

HEA 1520 ‘S’ Report (Unit Retirement Commission Staff Report)

Rockport Unit 1

Pursuant to IC 8-1-8.5-13 electric utilities are required to submit annually a report to the commission that provides information on the next three generation resource planning years¹. A new component of that report beginning with the 2026 filings requires the reporting of any plans to retire² a resource that is owned and operated by the public utility and used to provide retail electric service in Indiana³. Commission staff is to review the reports and submit to the commission a staff report (“HEA 1520 S Report”) concerning such planned retirements⁴. The report must make recommendations to the commission based on certain defined questions⁵.

Required staff report recommendations can be summarized as:

- Is retirement consistent with good utility practice, the provision of reliable and economic electric service, RTO resource reliability requirements, maximizing the economic value of the electric generating facility,
- Is the retirement resources capacity being replaced,
- Will retirement not adversely and unreasonably impact a utility's ability to provide safe, reliable, and economical electric utility service to the public utility's customers,
- Will retirement support the 5 pillars, and
- Is retirement required in order to comply with environmental laws, regulations, or court orders, including consent decrees.

¹ IC 8-1-8.5-13(n)

² IC 8-1-8.5-13(i)

³ IC 8-1-8.5-13(n)(2), Attachment A is I&M’s Rockport 1 retirement notice.

⁴ IC 8-1-8.5-13(s)(1)

⁵ IC 8-1-8.5-13(s)(1-5)

Executive Summary

Rockport Unit 1 (“Unit 1”) is one of two coal fired units located in Rockport, Indiana and it currently provides capacity for I&M’s retail customers and is included as such a resource in I&M’s 2026 HEA 1520 Report submission⁶. Unit 1 has operated since 1984 and provides 1,079 MW of nameplate capacity to serve Indiana. Unit 1 is equipped with an Electrostatic Precipitator for collection of particulate matter (PM, also referred to as fly ash), low-NOx burners with overfire air to minimize the formation of NOx during combustion, Activated Carbon Injection (ACI) for the capture of mercury emissions, enhanced Dry Sorbent Injection (DSI) for the reduction of acid gases and SO₂ removal, and Selective Catalytic Reduction technology to reduce nitrogen oxide (NOx) emissions. Unit 1 currently consumes 95% to 100% PRB sub-bituminous coal⁷.

I&M has an obligation to retire Unit 1 by December 31, 2028⁸, pursuant to a Federal Consent Decree⁹. As a result of this binding constraint all recent I&M Integrated Resource Plans (IRPs) have modeled this retirement date, with alternative scenarios of earlier retirement dates also modeled. Given this modeling treatment recent IRPs provide little visibility into the system economics that could result from extending the operational dates for Unit 1. Notably, the most recent IRP conducted without the federally mandated retirement, the 2018-19 IRP, produced a Preferred Plan that included the retirement of Unit 1 at the end of 2028. The commission approved depreciation schedule for Unit 1 was updated in I&M’s 2017-18 base rate case¹⁰ to reflect the same end of 2028 retirement date.

Unit 1 has been maintained so that it is currently a productive capacity and energy resource for I&M and its retail customers. With the Federal Consent Decree requiring retirement of the unit I&M has been planning for and working toward its replacement for several IRP cycles and its HEA 1520 Report supports a conclusion that reliability will be maintained with carry-through of this planning and work¹¹. Affordability comparisons to a condition in

⁶ Rockport Unit 2 operates as a merchant generating unit that is not obligated to serve I&M retail customers.

⁷ I&M 2024 IRP, Table 11.

⁸ The single-season capacity construct of PJM means that Unit 1 provides I&M customers with capacity value through the spring of 2028.

⁹ Government signatories include U.S. Department of Justice; U.S. Environmental Protection Agency; States: New York; Connecticut; New Jersey; Vermont; New Hampshire, Maryland, Rhode Island and Commonwealth of Massachusetts. Environmental and citizen organization signatories include Sierra Club, Natural Resources Defense Council, Citizens Action Coalition of Indiana, Hoosier Environmental Council, Indiana Wildlife Federation, Ohio Citizen Action, Ohio Valley Environmental Council, West Virginia Environmental Council, Clear Air Council, Izaak Walton League of America, United States Public Interest Group, National Wildlife Federation, and League of Ohio Sportsmen.

