STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANA MICHIGAN POWER COMPANY, AN INDIANA CORPORATION, FOR APPROVAL OF 20 MW_{AC} 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.	)	CAUSE NO.

SUBMISSION OF DIRECT TESTIMONY OF
TOBY L. THOMAS

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

Teresa Morton Nyhart (Atty. No. 14044-49)
Jeffrey M. Peabody (Atty No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Peabody Phone: (317) 231-6465
Fax: (317) 231-7433
Email: tnyhart@btlaw.com
jpeabody@btlaw.com

Attorneys for Indiana Michigan Power Company

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing was served upon the following via electronic email, hand delivery or First Class, or United States Mail, postage prepaid this 12th day of June, 2019 to:

William I. Fine
Abby R. Gray
Indiana Office of Utility Consumer Counselor
Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov
wfine@oucc.in.gov
agray@oucc.in.gov

Jeffrey M. Peabody

Teresa Morton Nyhart (No. 14044-49)
Jeffrey M. Peabody (No. 28000-53)
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Phone: (317) 231-7716
Peabody Phone: (317) 231-6465

Attorneys for INDIANA MICHIGAN POWER COMPANY

I&M Exhibit: _____

INDIANA MICHIGAN POWER COMPANY

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

TOBY L. THOMAS

PRE-FILED VERIFIED DIRECT TESTIMONY OF TOBY THOMAS
ON BEHALF OF
INDIANA MICHIGAN POWER COMPANY

Q. Please state your name, business address and title.

A. My name is Toby Thomas. My business address is Indiana Michigan Power Center, P.O. Box 60, Fort Wayne, Indiana 46801. I am President and Chief Operating Officer of Indiana Michigan Power Company (I&M or Company).

Q. What are your principal areas of responsibility with I&M?

A. I am responsible for the safe, reliable, and efficient day-to-day operation of I&M, which is an operating company subsidiary of American Electric Power Company, Inc. (AEP). I am accountable and responsible for I&M's financial performance and the quality of the services we provide to our customers. My responsibilities include I&M's community involvement and economic development, and ensuring compliance with federal regulatory and statutory rules, as well as laws of Indiana and Michigan, the states comprising the Company's electric service territory. Essentially, I am accountable for the Company's distribution, customer service, transmission, and generation functions to ensure the safe delivery of reliable electric energy to I&M's customers.

Q. Please describe your educational and professional background.

A. I hold a Bachelor of Science Degree in Mechanical Engineering from the Rose Hulman Institute of Technology. I joined American Electric Power Company, Inc. (AEP) in 2001 as a project engineer involved in the development and optimization of competitive power generation and industrial steam generation projects across the United States. I have performed various roles of increasing responsibility

including serving as the Managing Director for Kentucky Power, Gas Turbine and Wind Generation. In 2013, I was named Vice-President Competitive Generation for AEP Generation Resources, where I was responsible for the safe, efficient, and environmentally compliant operation of AEP's competitive generating assets – i.e., the AEP plants that are not part of a vertically integrated AEP operating company. I became President and Chief Operating Officer of I&M on January 1, 2017.

Q. Have you previously testified before any regulatory commissions?

A. Yes. I provided testimony before the Indiana Utility Regulatory Commission (IURC or Commission) in I&M's pending and prior rate cases, docketed as Cause Nos. 45235 and 44967. I also provided testimony in Michigan Public Service Commission (MPSC) Case Nos. U-18092 and U-18370. I also testified before the Public Utilities Commission of Ohio in Case Nos. 14-1693-EL-RDR et seq. on behalf of Ohio Power Company.

Q. What is the purpose of your testimony in this cause?

A. The purpose of my testimony is to describe I&M's request for approval to construct, own and operate a 20 MW_{AC} solar facility. I will discuss the need of the project as part of I&M's continuing actions, consistent with its Integrated Resource Plans (IRPs), to transition its generation portfolio to include more renewable energy, and as part of I&M's efforts to support the economic development of the communities it serves. I will also describe the arrangements made with the University of Notre Dame (Notre Dame) to further its sustainability goals in a manner that is beneficial to Notre Dame and I&M's customers.

