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August 19, 2020

Lisa Felice Executive Secretary Michigan Public Service Commission 7109 West Saginaw Highway 3rd Floor Lansing, MI 48917

Re: MPSC Case No. U-20591

Dear Ms. Felice:

Attached for electronic filing is the Settlement Agreement and Proof of Service in the above-referenced matter. Thank you.

Sincerely,

DYKEMA GOSSETT.PLLC

Richard J. Aaron

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STATE OF MICHIGAN BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of INDIANA MICHIGAN POWER COMPANY for approval of Integrated Resource Plan pursuant to MCL 460.6t and for other relief.	·
PROOF OI	F SERVICE
Karlene K. Zale, an employee of Dykema	Gossett PLLC, being first duly sworn, deposes and
says that on the 19th day of August, 2020, she	served the Settlement Agreement in the above-
captioned matter by email upon:	
ADMINISTRATIVE LAW JUDGE:	AG's Office:
Hon. Jonathan Thoits	Michael Moody
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	ag-enra-spec-lit@michigan.gov
MPSC Staff:	
Spencer Sattler	Sierra Club:
Benjamin Holwerda	Christopher M. Bzdok

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY)	Case No. U-20591
for approval of its Integrated Resource Plan)	
pursuant to MCL 460.6t, and for other relief.)	
)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System's Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or the "Commission"), the undersigned parties agree as follows:

WHEREAS, on August 14, 2019 Indiana Michigan Power Company ("I&M" or the "Company") filed an Application requesting approval of the Company's Integrated Resource Plan ("IRP") pursuant to section 6t of 2016 PA 241, MCL 460.6t, the Commission's December 20, 2017 Order in Case Nos. U-15896 and U-18461 and its subsequent Orders in Case No. U-18461, and all other applicable law. The Company filed testimony and exhibits in support of its positions with its Application.

WHEREAS, the initial prehearing conference in this proceeding was held on September 19, 2019 before Administrative Law Judge Jonathan Thoits. The parties to the case are I&M; the Commission Staff ("Staff"); Attorney General Dana Nessel ("Attorney General"); Environmental Law & Policy Center, the Ecology Center, Solar Energy Industries Association, & Vote Solar (collectively, "ELPC"); Citizens Against Rate Excess ("CARE"); Sierra Club; and Great Lakes Renewable Energy Association ("GLREA").

WHEREAS, I&M filed testimony and exhibits requesting approval of the Company's IRP and its Preferred Plan included therein in its entirety, as the most reasonable and prudent

means of meeting the Company's energy and capacity needs. Staff and other intervening parties filed testimony and exhibits addressing various issues.

NOW THEREFORE, for purposes of settlement of Case No. U-20591, the undersigned parties agree as follows:

- 1. I&M submitted, and the Commission should accept for filing purposes, its multistate IRP filing consistent with Sections 6t(3), (4) and (5). The parties also agree that I&M did not include a request for Commission cost approvals with respect to any new supply-side generation capacity resources needed to serve the utility's reasonably projected electric load. Nevertheless, given the uncertainty around I&M's current circumstances and the timing of the conclusion of this proceeding in light of I&M's next IRP Section 460.6t filing, the parties agree that (i) the Commission should approve the withdrawal of I&M's application of this case without prejudice to the positions any party may take in future proceedings and (ii) I&M's IRP submission in this case would not be approved under Section 6t(8).
- 2. The approval of the withdrawal of the application in this case without prejudice, if granted as contemplated in paragraph 1, does not constitute approval of the:
 - a. Inter Company Power Agreement (ICPA), nor any determination of the reasonableness and prudence of the ICPA or operation of any of the OVEC units, nor any approval of present or future cost recovery associated with the OVEC units;
 - b. I&M's IRP modeling methodology;
 - c. I&M's load forecasting methodology; or
 - d. the level of Energy Waste Reduction (EWR) spending or savings.

