

**ORIGINAL**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

VERIFIED PETITION OF SOUTHERN INDIANA GAS )  
AND ELECTRIC COMPANY d/b/a CENTERPOINT )  
ENERGY INDIANA SOUTH (“CENTERPOINT”) FOR )  
AN ORDER: (1) ISSUING CENTERPOINT A )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY, PURSUANT TO IND. CODE CH. 8-1-8.5, )  
TO PURCHASE AND ACQUIRE, THROUGH A BUILD )  
TRANSFER AGREEMENT (“BTA”), A SOLAR POWER )  
ELECTRIC GENERATING FACILITY IN POSEY )  
COUNTY, INDIANA, THAT WILL HAVE AN )  
AGGREGATE NAMEPLATE CAPACITY OF )  
APPROXIMATELY 300 MEGAWATTS )  
ALTERNATING CURRENT (“MWAC”) (THE “POSEY )  
COUNTY SOLAR PROJECT”); (2) FINDING THE )  
POSEY COUNTY SOLAR PROJECT CONSTITUTES A )  
CLEAN ENERGY PROJECT UNDER IND. CODE CH. 8- )  
1-8.8; (3) APPROVING ASSOCIATED RATEMAKING )  
AND ACCOUNTING TREATMENT FOR THE BTA )  
PURSUANT TO IND. CODE § 8-1-8.8-11; (4) )  
AUTHORIZING CENTERPOINT TO ENTER INTO A )  
POWER PURCHASE AGREEMENT (“PPA”) TO )  
PURCHASE ENERGY AND CAPACITY FROM A 100 )  
MWAC SOLAR PROJECT IN WARRICK COUNTY, )  
INDIANA (THE “WARRICK COUNTY SOLAR )  
PROJECT”), OVER A 25-YEAR TERM AND FINDING )  
THE TERMS OF THE PPA REASONABLE; (5) )  
DETERMINING THE WARRICK COUNTY SOLAR )  
PROJECT TO BE AN ELIGIBLE CLEAN ENERGY )  
PROJECT FOR PURPOSES OF IND. CODE CH. 8-1-8.8; )  
(6) AUTHORIZING FULL RECOVERY OF THE )  
POWER PURCHASE COSTS UNDER THE PPA FROM )  
CUSTOMERS THROUGH THE FUEL ADJUSTMENT )  
CLAUSE OVER THE ENTIRE TERM OF THE PPA; (7) )  
APPROVING ASSOCIATED RATEMAKING AND )  
ACCOUNTING TREATMENT FOR THE PPA )  
PURSUANT TO IND. CODE § 8-1-8.8-11; AND (8) )  
APPROVING CONFIDENTIAL TREATMENT OF THE )  
BTA AND PPA PRICING AND OTHER NEGOTIATED )  
COMMERCIAL TERMS AND RELATED )  
CONFIDENTIAL INFORMATION. )

CAUSE NO. 45501

APPROVED: OCT 27 2021

## **ORDER OF THE COMMISSION**

### **Presiding Officers:**

**David E. Ziegner, Commissioner**

**Carol Sparks Drake, Senior Administrative Law Judge**

On February 23, 2021, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“CenterPoint” or “Petitioner”) filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause requesting the Commission: (1) issue Petitioner a certificate of public convenience and necessity (“CPCN”) to purchase and acquire a solar power electric generating facility in Posey County, Indiana, through a Build Transfer Agreement (“BTA”) with an aggregate nameplate capacity of approximately 300 megawatts alternating current (“MWac”) (the “Posey County Solar Project” or “Posey Project”) pursuant to Ind. Code ch. 8-1-8.5; (2) find the Posey County Solar Project constitutes a clean energy project under Ind. Code ch. 8-1-8.8; (3) approve associated ratemaking and accounting treatment for the Posey Project under Ind. Code § 8-1-8.8-11, including recovery of the project cost through a levelized rate applied to energy the facility generates; (4) authorize CenterPoint to enter into a 25-year Power Purchase Agreement (“PPA”) with a Clenera LLC affiliate to purchase energy and capacity from a solar project being constructed in Warrick County, Indiana, with an aggregate nameplate capacity of 100 MWac (the “Warrick County Solar Project” or “Warrick Project”) and find the PPA terms are reasonable; (5) determine the Warrick County Solar Project is an eligible clean energy project for purposes of Ind. Code ch. 8-1-8.8; (6) authorize full recovery of the power purchase costs under the PPA from CenterPoint’s customers through the fuel adjustment clause (“FAC”) over the term of the PPA; (7) approve ratemaking treatment to account for increased cost of debt related to the Warrick Project PPA and allow CenterPoint to earn a fair return on the PPA, as well as operations and maintenance (“O&M”) expenses associated with entering into the PPA per Ind. Code § 8-1-8.8-11; and (8) approve confidential treatment for pricing and other commercial terms of the PPA, BTA, and related confidential information.

Petitioner also prefiled the direct testimony and attachments of the following CenterPoint employees on February 23, 2021:

- Justin M. Joiner, Director of Power Supply Services
- Wayne D. Games, Vice President Power Generation Operations
- Matthew A. Rice, Director of Indiana Electric Regulatory and Rates
- Joseph M. Manzo, Director of Financial Planning and Analysis Generation Development and
- Rina H. Harris, Director of Energy Solutions and Business Services.

That same date, CenterPoint prefiled the testimony and attachments of the following additional witnesses:

- Steven C. Greenley, Senior Vice President of Generation Development for CenterPoint Energy, Inc.

- Art Holland, Principal Consultant at Siemens PTI (formerly Pace Global Energy Services (“Siemens PTI”))
- Brett A. Jerasa, Assistant Treasurer for CenterPoint Energy Service Company, LLC (“Service Company”) and
- Brenda L. Musser, Director of Tax for Service Company.

On February 23, 2021, Petitioner also filed a motion for protection and nondisclosure of confidential and proprietary information advising that certain information (“Confidential Information”) CenterPoint intends to file contains trade secrets under Ind. Code § 24-2-3-2. Confidential treatment was approved on a preliminary basis in a docket entry dated March 8, 2021.

On February 24, 2021, Citizens Action Coalition of Indiana, Inc. (“CAC”) petitioned to intervene, which intervention was granted on March 5, 2021. On April 12, 2021, Sunrise Coal LLC (“Sunrise Coal”) also petitioned to intervene, and its intervention was granted on April 22, 2021.

On April 30, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the direct testimony of Caleb R. Loveman, Utility Analyst in the OUCC’s Electric Division, and Peter M. Boerger, Ph.D., Senior Utility Analyst in the OUCC’s Electric Division. Also on April 30, 2021, Sunrise Coal prefiled the direct testimony and attachments of Emily S. Medine, a Principal at Energy Ventures Analysis, Inc.

On April 29, 2021, Petitioner filed a notice advising that Brandon H. Shaw, CenterPoint’s Director of Financial Planning and Analysis, was adopting the prefiled direct testimony of Mr. Manzo. On May 27, 2021, Petitioner filed another notice advising that F. Shane Bradford, its Director of Power Supply Services, was adopting Mr. Joiner’s prefiled direct testimony.

On May 24, 2021, Petitioner filed rebuttal testimony and attachments for Mr. Bradford, Mr. Games, Mr. Rice, Mr. Holland, Mr. Shaw, and Mr. Jerasa and a second motion for protection and nondisclosure of confidential and proprietary information. The motion was granted on June 4, 2021, after which CenterPoint submitted additional confidential materials.

The Commission set this matter for an evidentiary hearing to commence at 9:30 a.m. on June 21, 2021, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. A docket entry was issued on June 15, 2021, advising that due to the ongoing COVID-19 public health emergency, the hearing would be conducted via WebEx and providing participation and viewing information. CenterPoint, the OUCC, CAC, and Sunrise Coal, by counsel, participated in the evidentiary hearing via WebEx video, and the hearing was live streamed via YouTube.

Based upon the applicable law and the evidence presented, the Commission finds:

**1. Notice and Jurisdiction.** Due, legal, and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. CenterPoint is a public utility as defined in Ind. Code § 8-1-2-1 and an eligible business as defined in Ind. Code § 8-1-8.8-6. The Commission has jurisdiction to approve Petitioner’s requested relief as provided under the Public Service Commission Act, including Ind. Code chs. 8-1-8.5 and 8-1-8.8; therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner’s Characteristics.** CenterPoint is a public utility incorporated under Indiana law with its principal office in Evansville, Indiana. Petitioner has authority to render electric service within Indiana and owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities for the production, storage, transmission, distribution, and furnishing of such service. CenterPoint provides electric service to approximately 145,000 customers in southwestern Indiana, with its service territory including parts of Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick, and Spencer Counties.

**3. The Parties’ Respective Evidence.**

**A. CenterPoint’s Case-in-Chief.**

1. Steven C. Greenley. Mr. Greenley provided an overview of CenterPoint’s generation transition plan (“the Plan”) included in its 2019/2020 Integrated Resource Plan (“IRP”) submitted on June 29, 2020, and its request to diversify Petitioner’s generation portfolio with the Posey County and Warrick County Solar Projects. He testified Petitioner’s current generation mix consists of approximately 1,329 MW of installed capacity with limited ownership of renewables. Its renewables include two 2 MW solar arrays and a 50 MW solar facility the Commission approved in Cause Nos. 44909 and 45086, respectively.