Q. Please summarize the relief I&M is seeking in this Cause.

A. I&M is requesting that the IURC approve its proposal to construct, own and operate a 20 MW_{AC} solar facility in South Bend, IN (SBSP or Project). Specifically, in accordance with IC 8-1-8.8, I&M is requesting that the Commission approve timely cost recovery and accounting treatment for the Project, as discussed in greater detail in the testimony of Company witness Brent Auer, Regulatory Analysis & Case Manager for I&M. Because the Project meets the criteria in IC 8-1-8.5-7(4), it is exempted from the certification requirements of the Electric Utility Resource Planning and Certification Act (IC 8-1-8.5). This statutory provision requires the Company to report this project to the Commission prior to the commencement of the proposed construction. I&M is complying with this statutory provision via this docket.

Q. Please describe I&M's South Bend Solar Project.

A. The SBSP is a 20 MW_{AC} solar facility that I&M will build, own, and operate near South Bend, IN. The facility is designed to use thin film solar panels with single axis tracking supports and will be electrically interconnected to the PJM Interconnection (PJM) through a 34.5 kV line. The SBSP facility will be designed and constructed by a qualified engineering, procurement and construction (EPC) contractor selected by a competitive Request for Proposal (RFP) process. Once operational, the Company will oversee ongoing plant management including commercial dispatch, operation and maintenance. Company witness Joseph G. DeRuntz, Project Director for American Electric Power Service Corporation (AEPSC), provides more detail about the SBSP in his testimony.

Overall, I&M seeks approval to invest approximately $37 million through 2020 to develop the SBSP. The cost of the solar installation is based on a competitive procurement process, with expected issuance of a notice to proceed to the EPC contractor in April 2020 and project construction to start in or around May 2020. This schedule ensures the Project will qualify for the 26% federal investment tax credit available to projects that begin construction in 2020.

Q. Please describe I&M's current supply resources.

A. To reliably and cost-effectively meet its native load customers' demand and energy requirements, over the years I&M has assembled a diverse portfolio of on-system generation, energy efficiency and demand response programs, and wholesale power purchases. Figure TLT-1 below illustrates the components of I&M's current resource mix:

Figure TLT-1
I&M Test Year End Generation Resource Mix[1]

Nuclear	Solar	Hydro	Wind	Coal
44.1%	0.3%	0.4%	8.7%	46.5%
2,278 MW	14.7 MW	22.4 MW	450 MW	2,402 MW
Cook Unit 1 Cook Unit 2	Four Solar Plants	Six Run-of-River Hydroelectric Generators	Wildcat Headwaters Fowler Ridge	Rockport 1 Rockport 2 OVEC[2]

Q. Is it important to have a diverse portfolio of supply resources?

A. Yes. A portfolio approach to resource planning is most likely to produce the best economic mix of resources while at the same time mitigating risk through

[1] This table does not include the 20 MW_{AC} solar facility that is subject to this docket.
[2] Ohio Valley Electric Corporation, which is subject to FERC regulation, was formed in 1952. OVEC and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation, own and operate the Kyger Creek Power Plant, located at Cheshire, Ohio and the Clifty Creek Power Plant near Madison, Indiana. These generating stations, which began operation in 1955, have long contributed to I&M's resource mix.

diversification. I&M's portfolio approach facilitates the deployment of the most cost-effective combination of resources from a variety of options, such as on-system generating assets, power purchases and demand-side options. Because so many variables are uncertain in the future, satisfying load obligations with a diversified portfolio provides options that, taken together, provide a significant amount of value and flexibility to economically and reliably meet load obligations under a multitude of potential circumstances.

Q. Please describe I&M's interest in adding solar energy to its generation portfolio.

A. I&M's interest in solar power arises from many reasons. Importantly, I&M supports the use of solar energy as a means for creating a diverse portfolio of generating resources. Solar energy is emerging as a generating resource of increasing efficiency and heightened public interest that will become a more significant resource as installation costs for universal solar generation continue to decline and as utilities diversify their generation portfolios. It is important to I&M as a company that it embrace the change toward solar energy in a logical, progressive and disciplined manner.