- 3. I&M will file its next IRP for approval with the Michigan Public Service Commission (MPSC) on or before December 15, 2021. I&M may seek an extension of the filing date for good cause.
- 4. I&M's next IRP will be developed as part of a single stakeholder process in which interested persons can participate. I&M will provide remote access to the stakeholder meetings for interested persons (stakeholders) and will hold at least one stakeholder meeting in its Michigan service area (or electronically if necessary).
- 5. One stakeholder meeting will consist of a workshop dedicated to energy efficiency and demand response. The workshop will be held in Fort Wayne, Indiana (or electronically if necessary) due to its proximity to I&M's Michigan and Indiana capitals.
- 6. I&M will work with stakeholders to define the modeling inputs for the IRP, including scenarios for:
 - a. either selected standard scenarios described in Michigan legislation or mutually agreed upon alternatives based on stakeholder input,
 - b. battery storage and solar-plus-storage resource options,
 - c. the Rockport Plant, including a scenario using a retirement date for Rockport Unit 1 of May 31, 2025. The inputs will include capital and operation and maintenance costs, such as the reagents and other chemical costs required to operate environmental control equipment (e.g. the enhanced DSI system),
 - d. renewable generation resources, and
 - e. energy efficiency waste reduction and demand response.
- 7. The target level of I&M's EWR programming will be determined through EWR Plan cases at least until the approval of the Company's next IRP.
- 8. I&M will conduct a Market Potential Study (MPS) specific to its Michigan service territory that will be used for EWR potential in the next IRP. An MPS vendor will be selected by I&M using an RFP process. I&M's bid evaluation process started on July 6, 2020

and a bidder was to be selected by July 31, 2020. Subject to confidentiality agreements, interested stakeholders had the opportunity to review the MPS RFP bids beginning on July 6, 2020 and written comments submitted by July 15, 2020 regarding vendor bids and study methodology for consideration by the Company as part of the vendor selection process. I&M will make the selected vendor available at the stakeholder meeting identified above in paragraph 5 to discuss the vendor's analysis process and methodology.

- 9. I&M will also collaborate in the Lower Peninsula Market Potential Study (LPMPS) by providing data and information specific to I&M's Michigan service territory to be incorporated in that study. If the preliminary results of the MPSC LP Michigan potential study are available by June 2021 and are found to differ in total EWR annual achievable potential by 10% more or 10% less than the I&M specific MPS for the 2022 through 2024 EWR program years, I&M will run one sensitivity on the IRP base case that offers in the net total annual achievable potential from the LPMPS as a resource for the model to select.
 - 10. For the purposes of I&M's next filing of its IRP with the Commission, I&M will:
 - a. Provide access to the Plexos model (or successor modeling tool) to intervenors in this case or staff for the purpose of reviewing the IRP. (See, paragraph 11 for details).
 - b. Hold a technical workshop to provide stakeholders a tutorial on the use of Plexos and its modeling inputs. (See, paragraph 11 for details)
 - c. Include testimony addressing the status of relicensing for I&M's hydro facilities and the Cook Nuclear Plant.
 - d. Include testimony and supplemental information on load forecast accuracy.
 - e. Include testimony addressing how transmission and distribution solutions are evaluated and incorporated into the IRP.
 - f. Include testimony discussing how the IRP evaluated and included distributed generation resources that provide distribution benefits.

- g. Include testimony and supplemental information addressing I&M's Michigan-specific jurisdiction that includes customer specific characteristics such as load and the geographic boundaries of I&M's Michigan service territory, EWR, Demand Response and Renewable Portfolio Compliance plans and statutory requirements, including estimated Michigan retail rate impacts.
- h. Include testimony discussing the use of Michigan labor resources for generation resources sited in Michigan.
- i. Include testimony discussing I&M's 5-year capacity need for purposes of PURPA.
- j. Include an exhibit addressing I&M's compliance with Michigan-specific IRP requirements, consistent with that provided in Case No. U-20591.
- k. Include testimony and supplemental financial analysis regarding the OVEC contract, as described in paragraph 12 below.
- 1. Provide an illustration of the I&M's current generation mix and an illustration of the 5, 10, and 15-year generation mix that includes the resources sought to be approved in the preferred portfolio of the IRP that clearly illustrate the diversity of its generation fleet over the planning horizon.
- Plexos licenses (or successor modelling software) to the parties to this settlement, who shall be obligated to decide how to share the available licenses among themselves, consistent with the terms of the license(s) and any non-disclosure agreements. I&M will also provide one license to the Staff and one license to the Attorney General. Each license will include access to training material and up to 20 hours of Plexos (Energy Exemplar) support. Each license will be for a fully executable version of the model and will be valid from June 2021 until the conclusion of the hearings in the proceeding. I&M will make the Plexos input files available to the parties and will provide an overview of how the information in these files was developed. I&M will not be responsible for ongoing training or supporting the persons provided the Plexos licenses. The cost of providing the licenses to the parties, Staff and Attorney General will be allowed to be deferred for recovery in I&M's next base rate case.

