

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY)	
to commence a renewable energy cost reconciliation)	Case No. U-20724
proceeding for the 12-month period ended)	
December 31, 2019.)	
_____)	

At the February 4, 2021 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Tremaine L. Phillips, Commissioner
Hon. Katherine L. Peretick, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On June 30, 2020, Indiana Michigan Power Company (I&M) filed an application with supporting testimony and exhibits, pursuant to MCL 460.1049 and the March 5, 2020 order in Case Nos. U-20721 *et al.*, requesting authority to reconcile its renewable energy costs and revenues for the 12-month period ended December 31, 2019, and review of I&M's renewable energy plan (REP) for compliance. Thereafter, on November 20, 2020, I&M filed a corrected application with supporting testimony and exhibits that included a corrected regulatory liability amount of \$10,263,338, resulting from the reconciliation of I&M's incremental REP costs and surcharge revenues through December 31, 2019.

A prehearing conference was held on September 3, 2020, before Administrative Law Judge Kandra K. Robbins. The Commission Staff and I&M participated in the proceeding. The parties subsequently entered into a settlement agreement that resolves all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Exhibit A, is approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of February 4, 2021.

Lisa Felice, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the application of)	
INDIANA MICHIGAN POWER COMPANY)	
to commence a renewable energy cost)	Case No. U-20724
reconciliation proceeding for the 12-month)	
<u>period ending December 31, 2019</u>)	

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended (1969 PA 306, §78; MCL 24.278), and Rule 431 of the Rules of Practice and Procedure before the Michigan Public Service Commission (Commission), R 792.10431, Indiana Michigan Power Company (I&M) and the Commission Staff (Staff) stipulate and agree as follows:

1. On August 28, 2018, in Case No, U-18233, the Commission approved I&M's renewable energy plan (REP), as amended. The REP plan reflects the power supply provided by I&M's hydro generation, wind energy purchase agreements, I&M's solar generation, and the transfer of RECs from I&M's Indiana jurisdiction to I&M's Michigan jurisdiction. The costs of I&M's REP plan are recovered through the Power Supply Cost Recovery (PSCR) clause and through the Renewable Energy Surcharge (RES).

2. On June 30, 2020, I&M filed an Application, with supporting exhibits and Testimony of Bryan S. Owens. Thereafter, on November 20, 2020, I&M filed a Corrected Application, testimony and exhibits. The Corrected Application requested that, pursuant to MCL 460.1049 and the Commission's Order dated March 5, 2020 in this case, the Commission commence a Renewable Energy Cost Reconciliation proceeding for the 12-month period ending December 31, 2019, to reconcile renewable energy costs and revenues and review I&M's renewable energy plan compliance.

3. I&M's Corrected Application reported that the reconciliation of I&M's incremental REP costs and surcharge revenues through December 31, 2019, resulted in a regulatory liability of \$10,263,338 including carrying charges.

4. I&M's Corrected Application requested that the Commission approve the reconciliation of its renewable energy plan surcharge revenues and actual cost of compliance through December 31, 2019, find that the REP costs as presented in its reconciliation filing were reasonable and prudent, and find that I&M is in compliance with the renewable energy standard requirements set forth in 2008 PA 295 for the 2019 compliance period. I&M also sought approval to continue its REP surcharge rates to the maximum level allowed per PA 295 Section 45(2).

5. At an initial prehearing conference on September 3, 2020, Administrative Law Judge (ALJ) Kandra Robbins presiding, I&M presented proof of compliance with the Executive Secretary's order to, by August 20, 2020, publish a Notice of Hearing, and mail the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service territory and to all Intervenors in Case No. U-20485.

6. Only Staff and I&M participated in the proceedings. No other parties wished to intervene or otherwise participate. This proceeding was conducted as a contested case matter pursuant to Chapter 4 of the Administrative Procedures Act of 1969, 1969 PA 306.

7. Prior to and following the September 3, 2020 hearing, the parties exchanged information and discussed I&M's filing at length. Staff thoroughly reviewed the Company's RE Plan Reconciliation through a number of means including the submission of information requests and reviewed the submittals from the Company. These requests included support for expenses listed within the Company's testimony and exhibits, including tying the expenses to bills, policies,

or current Commission orders. The result of those discussions is this executed settlement agreement.

