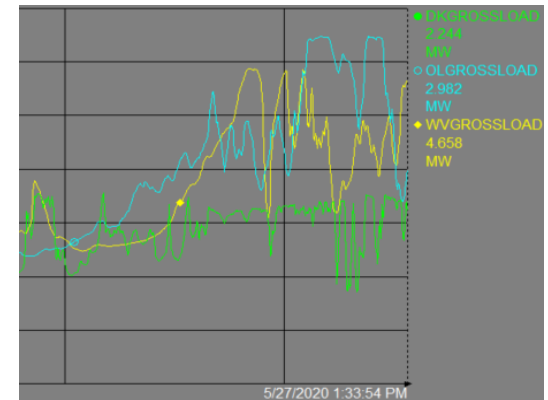




An **AEP** Company

# CONFIDENTIAL DRAFT

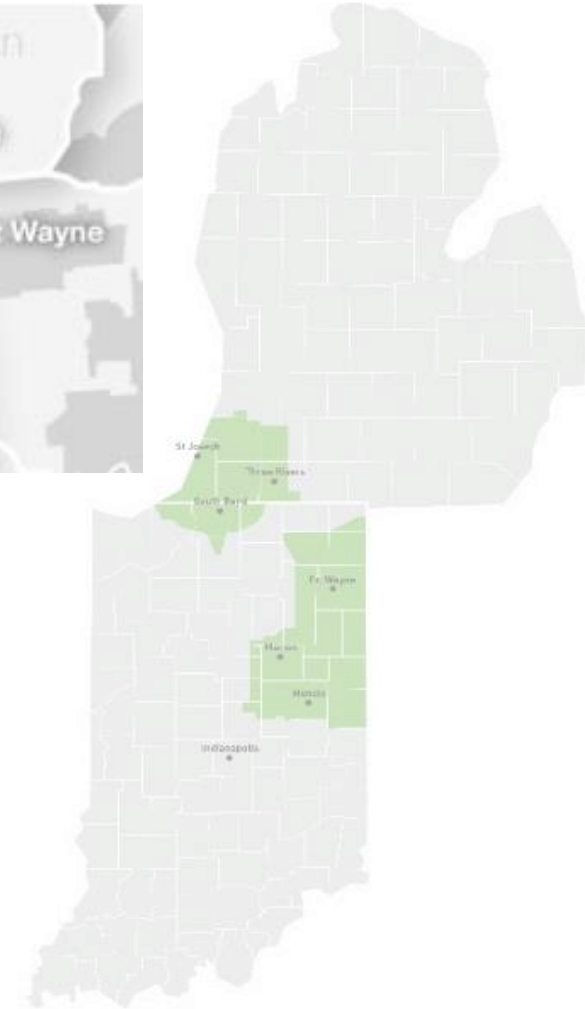
## Competitive Procurement October 22, 2020



BOUNDLESS ENERGY<sup>SM</sup>

# Introduction to I&M

- Multi-jurisdictional utility with ~ 600,000 retail customers in Michigan and Indiana
  - Indiana: ~472,000
  - Michigan: ~130,000
- ~390 MW of firm long-term full requirements wholesale generation customers, mainly located in Indiana
- Located in southwest Michigan, serving communities located in the counties of Berrien, Cass, St. Joseph, Van Buren, Kalamazoo, and Allegan
- Fully integrated with ~5,400 MW of generation and ~ 5,300 miles of transmission lines
- I&M is part of the American Electric Power system and a member of PJM Interconnection, LLC (PJM) and a Fixed Resource Requirement (FRR) entity



# Resource Diversity and Other Key Considerations

## Resource Diversity

- Cook Nuclear Plant
- Rockport Coal Plant
- 6 run of the river hydro
- 5 solar facilities
- 4 wind power purchase agreements
- ~ 260 MW of demand response
- 90+% of renewables under PPA
- Continued generation transformation

## I&M and AEP Have Significant Experience with Competitive Procurement

- Generation resources, technology and services, etc.
- Open, transparent and non-discriminatory

## Key Considerations

- Multi-jurisdictional implications
- Benefit of leveraging a larger need
- IRP “all-source” review
- Source-specific needs or goals
- Reputation and credibility
- Strategic timing vs mandate
- Use of independent monitor



# I&M and AEP's RFP Experience

- AEP's operating companies have executed agreements for over 4,200 MW of renewable resources via Request for Proposals (RFPs)
  - **Results of these RFPs were approved by the state regulatory commission(s)**