Mr. Greenley stated Petitioner cannot continue to operate its A.B. Brown generating facility or Warrick Unit #4 beyond October 2023 without making significant investments to bring these facilities in compliance with environmental standards. He explained that in CenterPoint’s 2019/2020 IRP, the cost of these investments as compared to transitioning to new generation resources was evaluated, and the evaluation concluded customers will likely pay lower costs over the next two decades by retiring the A.B. Brown and F.B. Culley 2 generating facilities, exiting joint operation of Warrick Unit #4 with Alcoa Corporation, and investing in a diversified generation portfolio with wind, solar, storage, natural gas, and coal generation resources. Mr. Greenley indicated the approval Petitioner now seeks is the first step in implementing the Plan.

Mr. Greenley testified the Plan is responsive to previous Commission guidance, offers a balanced and diverse mix of traditional and emerging generating resources, allows for flexibility to hedge against risk and opportunity to react to changing circumstances by not placing too much emphasis on a few large resources, and is reliable and resilient with complementary renewable energy resources that have fast start and fast ramping capability. He testified this ensures dispatchable capacity is sufficient to cover Petitioner’s winter load when there is less solar output. Mr. Greenley stated he expects the Plan will reduce Petitioner’s cost of providing service over the next 20 years by more than \$320 million as compared to continued operation of CenterPoint’s existing generation portfolio.

Mr. Greenley testified a balanced and diversified portfolio offers risk mitigation by helping to protect customers from marketplace risks, such as increases in fuel costs, or if the future differs from the IRP reference case scenario. He stated the addition of solar resources also helps CenterPoint achieve its commitment to environmental stewardship and sustainability and helps southwestern Indiana, particularly the City of Evansville, move towards sustainability and renewable energy goals. Mr. Greenley testified the proposed addition of solar resources aligns with

Evansville's climate action plan by reducing greenhouse gases and moving to a cleaner energy generation portfolio.

Mr. Greenley testified about both the Posey County and Warrick County Solar Projects, including their structure, expected output, and overall benefits. He stated Petitioner seeks a CPCN for the Posey County Solar Project, with the transaction structured as a BTA. More specifically, the Clean Energy Infrastructure business unit of Capital Dynamics, through a special purpose limited liability company known as Posey Solar CEI, LLC, will develop, engineer, and construct a photovoltaic electric generating facility with aggregate nameplate capacity of approximately 300 MWac in Posey County, Indiana, thus bearing the risk of this project. Mr. Greenley stated Petitioner plans to acquire the project upon mechanical completion by purchasing a membership interest in Posey Solar CEI, LLC upon paying the amount set forth in the BTA, with the BTA contingent on Commission approval. He explained that to protect Petitioner's customers from hidden costs and future price increases, CenterPoint negotiated a firm, fixed price for the Posey Project that includes interconnection and other development costs that could escalate between now and the closing date. Per Mr. Greenley, because the life expectancy of this project is 35 years, the project is supported with land leases for 30 years with a five-year extended option. The Posey County Solar Project also has a two-year manufacturer's warranty for defects that is extended one year if a claim is made during the initial warranty period.

Mr. Greenley testified the Posey Project is among the lowest cost proposals Petitioner received from the 2019 All-Source Request for Proposals ("RFP"), and its BTA structure will benefit CenterPoint by providing the advantages of ownership which, when combined with PPAs in a diversified generation portfolio, provides multiple off-ramps and optimizes flexibility and certainty for customers. He added that the BTA structure offers benefits over a PPA, the most important of which is realization of the federal investment tax credit ("ITC"). Mr. Greenley stated CenterPoint has tax capacity that allows it to realize applicable tax incentives without the added cost of a Tax Equity Partner ("TEP"), thereby using these benefits to provide the most cost-effective project possible for its customers. He testified the BTA will also allow CenterPoint to claim certain environmental benefits such as carbon reductions. Once completed, the Posey Project will interconnect to Petitioner's A.B. Brown – Gibson 345 kV transmission line. Mr. Greenley stated this project is scheduled to be operational during the second half of 2023.

Regarding the Warrick County Solar Project, Mr. Greenley testified that CenterPoint seeks authorization to enter into a PPA with Clenera or its successor and assign to purchase energy and capacity from this solar project for 25 years. He stated this project is also located within Petitioner's assigned service territory and represents the lowest cost PPA pricing from Petitioner's 2019 All-Source RFP. Under the PPA, Clenera will provide CenterPoint all product and attributes associated with this 100 MWac solar plant. Mr. Greenley testified the Warrick Project will interconnect to Midcontinent Independent System Operator's ("MISO") transmission system at 138 kV on the Culley – Castle transmission line, with the project scheduled to be operational during the second half of 2023. Mr. Greenley stated the benefits of the PPA for the Warrick Project include a low-cost rate over 25 years, and the PPA, when combined with the BTA, offers a diversified solar portfolio that optimizes flexibility, risk, and provides off-ramps that will allow Petitioner to react to changing market conditions and technological advancements, per the Commission's guidance in previous proceedings. He noted that similar to the Posey Project, the

Warrick Project is located on CenterPoint's transmission system and within Petitioner's load footprint, providing the opportunity for reduced congestion and enhanced system operation.

Mr. Greenley testified the PPA and BTA are economical options for meeting Petitioner's electric load. As two of the best scoring proposals submitted in response to Petitioner's 2019 All-Source RFP, he stated both projects offer the benefits of fixed price and performance certainty with reasonable, stable energy costs over the long-term. Mr. Greenley testified the value of the Posey County Solar Project is further evidenced in its leveraging of economies of scale and location, providing opportunity for enhanced reliability due to being sited in the portion of Indiana with the richest solar resource and also due to it being within CenterPoint's own transmission network.

Mr. Greenley testified that Petitioner's proposal to purchase the Posey County Solar Project and enter into a PPA for the Warrick Project is responsive to its customers and the communities CenterPoint serves. He stated these projects are an important step in facilitating Petitioner's ability to provide large customers with a portion of their demand via renewable energy and be responsive to the sustainability policies of existing and potential large customers. Mr. Greenley testified the addition of renewable resources also offers other benefits within Petitioner's service territory, including supporting growth among the Petitioner's large customers and attracting new customers, thereby creating a ripple effect for the local economy and, potentially, spreading fixed costs over a larger customer base to all customers' benefit.

Mr. Greenley opined that the relief CenterPoint requests is consistent with Petitioner's 2019/2020 IRP and the Plan. He stated solar resources were selected in all IRP portfolios, including the preferred portfolio, and together, the capacity attributable to the proposed projects helps to fulfill the capacity necessary to meet Petitioner's retail electric load and adequate reserve margins since it represents 400 MWac of the initial 700 MWac installed solar capacity need that was identified in Petitioner's 2019/2020 IRP. Mr. Greenley testified the Warrick and Posey Projects are a reasonable addition to Petitioner's generation portfolio that will increase reliability and efficiency, mitigate risk through diversification in resource mix and asset type, and foster an economic mix of capacity resources.

Mr. Greenley testified the location of both projects within CenterPoint's service territory is highly beneficial, providing reliability and economic benefits to customers. He noted the Posey County Solar Project is within two miles of the A.B. Brown coal units, and the Warrick County Solar Project is within five miles of F.B. Culley 2, both of which are slated for retirement by the time the projects begin service. Both solar projects also interconnect directly to Petitioner's transmission system, which will reduce the probability of congestion. Mr. Greenley testified that locating the solar facilities in Warrick and Posey Counties will also help offset the loss of tax base when the existing coal units are retired.

Mr. Greenley testified the Posey and Warrick Projects are: (1) prudent, valuable, and reasonably priced renewable energy resources; (2) will diversify Petitioner's generation portfolio; (3) are consistent with the preferred portfolio in Petitioner's 2019/2020 IRP; (4) will provide additional solar generation located within Indiana; (5) will encourage economic development; and (6) will help meet customers' increasing desire for their utility to provide renewable energy options. He stated that Commission approval of both solar projects and the associated relief CenterPoint

seeks is in the public interest, will enhance or maintain the reliability and efficiency of its service, and is consistent with Ind. Code § 8-1-8.8-11.

2. F. Shane Bradford. Mr. Bradford described Petitioner's use of an All-Source RFP as the basis for the Plan. He testified the Plan requires initially developing approximately 700 MWac of solar generation, 300 MWac of wind generation, and approximately 500 MW of natural gas combustion turbine ("CT") generation.

Mr. Bradford testified that timely approval of the Posey Project is important because development of a new generation resource takes at least three and one-half years, and realization of the 30% ITC is time sensitive. To minimize CenterPoint's need to rely on the wholesale energy market after the retirement of certain coal generation units, Petitioner selected projects that will come online in the 2023-2024 timeline. Mr. Bradford stated this timeline is consistent with Petitioner's 2019/2020 IRP and the timing of CenterPoint's potential exit of the Joint Operating Agreement ("JOA") with Alcoa Corporation ("Alcoa") for Warrick Unit #4.

Mr. Bradford testified that on June 12, 2019, an All-Source RFP was issued for proposals for 10 to 700 MWac of capacity. He testified that Petitioner engaged Burns and McDonnell as an independent third-party consultant and the direct interface for all RFP communications. Burns and McDonnell managed the RFP process, served as a direct interface for RFP communications, and worked with CenterPoint to evaluate all proposals quantitatively and qualitatively. Mr. Bradford included attachments with his direct testimony that provide a detailed description of the RFP process, timing, grouping, and evaluation.