Although solar generation is an intermittent energy resource with certain operational challenges, it provides a zero-carbon source of electricity that can further diversify I&M's generation portfolio, which now consists of coal, nuclear, solar, wind and hydro generation. Additionally, I&M can add to its experience in integrating solar generation into its portfolio, which will be beneficial going forward to reliably and affordably meet the needs and expectations of its customers.

I&M's customers are increasingly interested in, and demanding of, the use of more renewables to meet their needs. In particular, the availability of renewable energy is an important element of I&M's efforts to attract and retain customers. Adding a modest amount of solar energy to I&M's generation portfolio at this time allows I&M to meet customer expectations with a relatively small impact on customers' overall electricity bills. It also provides I&M with the opportunity to continue the education of I&M's customers about renewable energy. In addition, the generation of solar power encourages further development of solar technology, which continues to evolve into a more competitive, efficient technology.

Q. What are the benefits of increasing the amount of renewable energy in I&M's portfolio?

A. I&M and its customers benefit from the inclusion of renewable resources in a manner that balances the slightly higher cost of that power with the benefits of further diversification, the "home grown" location of supply, and demand from customers for utilities to use more renewable resources. Customers and increasingly communities want more access to renewable energy and further reductions in carbon dioxide emissions. Some of our communities want to differentiate themselves and include electric supply alternatives in their sustainability and climate action plans. Other customers are more focused on cost and prefer a diverse fuel mix that they believe helps to keep prices low or stable. The bottom line is that our individual customers and communities have varying perspectives, beliefs and objectives about climate change, renewable energy, fossil fuels, and the resources they want used to supply their energy.

Given the prevalence of divergent customer and community demands and preferences, I&M seeks to further diversify its generation portfolio using an "all of the above" approach.

Q. How does I&M's SBSP fit into this "all of the above" approach?

A. The SBSP will further broaden the diversity of I&M's generation portfolio by adding additional solar to our existing solar, wind and hydroelectric resources. To respond to customers' and communities' differences and preferences, I&M is undertaking the SBSP to expand its solar resources to provide another option that can be accessed by our customers. Customers will also benefit from learning more about the use of renewable energy/solar energy to meet their energy needs and I&M will increase its operating experience with integrating additional solar energy. Indiana also benefits from the approval of I&M's SBSP by supporting the development of the state's economy. I&M's SBSP will add solar facilities to Indiana in a cost effective manner thereby allowing I&M to further diversify its generation portfolio.

Q. Is the SBSP a "clean energy project" consistent with Indiana public policy?

A. Yes. It is a clean energy project as defined in IC 8-1-8.8-2(2) because solar energy a "clean energy resource" under IC 8-1-37-4(a)(3). As such, I&M has been encouraged by Indiana's energy policy to develop this project, which will allow I&M to diversify its generation portfolio and continue developing expertise in the construction, operation, and maintenance of solar generation. In particular, the statute (IC 8-1-8.8-1) states that:

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

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

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

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In addition, the Governor has supported an "all of the above" energy strategy for Indiana and the Commission has also supported renewable energy in its various orders concerning solar and wind generation for I&M.[3]

Q. Does the Electric Utility Resource Planning and Certification Act (IC 8-1-8.5) also show support for renewable energy projects by providing for an exemption for projects that meet certain criteria?

A. Yes, the State has shown further support for the development of renewable energy projects by the adopting of IC 8-1-8.5-7(4), which provides for an exemption from the certification requirements of the Electric Utility Resource Planning and Certification Act. As shown by the testimony of Company witness DeRuntz, the South Bend Solar Project meets the requirements for exemption from the certification requirements. Namely, the facility being installed utilizes a clean energy resource, has a nameplate capacity of not more than 50,000 kW and uses an Indiana contractor who is subject to Indiana unemployment taxes and was selected through a competitive procurement process.

