16) that the type of generation does**  
7 **not matter when projects are proposed for approval by the Commission?**

8 A. No. The policy of the State of Indiana does differentiate between the review of large  
9 generation projects, such as recently proposed by NIPSCo and Vectren, and the  
10 small solar project being proposed in this case. The OUCC’s recommendations fail  
11 to take into account that the State expressly encourages projects like the SBSP and  
12 exempts them from the certificate of need requirements imposed on larger projects.  
13 I&M’s SBSP meets the requirements of the exemption and should not be reviewed  
14 the same as any other large generation project, as suggested by the OUCC. That is  
15 not to say that the SBSP should receive “automatic approval,” but the Commission  
16 should afford the project deference, as intended by the legislature, and be flexible in  
17 the degree of its regulation. The OUCC is mistaken to evaluate a 20 MW solar facility  
18 encouraged by State policy in the same manner that it would evaluate an 800 MW  
19 natural gas facility. The SBSP is an important step forward into Indiana’s energy  
20 future.

21 **Q. Does this conclude your pre-filed verified rebuttal testimony?**

22 A. Yes, it does.

## VERIFICATION

I, Toby L. Thomas, President & Chief Operating Officer for Indiana Michigan Power Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Date: August 26, 2019

A handwritten signature in cursive script that reads "Toby L. Thomas". The signature is written in dark ink and is positioned above a horizontal line.

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Toby L. Thomas

**Indiana Michigan Power Company  
South Bend Solar Project  
Rebuttal Filing Index and Summary**

**I&M Rebuttal Witnesses**

<b>Name</b>	<b>Title</b>
Toby Thomas	President and Chief Operating Officer of Indiana Michigan Power Company.
Joseph G. DeRuntz	Project Director, American Electric Power Service Corporation.
Brent E. Auer	I&M Regulatory Analysis & Case Manager.
David A. Lucas	Vice President Finance and Customer Experience.
John F. Torpey	Managing Director – Resource Planning and Operational Analysis, American Electric Power Service Corporation.

**FILING INDEX**

<b>Subject</b>	<b>Summary</b>	<b>Witness/Other Reference</b>
Contract Status and Terms.	<ul style="list-style-type: none"> <li>The three agreements on the SBSP have now been fully executed by all parties. Both the Alliance Agreement and SREC Agreement with Notre Dame were fully executed on August 9, 2019. The EPC contract for the project was executed on August 13, 2019.</li> <li>The draft agreements provided to the OUCC during the discovery process accurately represent all of the essential elements of the final executed agreements and are consistent with the discussion of pricing and other key terms reflected in the Company's case-in-chief.</li> <li>The agreements provide a framework to capture the significant value that both I&amp;M and Notre Dame have placed on making SBSP beneficial to the Michiana region, the state of Indiana, and all I&amp;M customers.</li> </ul>	<p><i>Lucas</i></p> <ul style="list-style-type: none"> <li>Identifies status of contracts</li> <li>Responds to OUCC testimony regarding contract terms</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>Responds to OUCC testimony regarding contract terms.</li> </ul>

Benefits of Project.	<ul style="list-style-type: none"> <li>• The OUCC's recommendations are contrary to the State's energy policy, which not only supports the orderly deployment of renewable energy, but specifically encourages the very kind of project I&amp;M is proposing here. The OUCC's recommendations would turn Indiana's "all-of-the-above" approach to energy into a shortsighted analysis that ignores the intangible merits of adding renewables to I&amp;M's generation portfolio.</li> <li>• Both I&amp;M and Notre Dame firmly believe that this project has the opportunity to provide many benefits in addition to generating homegrown, emission free energy for I&amp;M's current and future customers. These benefits are not illusory but are supported by the Company's communications with stakeholders.</li> <li>• Despite the claims from OUCC witnesses Aguilar and Haselden, access to renewable energy is becoming an increasingly significant factor in economic development.</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Overview</li> <li>▪ State Policy</li> <li>▪ Customer and community benefits</li> </ul> <p><i>Lucas</i></p> <ul style="list-style-type: none"> <li>▪ Responds to OUCC testimony regarding community and educational benefits</li> <li>▪ Rebuts OUCC position regarding economic development benefits</li> </ul>
Project Cost Estimate.	<ul style="list-style-type: none"> <li>• The EPC contract is fixed, removing uncertainty for the majority of the total Project cost.</li> <li>• The OUCC's criticism of the Project's cost and Levelized Cost of Energy (LCOE), reflects the incorrect treatment of property taxes, selective use of project cost and LCOE information from a Northern Indiana Public Service Company (NIPSCO) 2018 IRP presentation, and misuse of U.S. Energy Information Administration (EIA) and Lazard reports.</li> <li>• Based on the information available at the time, the costs of comparable agriculture land purchases in the area ranged from \$18,242/acre to \$35,012/acre. I&amp;M's cost of</li> </ul>	<p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Responds to OUCC testimony regarding contract pricing terms.</li> <li>▪ Identifies errors in OUCC's comparison of SBSP project costs to other projects and data sources.</li> </ul> <p><i>Lucas</i></p> <ul style="list-style-type: none"> <li>▪ Responds to OUCC recommendation to disallow cost of land purchased.</li> </ul>