8. It is the opinion of the signatories hereto that this settlement agreement will promote the public interest, will aid the expeditious conclusion of this case and will minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and the parties. This settlement agreement is for the purpose of final resolution of this case and all provisions of same are dependent upon all other provisions contained herein.

9. In view of the foregoing, and pursuant to Section 78 of the APA (MCL 24.278), I&M and Staff hereby stipulate and agree that the Commission should:

- a. Find that I&M is in compliance with the renewable energy standard requirements set forth in 2008 PA 295, as amended by Public Act 342 of 2016, for the 2019 compliance period.
- b. Approve as reasonable and prudent I&M's reconciliation of REP surcharge revenues and total actual cost of compliance through December 31, 2019, resulting in a regulatory liability, including carrying charges, of \$10,263,338.
- c. Find that I&M's Renewable Energy Credits (REC) requirement, as presented in Attachment 1 to this settlement agreement, will be calculated as set forth in 2008 PA 295, as amended by Public Act 342 of 2016, without adjustment for retail choice customer activity that either decreases or increases I&M's retail sales during the compliance year. For 2019, the REC requirement is calculated and based upon I&M's 2018 weather normalized sales of 2,808,897 MWh multiplied by the renewable energy credit portfolio standard of at least 12.5%, for a total 2019 REC compliance of 351,112. Attachment 1 to this settlement agreement is I&M's updated Renewable Energy Annual Report for Calendar Year 2019,

- d. Approve I&M's proposal to continue to charge its current REP surcharge rates
- e. The parties agree that I&M will utilize the attached Transfer Price schedule, attached as Attachment 2, for all new Company-Owned projects and PPAs filed for approval after Commission approval of this Agreement, until such time that the Commission approves a new Transfer Price schedule for the Company.

10. The parties respectfully request that the Commission promptly issue an order accepting and approving this settlement agreement. If the Commission issues an order accepting and adopting the settlement agreement without modification, no party will appeal, challenge, or contest the Commission's Order accepting and approving this settlement agreement. If the Commission does not accept and approve this settlement agreement without modification, this settlement agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

11. This settlement agreement has been made for the sole and express purpose of reaching compromise among the positions of the signatory parties in Case No. U-20724 without prejudice to their rights to take new and/or different positions in other proceedings. 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 the 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 this case or any other cases or proceedings; provided, however, such reference or use may be made to enforce the settlement agreement and order.

12. The stipulations and agreements contained in this settlement agreement shall constitute the record needed to support the Commission order in this case.

13. Section 81 of the APA (MCL 24.281) is waived.

Dated: January __, 2021

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ATTACHMENT 1

Electric Provider: Indiana Michigan Power Company

Reporting Period: Calendar Year 2019

- Section 51(1) of 2008 PA 295 requires the filing of this document with the Michigan Public Service Commission.
- Many of the requested figures are available from MIRECS reports; names of which are noted within this template. If your figures agree with those within MIRECS, you may submit the MIRECS report as an attachment to this annual report. If your figures differ from those within MIRECS, please explain any discrepancies. Staff from the MPSC and MIRECS Administrator, APX, Inc., are available to help reconcile.

Section 51(1).

Within this section, list and describe actions taken by the electric provider to comply with the renewable energy standards.

a. Filings to the Commission (Case Numbers)

Fowler Ridge Wind Phase I PPA, Case U-15361
Fowler Ridge Wind Phase II PPA, Case U-15808
Wildcat Wind PPA, Case U-16584 ex-parte
Case U-16584 - Renewable Energy Plan
Case U-17303 - REP Plan
Case U-17323 - REP Reconciliation
Case U-17794 - REP Plan, revised rate factors.
Case U-17805 - REP Reconciliation; includes Clean Energy Solar Pilot Project beginning in 2016;
Case U-18803 - REP Reconciliation
Case U-18233 - REP Plan
Case U-18243 - REP Reconciliation
Case U-20173 - REP Reconciliation
Case U-20485 - REP Reconciliation

b. Summary of actions taken during reporting period

Implemented Renewable Energy Surcharge (RES) for incremental cost of compliance relating to Wildcat Wind PPA.
Transferred vintage RECs from PJM GATS to MIRECs for 2019 compliance
Transferred RECs from I&M MIRECs account to I&M Wholesale customer accounts for wholesale customer 2019 compliance, including City of Niles, Village of Paw Paw, City of South Haven, City of Dowagiac, City of Sturgis.