¹⁰ Cause no 44967, May 30, 2018, utilized a Unit 1 retirement year of 2028 to replace the prior retirement expectation of 2044.

¹¹ Rockport 1 was not designated as a capacity resource in I&M’s 2028/29 FRR Plan with PJM.

which the legally binding constraint does not apply are not readily available. However, I&M's retirement notice states that even without consideration of potential environmental project expenditures, at least several hundred million dollars would be required to maintain the resource in a sufficient manner to safely operate.

Because the Federal Consent Decree currently requires the retirement of Unit 1 no later than the end of 2028, and absent a judicial release from it, staff must conclude that any retirement reasonableness recommendation other than meeting this legal obligation is without support.

Consent Decree History¹²

On October 9, 2007, AEP's eastern companies entered into a consent decree with the Department of Justice to settle all complaints filed against AEP's affiliates, including I&M. Under the original Consent Decree, I&M was required to retrofit SCR and FGD technology on Rockport Units 1 and 2 by December 31, 2017, and December 31, 2019, respectively. On February 22, 2013, the parties filed a proposed Third Modification to the Consent Decree in the United States District Court for the Southern District of Ohio, Eastern Division. This modified Consent Decree authorized I&M to install dry sorbent injection (DSI) technology on both Rockport Units by April 16, 2015, and deferred the installation of higher efficiency FGD technology on these two units until December 31, 2025, and December 31, 2028. The installation of SCR technology on Rockport Units 1 and 2 by December 31, 2017, and December 31, 2019, respectively, was still required under the modified Consent Decree.

In 2019, the parties to the Consent Decree entered into a Fifth Joint Modification to authorize I&M to enhance the DSI systems and achieve the 10,000 ton per year cap on emissions at the Rockport Plant beginning in calendar year 2021. The parties also agreed to extend the date to complete the SCR installation at Rockport Unit 2 until June 1, 2020, to facilitate the DSI work to be completed during the same outage. Rockport Unit 1 will retire at the end of 2028, and the SO₂ emissions cap at Rockport Plant will decline to 5,000 tons per year. The Rockport Units will also achieve a 30-day rolling average SO₂ emissions rate of 0.15 lbs/MMBtu and a 30-day rolling average NO_x emission rate of 0.090 lbs/MMBtu at the combined stack, beginning in calendar year 2021.

¹² I&M's 2021 IRP.

Integrated Resource Plans

Thermodynamic power plants are complex machines (systems and sub-systems include coal preparation and delivery to the boiler, feedwater to the boiler, combustion byproduct air and ash handling, steam capture and delivery to the turbine generators, steam exhaust condensing and return to feedwater supply) that require ongoing investments and maintenance to remain in a condition to serve customers. While the plant may have a life of 30 plus years, various components within it are replaced at shorter intervals.

Constraints can arise that introduce decision points around the economics of continued operation. Such hurdle events often come when a need for investment is required to continue safe and reliable operation. Many of these investments are planned over the expected life of a plant, however, when a plant moves beyond its basic design life more extensive upgrades may be required. The life cycle management upgrades that were needed when the D.C. Cook nuclear power plant was granted an extended operating license would be an example¹³. For coal-fired power plants the addition and expansion of environmental regulations may drive additional auxiliary equipment or waste handling investments that create hurdle events. Indiana has long supported regulatory ratemaking support for clean coal technology in its statutes¹⁴.

While the 1520 reporting process offers near-term transparency to specific resources the utility depends on to meet customer's needs, a utility Integrated Resource Plan (IRP) is a longer-term resource portfolio planning tool that evaluates the portfolio economics on a sum of the parts basis over a longer-term horizon.

The same electric utilities providing 1520 Reports are also required by statute and rule to submit to the Commission every 3 years an IRP. The essential overarching purpose of the IRP is to develop a long-term (20-year timeframe) power system resource plan that will guide investments to provide safe and reliable electric power at the lowest delivered cost reasonably possible.