	<p>\$21,500/acre was very much in line with the market at the time and confirms that I&amp;M did not pay a premium for this land.</p> <ul style="list-style-type: none"> <li>The “OUCC Estimate Corrected for Property Taxes” of \$90.00/MWh as shown in witness Haselden’s Table JEH-2 in his testimony should be dismissed due to the errors in assumptions and calculation as stated above. These errors are in addition to the LCOE calculation errors that Company witness DeRuntz notes in his testimony.</li> </ul>	<p><i>Auer</i></p> <ul style="list-style-type: none"> <li>Identifies errors in OUCC’s ITC and property tax calculations.</li> </ul>
Accounting and Ratemaking.	<ul style="list-style-type: none"> <li>I&amp;M’s proposal in this case to recover costs associated with the project through a rider until the project can be moved into base rates is consistent with past practices, including the Solar Power Rider.</li> <li>I&amp;M recommends that the Commission adopt the Company’s proposal. The OUCC’s recommendation will increase administrative burden and is contrary to Commission practice. The OUCC’s desire for renewable energy performance data can be more efficiently addressed through I&amp;M’s existing performance metrics reporting process.</li> <li>With the exception of the transformer failure at Deer Creek, the Company has only invested \$29,000 in its four Pilot facilities since the first unit went into service in December 2015. The OUCC’s use of an isolated historical capital expenditure to justify limiting future O&amp;M expense is not appropriate.</li> <li>The OUCC’s recommended cap on O&amp;M expenses should not be adopted. I&amp;M considers numerous factors, including industry standards, lessons learned, and manufacturer’s recommendations when planning future O&amp;M expenditures for maintaining solar facilities. A certain level</li> </ul>	<p><i>Auer</i></p> <ul style="list-style-type: none"> <li>Rebuts use of annual renewable energy rider for ratemaking and performance data</li> <li>Rebuts proposed cap on O&amp;M expense</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>Responds to proposed cap on O&amp;M expense</li> </ul>

	of maintenance activities will be required and planned in the future to maintain the SBSP in a state to provide reliable, efficient, cost effective generation.	
Consistency with IRP.	<ul style="list-style-type: none"> <li>Because of the different time periods involved, it is not appropriate to compare the estimated cost of a 2022 solar project used in the 2018-2019 IRP to the cost of the SBSP. The former estimate reflects the assumption that solar resource costs will continue to trend downward. The latter reflects the results of the Company's competitive solicitation for the 2020 project.</li> <li>The fact that actual costs for a 2020 project differ from the estimates used in the IRP process for projects in 2022 does not invalidate the current IRP. Similarly, the forward-looking cost estimate used in the most recent IRP does not demonstrate that the SBSP cost estimate is unreasonable.</li> <li>The SBSP estimate results from a competitive solicitation and compares favorably to the assumption used in the Company's 2015 IRP for a 2020 solar project of this size, this estimate corroborates the continued reasonableness of the Company's plan to add 20 MW of solar in 2020.</li> </ul>	<i>Torpey</i> <ul style="list-style-type: none"> <li>IRP modeling process</li> <li>Timing of solar projects reflected in 2015 and 2018-19 IRPs</li> </ul>
Sale of RECs.	<ul style="list-style-type: none"> <li>It is the intent of I&amp;M and Notre Dame that 40% of the RECs generated by the SBSP will be sold to Notre Dame. The compensation received from Notre Dame will be flowed through the Fuel Cost Adjustment Rider, which will provide a timely credit to all customers for the revenue received and thus reduce the fuel rates charged to all customers.</li> <li>Since Indiana does not have a market supported by a Renewable Energy Portfolio</li> </ul>	<i>Auer</i> <ul style="list-style-type: none"> <li>Responds to OUCC testimony regarding REC sales and pricing.</li> <li>Explains how REC sales will reduce the cost of service for all I&amp;M customers.</li> </ul>

	<p>Standard, I&amp;M has reasonably looked outside of the state for the pricing of RECs under the GPR and Notre Dame Agreement. But this does not mean that the SBSP RECs could be sold into those markets at those rates.</p> <ul style="list-style-type: none"><li>• Mandating that I&amp;M monetize (sell) RECs in the open market would not be in the best interest of I&amp;M's customers.</li></ul>	
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Toby L. Thomas  
President & Chief Operating Officer  
Indiana Michigan Power Company  
110 E. Wayne St.  
Fort Wayne, IN 46802

August 22, 2019

Dear Mr. Thomas:

I write to offer the continued support of the University of Notre Dame for the South Bend Solar Project (SBSP), the 20 MW solar facility that Indiana Michigan Power Company (I&M) is seeking approval to build in South Bend, Indiana, near our campus. We understand that approval of the project has recently been opposed by the Indiana Office of Utility Consumers Counsel. In light of this, we wish to make clear that Notre Dame strongly supports the SBSP and believes it will bring many benefits to our University, the surrounding South Bend community, and all of I&M's customers. I would request that you include this letter with I&M's next submission to the Indiana Utility Regulatory Commission (IURC) so that the IURC will be aware of Notre Dame's support for the project.