Mr. Bradford testified that CenterPoint received responses from 22 respondents resulting in 110 proposals, 91 of which were for projects in Indiana. These proposals included eight battery storage proposals, two coal, seven combined cycle, one load modifying resource/demand response, 57 solar, 19 solar plus storage, three system energy, and 13 wind. Mr. Bradford testified that after Burns and McDonnell initially reviewed the proposals, Petitioner evaluated and scored each complete proposal based on established scoring criteria assessing reliability, cost, and certainty. He stated this assessment included Levelized Cost of Energy ("LCOE"), energy settlement location, interconnection and development status, MISO Zone 6 Local Clearing Requirements, and project risk factors like creditworthiness, development experience, ownership structure, delivery date, and site control status. Mr. Bradford explained that the RFP proposals were grouped by like characteristics and then ranked based on quantitative and qualitative scoring criteria established in the All-Source RFP to determine the resources most capable of providing Petitioner's customers with a safe, reliable, and affordable power supply.

Mr. Bradford explained the process Burns and McDonnell used to evaluate the pricing for the PPA and BTA proposals. He stated the PPA and BTA proposals were grouped, then ranked, and the top respondents' proposals were negotiated to ensure pricing was inclusive of all costs and that development uncertainty and risk of future price increases were minimized. Mr. Bradford testified that BTA prices were requested to be firm and inclusive of all permitting, interconnection, siting, and other costs. PPAs were asked to reflect a flat rate or constant escalator so the customer impact and LCOE could be evaluated.

Mr. Bradford explained the qualitative and quantitative criteria used to evaluate the proposals. He stated LCOE is a typical quantitative measure used to compare proposals on an equivalent economic basis and that other qualitative criteria were consistent with industry practices, broadly falling into three categories: (1) energy settlement location, (2) interconnection status, and (3) project risk factors. He testified energy settlement location criteria assess factors related to congestion and delivery of energy to Petitioner's load node, and project locations inside, or close to, Petitioner's service territory were favored in the RFP evaluation process. Mr. Bradford also testified that the location qualitative factor included considering the economic benefits provided to the communities in Petitioner's service territory. He testified that interconnection status evaluated the risk to projects of network upgrades and affected system costs, and the projects with completed interconnection agreements or further along in the MISO interconnection queue were generally favored over projects just starting out in the queue and, thus, having less certainty related to interconnection and system upgrade costs. Mr. Bradford testified the project risk factors evaluated other operational and control risk factors associated with the project, such as project parent company creditworthiness, developer experience, and project site control.

Mr. Bradford testified the All-Source RFP process resulted in Petitioner selecting the Posey and Warrick Projects as the top two projects based on scoring, lowest cost to the customer, and confirmation of the projects' quality. He testified these projects were independent submittals to the All-Source RFP, and each project's developer independently developed that project, entered the project into the MISO queue, and performed necessary preliminary tasks, including land acquisition, local government engagement, permitting, environmental studies, preliminary design and cost estimating, and equipment safe harboring for tax purposes.

Mr. Bradford testified the Warrick and Posey Projects are competitively priced, Tier 1, on-system solar projects scoring at the top of their RFP groupings. He stated the Posey County Solar Project's BTA received the highest ranking compared to all other proposals in terms of LCOE, scored the highest of all available solar projects from the RFP, and is the lowest cost BTA, while the Warrick County Solar Project also ranked high because of its low risk of excessive interconnection costs and the developer's solar experience.

Mr. Bradford explained that the primary difference between a PPA and a BTA is that, under a BTA structure, Petitioner will acquire all rights and attributes associated with the project over its useful life after the project is fully developed, engineered, procured, and constructed. He testified that under the BTA, the project and all its related assets are transferred to CenterPoint. In the case of the Posey Project, Mr. Bradford stated this project is currently owned by Posey Solar CEI, LLC, ("Posey Solar, LLC"), a Delaware limited liability company and subsidiary of Capital Dynamics, and within three business days after its mechanical completion, will be acquired by CenterPoint.

Mr. Bradford stated the terms of the Posey County Solar Project BTA include a firm purchase price that covers all interconnection and development costs that could escalate before the closing. Per the BTA, Petitioner and Capital Dynamics have agreed to financial assurances Capital Dynamics must meet under the BTA, including certain milestone requirements, and if these are not met, Capital Dynamics is required to pay damages to provide for replacement energy, capacity, and renewable energy credits ("RECs"). Mr. Bradford testified there are also provisions to ensure quality control, performance, and contingencies designed to protect Petitioner and its customers. He noted the BTA includes a provision for liquidated damages triggered by the Posey Project



failing to reach mechanical completion by the agreed outside closing date and protection in the event the planned nameplate capacity of 300 MWac is not achieved.

Mr. Bradford testified that Capital Dynamics is one of the largest private owners of solar assets in the United States, scored well in terms of creditworthiness among bidders, and provides a high degree of expertise through its partnership with Tenaska in the MISO and Southeastern Electric Reliability Council footprints. He stated these factors provided assurance that Capital Dynamics will provide a quality, on-time project.

Mr. Bradford also testified the location of the Posey Project provides reliability and economic benefits to customers and the communities Petitioner serves. This location will reduce the chance of being affected by congestion or curtailment and will enhance Petitioner's ability to efficiently operate and maintain this solar project. Mr. Bradford testified the Posey Project's location enables the energy to avoid having to traverse other transmission owners' systems, will provide energy that counts toward the MISO local clearing requirement, and maximizes performance because southwest Indiana has the highest amount of solar irradiance in Indiana.

Mr. Bradford testified that energy output from the Posey Project will be offered into the MISO wholesale energy market daily per MISO tariff and Business Practice Manual requirements. This means offering the expected energy output on a day-ahead basis and settling the actual real-time output against day-ahead awarded volume and market clearing price. He stated all accredited capacity will be used to satisfy MISO's planning reserve margin requirements ("PRMR") and local clearing requirements prescribed by the MISO tariff, with the Posey County Solar Project providing accredited capacity and energy to meet PRMR in the MISO wholesale market and local clearing requirements.

Mr. Bradford testified the levelized rate of the Posey Project is \$0.0535 per kWh, which is competitive with the rates that will be available under PPAs, based on the scoring system Burns and McDonnell used. Mr. Bradford's confidential attachments included information regarding how this levelized rate was determined and evaluated.

Mr. Bradford also described the negotiation and bidding process for the Warrick County Solar Project, beginning with the All-Source RFP. He noted the PPA with Clenera was executed in February 2021. Mr. Bradford explained the PPA structure and its agreed terms, and he testified regarding the PPA's benefits, the unique opportunities working with Clenera present, and the importance of timely approving this solar project. He testified the PPA price was the lowest LCOE of all the PPA proposals submitted in response to the All-Source RFP, and he stated the risks associated with this project are largely mitigated through the terms of the agreement and the project's location on Petitioner's transmission system.

Mr. Bradford also testified about the effect of the growth of renewable resources on MISO's dispatch. He explained that the procurement of 400 MW of solar energy is due to MISO's requirements that CenterPoint hold adequate generating capacity to serve the annual peak demand of its customer base and a PRMR. Mr. Bradford testified that 400 MW of first year installed solar is accredited by MISO as 200 MW of capacity, known as Unforced Capacity ("UCAP"), while in future years, UCAP will be based on the generator's actual performance during peak load conditions. Mr. Bradford testified the planned new capacity will replace units CenterPoint has

identified as unavailable beyond 2023/2024, noting the solar projects' interconnection with Petitioner's transmission system benefits customers.

3. Wayne D. Games. Mr. Games supported Petitioner's request for a CPCN, testifying about the benefits of adding solar resources, the components of the Posey Project, the 2019/2020 IRP-based decision to retire F.B. Culley 2, and the uncertainty associated with Warrick Unit #4.

Mr. Games testified the 2019/2020 IRP preferred portfolio provides a diverse, but balanced, mix of traditional and emerging renewable generation resources. He stated the preferred portfolio calls for replacing 730 MW of coal-fired generation. Mr. Games testified the solar projects for which approval is requested in this Cause will add 400 MWac of energy to replace the capacity being supplied by F.B. Culley 2 and Warrick Unit #4. Otherwise, continued operation of F.B. Culley 2, which is Petitioner's oldest, smallest (90 MW), and least efficient (12,500-13,000 BTU/kWh) coal unit, will require approximately \$45 million in capital investment by the end of 2023 to be compliant with environmental regulations. Mr. Games stated continued operation of this unit will also require Petitioner to incur approximately \$6.7 million in capital expenses and \$11 million in O&M costs. He opined that it is not possible to upgrade F.B. Culley 2 in a cost-efficient manner. For Warrick Unit #4, Mr. Games testified to the uncertainty associated with that unit long-term and the JOA with Alcoa. He explained why CenterPoint believes Alcoa may exit the JOA and stated operational difficulties have led Petitioner to the decision to exit.

Mr. Games testified the preferred portfolio calls for these older units to operate through 2023 to allow time to obtain replacement capacity. Per Mr. Games, it is important to secure a CPCN soon so the solar projects are operational by 2023 because Petitioner will need to purchase capacity from the market if it retires F.B. Culley 2 and exits the JOA near the end of 2023. Until the CPCNs associated with the Plan are approved, built, and placed in service, Mr. Games testified there will be a huge capacity shortage that will need to be filled. He stated that if approved, the Posey and Warrick Projects will be online in 2023 in time to provide replacement capacity for Warrick Unit #4 and a portion of F.B. Culley 2, but there will still be a capacity shortfall through 2025 until additional replacement capacity is in service. Mr. Games testified this Cause is the first of Petitioner's anticipated CPCN requests to be filed in 2021 per the preferred portfolio.