Indiana Michigan Power Company
Renewable Energy Annual Report
Reporting Period: Calendar Year 2019
Case No. U-20724

Section 51(2)(a).

Within this section, list the type of and number of energy credits (either renewable energy credits or incentive renewable energy credits) obtained and the MWh of electricity generated or otherwise acquired during the reporting period. Distinguish between different vintages (years) obtained.

Credits From	Renewable Energy Credits	Incentive Credits	MWh Electricity Generated/Acquired
Existing, Co. Owned, pre PA 295	19,528	0	19,528
Built, Co. Owned (post PA 295)	3,000	6,000	9,000
Contracted (credits only)	86,545	0	86,545
Contracted (energy and credits)	237,969	0	237,969
Total Credits acquired	347,042	6,000	353,042

This data may be found in MIRECS reports titled: My Generation Report and My Credit Transfers.

Explain any differences between total credits acquired and the sum of the first four rows above.

Jurisdictional allocation percentage differences and rounding
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Within this section, list the type of and number of energy credits (either renewable energy credits or incentive renewable energy credits) sold, traded or otherwise transferred during the reporting period.

Credit no longer owned	Renewable Energy Credits	Incentive Credits	List sub-account name (indicate compliance year)
Sold, traded or otherwise transferred	73,411	0	73,411 City of Niles = 15,577 City of South Haven = 17,097 City of Dowagiac = 8,059 Village of Paw Paw = 5,066 City of Sturgis = 27,612 -all 2019 Compliance Year
Expired (not in compliance sub-account)	0	0	NA
Moved to compliance sub-account ¹	351,112	0	2019 I&M Michigan Compliance

¹Report separate compliance sub-accounts on different rows.

This data may be found in MIRECS reports titled: My Sub-Accounts (filtered by Michigan eligibility and its end date) and My Credit Transfers.

Within this section, report the total inventory of energy credits at the end of the reporting period. Inventory shall be reported by vintage year and not include credits within the current reporting year compliance sub-account.

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Section 51(2)(a) continued

Renewable Energy Credits	Incentive Credits	Advanced Cleaner Energy Credits
99,228; 2018 = 138 2019 = 99,090	586 2019 = 586	293 2019 = 293

This data may be found in the MIRECS report titled: My Credit Breakdown.

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Renewable Energy Annual Report
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Section 51(2)(b).

Within this section, list the number of advanced cleaner energy credits obtained and the MWh of advanced cleaner energy generated or otherwise acquired during this reporting period.

Credits From	Advanced Cleaner Energy Credits	MWh Electricity Generated/Acquired
Existing, Co. Owned, pre PA 295	0	0
Built, Co. Owned (post PA 295)	3,000 + 6,000 Incentive	3,000
Contracted (credits only)	0	0
Contracted (energy and credits)	0	0
Total Credits acquired	9,000	3,000

This data may be found in MIRECS reports titled: My Generation Report and My Credit Transfers.

Did the percentage limits in Section 27(7) affect development of advanced cleaner energy by the electric provider? How so?

No

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Section 51(2)(c).

Within this section, list each renewable energy system (RES) and advanced cleaner energy system (ACES) owned, operated or controlled by the electric provider. List the capacity of each system, the amount of electricity generated by each system and the percentage of electricity which was generated from renewable energy (RE) or advanced cleaner energy (ACE).

System Name ¹	System Type (RES or ACES)	Nameplate Capacity (MW)	Electricity Generated (MWh)	% of Electricity generated by RE/ACE
Berrien Springs – Berrien Springs 1A	RES	7.2	6,396	100
Buchanan – Buchanan 1	RES	4.1	2,619	100
Constantine – Constantine 1	RES	1.2	668	100
Elkhart – Elkhart - 1	RES	3.44	3,177	100
Mottville – Mottville 1	RES	1.68	1,584	100
Twin Branch – Twin Branch 1	RES	4.8	5,084	100

¹System name should agree with the project name listed within MIRECS.

This data may be found in the Project Management module within MIRECS.