As an initial matter, Notre Dame supports the SBSP because it is critical to achieving our sustainability goals. Notre Dame strives to be a leader in sustainable operations, education, and research, and a role model for responsible citizenship. Notre Dame recognizes its responsibility to conserve the natural environment while promoting long-term economic and social justice for all members of society, and Notre Dame works to foster a pervasive focus on the connection between environmental stewardship and the Common Good. The SBSP will directly further those goals by providing a significant source of renewable power for Notre Dame and other I&M customers, and the financial commitment Notre Dame has made to this project is significant, particularly when viewed in the context of the University's many competing demands for resources.

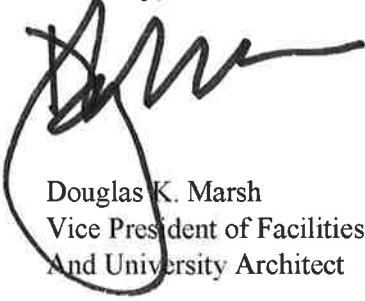
Notre Dame also supports the SBSP because it will promote economic development in South Bend. As we have done at Notre Dame, many of our partners in the private sector have committed to sustainability goals that require them to power all or a portion of their operations through renewable generation. The SBSP will allow businesses locating in South Bend to fulfill these sustainability goals. It will also send a clear message to potential employers in the region that Notre Dame and I&M are committed to building a more sustainable and environmentally friendly power grid.

Lastly, Notre Dame supports the SBSP because it will make important contributions to our research and educational mission. As part of our partnership with I&M, we will receive production data from the facility, which we expect to use for research and education projects. We have also partnered with I&M to offer education tours of the SBSP by students and employees of Notre Dame, many of whom have never visited a solar facility and would benefit greatly from an in-person tour.

For all of these reasons, we strongly support the SBSP and hope that the project is approved.



Sincerely,

A handwritten signature in black ink, appearing to read 'DK Marsh', with a large circular flourish at the bottom left.

Douglas K. Marsh  
Vice President of Facilities Design and Operations and University Architect  
And University Architect

Cc: Timothy Sexton, Associate Vice President for Public Affairs  
John Lloyd, Associate General Counsel  
Paul A. Kempf, Asst. Vice President of Utilities and Maintenance  
Richard Bellis, Senior Director of Treasury Services

*Comments from Krista Bailey  
Co-Chair, Green Ribbon Commission  
City of South Bend  
IURC Cause 45235 (Indiana Michigan Power Rate Case)  
South Bend Field Hearing, July 11, 2019*

I am speaking on behalf of the City of South Bend's Green Ribbon Commission, where I serve as co-chair. I offer these comments with the support of the City's Office of Sustainability, which convenes our Commission.

The Green Ribbon Commission shares the Office of Sustainability's priorities for South Bend's energy future, which include 1) protecting financially vulnerable customers from high energy costs, 2) investing in clean energy technologies and next-generation energy jobs and 3) dramatically reducing greenhouse gases to combat the climate crisis

(7)  
Some ways the commission and the utility can support those priorities are:

- 1 • Considering the impact of rate structure on the lowest energy users, which are typically either low- or fixed-income families or residents who have invested in energy efficiency or renewable energy at home.
- 2 • Keeping a clear connection between how much energy we use and our costs, by keeping monthly customer charges reasonably low.
- 3 • Supporting and partnering with I&M customers who want to invest in energy efficiency and renewable energy technologies.
- 4 • To find pathways for customers to participate in community solar and roof top solar installations, possibly including creative net metering accommodations.
- 5 • Keeping costs low for local governments that provide essential services to communities ranging from streetlights and traffic signals to safe drinking water and wastewater treatment.
- 6 • Replacing coal power with expanded renewable resources, demand management, and energy efficiency in the immediate future.
- 7 • Forming partnerships between utilities and communities that implement clean energy technologies locally, providing jobs in growing industries, while curbing pollution and greenhouse gases.

Fundamentally, I ask the Utility Regulatory Commission to ensure that any investment by I&M and paid for by ratepayers is done in a way that maximizes public benefits.

In South Bend, we are already feeling the effects of climate change, with heavy rain, flooding, and extreme temperature swings driving uneven energy demand and putting vulnerable people and public infrastructure at risk. Time is running short to get the carbon out of our energy system if we want to maintain our Hoosier way of life.