Because utility supply portfolios are made up of resources that are often long-lived assets with varying attributes that are joined to meet the overall needs of the system, the IRPs are intended to be a systematic approach to better understand and optimize such complexity. The timing of the introduction and retirement of individual resources clearly influence the overall portfolios performance and therefore warrant enhanced regulatory oversight; accordingly, the commission's certificate of public convenience and need (CPCN)

¹³ Cause No. 44182.

¹⁴ IC 8-1-8.7 and IC 8-1-8.8.

proceedings and this 1520 retirement review are served well by extensive consideration of the utility specific IRPs.

I&M IRP History

I&M's most recent IRP ("2024 IRP") provided the following unit description and excerpts which we include here for a framing of its key characteristics within this report.

I&M's Rockport Unit 1 began service in 1984, represents 1,079 MW of Nameplate Capacity, and is a pulverized coal-fired generating unit. I&M has a 50% direct ownership share of Rockport Unit 1. I&M's affiliate AEP Generating Company (AEG) has direct ownership of the remaining 50%. I&M purchases 100% of AEG's portion of the output of Unit 1 through a Unit Power Agreement. Rockport Unit 1 is equipped with: (1) an Electrostatic Precipitator for collection of particulate matter (PM, also referred to as fly ash); (2) low-NOx burners with overfire air to minimize the formation of NOx during combustion; (3) Activated Carbon Injection (ACI) for the capture of mercury emissions; (4) enhanced Dry Sorbent Injection (DSI) for the reduction of acid gases and SO2 removal; an (5) Selective Catalytic Reduction technology to reduce nitrogen oxide (NOx) emissions. Rockport Unit 1 currently consumes 95% to 100% PRB sub-bituminous coal. This high percentage PRB blend results in lower emission rates of SO2 and NOx.

I&M's Rockport Plant is subject to requirements that stem from a 2007 Consent Decree with the Federal EPA and United States Department of Justice, and several subsequent modifications to that agreement. Pursuant to the Consent Decree, Rockport is subject to annual tonnage limits for SO2 of 10,000 ton per year beginning in calendar year 2021. Rockport Unit 1 is also required to retire by the end of 2028.

The Federal EPA's ELG rule for generating facilities establishes limits for FGD wastewater, fly ash and bottom ash transport water and flue gas mercury control wastewater, which are to be implemented through each facility's wastewater discharge permit. A revision to the ELG rule, published in October 2020, established additional options for reusing and discharging small volumes of bottom ash transport water, provided an exception for retiring units and extended the compliance deadline to a date as soon as possible beginning one year after the rule was published but no later than December 2025. The Rockport Plant opted to file a Notice of Planned Participation, pursuant to which it is not required to install additional controls to meet ELG limits provided it commits to cease coal combustion by December 31, 2028.

The 2024 IRP Preferred Portfolio takes advantage of cost savings opportunities and other benefits associated with redevelopment of the Rockport site with future natural gas combustion turbines (NGCTs) and small modular reactor (SMR) technology.

At the end of 2028, Rockport Unit 1 ceases operations and is no longer included in the capacity portfolio for Indiana in the 2028/29 delivery year (DY). Rockport Unit 1 represents roughly 900 MW of accredited capacity. Capacity purchase contracts to replace the capacity lost from Rockport Unit 1 are included in the 2028/29 DY. These contracts extend until the 2033/34 DY but do not contribute to the energy position.

Alternative Sensitivities run through the 2024 IRP included one with Rockport Unit 1 retiring in 2025 and another with Rockport Unit 1 retiring in 2026.

The Rockport Unit 1 Retires 2025 Case includes larger amounts of short-term capacity additions through 2027 as compared to the Base Reference Case to account for the capacity deficit caused by Rockport's early retirement. Beginning in 2028 and continuing for the remainder of the planning horizon, the selected resources align with those in the Base Reference Case.

The Rockport Unit 1 Retires 2026 Case includes larger amounts of short-term capacity additions through 2027 as compared to the Base Reference Case to account for the capacity deficit caused by Rockport's early retirement. Beginning in 2028 and continuing for the remainder of the planning horizon, the selected resources align with those in the Base Reference Case.