Within this section, list the renewable energy system (RES) and advanced cleaner energy systems (ACES) the electric provider is purchasing energy credits from. These include purchase power agreements. However, unbundled (credit only) purchases do not need to be listed here. Projects (generators) serving multijurisdictional electric providers should be listed here.

System Name	System Type (RES or ACES)	Electricity Purchased (MWh)	Energy Credits Purchased ¹	Allocation Factor and Method
Fowler Ridge – Fowler Ridge 1B	RES	40,100	0	17.03%-System Load
Fowler Ridge Phase 2 – AEP Fowler Ridge 2-2	RES	23,698	0	17.03%-System Load
Headwaters Wind Farm – AEP Headwaters Wind Farm	RES	116,474	0	17.03% - System Load
Wildcat Wind	RES	144,242	0	17.03% - System Load
		324,514 Total		

¹Distinguish between different types of credits.

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Allocation Factor and Method: For use if 100% of system output is not purchased. For instance, a system selling to multiple parties: list how the energy and credits are allocated – if by percentage, list the percentage as well.

Allocation Factor and Method: If used by multijurisdictional electric providers please include which percentage of energy and credits are to be distributed to Michigan (list allocation method as well, for example: system load).

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Section 51(2)(d).

Within this section, list whether, during the reporting period, the electric provider entered into a contract for, began construction on, continued construction of, acquired, or placed into operation a renewable energy (RE) system or advanced cleaner energy (ACE) system.

System Name ¹	Resource (technology, RE/ACE)		Nameplate Capacity (MW)	Construction start date or acquisition date	Commercial operation date	Owned by electric provider?

¹System name should agree with the project name listed within MIRECS.

Dates may be forecast.

Indiana Michigan Power Company
Renewable Energy Annual Report
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Section 51(2)(e).

Within this section, list the total expenditures incurred during the reporting period to comply with the renewable energy standards. Also, electric providers with an approved or planned renewable energy surcharge (as per Section 45), list the incremental cost of compliance (ICC) incurred during the reporting period.

Total Transfer Cost for 2019	Total ICC for 2019
\$2,073,788	\$3,376,773

Transfer Cost: The component of renewable energy and capacity revenue recovered from PSCR clause.

Capital Expenditures for 2019
\$256,722

Capital Expenditure: An investment in a renewable energy capital asset.

List the forecasted total expenditures for the remaining plan period. Also, electric providers with an approved or planned renewable energy surcharge (as per Section 45), list the forecasted incremental cost of compliance (ICC) for the remaining plan period.

Forecast of total remaining expenditures for the residual plan period of 2020-2029	Forecast of the ICC for the remaining plan period (2020-2029)
\$76,932,405	\$26,532,857

Total Expenditures: ICC + Transfer Cost

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Section 51(2)(f).

Within this section, list the method and the retail sales in MWh for the reporting period.

List the Method: either average of 2016-2018 retail sales or the 2018 weather normalized retail sales.

2018 Weather Normal

The method chosen should be consistent with the method approved in the initial plan case from 2009. All sales are retail (net of wholesale).

(A) List the sales in MWh based on the method selected above. Please show the calculation of this figure (including listing the sales of each year if the three-year average method is used).

2,808,896 MWh

(B) Inventory: List the number of non-expired energy credits available after submittal of the 2019 MIRECS compliance report. These energy credits may have 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 vintages. Do not include credits within the 2019 compliance sub-account. This number may differ from the inventory figure given in **Section 51(2)(a)** above. List green pricing program, energy optimization and advanced cleaner energy credits separately and only if they are to be used for RPS compliance in a future year.

100,107

(C) 2019 Renewable Energy: List the number of energy credits with a 2019 vintage. Include 2019 vintage energy credits used for compliance in 2019 as well as those 2019 vintage energy credits not yet used for compliance. Again, take into account green pricing program credits and energy optimization or advanced cleaner energy credit substitutions with a 2018 vintage.

List credits from energy generated during 2019 (C)

353,042

Calculate the estimated renewable energy percentage. Figure above (C) divided by sales in MWh above (A).

Estimated Renewable Energy Percentage based on 2019 vintage energy credits (C divided by A)
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12.57%

(D) Compliance: List the energy credits used for compliance for the 2019 compliance year. This number should agree with the compliance requirement listed in the 2019 compliance subaccount in MIRECS. Take into account any energy optimization or advanced cleaner energy credit substitutions and limits on their use.