[3] Solar Pilot Project (Cause No. 44511); Fowler Ridge I Wind Farm renewable energy purchase agreement (REPA) (Cause No. 43328); Fowler Ridge II Wind Farm REPA (Cause No. 43750); Wildcat Wind Farm REPA (Cause No. 44034); Headwaters Wind Farm REPA (Cause No. 44362).

Q. Why is I&M seeking approval to construct and operate the SBSP?

A. I&M evaluates emerging technologies and our customers' evolving needs on an ongoing basis. The Company is interested in serving our customers in the manner in which they want to be served. For years, wind energy has been a more economical renewable energy resource than solar, but recent advancements in technology have allowed gains in the efficiency and cost-effectiveness of solar energy. I&M has gained valuable experience with the Clean Energy Solar Pilot Project construction and operation, following the Commission's approval in Cause No. 44511. The SBSP will enable I&M to become more proficient in operating solar generation and integrating it reliably into the PJM transmission grid. As solar power continues to grow as an energy resource, I&M needs to take its expertise to the next level and the SBSP will help I&M continue to develop the skills and ability to safely, reliably and efficiently operate universal solar facilities.

Q. Is the SBSP consistent with I&M's Integrated Resource Plans?

A. Yes. The increased efficacy of solar is evidenced in I&M's Integrated Resource Plan (IRP) and its selection of solar as a supply-side resource to be added in significant quantities going forward. I&M's request in this Cause is consistent with achieving the Preferred Portfolio Resource mix set forth in the Company's 2015 IRP, which identified annual solar nameplate capacity additions totaling 350 MWs by 2030 and 600 MWs by 2035. The 2015 IRP specifically identified 20 MWs of new solar capacity in 2020, which aligns with the solar capacity amount requested for approval in this filing. These amounts are in addition to the 15 MWs of solar capacity approved in Cause No. 44511 (Clean Energy Solar Pilot Project).

Currently, I&M is developing an IRP, through a stakeholder process, which is expected to be submitted with the Commission by July 1, 2019. At the time of this filing, I&M's proposed Preferred Portfolio Resource plan for the 2019 IRP is reasonably expected to include additional solar resources beginning in 2020 that will exceed the amounts identified in the 2015 IRP.

While the IRP is subject to change if circumstances change over time, it is clear that solar energy will be part of the energy equation going forward and it is important that I&M be skillful at integrating solar into its generation portfolio, at both universal and distributed generation levels. To efficiently achieve 350 MW of installed solar investment by 2030, I&M needs to begin planning and installing resources in the near future.

Q. How do I&M and its customers benefit in general from I&M-owned solar generation?

A. The benefits to I&M and its customers include:

- Obtain cost efficiency through the deployment of larger scale solar resources;
- Exercise quality control over construction, operation, and maintenance of solar projects;
- Utilize the Company's experience in operating existing generation assets for the benefit of operating new solar generation projects likely to be built going forward;
- Locate utility-owned solar photovoltaic facilities close to load centers, which, when located strategically, could reduce the need for energy delivery infrastructure development;
- Provide support for meeting summer peak loads;
- Contribute to meeting I&M's PJM capacity obligations;
- Lower I&M's variable cost of fuel by displacing fossil-fired generation; and

- Obtain investment tax credits that reduce revenue requirements.

Solar energy is well suited for utility ownership because the systems can be installed quickly as compared to other types of generation resources. Further, the various solar energy technologies themselves are more mature, and costs have come down making solar systems more economically attractive. In addition, these systems are the most geographically versatile of the universal generation technologies as they can be designed to consider various shapes and sizes of available land, can be located in the Company's distribution system where feeders are close to capacity or where transmission congestion may be an issue, and can also be scaled to meet the resource needs of the area in which they are situated.

Last, the SBSP will provide diversification of I&M's renewable portfolio that today consists primarily of Power Purchase Agreements (PPA) to include utility-owned renewable resources. In addition, rating agencies currently impute debt related to PPAs. With no corresponding equity, the mere signing of a PPA may weaken the Company's credit profile. Conversely, ownership of solar assets, such as proposed by I&M, will allow I&M to finance the program with a mixture of both debt and equity, which will maintain the Company's financial health.