The preceding IRP ("2021 IRP") regarding Rockport Unit 1 assumed operation through its committed retirement date of December 31, 2028.

The previous IRP ("2018 IRP") included a group of scenarios developed to better understand dynamic resource selection based on various future conditions related to the Rockport plant. The scenarios looked at retirement in 2028, addition of an FGD in 2026 and retirement in 2044, addition of an FGD in 2029 and retirement in 2044, and retirement in 2025¹⁵. The optimum choice from these scenarios, an FGD addition in 2029, did not compare favorably to I&M's Base Optimization Case, especially in the out years of the analysis period¹⁶.

¹⁵ See Table 17. Optimized Portfolios, in I&M's 2018 IRP.

¹⁶ See Table 28. Preferred Plan cost comparison to optimum portfolios, and Figure 30. Incremental Annual Cumulative NPV Revenue Requirement to Base Optimization.

Operating History

I&M reports that it has been actively managing ongoing capital and operation and maintenance decisions based on the committed retirement date. A review of Unit 1's recent operation supports that it continues to contribute to I&M's resource portfolio reasonably well.

Unit 1's Equipment Availability Factor ("EAF")¹⁷ in 2025 was 59% and in 2024 was 67%, while in 2023 it was 45% due to two large, planned outages which addressed liabilities for furnace pressure and Low-Pressure turbine rotors¹⁸. Unit 1's Net Capacity Factor ("NCF")¹⁹ in 2025 was 47% and in 2024 it was 26%²⁰.

An analysis of the data I&M provides in its Fuel Adjustment Clause ("FAC") filings presents that over the most recently reported 12-months Unit 1 provided energy at a fuel cost of \$24.98/MWh and generated an amount that covered 26% of I&M's retail sales²¹.

Unit 1 is a productive resource in I&M's portfolio.

Replacement Resources

I&M's retirement notice for Unit 1 identified 1,067 MW of accredited capacity from several resources. Following I&M's 2021 IRP it undertook a competitive procurement process to acquire such resources. They include the capacity purchase agreements with a pair of natural gas resources located in Indiana, Lawrenceburg and Montpelier, totaling 1,000 MW. In addition, 19 MW of wind capacity through a purchase power agreement with another Indiana resource, Meadowlake, and 48 MW of solar capacity from three different Indiana located resources²².

In addition, I&M anticipates utilizing the existing Rockport site for a 1,520 MW natural gas facility that it expects to be in service in 2030.

¹⁷ EAF is the portion of time the plant is available to generate power if called upon by the market.

¹⁸ I&M Indiana Performance Metrics Report 2025, Figure 12. See Cause No. 44967, filing of June 29, 2026.

¹⁹ NEF is the percent of maximum capacity generated on average.

²⁰ I&M Indiana Performance Metrics Report 2025, Figure 14. See Cause No. 44967, filing of June 29, 2026

²¹ I&M FAC supporting schedules filed in Cause Nos. 38702-FAC96 and 38702-FAC95.

²² The solar resources include Hoosier Line and Elkhart through purchase power agreements and Lake Trout through ownership.

Conclusion

I&M's recent IRPs support that the retirement of Unit 1 has been reasonably planned for given the binding constraint of the consent decree, and absent further analysis under an assumption that such constraint is removed, we conclude;

- the IRP supports a positive recommendation for the retirement's consistency with good utility practice,
- the IRP supports a positive recommendation that the retirement is supportive of the 5 pillars,
- the IRP supports a positive recommendation that retirement will not adversely and unreasonably impact service, and
- the retirement capacity is being replaced.

Attachment A (submitted by I&M)

2026 I&M Planned Retirement Review

In response to the requirements of IC 8-1-8.5 related to generation retirement obligations, I&M submits the following information related to the planned retirement of Rockport Unit 1 by or on December 31, 2028.