351,112

Calculate the renewable energy percentage. Figure above divided by sales in MWh above (D divided by A).

12.5%

Indiana Michigan Power Company
Renewable Energy Annual Report
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Section 51(2)(f) continued

Does the “energy credits used for compliance in this reporting year” figure above include any credits representing energy generated within 120 days after the start of the next calendar year? Yes/No.

No

If yes, how many credits from 2020 generation are included?

Not Applicable.

To be used for 2019 Compliance Year

Similar to (A) from Section 51(2)(f) above.

List the sales in MWh based upon the same method selected above. Sales should either be the average of 2016-2018 retail sales or the 2018 weather normalized retail sales. Please show the calculation of this figure (including listing the sales of each year if the three year average method is used).

I&M 2018 weather normalized sales = 2,808,896 MWh

ATTACHMENT 2

2020 MPSC Staff Transfer Price Schedule

Background

The Commission's December 20, 2011 Commission Order in Case No. U-16582 directed the Michigan Public Service Commission Staff (Staff) to convene a technical conference with the following objectives:

- Address the appropriate inputs for developing transfer prices;
- Address the method for developing transfer prices; and
- Determine adequate measures to protect confidential information that recognizes the rights of the other parties to examine and test the evidence that may be used to develop transfer prices.

Staff convened the first technical conference on January 18, 2012 with DTE Electric Company (Formerly known as Detroit Edison Company), Michigan Environmental Council (MEC) and the Environmental Law and Policy Center (ELPC) to discuss inputs and the methodology for developing transfer prices and adequate measures to protect confidential information that allows for intervening parties to test the transfer price calculation methodology in the course of a contested case hearing. The parties agreed to work on solutions to the issues and provide the information electronically on February 15, 2012 and meet again on February 21 to discuss what each party had filed.

At the February 21, 2012 technical conference, Staff and MEC described the proposed transfer price calculation methodologies. The Attorney General also participated in the meeting. Additionally, processes to disclose necessary confidential information to parties yet adequately protect the data were discussed.

Staff convened a larger technical conference on May 30, 2012 with all Companies and interveners that participated in cases with transfer price issues. The goal of this larger technical conference was to try to reach consensus on a procedure to develop and update the transfer price schedules on a yearly basis. The parties attending the technical conferences provided discussion and feedback related to inputs and the methodology for developing transfer prices and measures to protect confidential information that allows for intervening parties to adequately test the transfer price calculation methodology in the course of a contested case.

Methodology

Staff's proposed methodology is to set yearly transfer price schedules that will cover the remaining time frame of the renewable energy planning period (2029) on a going forward basis. The transfer prices resulting from this methodology will be used by electric providers¹ as a point of reference.

¹ Currently Consumers Energy Company, DTE Electric Company, Indiana Michigan Power Company, Upper Michigan Energy Resources Corporation and Wisconsin Electric Power Company utilize transfer price schedules.

Staff believes transfer price schedules should be representative of what a Michigan electric provider would pay had it obtained the energy and capacity (the non-renewable market price component) through a long term power purchase agreement for traditional fossil fuel electric generation. MCL460.1047 explains that when setting the transfer price, the Commission shall consider factors including, but not limited to, projected capacity, energy, maintenance, and operating costs, information filed under Section 6j of 1939 PA 3 (MCL 460.6j), and wholesale market data, including but not limited to, locational marginal pricing. To best determine the value of the non-renewable component of PA 295 of 2008 compliant generation, Staff believes that for purposes of developing the MPSC Staff Transfer Price Schedule that the levelized cost of a new natural gas combined cycle (NGCC) plant would likely be analogous to the market price mentioned above. Starting with the U.S. Energy Information Administration's (EIA) levelized cost estimate for an advanced natural gas combined cycle facility, Staff built a trend line from the cost estimate to effectively follow the value of energy, capacity and inflation through 2029 that represents the cost of a new NGCC plant in each year.