Q. Will I&M and its customers benefit from the Investment Tax Credit (ITC)?

A. Yes. Federal tax laws allow utilities, among others, to claim an ITC for certain renewable technologies such as solar. Specifically, the Emergency Economic Stabilization Act of 2008 provides for a reduction in a utility's overall tax liability for investments in solar technology that was not available to utilities prior to that time. As Company witnesses DeRuntz and Auer describe, the Project is eligible for the

26% ITC value if construction commences in 2020 as planned and I&M will credit customer rates for the ITC amortization earned on the Project.

Q. How do renewable energy projects, such as the SBSP, support the economic development of the communities in which I&M serves?

A. More and more companies that are considering locating in I&M's service area are asking about the availability of renewable resources to meet their energy needs. The interest is driven by the desire to be recognized as supporting renewable energy, both by the customers they serve and the employees they hope to attract to their workforce. A key component to achieving that recognition is the ability to site a project in close proximity to the interested customers. Being able to answer the question positively and meaningfully makes I&M more attractive to these prospective customers and, more likely to increase the utilization of our assets. Attracting new companies to the I&M service area benefits all of I&M's customers by spreading our costs of service over more units of consumption, which allows customer bills to be lower than they otherwise would be, and is consistent with the State's energy policy.

Offering more renewable resources also is of interest to existing customers that have sustainability goals to achieve. Many customers these days are seeking to meet their energy needs with a greater percentage of renewable energy. Accordingly, to meet our customers' needs in this area, I&M is implementing a strategy to offer customers the opportunity to participate in solar projects that are visible in the local community, encourage economic development, provide value

to all customers, and create partnerships with customers committed to a sustainable energy future.

Q. Does the SBSP offer the opportunity to create an arrangement of this type with a specific customer?

A. Yes. I&M and Notre Dame have engaged in lengthy and arms-length discussions and worked together to create an agreement that supports Notre Dame's environmental values and goals. Under a 30-year agreement, I&M will provide educational opportunities for Notre Dame's students and faculty, jointly create an awareness campaign for the community, and provide Notre Dame with naming rights for the Project. In exchange, Notre Dame will compensate I&M for Renewable Energy Certificates (RECs)[4] in an amount based on 40% of the output of the Project.

Q. How will the compensation from Notre Dame for the RECs be determined?

A. I&M proposes to use a variable rate approach over the 30 years of the agreement. The REC compensation will be based upon the S&P Global Energy Credit Index for a New Jersey Class 1 Renewable Energy Certificate, plus a 20% program administrative fee. For example, if the current market price for a PJM Class 1 REC is $6.00, a 20% administrative fee would result in a REC price of $7.20 ($6.00 + (.20 * $6.00)). Under this approach, the REC compensation will be reset annually in January based upon the average New Jersey Class 1 REC price for the prior calendar year. This compensation (excluding program administrative fees) will be used to offset the cost of the Project for the benefit of all of I&M's customers.

[4] A REC represents the renewable attributes of one megawatt-hour (MWh) of solar generation.

Q. Does I&M anticipate that this type of arrangement will be of interest to other customers?

A. Yes. I&M anticipates that other customers within I&M's footprint may be interested in a similar arrangement to meet their needs by procuring RECs. While those discussions have not progressed to the point we have reached with Notre Dame, I&M's IM Green Rider (IMG) proposal in Cause No. 45325 includes a contract option to address this potential demand. Under this option, I&M could enter into a multi-year agreement with a customer under which the customer would compensate I&M for a portion of the monthly energy generated by a renewable energy project, such as the SBSP. The monthly sale price would be determined by the number of RECs produced by the facility and a set annual price for each REC, as described above. Each month, the customer will be billed for their portion of the RECs and contract amounts. I&M, in turn, will retire the RECs on behalf of the customer. In this manner, interested customers would essentially become sponsors of the SBSP and be able to demonstrate their individual support for solar energy.