Background

I&M owns and operates two coal fired units, Rockport Unit 1 and Rockport Unit 2, located in Rockport, Indiana and comprising approximately 1,317.5 and 1,300 MWac of generation capacity respectively. Only Rockport Unit 1 is used to meet I&M's capacity and energy obligations associated with its Indiana retail customers.¹ I&M's obligation to retire Rockport Unit 1 by December 31, 2028, is a result of I&M's obligations under the Federal Consent Decree that applies to the unit.

I&M's Obligation to Retire Rockport Unit 1 under the Federal Consent Decree

Rockport Units 1 and 2, along with AEP's entire Eastern coal fleet, are governed by a federal consent decree that resulted from the EPA's 1999 New Source Review (NSR) enforcement initiative against coal-fired power plants. The United States District Court for the Southern District of Ohio retains jurisdiction over the Consent Decree.

The Consent Decree resolved claims by the EPA, eight states, and 13 environmental groups, cost AEP over \$4.6 billion to comply, and led to the retirement of several coal plants.² It was touted by EPA, at the time, as the single largest environmental enforcement settlement in terms of injunctive relief and pollution reductions.

An amendment to the Consent Decree requires Rockport Unit 1 to retire by December 31, 2028, and limits the operation of Rockport Units 1 and 2 prior to retirement through specified emissions rates.

¹ In Cause No. 45546, the Commission approved a Settlement Agreement which, among other things, removed Rockport 2 from retail service beginning in June 2024 (requiring it to be operated as a wholesale merchant facility) and required the unit to be permanently retired no later than December 31, 2028.

² Government signatories include U.S. Department of Justice; U.S. Environmental Protection Agency; States: New York; Connecticut; New Jersey; Vermont; New Hampshire, Maryland, Rhode Island and Commonwealth of Massachusetts. Environmental and citizen organization signatories include Sierra Club, Natural Resources Defense Council, Citizens Action Coalition of Indiana, Hoosier Environmental Council, Indiana Wildlife Federation, Ohio Citizen Action, Ohio Valley Environmental Council, West Virginia Environmental Council, Clear Air Council, Izaak Walton League of America, United States Public Interest Group, National Wildlife Federation, and League of Ohio Sportsmen.

Attachment A

Due to the planned retirement dates for Rockport Unit 1 and 2, the Rockport plant will comply with the Coal Combustion Residuals (CCR) and Effluent Limitations Guidelines (ELG) rules via permanent cessation of coal combustion by the end of 2028. Therefore, I&M has not made investments necessary to comply with environmental requirements beyond 2028.

Based on the requirements of the Federal Consent Decree and to comply with EPA requirements, Rockport 1 is obligated to retire at the end of 2028 unless relief is granted by the court or government action.

Economic Justification

Over the course of the last 18 years, I&M has taken several steps to plan for the retirement and replacement of Rockport Unit 1, each of which was supported by economic considerations. Those steps include making modifications to the Federal Consent Decree to manage environmental compliance costs; identifying and obtaining approval for additional generation resources to replace the capacity needs associated with the retirement; taking steps to physically replace the generation capacity and energy located at the Rockport site, and; considering the substantial uncertainty related to future capital investment, operating costs, and litigation expense that would be incurred to continue operating past December 31, 2028.

1. Modifications to the Federal Consent Decree to Manage Environmental Compliance Costs

As explained above, the Federal Consent Decree imposes environmental regulation and compliance obligations on the Rockport plant. Over time, the Federal Consent Decree has been modified to address uncertainty associated with future environmental compliance requirements and lower environmental compliance costs for the benefit of I&M's customers. This was achieved through the installation of Dry Sorbent Injection and Selective Catalytic Reduction equipment which was subject to the review and approval of the Commission.³ Additionally, in 2018, I&M received approval of depreciation rates based on an end-of-life date of December 31, 2028.⁴ This change, along with updated depreciation studies in successive rate cases that have followed, has allowed I&M to manage its exposure to remaining net book value risk at retirement.⁵

³ See Cause Numbers: 44331 (DSI), 44523 (SCR) & 44831 (SCR)

⁴ See Cause No.44967.

⁵ In addition, I&M has announced it will be filing a rate case this summer that will update depreciation rates related to Rockport Unit 1.