I&M's Approved Projects		
Project	Size (Nameplate)	MI Case No.
Fowler I (Wind)	100 MW	U-15361
Fowler II (Wind)	50 MW	U-15808
Wildcat (Wind)	100 MW	U-16584
Headwaters (Wind)	200 MW	U-17375
Clean Energy Solar Pilot	15 MW	U-17794
St. Joseph Solar Farm	20 MW	U-20765
<b>Total =</b>	<b>485 MW</b>	

AEP Operating Companies' Approved Projects				
Operating Company	Size (Nameplate)	# of Projects	Project Locations	RTO
Indiana Michigan Power Company <sup>1</sup>	485 MW	9	MI, IN	PJM
AEP Ohio	209 MW	5	IN, OH	
Appalachian Power Company (APCo) <sup>1</sup>	495 MW	6	IN, IL, WV	
Public Service Company of Oklahoma <sup>1</sup>	1,813 MW	11	OK	SPP
Southwestern Electric Power Company <sup>1</sup>	1,279 MW	10	OK, KS, TX	
<b>Totals =</b>	<b>4,280 MW</b>	<b>41</b>		

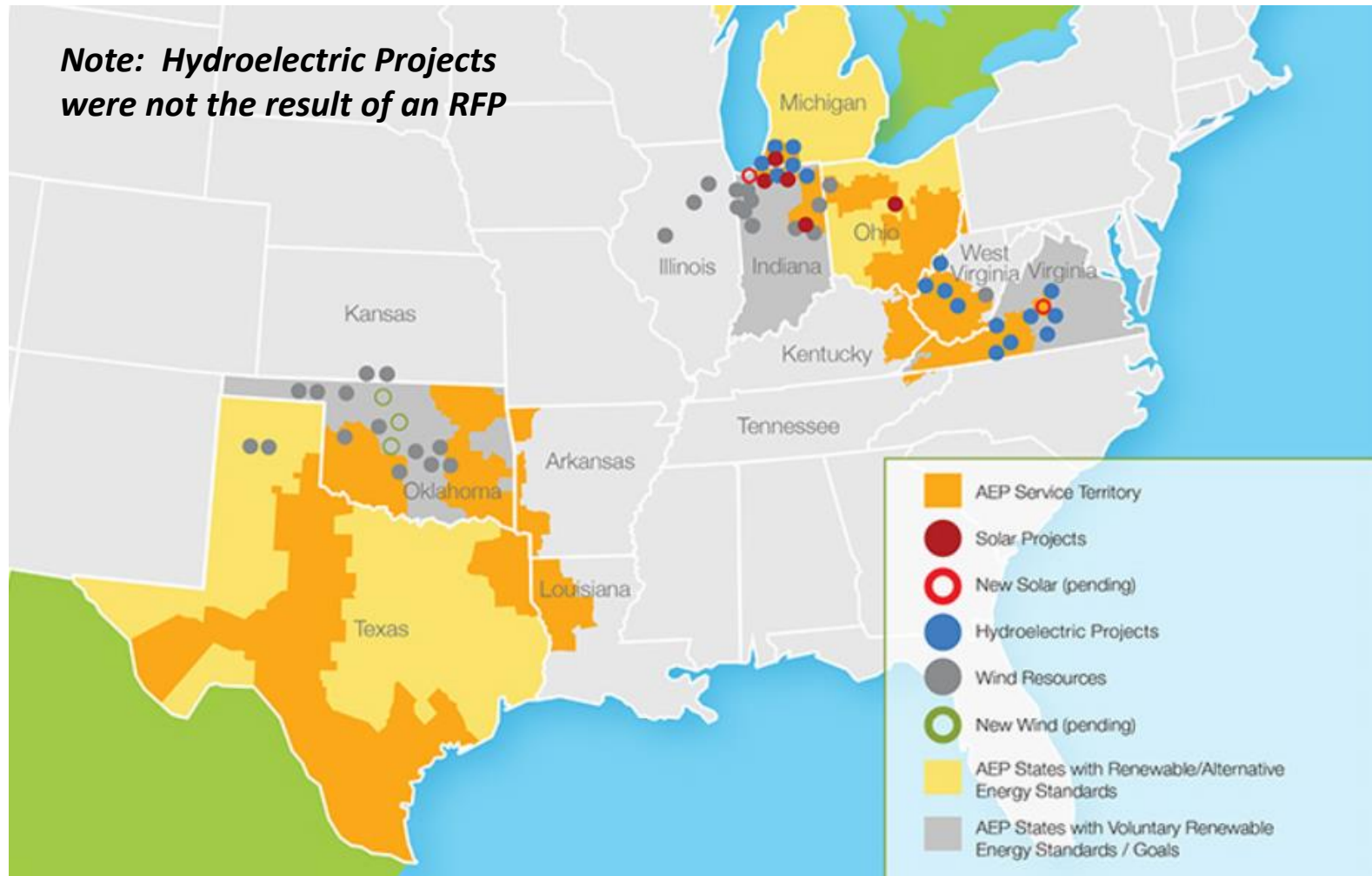
Note 1: Includes projects under construction



