

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 ) CAUSE NO.  
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. )

**VERIFIED APPLICATION**

INDIANA MICHIGAN POWER COMPANY ("I&M", "Company" or "Applicant") respectfully files this application with the Indiana Utility Regulatory Commission ("Commission" or "IURC") for approval of a 20 MW<sub>AC</sub> Clean Energy Solar Project and for associated accounting and ratemaking relief as further detailed below. I&M also requests Commission approval of the sale of renewable energy credits (RECs). In support of this Application, I&M represents the following:

**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.

2. I&M is engaged in, among other things, rendering electric service in the States of Indiana and Michigan. I&M 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 service to the public. I&M has maintained and continues to maintain its properties in an adequate state of operating condition.

**I&M's Service Territory.**

3. I&M supplies electric service to approximately 468,000 retail customers in northern and east-central Indiana and 129,000 retail customers in southwestern Michigan, within a service area covering approximately 4,573 square miles. In Indiana, I&M provides retail electric service to the following 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 the States of Indiana and Michigan. I&M's electric system is an integrated and interconnected entity that is operated within Indiana and Michigan as a single utility.

**I&M's "Public Utility" Status.**

4. I&M is a "public utility" under Ind. Code § 8-1-2-1 and an "energy utility" as defined in Ind. Code § 8-1-2.5-2. I&M is an "eligible business" as defined in Ind. Code § 8-1-8.8-6. 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.

5. 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.

6. 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’s Electric Utility System.**

7. 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.

8. I&M’s property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and adopted by this Commission.

### **Proposed Solar Project.**

9. I&M proposes to construct, own and operate a single site, 20 MW<sub>AC</sub> name plate capacity solar facility. The facility will be located east of South Bend, Indiana in close proximity to the University of Notre Dame. This project is referred to as the “South Bend Solar Project” or “Project”.

10. The South Bend Solar Project is part of I&M’s continuing actions, consistent with its Integrated Resource Plans (IRPs), to transition its generation portfolio to include more renewable energy. The South Bend Solar Project also supports the economic development of the community and is otherwise reasonable and necessary.

11. The South Bend Solar Project will be integrated into the PJM RTO system and, if approved by the Commission as proposed herein, is projected to be placed in service on or before December 31, 2020.

12. I&M and the University of Notre Dame (“Notre Dame”), an I&M customer, have entered into a 30-year agreement whereby I&M will designate to Notre Dame eight MWs of the renewable attributes of the South Bend Solar Project (representing 40% of the overall Project). In exchange, Notre Dame will compensate I&M for the Renewable Energy Certificates (RECs) associated with 40% of the output of the Project. This arrangement furthers the University’s sustainability goals in a manner that is beneficial to Notre Dame and I&M’s customers.

### **Relief Sought.**

13. I&M requests the Commission to approve a) the Company’s proposal to construct, own and operate the 20 MW<sub>AC</sub> South Bend Solar Project and b) the sale of

RECs. In accordance with Ind. Code § 8-1-8.8-11, I&M also requests the Commission approve associated ratemaking and accounting treatment for the Project, including: (1) timely recovery of I&M's construction and operating costs incurred in connection with the Project; (2) approval of a (30-year) depreciable life for the Project (which matches the expected life of the investment); and (3) deferral of post in-service carrying costs and O&M costs (including depreciation, and property taxes) until such costs are reflected in I&M's retail rates. I&M will include the non-administrative fee revenues received through the sale of RECs in its fuel adjustment clause proceedings as a credit to ensure that all customers benefit on a timely basis from this arrangement. Cost recovery will reflect a credit for the amortization of the Investment Tax Credit earned on the proposed Project. I&M requests the timely cost recovery be implemented through the basic rates established in the Company's pending rate case (docketed as Cause No. 45235) or, in the alternative, through the Solar Power Rider.

**Statutory Authority for Requested Relief.**

14. This Application is filed pursuant to Ind. Code § 8-1-8.8-11. The South Bend Solar Project is a "Clean Energy Project" and is specifically encouraged by Ind. Code ch. 8-1-8.8. Therefore, the approval of the relief I&M seeks is consistent with Indiana energy and regulatory policy.