Attachment A

2. Approval of Additional Generation Resources to Replace the Capacity Needs Associated with Retirement

Following I&M's 2021/2022 Integrated Resource Plan, I&M undertook a competitive procurement process to acquire the following generation resources to provide the capacity necessary to offset the capacity that would be displaced when Rockport 1 retires by December 31, 2028.

Resource	Fuel Type	Agreement Type	In-Service Date	PJM LDA	Est. DY 28/29 AUCAP MW	Cause #
Lawrenceburg	Natural Gas	CPA	Existing	AEP	840.0	46083
Montpelier ⁶	Natural Gas	CPA	Existing	AEP	160.0	45869
Hoosier Line	Solar	PPA	Sept. 2027	AEP	19.3	46088
Meadowlake IV	Wind	PPA	Dec. 2026	AEP	19.1	46088
Elkhart	Solar	PPA	Mar. 2026	AEP	11.1	45868
Lake Trout	Solar	Owned	Mar. 2029	AEP	17.2 ⁷	45868 & 46085

In addition to the resources above, I&M continues to review capacity position on an ongoing basis and bring new generation resources before the Commission to meet its customers' capacity and energy needs.

3. Steps Being Taken to Physically Replace the Generation Capacity and Energy Located at the Rockport Site

On March 27, 2026, I&M submitted a notice of intent to file for approval of a new natural gas generation facility. I&M expects to file the proceeding with the IURC in July 2026⁸ to seek approval to construct, own and operate 1,520 MW of combustion turbine and combined cycle technology that allows I&M to physically replace the capacity and energy associated with Rockport Unit 1. This technology is expected to be in service in 2030 and

⁶ Unit specific contract; actual AUCAP will vary annually.

⁷ Based upon DY 29/30 ELCC %

⁸ Notice of Intent submitted on June 19, 2026

Attachment A

will provide a long-term reliable, efficient and economical source of energy and capacity at the Rockport site going forward.

4. Uncertainty Related to Future Capital Investment, Operating Costs and Litigation Expense to Continue Operating Past December 31, 2028

As discussed above, I&M has taken numerous steps to manage environmental compliance costs and lessen the cost to serve I&M customers related to the ongoing operation, and long-planned retirement, of Rockport. Such economic factors were considered in the proceedings where the Commission reviewed and approved the related environmental control investments and operating costs, and replacement energy and capacity resources.⁹ Indeed, the current environmental compliance requirements for Rockport were premised upon a committed retirement date by December 31, 2028.

In addition, I&M has been actively managing ongoing capital and operation and maintenance decisions based on the committed retirement date. If relief was granted by court or government action and Rockport was required to operate beyond this date, I&M would evaluate future costs associated with ongoing environmental compliance, capital and operation and maintenance requirements, and litigation expenses and bring these before the Commission. Without consideration of environmental project expenditures, it is estimated that at least several hundred million dollars may be required to maintain the resource in a sufficient manner to safely operate. Significant outage durations would also occur, and the timing of market requirements would further reduce potential benefits.

Conclusion

I&M's planned retirement of Rockport Unit 1 by December 31, 2028, is the result of long-standing and Commission-approved commitments arising from the Federal Consent Decree, prudent economic planning, and a comprehensive strategy to ensure continued reliability for Indiana customers. Through modifications to the Consent Decree, Commission-approved depreciation reflecting the unit's end-of-life, and disciplined management of environmental compliance costs, I&M has responsibly mitigated customer risk while honoring its legal obligations.

In parallel, I&M has secured a portfolio of replacement capacity through approved competitive procurements and is advancing plans to construct modern natural gas generation at the Rockport site to physically replace the unit's capacity and energy.

⁹ See Cause Numbers: 44331 (DSI), 44523 (SCR) & 44831 (SCR)

Attachment A

Requiring continued operation beyond the committed retirement date would interfere with these previously approved investment, retirement, and replacement plans and introduce substantial new costs and increased risk related to environmental compliance, capital investment, operating costs, and litigation. Accordingly, the planned retirement of Rockport Unit 1 is reasonable, necessary, and in the best interests of customers, and fully satisfies the requirements of IC 8-1-8.5.