- 2020 on-going RFPs for APCo (VA) (200 MW solar) and APCo (WV) (50 MW solar)
- VA VCEA (RPS) has aggressive transformation goals and requires annual RFPs
  - 30% carbon free by 2030; 45% by 2035; 80% by 2045; and 100% by 2050.

# I&M and AEP's RFP Experience

*Note: Hydroelectric Projects were not the result of an RFP*



# North Central Wind Energy Facilities

- RFP Administrator - AEP
- 3 Wind Projects (1,485 MW)
- Regulated Investment
  - ~\$2.0 B
- Regulatory Approvals Rec'd
  - LA, AR, and OK
- Target Completion
  - Sundance (Q1-2021)
  - Maverick (Q4-2021)
  - Traverse (Q2-2022)
- Ownership
  - SWEPCO (54.5%)
  - PSO (45.5%)
- Oklahoma state law requires an Independent Evaluator (IE):
  - IE was in agreement with the RFP processes
  - IE's results concurred with the selection of the 3 Wind Projects (1,485 MW).
  - RFP included 19 projects totaling 5,896 MW



# Focus Topics

- IRP's, RFP's and All-Source Bidding
  - An IRP is all source evaluation of resource options
  - Issuing an "All-Source" solicitation contrary to a "resource focused" RFP is misleading
  - If required to issue an "All-Source" RFP, there must be transparency regarding the intent to procure resources
  - Non-binding RFP's may not provide more reliable or accurate pricing
  - RFP's should be structured specific to the resources being procured and strategically timed
- Staff, Commission and Third-Party Review
  - I&M and AEP's RFP processes are standardized and proven. ~4,200 MW of projects have been contracted for and approved using these processes
  - The Company can provide the RFP, bids, etc. to the Commission, Staff, and an Independent Monitor (if applicable) provided confidentiality safeguards are in place
- Required information to be presented in RFP
  - The following pages provide an overview of the Company's RFP processes including RFP development, proposal content, minimum eligibility and threshold requirements, and general evaluation criteria





An AEP Company

# AEP's RFP Process for Generation Resources

- AEP's operating companies are the decision makers regarding the issuance of a RFP.
- Key inputs to the RFP development process include:
  - General: resource type(s), size (MW), location, interconnection (PJM / I&M Distribution), target in-service date, regulatory approval timing, consideration of expiring Federal Tax Credits (ITC / PTC)
- Proposal Content (table below shows general requirements)

<b>1. Check Sheet</b>	4. Equipment Specs / Warranty Info	<b>8. Wind &amp; Solar Resource Studies</b>
2. Executive Summary	5. Bidder Profile	9. Expected O&M
3. Proposal Details (e.g. Location, Resource type, Size, Bid Price, Production, IA Status)	<b>6. Exceptions to Agreements</b>	10. Plan to use small and diverse suppliers
	<b>7. Exceptions to AEP Facility Standards</b>	11. Plan to use state specific suppliers





An **AEP** Company

# AEP's RFP Process for Generation Resources

- Minimum Eligibility & Threshold Requirements
  - Development status (e.g. site control, interconnection status)
  - Target commercial operation date
  - Expected annual production reports (third party)
  - Design requirements (e.g. design life, equipment selection)
  - Exceptions to form agreement
  - Experience
- Evaluation Criteria
  - Price
    - levelized cost of energy, levelized net cost of energy, rate impacts
  - Non-Price
    - e.g.: development status, environmental impact, economic development, exceptions to AEP form documents (contract, facility design, etc.), use of small and diverse suppliers, use of state suppliers
- Final Selection
  - Final Selection is determined by the final proposal ranking using the Price and Non-Price scores

# Questions and Comments