To determine the slope of the trend line, Staff utilized data and projections provided by the EIA and the IHS Global Insight. Staff utilized fuel cost forecasts and producer price indices including utility natural gas, employment cost, industrial commodities, metals and metal products, and machinery and equipment. Consistent with common industry practice, Staff proposes that by analyzing projected construction cost components and fuel price forecasts throughout the plan period, Staff was able to calculate a proxy for market energy prices, capacity prices, ancillary benefits and the effect of inflation through the 2029 plan period.

Staff believes that, given current market conditions, the market will converge towards the price of a new NGCC plant every year. In an effort to accurately and effectively assign value to the non-renewable component of renewable energy generation and capacity, Staff developed this transfer price methodology so that it will result in a proxy for how a long term power purchase agreement would be structured. This methodology is the basis for the calculation of the MPSC Staff Transfer Price Schedules.

Data Protection

The Commission specified that a purpose of the technical conferences was to discuss adequate measures to protect confidential information but allows for intervening parties to adequately test the transfer price calculation methodology in the course of a contested case hearing. Staff has received permission from IHS Global Insight to allow the parties to a contested case to visit the MPSC offices and review the producer price indices used to create the trend line for Staff's transfer price schedule.

Timing

Staff will issue an updated MPSC Staff Transfer Price Schedule each spring in docket number U-15800. This is done to allow the electric providers time to incorporate the MPSC Staff Transfer Price Schedule into future renewable energy case filings for the calculation of the incremental cost of compliance.

In each contested Renewable Cost Reconciliation case, the electric provider will request a transfer price schedule be established and file its proposed transfer price schedule. Additionally, Staff will file the MPSC Staff Transfer Price Schedule.

Upon Michigan Public Service Commission approval of a transfer price schedule in the Renewable Cost Reconciliation, the transfer price schedule will be in effect until a new transfer price schedule is established in a subsequent proceeding. The most recently approved transfer price schedule will apply to all new renewable energy contracts and projects approved by the Commission. The most recently approved transfer price schedule will have no impact on contracts or projects that have already had transfer price schedules assigned.

2020 MPSC Staff Transfer Price Schedule

Staff presents its 2020 MPSC Staff Transfer Price Schedule. Using the same methodology as its 2012 – 2019 MPSC Staff Transfer Price Schedules,² Staff updated three components. These updates include:

- Updated Global Insight data.
- Utilized Energy Information Administration Annual Energy Outlook 2020 natural gas base case Henry Hub nominal gas price projection.
- Updated the Global Insight base year to 2024.

The 2020 Staff Transfer Price Schedule updates resulted in an overall average decrease in transfer prices when compared to the 2019 Staff Transfer Price Schedule.

² Due to the timing of the technical conferences, the 2012 MPSC Staff Transfer Price Schedule was not filed in this docket, but only filed in Renewable Cost Reconciliation Cases No: U-16662, U-16655 and U-16656 .

	2019 Transfer Price Schedule	2020 Transfer Price Schedule
2020	\$63.16	\$56.27
2021	\$64.58	\$57.77
2022	\$66.44	\$59.21
2023	\$68.82	\$60.86
2024	\$71.70	\$63.64
2025	\$73.52	\$65.71
2026	\$75.14	\$67.61
2027	\$77.31	\$69.94
2028	\$79.96	\$72.60
2029	\$83.52	\$75.45

Levelized Cost Calculation

	NGCC	notes
Capacity MW	400	MW
Loading Factor	71.00%	% of time the unit would be dispatched if available
Equivalent Avail.	87.00%	% of time the unit would be available for dispatch.
Capacity Factor	61.77%	(Loading Factor)(Equivalent Availability)
Heat Rate Btu/kWh	6719	BTU/kWh
Fuel Cost \$/MMBtu	\$3.91	\$ per Million BTU
Total Cost MM no AFUDC	\$518.108	MM
AFUDC	\$70.84	MM
Total Cost MM	\$588.952	MM
Fixed Charge Rate	11.59%	% used to calculate fixed cost recovery component
Fixed O&M \$/kW	\$14.62	\$/kW
Annual Lev. Fixed Cost MM	\$68.26	MM
Total Annual Lev. Fixed Cost MM	\$74.11	MM
Fixed Cost \$/kWh	0.0342	\$/kWh
Fuel Cost \$/kWh	0.0263	\$/kWh
Var. O&M \$/kWh	0.0031	\$/kWh
Total Var. Cost	0.0294	\$/kWh
Total Cost \$/kWh	0.06364	\$/kWh