Mr. Games testified generally about the Posey County Solar Project, stating its DC capacity is approximately 380 MWdc. He also testified about the BTA structure and stated Petitioner will have oversight of the project throughout its construction prior to purchasing. He reiterated the primary considerations in choosing a solar system include the types of modules, inverters, and racking system. Mr. Games stated the expected life of the Posey Project is about 35 years, and Petitioner will have a 25-year warranty on the modules, a five-year warranty with option to extend on the inverters, and a 10-year warranty on the structural tracking systems. Mr. Games noted the Posey County Solar Project does not currently include a battery storage facility, but one could be incorporated in the future.

Mr. Games testified to the benefits of the Posey Project's location. These include adding to the tax base in a community Petitioner serves, constructing on relatively flat terrain so construction costs are minimized, easy access to the transmission system, and proximity to

Petitioner's generating facility. Mr. Games also testified to the benefits of the BTA structure, noting the builder will bear the risk of construction costs increasing as the project proceeds.

Mr. Games testified that once the Posey Project is complete, Petitioner will take responsibility for its O&M, including maintenance, resolving outages or performance concerns, replacing broken panels, electrical repairs, property lease costs, insurance costs, audit fees, and vegetation management. Mr. Games stated the annual pro forma O&M costs of the Posey Project are \$7.0 million, including labor costs.

4. Matthew A. Rice. Mr. Rice testified regarding Petitioner's process and approach to its 2019/2020 IRP. He stated the 2019/2020 IRP was CenterPoint's most detailed resource planning analysis process, and Petitioner worked with industry experts to conduct technical analysis, including Itron, Burns and McDonnell, Black and Veatch, GDS, and Siemens. Mr. Rice testified these experts were relied upon for factors such as coal, gas, market capacity price forecasts, and long-term emerging resource cost forecasts. Mr. Rice stated he believes the forecasts Petitioner used are reasonable, noting the praise in the Director's Report of Petitioner's use of consensus forecasts and the transparency and incorporation of stakeholder input throughout the portfolio development process.

Mr. Rice testified key stakeholders were involved from the outset in developing the 2019/2020 IRP, and Petitioner carefully considered past Commission Orders issued in connection with Petitioner's requests for CPCNs in Cause Nos. 45052 and 45086. Mr. Rice testified that stakeholder meetings were held on August 15, 2019, October 10, 2019, December 13, 2019, and June 15, 2020, and he summarized the topics discussed at these.

In developing the portfolios modeled in the 2019/2020 IRP, Mr. Rice testified five portfolio development strategies were discussed with stakeholders, including: (i) status quo, *i.e.*, continue running existing units; (ii) scenario-based, *i.e.*, least cost optimization; (iii) bridge, *i.e.*, continued use of A.B. Brown assets; (iv) diverse, *i.e.*, diverse energy with renewables, gas, and coal; and (v) renewables focus, *i.e.*, much less reliance on fossil fuel resources. Mr. Rice testified deterministic modeling was used to select the most economical way to meet Petitioner's capacity and energy obligations.

Mr. Rice testified 15 portfolios were created through Petitioner's process. From these Petitioner selected the preferred portfolio. Mr. Rice stated the preferred portfolio performed well in terms of cost risk relative to other portfolios, and its percent reduction of CO<sub>2</sub>e was near the middle of all portfolios. He testified that compared to the top portfolios under consideration, the preferred portfolio relied the least on energy purchases, ranked best in reliance on energy sales to the market, and was 0.4% better in less long-term reliance on capacity purchases.

Mr. Rice testified the preferred portfolio was selected because it provides a reliable, resilient portfolio that offers a strong mix of traditional and emerging resources with fast start and fast ramping capability. He stated the preferred portfolio includes energy efficiency at 1.25% between 2021-2023 and 0.75% thereafter, with 300 MW of wind resources coming online in 2022, 1,150 MW of new solar and solar plus storage in 2023-2024, and two CTs to come online in 2023-2025. In addition, the preferred portfolio is cost-effective and expected to save Petitioner's

customers up to \$320 million over the IRP's 20-year planning period, as compared to continuing to operate CenterPoint's coal units.

With regard to retiring F.B. Culley 2 and Warrick Unit #4, Mr. Rice testified long-term reliance on these plants is not an economical option for Petitioner or its customers. He noted F.B. Culley 2 is Petitioner's smallest, least efficient coal unit and needs costly upgrades, and extension of the JOA for Warrick Unit #4 was deemed not economical. Mr. Rice testified that, in the short-term, the preferred portfolio requires CenterPoint to retire F.B. Culley 2, let the JOA for Warrick Unit #4 expire in December 2023, and pursue renewable projects within the next three years. Mr. Rice stated the relief requested in this Cause—approval for the Posey and Warrick Projects—is Petitioner's first step in implementing the short-term action plan in the 2019/2020 IRP. He noted these were the highest scoring projects included in the IRP.

Mr. Rice provided details about the Posey and Warrick County Solar Projects. He testified the Posey Project will provide 300 MWac of the total 700-1,000 MWac of installed solar capacity identified as necessary in the IRP. After one year of operation, this resource is expected to cover 150 MW of Petitioner's PRM requirement and 75-90 MW in the long-term. Mr. Rice testified the Posey Project is in the public interest and will enhance or maintain the reliability and efficiency of CenterPoint's service. He stated the Warrick Project will have an installed capacity of approximately 100 MWac upon completion and will fulfill 100 MWac of the initial 700 MWac of installed capacity identified in the 2019/2020 IRP. In one year of operation, the Warrick Project is expected to cover 50 MWac of Petitioner's PRM requirement and 25-30 MWac in the long-term. Mr. Rice opined that the Warrick Project is consistent with Petitioner's 2019/2020 IRP and stated it was the least cost solar PPA offering from the All-Source RFP.

Mr. Rice also testified to certain cost and rate issues associated with the proposed projects, including how the levelized rate for the Posey County Solar Project will be incorporated within Petitioner's Clean Energy Cost Adjustment ("CECA") approved by the Commission on August 16, 2017, in Cause No. 44909. Mr. Rice testified the Posey County Solar Project component of the CECA will be derived by multiplying the then effective levelized rate per kWh by the production baseline kWh the Posey Project will produce during the upcoming 12-month period, grossed up for IURT, and he provided related calculations.

Mr. Rice also testified as to how the cost of the Warrick Project will be recovered through the FAC mechanism, including Petitioner's proposed recovery of debt equivalency.

Regarding the impact on customer rates, Mr. Rice testified the impact of the Posey Project on a residential customer using 1,000 kWh per month is approximately \$11 per month. He added that this amount does not reflect an offset for RECs, O&M, and fuel savings from exiting the Warrick Unit #4 JOA or closing F.B. Culley 2. Mr. Rice testified the impact of the Warrick Project on a residential customer using 1,000 kWh per month is approximately \$2 per month. He stated that overall, Petitioner believes the addition of both projects will result in a net savings for customers of \$3 per month, after considering the expected savings.

Mr. Rice testified that both solar projects qualify as clean energy projects under Ind. Code § 8-1-8.8-2. He also testified about the statutory requirements for approving a CPCN under Ind. Code ch. 8-1-8.5, and he stated the Posey County Solar Project was selected in accordance with

the requisite factors. Mr. Rice testified the addition of clean solar energy, as proposed in this Cause, is consistent with the five pillars—reliability, resilience, stability, affordability, and environmental sustainability—of the Final Report by the 21st Century Energy Policy Development Task Force dated November 19, 2020. In addition, he stated the energy from both projects is needed to supply Petitioner’s customers’ aggregate power and energy requirements.

5. Art Holland. Mr. Holland testified regarding Petitioner’s IRP process, the efficacy of retiring some of Petitioner’s units, and issues related to the cost estimates modeled with the new solar resource options in the 2019/2020 IRP. Mr. Holland stated Siemens PTI contributed to the management and development of the IRP modeling and participated in the stakeholder process and scorecard development. In structuring Petitioner’s 2019/2020 IRP process, Siemens PTI advised CenterPoint on a staged process involving selection of portfolios and application of a risk analysis.

Mr. Holland testified the model used to evaluate Petitioner’s IRP—AURORAxmp, is widely used by electric utilities. This model solves for optimized generation portfolios and can be run in multiple ways, including the Long-Term Capacity Expansion mode (“LTCE”) and the Standard Zonal mode. Mr. Holland stated the LTCE mode was used to determine the least cost mix of existing and new generating assets that meets demand over time within regulatory and reliability requirements. He also testified as to how the model provides a reasonable basis to evaluate generation planning and reflected Petitioner and stakeholder objectives.

Mr. Holland testified to the risk analysis process. He stated this process used a deterministic (i.e., scenario-based) and probabilistic (i.e., stochastic) analysis to consider key market variables over the long-term and evaluate risk and relative performance of selected portfolios. Mr. Holland testified the modeling used incorporates details related to power plant and transmission network operations, emission reduction targets, transmission and plant operation limitations, mandatory portfolio targets, and other factors, with inputs into the model including load forecasts, power plant costs and operating characteristics, fuel costs, fixed and variable operating costs, outage rates, emission rates, and capital costs.

Mr. Holland also testified to each of the scorecard metrics selected for evaluating the portfolios in Petitioner’s 2019/2020 IRP and how the metrics were applied. He stated the metrics included affordability (20-year mean net present value of revenue requirement (“NPVRR”)), cost uncertainty (95th percentile of NPVRR), emission risk (CO<sub>2</sub>e), and four market overreliance metrics (purchases as a percentage of generation, sales as a percentage of generation, purchases as a percentage of peak demand, and sales as a percentage of peak demand). These metrics were used to compare portfolios.