- 12. Regarding the provision above in paragraph 10(k), I&M testimony and supplemental analysis will discuss:
 - a. a Net Present Value Revenue Requirement (NPVRR) analysis of the going-forward costs of the ICPA through its expiration in 2040, and
 - b. a scenario related to the Company's Preferred Plan that:
 - i. removes the costs (capacity, energy, transmission, PJM expenses) and benefits (energy revenues, capacity value) associated with the ICPA beginning in 2022, and
 - ii. reflects the costs associated with the termination of the ICPA unilaterally by I&M in 2022.
 - c. a scenario related to the Company's Preferred Plan that:
 - i. removes the costs (capacity, energy, transmission, PJM expenses) and benefits (energy revenues, capacity value) associated with the ICPA after 2030.
 - ii. presents an analysis of the costs associated with the termination of the operation of the OVEC units under the ICPA by the end of 2030 pursuant to options available under the ICPA, including options that could be reasonably negotiated with the parties to the ICPA, and
 - iii. describes the termination options the Company explored.
 - 13. I&M will participate in the MI Power Grid competitive procurement workgroup.
- 14. I&M will commit to not extend the Lease of Rockport Unit 2 prior to receiving pre-approval from the Commission at the outcome of its next IRP filing. If the timing of the next IRP proceeding is insufficient for I&M to comply with this provision, I&M may file a separate Certificate of Necessity proceeding under MCL 460.6s for extending the Lease of Rockport Unit 2. I&M will provide in its filing an analysis based on optimization modeling with Plexos that compares the costs of renewing the Lease on Rockport Unit 2 with the costs of other alternatives, including market purchases and asset acquisitions.
- 15. I&M's next IRP will include the results of a competitive bid process (RFP) for all new energy resources for which I&M seeks to be approved as part of its next IRP, including PURPA and utility scale options. Thirty days prior to issuing an RFP for new energy resources,

I&M agrees to provide a draft RFP, subject to a non-disclosure agreement, to the non-competitive parties to this settlement for comments. I&M will hold a stakeholder meeting to discuss the RFP and stakeholder comments fourteen (14) days prior to issuing the RFP.

- 16. When determining the renewable resources, if any, to propose in I&M's next IRP, I&M will consider, among other things, options that include both utility-owned facilities and PPAs. PPAs approved as part of I&M's next IRP may include a financial compensation mechanism using the same methodology as approved in Case No. U-20165.
- 17. I&M will consider in good faith and may seek approval for adding solar and wind resources prior to the filing of the next IRP, consistent with its capacity and energy needs to serve its customers. Thirty days prior to issuing an RFP for the additional solar or wind resources, I&M agrees to provide a draft RFP, subject to a non-disclosure agreement, to the non-competitive parties to this settlement for comments. I&M will hold a stakeholder meeting to discuss the RFP and stakeholder comments fourteen (14) days prior to issuing the RFP.
- 18. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.
- 19. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of Case No. U-20591. So long as the Commission

approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

- 20. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.
- 21. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.
- 22. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

WHEREFORE, the undersigned parties respectfully request the Commission to approve this Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by final order.

Dated: August <u>18</u>, 2020

COMMISSION STAFF

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Dated: August 18, 2020

INDIANA MICHIGAN POWER COMPANY

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Dated: August _____, 2020

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Dated: August _____, 2020

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Dated: August 7, 2020

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