Overnight Cost (MM)

489.116635

AFUDC			Total Overnight Cost (MM) in 2020 \$	Inflation Rate	Cumulative	Finance Rate
Year		GCC	\$489.117	2%		6.56%
1	5%		24	24.94	24.94	1.64
2	30%		147	152.66	177.61	11.65
3	35%		171	181.67	359.28	23.57
4	30%		147	158.83	518.11	33.99
	1		489	518.108		70.84

Fixed price cost escalation: Fixed portion of levelized cost with 2024 as base year (2024=1)

Variable cost price escalation: Variable portion of levelized cost is multiplied by Nat Gas price forecast index, with 2024 as a base year (i.e. 2024=1).

FIXED Cost Component			\$34.24		VARIABLE		\$29.40		Weighted Average (Utility Nat Gas 70% ; Employment Cost 30%)	2019 Transfer Price Schedule	2020 Transfer Price Schedule
Producer Price Index-- Intermediate Materials	Producer Price Index--Industrial Commodities	Producer Price Index-- Machinery & Equipment	Producer Price Index--Metals & Metal Products	Average	Producer Price Index--Utility Natural Gas	Employment Cost Index--Total Private Compensation					
-	-	-	-	32.2817	-	-	-	23.9908	2020	\$63.16	\$56.27
2020	-	-	-	32.5464	-	-	-	25.2211	2021	\$64.58	\$57.77
2021	-	-	-	33.0434	-	-	-	26.1621	2022	\$66.44	\$59.21
2022	-	-	-	33.5939	-	-	-	27.2697	2023	\$68.82	\$60.86
2023	-	-	-	34.2390	-	-	-	29.3998	2024	\$71.70	\$63.64
2024	-	-	-	34.9503	-	-	-	30.7636	2025	\$73.52	\$65.71
2025	-	-	-	35.7169	-	-	-	31.8974	2026	\$75.14	\$67.61
2026	-	-	-	36.4847	-	-	-	33.4523	2027	\$77.31	\$69.94
2027	-	-	-	37.2382	-	-	-	35.3583	2028	\$79.96	\$72.60
2028	-	-	-	37.9666	-	-	-	37.4874	2029	\$83.52	\$75.45

Source: EIA Annual Energy Outlook 2020

<https://www.eia.gov/outlooks/aeo/data/browser/#/?id=1-AEO2020®ion=0->

Period (Used for Levelized Calculation)	Henry Hub Using 2020 Annual Energy Outlook (Nominal)	
2022	1	2.68
2023	2	2.78
2024	3	2.95
2025	4	3.27
2026	5	3.64
2027	6	3.90
2028	7	4.11
2029	8	4.22
2030	9	4.26
2031	10	4.30
2032	11	4.41
2033	12	4.60
2034	13	4.77
2035	14	4.86
2036	15	4.96
2037	16	5.14
2038	17	5.30
2039	18	5.43
2040	19	5.56
2041	20	5.68
Discount Rate		8.98%
Net Present Value Fuel		\$35.77
Levelized Fuel Price		\$3.91


PROOF OF SERVICE

STATE OF MICHIGAN)

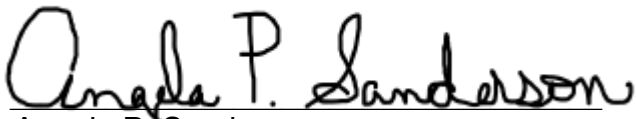
Case No. U-20724

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on February 4, 2021 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).


Brianna Brown

Subscribed and sworn to before me
this 4th day of February 2021.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2024

Service List for Case: U-20724

Name	Email Address
Indiana Michigan Power Company 1 of 3	ajwilliamson@aep.com
Indiana Michigan Power Company 2 of 3	msmckenzie@aep.com
Indiana Michigan Power Company 3 of 3	mgobrien@aep.com
Jason T. Hanselman	jhanselman@dykema.com
John A. Janiszewski	jjaniszewski@dykema.com
Kandra Robbins	robbinsk1@michigan.gov
Michael J. Orris	orrism@michigan.gov
Richard J. Aaron	raaron@dykema.com
Spencer A. Sattler	sattlers@michigan.gov