Mr. Holland stated the portfolio selected as the preferred portfolio is the high technology portfolio. Per Mr. Holland, it performs well across the performance and evaluation metrics, including 20-year NPVRR, reduction of CO<sub>2</sub>, renewable resources, and dispatchable and fast ramping generation. Mr. Holland testified the balanced scorecard method showed the preferred portfolio scored among the top for affordability and cost uncertainty objectives and scored in the middle for the emission risk objective. The preferred portfolio was also among the best for market overreliance risk.

Mr. Holland stated the preferred portfolio recommended retiring 730 MW of coal generation, to include A.B. Brown Units 1 and 2, F.B. Culley 2, and Warrick Unit #4, and replacing the retired units with 700 to 1,000 MW of solar generation, 300 MW of wind, backed by dispatchable generation with two new CT gas units, and maintenance of the F.B. Culley 3 coal unit. He testified that F.B. Culley 2 and Warrick Unit #4 were not good fits for CenterPoint under the balanced scorecard methodology, while the Posey and Warrick Projects are well-suited for Petitioner's anticipated future portfolios.

6. Brandon H. Shaw. Mr. Shaw testified about the proposed accounting treatment of the Posey County Solar Project BTA, specifically the use of a levelized rate and how the project will be depreciated. He stated Petitioner is requesting the Commission authorize the accounting and ratemaking treatment necessary for CenterPoint to recover project costs in its annual CECA filing under Cause No. 44909 through a levelized rate, to begin once Petitioner is operating the Posey Project. Similar to Mr. Rice's testimony, Mr. Shaw testified the part of the CECA attributable to the Posey Project will be derived by multiplying the levelized rate per kWh by the projected kWh to be produced by the project during the upcoming 12-month period, grossed up for IURT. Mr. Shaw stated the projected kWh is based on the minimum anticipated first year output per the BTA. In addition, he testified Petitioner will depreciate all Posey County Solar Project investment over 35 years, which is the expected project life.

Mr. Shaw stated Petitioner is proposing a fixed levelized rate of \$0.0535 over the life of the Posey Project, similar to the rate the Commission approved in Cause No. 45086 for the Troy Solar Project. He testified this levelized rate is intended to provide a low-risk, low-cost resource for customers that is lower than what would otherwise be provided under Ind. Code § 8-1-8.8-1 *et seq.* due to the ITC benefit, while ensuring Petitioner has enough income to offset the cost of the project. Mr. Shaw stated Petitioner also performed a reality check to ensure the levelized rate is fair to ratepayers and CenterPoint. This was provided as Attachment BHS-1 to his testimony.

Mr. Shaw testified that earnings from the Posey County Solar Project will be excluded from Petitioner's actual net operating income used for the quarterly FAC earnings test and from the calculation of Petitioner's electric revenue requirement in rate cases over the life of the Posey Project, as well as rate base in future base rate cases.

Mr. Shaw testified the levelized rate will not be subject to annual escalations. CenterPoint is proposing it only be adjusted if adjustments are made to the law governing state or federal income tax rates that result in a change to other approved tariff rates. He stated this adjustment is designed to ensure customers benefit from changes in state or federal tax rates that might reduce the levelized rates or, in the alternative, that Petitioner is not unfairly burdened by such changes beyond its control. Mr. Shaw also testified that in the event Capital Dynamics must pay CenterPoint liquidated damages, the liquidated damages provisions of the BTA ensure Petitioner is made whole while protecting customers from harm should Capital Dynamics fail to deliver the project as expected. He stated the levelized rate approach reduces the overall impact of the Posey County Solar Project on rates, while making this project feasible for Petitioner.

7. Brett A. Jerasa. Mr. Jerasa testified about Petitioner's current credit ratings, rating agencies' treatment of PPAs, the potential impact of a PPA on CenterPoint's credit metrics, and potential mechanisms to mitigate this potential impact.

Mr. Jerasa testified that Petitioner currently has a credit rating of BBB+ with a negative outlook from S&P Global Ratings ("S&P") and a rating of A3 from Moody's Investors Services ("Moody's"). With respect to the PPA, Mr. Jerasa testified that rating agencies may impute adjustments to total debt or approximate a debt equivalent for PPAs that, ultimately, can impact customers' rates if the debt adjustment is material enough to downgrade a utility's credit rating.

Mr. Jerasa testified that over the long-term, if Petitioner enters into multiple PPAs, the impact to its credit metrics could be material enough to cause a downgrade. To combat this, Mr. Jerasa testified there are three potential solutions for PPA debt equivalent issues: (1) increase equity; (2) increase return on equity ("ROE"); and (3) ratio restoration via an adder. He testified CenterPoint is proposing the third option—approval of an adder adjustment to the PPA payment that provides an equivalent equity return to offset the potential imputed debt during the life of the PPA. Mr. Jerasa testified that without a solution in place when PPAs are executed, the debt burden will be financed by shareholders with no economic return, increase the cost of debt due to declining credit quality, and ultimately, be paid by customers through higher bills.

Mr. Jerasa testified that the debt equivalent created by the PPA can be calculated by taking the net present value of PPA payments using Petitioner's cost of debt and applying a risk factor adjustment of 25%. Per Mr. Jerasa, the PPA adjustment would be calculated by calculating the equity required to offset imputed debt for each year of the PPA by Petitioner's authorized ROE from its most recent general rate case. He testified that although this proposed PPA adjustment does not totally maintain Petitioner's funds from operations to debt at its status quo level, it helps maintain a greater than 20% target.

Mr. Jerasa testified about the financial incentives authorized in Ind. Code § 8-1-8.8-11 and opined that the PPA adjustment will eliminate the disincentive to enter into PPAs created by potential credit downgrades. He requested the Commission approve this adder.

8. Brenda L. Musser. Ms. Musser testified that under the BTA for the Posey Project, CenterPoint will acquire all the project assets, including all assets, properties, rights, and interests of any kind. She testified CenterPoint will qualify for the federal ITC under Section 48(a)(3)(B) of the Internal Revenue Code ("IRC") for solar energy systems on commercial properties. Ms. Musser testified that, in the case of the Posey County Solar Project, Petitioner will be eligible for the ITC even though the property is initially being developed by Capital Dynamics. She stated this is a major benefit of a BTA over a PPA. Ms. Musser testified that under a PPA, Petitioner will not own the facility and, therefore, does not qualify for the ITC, but ownership of the Posey County Solar Project through the BTA allows Petitioner to obtain the ITC and pass the benefit through to its customers by amortizing the ITC over the life of the project. This allows Petitioner to offer a lower levelized rate for energy the project produces. Ms. Musser reviewed the factors that will enable Petitioner to be eligible for the 30% ITC.

Ms. Musser explained that a project may be considered Public Utility Property for tax purposes if the property: (1) is used predominantly in the sale of electrical energy, if the rates for such sale have been established or approved by a public utility commission; and (2) the rates for the sale of electrical energy from the generating facility have been established or approved on a cost-of-service, rate-of-return basis by a state or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or similar body.

Ms. Musser testified the Posey Project will not be treated as a Public Utility Project for tax purposes based on the use of the levelized rate because if this project were treated as a Public Utility Project, Petitioner would be constrained by IRS rules in the way the ITC could be shared with its ratepayers and would, potentially, be in violation of IRS normalization rules. Ms. Musser testified the goal of the levelized rate is to fix the rate for the life of the investment with limited updates that are not based on cost-of-service or rate-of-return ratemaking.

9. Rina H. Harris. Ms. Harris testified that adding renewable energy to utility resources has become increasingly important as large customers emphasize the importance of addressing climate change through their operations and the energy sources their utility relies upon. She testified that corporations within Petitioner's service territory have announced renewable energy goals and expect their utilities to move toward diverse generation portfolios to assist with these goals. Ms. Harris testified that CenterPoint's larger customers, including Toyota, AstraZeneca, Walmart, Berry Global, St. Vincent, Deaconess Health Networks, and the Evansville Vanderburgh School Corporation, support transitioning to more renewable energy. Purchasing the Posey County Solar Project and entering into a PPA for energy produced by the Warrick County Solar Project are responsive to Petitioner's large customers' initiatives.

Ms. Harris testified about the City of Evansville's recent Climate Action Plan, supported by the community, including residential and non-residential customers. She stated this plan outlines how Evansville will reduce its greenhouse gas emissions to mitigate climate change. Ms. Harris also testified about Evansville's Climate Action Plan Strategies. She advised that CenterPoint's customers are increasingly interested in the utility's use of more renewable resources to meet customers' energy needs, and the Posey and Warrick Projects are significant steps toward strategic alignment with Petitioner's customers.

## **B. OUCC's Case-in-Chief.**

1. Peter M. Boerger, Ph.D. OUCC witness Boerger testified the proposed levelized rate for the Posey Project falls within a reasonable range. He stated the rate for the Warrick County Solar Project PPA is also reasonable if CenterPoint's requested financial incentive adder is denied and the other modifications OUCC witness Loveman proposed are accepted. Dr. Boerger opined that approving Petitioner's requested adder with respect to the PPA is unneeded and unreasonable.