15. The accounting, depreciation and other authority sought herein is also consistent with Ind. Code §§ 8-1-2-10, 14, 19 through 21, 23, 24, 25, and 42. Because the Project meets the criteria in Ind. Code § 8-1-8.5-7(4), it is exempted from the certification requirements of Ind. Code ch. 8-1-8.5. Ind. Code § 8-1-8.5-7 requires the Company to report this project to the Commission prior to the proposed construction.

I&M is complying with this statutory provision via this filing. In the event the Commission determines the 20 MW<sub>AC</sub> South Bend Solar Project is not exempted from Ind. Code ch. 8-1-8.5, the Company seeks issuance of a certificate of public convenience and necessity for this Project.

**Submission of Case-in-Chief and Other Supporting Documentation.**

16. I&M is filing its case-in-chief in written form contemporaneous with this Application. The Company's proposals are indexed in the attached Petition Exhibit A.

**Confidential Information.**

17. Contemporaneous with the filing of this Application, I&M is also filing a motion for protective order to protect certain confidential, proprietary, competitively sensitive and/or trade secret information related to I&M's filing from public disclosure. I&M has entered into a nondisclosure agreement with the OUCC and will work together with any intervenors to negotiate an acceptable confidentiality agreement to facilitate the production of the confidential information as appropriate.

**Request for Prehearing Conference and Preliminary Hearing and Procedural Schedule.**

18. Timely approval of the South Bend Solar Project in accordance with the 120 day timeframe set forth in Ind. Code § 8-1-8.8-11 is reasonable and necessary.

19. Pursuant to 170 IAC 1-1.1-15, I&M requests that a date for a prehearing conference and preliminary hearing be promptly set by the Commission to address procedural matters. In accordance with 170 IAC 1-1.1-15(e), I&M will work with the

OUCC to develop an agreed procedural schedule and will file any agreement separately in this Cause.

**Attorneys for Applicant.**

20. The names and addresses of I&M's duly authorized representatives, to whom all correspondence and communications concerning this Application should be sent, are as follows:

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  
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Nyhart Email: [tnyhart@btlaw.com](mailto:tnyhart@btlaw.com)  
Peabody Email: [jpeabody@btlaw.com](mailto:jpeabody@btlaw.com)

*WITH A COURTESY COPY TO:*

Matthew S. McKenzie  
American Electric Power Service Corporation  
1 Riverside Plaza, 29<sup>th</sup> Floor  
Columbus, Ohio 43215  
Phone: (614) 716-2992  
Fax: (614) 716-2950  
Email: [msmckenzie@aep.com](mailto:msmckenzie@aep.com)

WHEREFORE, I&M respectfully requests that the Commission promptly establish a procedural schedule in this Cause, make such investigation and hold such hearings as are necessary or advisable in this Cause, and thereafter make and enter an appropriate order:

- 1) approving the South Bend Solar Project;

- 2) approving the cost estimate for the South Bend Solar Project;
- 3) approving the sale of RECs as proposed by I&M;
- 4) authorizing timely cost recovery and associated accounting authority as proposed by I&M;
- 5) approving I&M's depreciation proposal; and
- 6) granting to I&M such other and further relief as may be appropriate and proper.

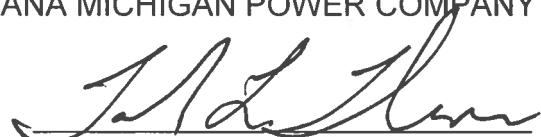


Dated this 12 day of June, 2019.

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY

By:



Toby L. Thomas  
President and Chief Operating Officer

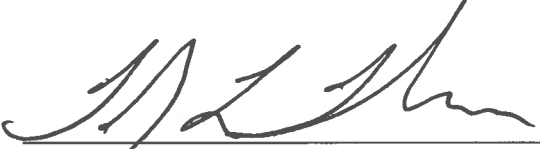
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Attorneys for INDIANA MICHIGAN POWER COMPANY

**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

**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing was served upon the following via electronic email, hand delivery or First Class, 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  
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Attorneys for INDIANA MICHIGAN POWER COMPANY

**Indiana Michigan Power Company  
South Bend Solar Project  
Filing Index and Summary<sup>1</sup>**

**I&M Witnesses**

Name	Title
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.

