

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S COMMENTS ON
INDIANA MICHIGAN POWER COMPANY'S 2019 INTEGRATED RESOURCE PLAN

The Indiana Office of Utility Consumer Counselor (OUCC) submits the following comments concerning Indiana Michigan Power Company's ("I&M" or "company") 2019 Integrated Resource Plan ("IRP"):

1. The existing I&M units are large and I&M has modeled larger replacement units such as the 2,700 MW Natural Gas Combined Cycle plant scheduled for 2028. At that point, I&M will have a large amount of surplus capacity until Cook 1 retires in 2034, and possibly further out as I&M explores keeping Cook online past 2034. I&M should model a variety of replacement unit size combinations to maximize flexibility.

2. DSM and smaller distributed energy projects serve little economic purpose after 2028 since they save no capacity when paired with a large CCGT as I&M has modeled.

3. The assumed pricing of distributed resources and renewables needs to be re-examined considering: (a) expiring federal tax credits, (b) actual market prices, and (c) the inability of I&M to monetize those credits in the near future.

4. The OUCC is concerned about I&M's statement that the company is waiting on the EPA to finalize both Coal Combustion Residuals (CCR) and the Effluent Limitation Guidelines (ELGs) to better understand future compliance obligations for Rockport. (IRP, p. 47) While Rockport has a dry fly ash handling system, the company continues to handle its bottom ash in a wet manner, sluicing it to impoundments. I&M has not provided a compliance plan or strategy in

the IRP or any other filing of which the OUCC is aware, and it is the only electric IOU to have not submitted a CCR compliance plan to the Commission. Given the lead times necessary to install a dry bottom ash handling system, the company may find itself in trouble if it plans to operate Rockport until 2028 without a dry bottom ash handling system if the revisions to the ELG rules go into effect before 2028. The OUCC is also aware that the company's compliance strategy may be to avoid installing equipment by seeking a variance from the Indiana Department of Environmental Management (IDEM) if the company plans to retire the unit soon after the compliance deadline. However, there is no guarantee that the company would receive such a variance. If I&M has not included the costs of a dry bottom ash handling system in its modeling for Rockport, the OUCC recommends it incorporate these costs in at least one portfolio.

5. The OUCC is also growing concerned with the trend of Indiana electric IOUs delaying IRP filings to coincide with the filing of a rate case or a certificate of public convenience and necessity (CPCN) filing. In I&M's case, it waited to file its 2018 IRP until after it filed a new rate case where it introduced projects into the future test year that were allegedly supported by its IRP. However, with the timelines imposed on the Commission, the OUCC and intervenors to complete a rate case, the Commission will likely have to make a decision in the I&M rate case before the Director's report is finalized. The OUCC and Intervenors were also unable to consider the Director's report in their analysis of both the rate case and the South Bend Solar Project. This is problematic because the Director's report offers a valuable perspective on how well the utility has considered all relevant factors when planning for future resources. If the utility has neglected to include a key assumption or has biased the results of its IRP as determined by the Director, the Commission should be aware of this in determining whether a utility should receive cost recovery of new utility investment in either a CPCN filing or a rate case. The OUCC is concerned that this

is a utility's strategy to deflect any critique for the project or plan for which it is seeking cost recovery by ensuring that the Director's report will not be filed in time for the Commission to take it into consideration whenever making a decision regarding a utility's resources. Utilities should attempt to limit simultaneous filings of IRPs with a request for approval of a new construction project or a rate case. If a utility is concerned that there is not enough lead time to build the new resource or add to an existing resource, the utility can seek Commission approval to record and defer any pre-construction or planning costs for a project until the IRP comment process is complete and the final Director's report is released.

6. The OUCC was disappointed in I&M's unwillingness to discuss the Fifth Modification to the Consent Decree and how it could impact Rockport's future operations at its final stakeholder meeting. I&M's representatives asserted that it would not discuss the Consent Decree or its required compliance projects at that meeting due to a Commissioner involved in the rate case attending the meeting. The OUCC has already noted above why this is problematic in the context of a rate case or CPCN filing, but it is also problematic when a utility uses an active filing before the Commission to avoid questions, comments, or discussion of a relevant topic at an IRP stakeholder meeting for fear of violating ex parte rules due to a Commissioner or Commission staff attending the meeting. The Consent Decree was important to discuss in developing the IRP because it has a significant impact on the resource options available to I&M in the future. The likely retirement of Rockport Unit 1 is being driven by the Consent Decree.

7. While the lease is set to expire in 2022 for Rockport Unit 2, the Fifth Modification to the Consent Decree may allow Rockport Unit 2 to operate beyond 2028. Since Unit 2 no longer must install an FGD by 2025 or 2028 to continue operating, there is a reasonable possibility that it could serve customers at a lower cost than a replacement resource well into the future.

8. I&M should also be evaluating whether the DSI Enhancement systems are reasonable to install on both Rockport units through the IRP process. It is not enough to simply assume that the low capital cost of the equipment makes the investment reasonable. There are also high variable costs with the DSI Enhancement that may also sway the results of the IRP.

9. No scenarios in which the Rockport 2 lease is renewed or a portion of the unit's output is reserved for I&M under a PPA were examined in the IRP. A new power/capacity arrangement could eliminate the need for expensive distributed generators.

The OUCC appreciates the opportunity to share its concerns with the Indiana Utility Regulatory Commission's staff charged with preparing a report to the Commission on I&M's IRP.

Respectfully submitted,

/s/ Karol H. Krohn

Karol H. Krohn
Deputy Consumer Counselor
Attorney No. 5566-82
kkrohn@oucc.in.gov
Direct: 317-233-3235

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317-232-2494 - Telephone
317-232-5923 - Facsimile