Dr. Boerger testified that, as is the case with Petitioner's proposed PPA, PPAs are generally less expensive than owned facilities, usually require a shorter time commitment than owned facilities, and provide the important benefit of optionality at the end of the PPA period. Dr. Boerger



testified that while Mr. Jerasa asserted the debt equivalency adder eliminates the natural disincentive to enter into a PPA created by potential credit downgrades, Mr. Loveman testified there is no material risk in this case of credit downgrades. He testified PPAs should be viewed as part of a portfolio of generation resources and as part of the utility's obligation to provide service at the lowest rates reasonably possible; therefore, if approved, incentives for projects filed under Ind. Code ch. 8-1-8.8 should be nominal.

Dr. Boerger also testified about MISO's recently issued report regarding its Renewable Integration Impact Assessment ("RIIA") initiative. He stated the report identified three ranges of energy penetration—less than 30% penetration, 30% to 50% penetration, and above 50% penetration—each requiring a varying level of changes by MISO. Per Dr. Boerger, the report concludes penetration levels up to and above 50% can be achieved, although MISO perceives the task will be difficult. He noted that even below 30% penetration, MISO will be required to significantly change its policies.

Dr. Boerger calculated the renewable energy penetration for Petitioner, including the proposed solar projects and the approved Troy solar project, to be about 21%. He testified this is a significant level of renewable penetration; however, this level of intermittent resources is reasonable as part of a diversified portfolio. Dr. Boerger testified the RIIA report identified emerging risks and costs that will require support as renewable energy levels increase. These include new stability risk, shifting periods of grid stress, shifting periods of energy shortage risk, shifting flexibility risk, and insufficient transmission capacity. Dr. Boerger expressed concern that the issues raised in MISO's RIIA report have not been fully incorporated into CenterPoint's 2019/2020 IRP modeling and analysis. He projected there will be costs attached to a portfolio with 21% intermittent resources beyond those CenterPoint modeled in the 2019/2020 IRP.

2. Caleb R. Loveman. Mr. Loveman recommended the Commission approve Petitioner's requests with the following modifications: (1) require Commission approval prior to contracting with a tax equity investor through a TEP for the Posey Project if Petitioner seeks to utilize a TEP in association with this project; (2) accept a levelized rate of \$0.0501 for the Posey Project; (3) require Petitioner to adjust the levelized rate revenue requirements if liquidated damages are received from Capital Dynamics; and (4) deny CenterPoint's requested adder for the Warrick Project PPA. Mr. Loveman recommended the Commission approve Petitioner's proposal to recover the costs of the Posey County Solar Project through the CECA mechanism and approve recovering the Warrick Project costs through Petitioner's FAC tracker.

Mr. Loveman testified that he did not agree with Petitioner's proposed levelized rate and ratemaking and accounting treatment for the Posey County Solar Project. He proposed a levelized rate of \$0.0501 per kWh which he testified more accurately reflects the revenue requirement over the life of the Posey Project. Mr. Loveman explained that he used a revenue requirement approach and based his calculations off Petitioner's confidential attachments, modifying the capital structure to reflect a different ROE average. He recommended using the 2019 ROE average in Petitioner's levelized rate calculations to lock-in a lower ROE that is more comparable to recently approved ROEs across the country. Mr. Loveman also opined that Petitioner did not provide much support for the Posey Project's projected O&M expense. He proposed an O&M expense in the levelized rate calculation that was lower than Petitioner's due to removing the contingency expense.

Regarding the prospective liquidated damages, Mr. Loveman disagreed with CenterPoint's proposal to not adjust the levelized rate if CenterPoint receives liquidated damages from Capital Dynamics. He testified Petitioner should adjust its annual revenue requirement for the levelized rate if liquidated damages are received and adjust the production baseline if the liquidated damages are the result of the Posey County Solar Project not achieving the minimal first year output or other similar occurrences. Mr. Loveman testified if this adjustment is not made, Petitioner will double recover a portion of the annual revenue requirement.

With respect to the Warrick County Solar Project, Mr. Loveman did not support an adder to combat potential credit issues related to debt equivalence. Mr. Loveman testified that he understands credit agencies may view long-term PPAs as a fixed, debt-like financial obligation, and he identified three methods to combat this. From his perspective, the adder CenterPoint is proposing to the Warrick Project PPA in the form of imputed equity is the most expensive of these three methods. He testified CenterPoint confirmed it does not anticipate a PPA the size of the Warrick Project will cause a drop in Petitioner's credit rating. Although the OUCC recognizes the potential for a credit rating agency to assess a debt equivalency, Mr. Loveman testified the OUCC does not agree that Petitioner's Warrick Project PPA warrants any modification to the PPA price to adjust for debt equivalency.

### **C. Sunrise Coal's Case-in-Chief.**

1. Emily S. Medine. Ms. Medine testified the Commission's approval of the two solar projects requested in this Cause is premature due to issues in Petitioner's 2019/2020 IRP and preferred portfolio. Specifically, she asserted CenterPoint's filing is unclear about how the Posey Project affects other parts of the Plan and whether extending the JOA with Alcoa for Warrick Unit #4 would eliminate the need for replacement capacity. Ms. Medine testified the requested levelized cost recovery for the Posey Project, the PPA pricing for the Warrick Project, and the debt equivalency treatment Petitioner proposes are not favorable to ratepayers and could result in future stranded costs. She stated debt equivalency recovery should be rejected.

Ms. Medine recommended deferring approval of CenterPoint's proposal until Petitioner revises its resource analysis to address the issues Sunrise Coal raised, discloses the impact of the Posey Project on continued operation of the A.B. Brown plant and future CTs that might be constructed there, revises its levelized cost assumptions from 35 years to 20 years, shortens the Warrick Project PPA term to 20 years or modifies that PPA to allow for a market-based buy-out after 20 years, confirms the costs for the solar projects are consistent with renewable costs used in the 2019/2020 IRP, and updates its resource analysis to include extending the JOA with Alcoa given the recent sale of the Warrick Rolling Mill.

Ms. Medine testified material changes have occurred since Petitioner's 2019/2020 IRP, including extension of the ITC and the changed status of the Alcoa smelter. She stated the ITC, originally to expire in 2021, was granted a two-year extension, reducing the urgency of the 2019/2020 IRP. Further, Ms. Medine testified Mr. Games did not mention the November 2020 announcement that the Warrick Rolling Mill is being sold to Kaiser Aluminum Corporation. Ms. Medine was critical of Petitioner failing to adjust its Plan in response to these changes.

Ms. Medine testified the Indiana Coal Council (“ICC”) and Sunrise Coal offered joint comments on Petitioner’s 2019/2020 IRP that identified biases against continued operation of the A.B. Brown plant. She stated the economic analysis assumed the capital cost for upgrades required to keep the A.B. Brown station on-line and burning coal beyond 2023 were entirely recovered in the first year, rather than being amortized over the life of the investments. Ms. Medine testified this treatment materially slanted the net present value (“NPV”) metric in favor of investing in replacement resources. She also stated the preferred plan assumed construction of two CTs that Petitioner indicated will be most economically located at the A.B. Brown site, but the IRP analysis did not analyze the potential impact of the Posey County Solar Project on the A.B. Brown site. She stated CenterPoint needs to disclose that impact and revise the IRP analysis before proceeding. Ms. Medine testified economic bias against continued operation of A.B. Brown also came from Petitioner choosing to not consider a firm 12 year offer from CSX railroad that would have materially reduced the delivered cost of coal and, thus, lowered the total and dispatch costs.

Ms. Medine testified that in its 2019/2020 IRP, CenterPoint gave no value to deferring commitments to long-term replacement generation given the uncertainty that existed when the IRP was done in 2019 and 2020 upon new environmental regulations, the rapidly changing landscape of available resource options, and concerns about the cost of integrating large amounts of renewables into MISO. She testified Petitioner also failed to consider the possibility of future constraints on the use of natural gas that could limit the time such assets can be utilized. Ms. Medine stated the ICC/Sunrise Coal joint comments noted that all but one of the gas price scenarios do not assume methane controls at the well-head, and CenterPoint did not conduct scenario analyses of the low and high-priced natural gas outlook.

Ms. Medine testified the costs of adding renewable resources are more uncertain than Petitioner assumed, citing two cases involving CenterPoint and NIPSCO in which the costs of renewable resources came out higher than anticipated. Ms. Medine testified this indicates IRP assumptions regarding renewable pricing may not be achievable and an all-source RFP is not dispositive. She stated CenterPoint should update its IRP analysis prior to filing a request for approval because of the long timeframe that makes it difficult for developers to hold their projects and pricing. Ms. Medine also stated that long-term PPAs with no opportunity to renegotiate or buy-out the agreement are very likely to be out of the money at some point during their terms. To limit future ratepayers’ exposure, she testified the term of the PPA should be limited or the ability to renegotiate term or price as a result of market changes included.

Ms. Medine testified that Sunrise Coal believes it is a bad idea to authorize debt equivalency recovery in this proceeding. She noted CenterPoint did not model debt equivalency recovery as a cost in the IRP, and she opined that allowing debt recovery could incentivize over-reliance by CenterPoint on PPAs rather than owned generation assets. Ms. Medine testified that allowing debt recovery would also be a major, material change in Indiana’s regulatory landscape and is more appropriately considered in the context of a full rate case.

Ms. Medine also discussed revenues associated with the sale of RECs. She stated these can have varying prices depending on location and the type of renewables and that REC revenues from the PPA should be accounted for by crediting the entire revenue to ratepayers.

Ms. Medine testified Petitioner's request that costs flow through the FAC without being subject to review is problematic. She recommended all PPA costs recovered through the FAC be subject to continuing regulatory review for active management of the PPA contract. Ms. Medine also testified the 25-year term without price reopeners or early termination options is too long, and she opined that PPA contracts should provide a mechanism for early termination that both parties can accept. Ms. Medine stated she believes it is inappropriate for the Posey County Solar Project costs to be levelized over 35 years because levelizing costs over this time period does not reflect the true cost reality and incorrectly creates bias in favor of a new solar facility.