**FILING INDEX**

Subject	Summary	Witness/Other Reference
Statutory Authority	<ul style="list-style-type: none"> <li>• IC 8-1-8.8-11.</li> <li>• Project exempted from IC ch 8-1-8.5 certification because the Project meets the size, competitive solicitation and other requirements for the exemption provided in IC 8-1-8.5-7(4).</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Requested relief (see also Petition).</li> <li>▪ Exemption overview.</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Exemption criteria satisfied.</li> </ul>
Timeline	<ul style="list-style-type: none"> <li>• 120 Days.</li> </ul>	IC 8-1-8.8-11(d).
Clean Energy Project	<ul style="list-style-type: none"> <li>• IURC approval to construct, own and operate a 20 MW<sub>AC</sub> Clean Energy Solar Project.</li> <li>• Facility will be located in close proximity to the University of Notre Dame and is referred to in filing as “South Bend Solar Project” or “SBSP.”</li> <li>• Project qualifies as a “clean energy project” under IC 8-1-8.8-2 because solar energy is a “clean energy resource” under IC 8-1-37-4(a)(3). See IC 8-1-8.8-10(a)(1).</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Project overview.</li> <li>▪ Indiana energy policy.</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Project details, operation and maintenance.</li> <li>▪ I&amp;M’s experience with solar energy projects and technology.</li> </ul>

<sup>1</sup> This Index of the Company’s case-in-chief is intended to highlight issues and is not an exhaustive list of I&M’s requests in this proceeding. A complete account of I&M’s requested relief can be found in I&M’s petition, testimony, and attachments.

<p>Project Is Reasonable and Necessary</p>	<ul style="list-style-type: none"> <li>• The South Bend Solar Project will be integrated into the PJM RTO system and, if approved by the Commission as proposed herein, is projected to be placed in service on or before December 31, 2020.</li> <li>• The South Bend Solar Project is part of I&amp;M's continuing actions, consistent with its Integrated Resource Plans (IRPs), to transition its generation portfolio to include more renewable energy.</li> <li>• I&amp;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.</li> <li>• Currently, I&amp;M is developing an IRP, through a stakeholder process, which is expected to be filed with the Commission by July 1, 2019.</li> <li>• At the time of this filing, I&amp;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.</li> <li>• 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&amp;M be skillful at integrating solar into its generation portfolio, at both universal and distributed generation levels.</li> <li>• To efficiently achieve 350 MW of installed solar investment by 2030, I&amp;M needs to begin planning and installing resources in the near future.</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Project is reasonable and necessary.</li> <li>▪ Project is consistent with Integrated Resource Plans.</li> <li>▪ Project benefits.</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Project schedule.</li> <li>▪ PJM Interconnection Request.</li> </ul>
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<p>Project Is Reasonable and Necessary (continued)</p>	<ul style="list-style-type: none"> <li>• The Project further diversifies I&amp;M's generation portfolio, supports a "home grown" renewable resource, and meets the increasing interest of customers in the use of more renewable resources.</li> <li>• The South Bend Solar Project also supports the economic development of the community and is otherwise reasonable, necessary and beneficial to I&amp;M's customers.</li> <li>• The SBSP will provide diversification of I&amp;M's renewable portfolio that today consists primarily of Power Purchase Agreements (PPA) to include utility-owned renewable resources.</li> <li>• 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&amp;M, will allow I&amp;M to finance the program with a mixture of both debt and equity, which will maintain the Company's financial health.</li> <li>• Adding a modest amount of solar energy to I&amp;M's generation portfolio at this time allows I&amp;M to meet customer expectations with a relatively small impact on customers' overall electricity bills.</li> <li>• The SBSP will enable I&amp;M to become more proficient in operating solar generation and integrating it reliably into the PJM transmission grid.</li> <li>• The Project furthers the State's energy policy of encouraging economic development through the deployment of renewable resources.</li> <li>• The Project also provides an opportunity for I&amp;M and its customers to learn more about the use of renewable resources as a means for serving their energy needs.</li> </ul>	
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<p>Project Cost Estimate and Schedule</p>	<ul style="list-style-type: none"> <li>• Approximately \$37 million.</li> <li>• The cost of the solar estimate is based on a competitive procurement process, with the expected issuance of a notice to proceed to the EPC contractor in April 2020 and project construction to start in or around May 2020.</li> <li>• This schedule ensures the Project will benefit from the 26% federal investment tax credit (ITC) available to projects that begin construction in 2020.</li> </ul>	<p>See Attachment JGD-1 (Public and Confidential) for cost estimate.</p> <p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Overview.</li> </ul> <p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Project cost estimate discussion.</li> <li>▪ Engineering, Procurement and Construction (EPC) request for proposals (RFP) process and contract.</li> <li>▪ Project construction schedule.</li> </ul> <p><i>Auer</i></p> <ul style="list-style-type: none"> <li>▪ ITC eligibility.</li> <li>▪ ITC ratemaking credit to benefit customers.</li> </ul>
<p>Financial Incentive</p>	<ul style="list-style-type: none"> <li>• In accordance with Ind. Code § 8-1-8.8-11, I&amp;M requests the Commission to approve timely cost recovery for the Project.</li> <li>• I&amp;M requests the timely cost recovery be implemented through the basic rates established in the Company’s pending rate case (docketed as Cause No. 45235) or, in the alternative, through the Solar Power Rider.</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Overview.</li> </ul> <p><i>Auer</i></p> <ul style="list-style-type: none"> <li>▪ Accounting and ratemaking details.</li> </ul>