Q. How will the revenue received from the Notre Dame agreement and potential future arrangements be reflected in I&M's rates?

A. The compensation for the RECs (excluding program administrative fees) will be flowed through the Fuel Adjustment Clause (FAC), which will provide a timely credit to all customers for the revenue received and thus reduce the fuel rates charged to all customers.

More specifically, I&M contemplates that the revenue received from the sale of the RECs be reflected with the revenue from the sale of other RECs in customer rates through the proposed IMG Program. I&M will use the FAC as the mechanism to track and provide a rate credit to reflect the revenues the Company will receive for all REC purchases under I&M's IMG. This proposal is consistent with the current practice of using the FAC as a vehicle to flow net proceeds from the Company's voluntary Renewable Energy Option to customers. This will allow for timely reflection of the associated credits in customer rates without needing to file separate docketed proceedings in the future.

Q. Would these arrangements be filed with the Commission for approval?

A. No. As explained in Cause No. 45235, larger commercial and industrial customers can participate under the standard program option or eligible customers may choose from a contract option as well. The contract option will allow large commercial and industrial customers to participate through a written service agreement addressing their renewable energy objectives and level of commitment. This option will allow larger customers and the Company flexibility in customizing an offering specific to the customers' needs. Pricing will be based on the S&P Global Energy Credit Index for New Jersey Class 1 Renewable Energy Credit Certificate plus a negotiated administrative fee, as described above.

Q. How will I&M account for the RECs associated with the SBSP?

A. Any RECs not subscribed to by customers will be maintained and counted toward I&M's compliance with RPS (Renewable Portfolio Standard) or GHG (Green House Gas) regulations to which it is, or may be, subject. Regardless of any future

RPS or GHG mandates, receiving the RECs helps voluntarily reduce GHG emissions per megawatt hour. Also, I&M intends to monitor the value of RECs in the market and may occasionally monetize unsubscribed RECs and flow the benefits back to customers through the FAC.

Q. How does I&M propose to reflect the costs of the SBSP in its retail rates?

A. As further explained by Company witness Auer, in the event the SBSP is not completed in time to be included in the rates established in I&M's pending rate case, then I&M is proposing that the revenue requirement for the SBSP be recovered through the Solar Power Rider (SPR) until the investment is included in base rates or another recovery mechanism. This approach is consistent with Indiana law, which encourages the development of renewable energy projects like the SBSP by providing incentives for utility investment in clean energy projects. I&M is seeking the timely recovery of its costs as an incentive available under the law. I&M is not seeking an enhanced return on its investment, as the law permits, and considers a return based on the most recently approved rate of return to be a sufficient incentive under the circumstances.

Q. In your opinion, is the SBSP reasonable and in the public interest?

A. Yes. For the reasons set forth in my testimony, pursuing utility ownership of solar resources is in the best interest of I&M and its customers. The SBSP produces real benefits for I&M, its customers, the South Bend community, and the state of Indiana. The SBSP further diversifies I&M's generation portfolio, supports a "home grown" renewable resource, and meets the increasing interest of customers in the use of more renewable resources. Importantly, the Project also furthers the State's

energy policy of encouraging economic development through the deployment of renewable resources, particularly because it is in a location that allows customers to feel a connection to the facility. It also provides an opportunity for I&M and its customers to learn more about the use of renewable resources as a means for serving their energy needs.

Q. What specifically is I&M asking the Commission to approve?

A. I&M requests the Commission find that the SBSP is a "clean energy project" as defined in IC 8-1-8.8-2 and that I&M is eligible for the financial incentives set forth in IC 8-1-8.8-11. I&M is also requesting approval to reestablish the Solar Power Rider to provide timely recovery of the costs of the SBSP in the event the project is not timely reflected in rates, as proposed in the Company's pending rate case. Last, I&M seeks approval of the pricing methodology described above for designating RECs associated with 40% of the Project to Notre Dame.

Q. Does this conclude your pre-filed verified direct testimony?

A. Yes.

VERIFICATION

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

Date: June 12, 2019

Toby L. Thomas