Ms. Medine testified there are benefits to continued operation of Warrick Unit #4. Per Ms. Medine, the outlook for the Alcoa smelter to supply aluminum to the rolling mill and, therefore, Warrick Unit #4 supplying power to both the smelter and rolling mill seems brighter than reflected in Mr. Games' testimony. She stated a lower cost option for Petitioner could be to enter into a PPA with Alcoa for the capacity Petitioner currently owns at Warrick Unit #4.

#### **D. Petitioner's Rebuttal Evidence.**

1. Shane Bradford. Mr. Bradford responded to OUCC and Sunrise Coal witnesses' discussion of the levelized rate used for the Posey County Solar Project, stating CenterPoint's proposed levelized rate is well below the average rate of the best projects proposed. Mr. Bradford testified that OUCC witness Loveman's testimony is misleading because the debt equivalence factor does not materially increase the comparable PPA prices, as evidenced by the confidential attachment Mr. Bradford discussed. Mr. Bradford testified the cost of imputed debt resulting from entering into a PPA is a real cost to CenterPoint and its customers, and the lack of imputed debt for a utility-owned project is one of the benefits of a BTA over a PPA.

Mr. Bradford reiterated that the Warrick Project was the lowest priced PPA proposal; therefore, its price is on the low-end of the average used to develop the levelized rate. He testified that when considered as a whole, the Posey Project is the lowest overall cost to the customer, and the rate of \$53.50 is slightly below the levelized cost of the Warrick County Solar Project.

Mr. Bradford testified to the importance of the levelized rate being a market-based rate to be eligible for the ITC. He testified it is not appropriate to determine the levelized rate based on revenue requirements and stated that if the levelized rate is not market-based, the Posey County Solar Project could be at risk of being treated as Public Utility Property. He noted Petitioner is constrained by IRS rules in the way the ITC can be shared with ratepayers and will, potentially, be in violation of IRS normalization rules if it shared the benefits of the ITC using the OUCC's levelized rate. He testified the RFP is an appropriate methodology to determine a market-based levelized rate.

Mr. Bradford also testified that a 35-year life for new solar photovoltaic projects is the industry average, assuming proper O&M and avoidance of force majeure events or other

unforeseen factors. He stated Petitioner modeled 0.5% degradation annually, meaning the Posey Project will still be producing more than 250 MW after 35 years. According to Mr. Bradford, a 35-year life is consistent with similar projects, including Petitioner's Troy solar project approved in Cause No. 45086.

Mr. Bradford testified the term of the PPA is appropriate as it was the most competitive price offered for the Warrick County Solar Project PPA, and shortening the term or inclusion of additional early termination options would have increased the price under the PPA. He stated the 25-year term of the Warrick Project PPA is part of CenterPoint's overall strategy to pursue agreements of varying lengths. Mr. Bradford testified a PPA over a shorter term would likely not offer the same price or terms as the negotiated package. Per Mr. Bradford, Petitioner's proposal is also consistent with the MISO RIIA. Mr. Bradford stated the RIIA study is a call to action for thoughtful consideration and timely buildout of the transmission system that must occur to allow the most efficient and effective utilization of the large penetration of renewables that is expected. He stated MISO's inflection point occurs when the MISO system-wide annual load served by renewable resources is reached, and by the time MISO's system-wide annual load served by renewables reaches 30% penetration, some Local Resource Zones will be approaching 100%.

Mr. Bradford testified the RIIA does not identify costs associated with addressing risks resulting from renewable penetration except to say that MISO expects to incur significant costs in integrating that level of renewable generation into the bulk electric system. He stated CenterPoint has not identified specific costs Petitioner will incur by serving 30% or more of its load with renewable generation. Mr. Bradford testified that RIIA identified bulk electric system issues that arise when 30% or more of system-wide annual load is served by renewable generation, but there is no indication the same issues will be experienced at the individual utility level when it reaches 30% renewable penetration.

2. Wayne D. Games. In responding to Sunrise Coal witness Medine's testimony regarding the need to retire A.B. Brown and Warrick Unit #4, Mr. Games stated expiration of the ITC, while a factor, did not motivate the timeline for the Posey and Warrick Projects. He testified the need for these projects is based on the retirement of F.B. Culley 2 and the JOA for Warrick Unit #4 expiring. Mr. Games testified it is necessary for Petitioner to start moving toward initiating these projects because Petitioner will need to purchase capacity from the market in 2024-2025, which will expose its customers to the risk of market prices. Mr. Games noted no party disputed the need to retire F.B. Culley 2. This unit will be nearly 60 years old in 2023 and is Petitioner's oldest, smallest, and least efficient coal unit. He added that from 2015-2020, the average capacity factor was only 18% because of its high cost to produce energy.

Mr. Games testified the recent Coal Combustion Residuals ("CCR") Part A Rule provided CenterPoint with a path to continue operating F.B. Culley 2 through 2025 by constructing a CCR compliant pond to dispose of bottom ash. The cost to construct this pond to handle bottom ash from F.B. Culley 2 and maintain the capacity accreditation from F.B. Culley 2 to meet the MISO PRMR is estimated at \$6 million which is lower than recent bids Petitioner received to purchase market capacity to meet its projected shortfall. Mr. Games stated that continued operation of F.B.

Culley 2 through 2025 does not eliminate the need for the solar projects, and its operation would not be prudent, cost-effective, or in customers' interests.<sup>1</sup>

Mr. Games testified continued operation of Warrick Unit #4 is not the best option from a financial or risk perspective. Regarding Kaiser Aluminum's purchase of the rolling mill, Mr. Games testified Kaiser's public filing with the United States Securities and Exchange Commission outlines transition services between Alcoa and Kaiser, and it alludes to developing the infrastructure necessary for the rolling mill to obtain electricity from a third party supplier, signaling that operation of the rolling mill is not tied to Warrick Unit #4 and Kaiser Aluminum needing to purchase electricity to operate the rolling mill. Mr. Games opined that the existence of Alcoa's agreement with Kaiser Aluminum does not mean Alcoa will continue to operate Warrick Unit #4 to power the smelter. He testified Petitioner has received no indication that Alcoa is interested in continuing to operate the coal plant at Warrick Unit #4 beyond the JOA's expiration on December 31, 2023. He stated Warrick Unit #4 will likely require substantial upgrades to operate beyond 2023, as it has averaged an annual Equivalent Forced Outage Rate ("EFOR") of over 16% in the past five-year period. Mr. Games also noted Alcoa recently adopted environmental sustainability initiatives. Mr. Games testified that CenterPoint's previous two IRPs identified exiting the JOA for Warrick Unit #4 as beneficial for Petitioner's customers, while operating Warrick Unit #4 beyond 2023 will expose ratepayers to significant risk.

In response to Ms. Medine's testimony about the A.B. Brown plant, Mr. Games testified the Posey and Warrick Projects do not impact the A.B. Brown plant. Per Mr. Games, the primary drivers to retire the A.B. Brown plant are based on the capital investments and ongoing O&M needed to continue operating the facility in a safe and reliable manner while staying in compliance with environmental regulations.

Mr. Games testified the CSX coal transportation offer Ms. Medine discussed is not as firm as she suggests. He stated the offer CenterPoint received was subject to negotiation and requires operations and commercial senior management approval within CSX and Evansville Western Railway.

3. Matthew Rice. In responding to Ms. Medine's comments about Petitioner's 2019/2020 IRP process, Mr. Rice testified CenterPoint considered Sunrise Coal and ICC's joint comments during the IRP stakeholder process. Specifically, Petitioner analyzed the life cycle emissions of each portfolio, included scenario analysis with high gas prices and low coal prices, considered portfolio options that continue to run coal plants longer within the risk analysis, and analyzed the potential to extend the contract with Alcoa for three years beyond the current expiration date.

Mr. Rice testified there have been no material changes, as Ms. Medine suggests, that require an updated IRP analysis. He opined that Alcoa's sale of its rolling mill to Kaiser Aluminum does not affect the IRP analysis, and he testified the ITC and PTC did not play a role in determining

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<sup>1</sup>During the evidentiary hearing, Petitioner's witness Bradford clarified that a definitive decision to continue operating F.B. Culley 2 until 2025 has not been reached. ("I don't believe at this time it's a definite decision. I think it's something that's still being evaluated.") Tr at p. B-29.

the timing upon the potential retirement of coal units. Mr. Rice stated if the ITC and PTC were extended, the decision point will not change. He further stated the material changes Ms. Medine cited will not change the 2019/2020 IRP decisions. Mr. Rice testified the Posey and Warrick Projects are needed to replace capacity from F.B. Culley 2 and Warrick Unit #4, not A.B. Brown, and the A.B. Brown plant is not impacted by the two projects at issue.

Mr. Rice testified the modeling improvements to A.B. Brown being recovered in the first year rather than spread over multiple years do not create bias against the continued operation of the A.B. Brown plant. He stated the Siemens and CenterPoint modelers understood that the investment in A.B. Brown as an upfront investment versus a levelized investment makes no difference in the net present value analysis.

Regarding Ms. Medine's testimony about an offer from CSX railroad, Mr. Rice testified the CSX offer was not firm. It was contingent on specific approvals from CSX and Evansville Railway. He added that the CSX offer would have made no difference in Petitioner's analysis as modeled in Mr. Rice's confidential attachment. Mr. Rice testified that Petitioner considered different scenarios, accounting for the uncertainty in new environmental regulations, including a low regulatory scenario, in preparing the 2019/2020 IRP.