(table continued on next page)

<p>Other Accounting and Ratemaking</p>	<ul style="list-style-type: none"> <li>• I&amp;M requests the Commission to authorize a depreciation period for the SBSP of 30 years which reflects the expected life of the Project.</li> <li>• Deferral of post in-service carrying costs and O&amp;M expense, depreciation expense and property tax expense, net of ITC amortization until such costs are reflected in I&amp;M's retail rates.</li> <li>• I&amp;M does not seek approval of a Rider factor in this Cause but the estimated year one Rider rate impact is 0.17% (assuming project is not reflected in rate established in pending base rate case).</li> </ul>	<p><i>DeRuntz</i></p> <ul style="list-style-type: none"> <li>▪ Expected Project life.</li> </ul> <p><i>Auer</i></p> <ul style="list-style-type: none"> <li>▪ Accounting and ratemaking details, including depreciation and Solar Power Rider (Attachment BEA-2).</li> <li>▪ Estimated year one rate impact. (See also Attachment BEA-1).</li> </ul>
<p>Sale of RECs</p>	<ul style="list-style-type: none"> <li>• I&amp;M and Notre Dame have engaged in lengthy and arms-length discussions and worked to create an agreement that supports Notre Dame's environmental values and goals.</li> <li>• The University of Notre Dame has entered into a long term agreement associated with the SBSP whereby Notre Dame will procure RECs based on 8MW, or 40%, of the South Bend solar facility output.</li> <li>• The actual output or performance of the SBSP will determine the number of RECs purchased, but the RECs themselves will be sourced from I&amp;M's renewable asset portfolio.</li> <li>• The agreement is priced using a PJM market price for each REC, plus a 20 percent administrative fee to cover the customer specific aspects of the arrangement.</li> </ul>	<p><i>Thomas</i></p> <ul style="list-style-type: none"> <li>▪ Notre Dame Agreement.</li> <li>▪ REC sales and pricing.</li> </ul> <p><i>Auer</i></p> <ul style="list-style-type: none"> <li>▪ Discusses REC pricing.</li> <li>▪ Explains how REC sales will reduce the cost of service for all I&amp;M customers.</li> </ul>

(table continued on next page)



<p>Sale of RECs (continued)</p>	<ul style="list-style-type: none"><li>• More specifically, I&amp;M proposes to use a variable rate approach over the long term agreement. The REC compensation will be based upon the S&amp;P Global Energy Credit Index for a New Jersey Class 1 Renewable Energy Certificate, plus a 20% program administrative fee. I&amp;M will retire the RECs on behalf of the customer.</li><li>• I&amp;M seeks approval of the pricing methodology summarized above and further described in Company's testimony for designating RECs associated with 40% of the Project to Notre Dame.</li><li>• The compensation (excluding program administrative fees) will be included in I&amp;M's fuel adjustment clause proceedings as a credit to ensure that all I&amp;M customers benefit on a timely basis from this arrangement.</li><li>• 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.</li><li>• I&amp;M's IM Green Rider (IMG) proposal pending in Cause No. 45325 includes a contract option to address potential demand for REC purchases from other customers.</li></ul>	
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