Mr. Rice responded to Ms. Medine's concerns about the possibility of future constraints on natural gas use, stating that if the referenced net zero goal becomes a reality, Petitioner is in a good position to comply, and the Posey and Warrick Projects will help meet this goal. Moreover, Mr. Rice testified the renewables in the preferred portfolio will be backed up by natural gas combustion turbines that have a very low annual capacity factor of approximately two percent by 2035 in the reference case that can easily be addressed with offset opportunities in the market. Mr. Rice stated Petitioner included the low and high-priced natural gas outlook in its scenario analysis.

In responding to Ms. Medine's testimony regarding the experiences of utilities that added renewable resources, Mr. Rice testified the IRP took into account that costs for renewable generation can be uncertain. He also noted the examples Ms. Medine cited are for wind PPAs entered into in 2009.

Mr. Rice testified the Generation Transition Plan is in the public interest as it calls for the orderly transition from coal resources to clean renewable resources, backed up by natural gas combustion turbines and the F.B. Culley 3 coal unit. He stated the public interest is best served by acting in a timely manner in accordance with the Plan to provide opportunities for lower costs for customers and economic benefits to the communities Petitioner serves.

Regarding rate and regulatory issues, Mr. Rice testified it is currently Petitioner's practice to utilize the FAC to recover PPA costs for its existing wind contracts, and recovery of costs through the FAC for the Warrick County Solar Project will continue this practice. He testified he agrees with Ms. Medine that revenue from RECs should be credited to ratepayers. It is Petitioner's practice to sell RECs into the market or to individual industrial customers, with all revenue associated with the sale flowing back to customers. Mr. Rice testified the levelized cost assumptions and calculations should not be changed from 35 to 20 years, as Ms. Medine recommends. He stated solar panels are typically warrantied for 25 years, and the Posey County

Solar Project is expected to operate for at least 35 years. He also noted the 35-year time limit is consistent with the Settlement Agreement the Commission approved in Cause No. 45086.

Mr. Rice further testified that the active management Ms. Medine recommends for the PPA is already part of the FAC process which requires quarterly audits by the OUCC. Likewise, he stated Ms. Medine's recommended continuing review of the BTA is unnecessary as Petitioner is proposing to incorporate the levelized rate into the CECA mechanism approved in Cause No. 44909 and has agreed to report on the Posey County Solar Project within its annual CECA filing.

Mr. Rice testified Petitioner analyzed the potential impact of an additional 300 MW from the Posey County Solar Project facility on the A.B. Brown – Gibson 345 kV transmission line as part of the 2019/2020 IRP. He testified the renewable resources used for Petitioner's analysis were projects already in the MISO queue and existing in the MISO models, including the Posey County Solar Project. Mr. Rice stated the preferred portfolio required \$11 million in transmission upgrades, none of which were caused by the Posey County Solar Project.

Regarding OUCC witness Loveman's testimony that authorized ROEs for electric utilities have declined significantly, Mr. Rice asserted ROEs for a 35-year asset should be considered in a more long-term context. He testified the ROE that can be expected from the Posey County Solar Project is already consistent with the lower ROEs experienced in previous years, as opposed to the ROE approved in Petitioner's last rate case, due to underestimated land costs.

4. Art Holland. Mr. Holland also responded to Ms. Medine's testimony by explaining why there was no bias against continuation of A.B. Brown in Petitioner's 2019/2020 IRP. He testified the economic assessment that concentrated the capital cost in 2025 rather than amortized over the life of the asset reflects the preference of the modeler and does not affect the outcome. Mr. Holland further testified that use of the Capital Cost Recovery factor ("CCR") reflects the time value of money and works both ways in discounting for NPV calculations and for annualization of investments so they can be recovered over the life of the asset. He stated the CCR factor, when multiplied by the capital investment, converts it into a uniform stream of payments throughout the life of the asset. Mr. Holland stated this methodology created no bias against continuation of A.B. Brown.

5. Brandon H. Shaw. In responding to OUCC witness Loveman's recommendations to modify the levelized rate based on a revenue requirement methodology, Mr. Shaw testified the levelized rate was developed to allow customers to begin realizing the benefit of the federal ITC immediately, and the 30% ITC allows Petitioner to offer a competitive levelized rate. Mr. Shaw testified that Mr. Loveman appeared to base his approach on a cost-of-service, rate-of-return methodology, which is problematic. He asserted that if the Commission incorporates any portion of Mr. Loveman's proposed revenue requirement approach into its ultimate findings, this could put the Posey County Solar Project in jeopardy of being treated as Public Utility Property, putting the entire levelized rate approach in jeopardy.

Mr. Shaw testified the OUCC made two principal modifications to Petitioner's assumptions to reach its revenue requirement derived rate: (1) inclusion of a ROE average that is lower than Petitioner's currently approved ROE and (ii) exclusion of Petitioner's proposed 10%



contingency estimate from estimated O&M expense. Mr. Shaw testified it was not appropriate for the OUCC to modify Petitioner's ROE, as this is not a rate case, and he projected Petitioner is unlikely to propose an ROE as low as the OUCC's hypothetical 9.66% ROE in its next rate case. In response to Mr. Loveman's testimony about a locked-in ROE over the 35-year life of the Posey Project, Mr. Shaw testified the levelized rate does not provide Petitioner with a guaranteed ROE, and he noted the ROE for the Posey County Solar Project will not increase if the Commission decides a higher ROE is more appropriate in a future rate case. Mr. Shaw testified that use of a levelized rate does not lock-in a particular ROE, as Mr. Loveman suggests.

Mr. Shaw testified Petitioner's use of a 10% contingency is reasonable because CenterPoint is bearing the risk of O&M expenses increasing, reducing its internal rate of return. Mr. Shaw stated Petitioner underestimated the amount needed for the land lease budget, resulting in CenterPoint being under budget by \$1.2 million per year for the lease. He opined that this demonstrates the need for the contingency and why the levelized rate should not be further reduced for the Posey County Solar Project to continue to be feasible.

Mr. Shaw further testified that the OUCC failed to consider that, as part of the tax code, the tax basis that will be depreciated in the future for a solar project is reduced by 50% of the collected ITC. He testified this means an increase in expected taxes. Mr. Shaw stated that if this correction to the OUCC's approach were appropriately made, the \$0.0501 rate the OUCC proposed would result in a much lower return than 9.66% as Mr. Loveman suggests.

Mr. Shaw explained that the intent of the liquidated damages provision in the BTA is to give CenterPoint the comfort needed to offer the levelized rate, knowing that if Capital Dynamics does not perform, Petitioner will be made whole through liquidated damages. He testified the liquidated damages under the BTA, coupled with the levelized rate, shield customers from the risks associated with the Posey County Solar Project and are not intended to double recover from ratepayers. Mr. Shaw testified that if Petitioner receives liquidated damages from Capital Dynamics for failing to achieve the minimum anticipated first year output established in the BTA, the production baseline will be adjusted for the impacted year(s) resulting in lower levelized revenue to be recovered from customers via the CECA due to decreased solar project production. Mr. Shaw testified the levelized rate will stay the same, and customers will pay a lower amount based on the reduced production baseline. He also testified customers will only pay for electricity delivered from the unit at the levelized rate and, thus, will not double pay for the facility. Because the levelized rate will be applied to a lower level of production, CenterPoint will not collect a sufficient amount from customers to compensate Petitioner for its investment in the Posey County Solar Project, so the liquidated damages will compensate Petitioner for the portion of the facility cost not recovered from customers through the levelized rate. Mr. Shaw stated Petitioner negotiated the BTA knowing it wanted to propose a levelized rate, and without Capital Dynamics' agreement to potentially pay liquidated damages, Petitioner could not offer the levelized rate.

6. Brett A. Jerasa. Mr. Jerasa responded to the OUCC and Sunrise Coal witnesses' testimony upon the potential impact of PPAs on Petitioner's credit metrics. He testified that denying Petitioner's request to counteract the rating drag with the PPA adder will not help because the rating agencies assess debt equivalency, and CenterPoint's long-term credit health is

something the Commission should value. Mr. Jerasa testified the rating agencies will likely adjust for PPA debt equivalency based upon their past treatment of other utilities' PPAs and his discussions with Petitioner's S&P analyst. Mr. Jerasa does not expect an immediate credit rating downgrade as a result of the Warrick Project PPA, but he stated Petitioner's long-term credit health will be at risk with this new solar project. Mr. Jerasa testified the proposed adder is the superior option to mitigate the impact on CenterPoint's long-term credit health, particularly as Petitioner moves forward with multiple PPAs.

Mr. Jerasa testified the Commission has valued the credit health of utilities and recognized the benefits of mechanisms that protect credit ratings. He stated that protecting the credit health of a utility benefits customers, as any impact to Petitioner's credit metrics and rating will increase the cost of incremental debt, impacting the interest expense recovered from customers. Mr. Jerasa testified the PPA adder is meant to serve the goal of providing service at the lowest cost reasonably possible by helping prevent future increases in the cost of debt.

Mr. Jerasa testified the impact of a credit downgrade could far outweigh the monetary impact of Petitioner's proposed PPA adder, depending on the size of the ROE increase in future rate cases. He testified to the importance of ensuring CenterPoint's long-term credit health and the importance of keeping Petitioner's credit ratings at investment grade to finance its need to invest in generation resources at satisfactory interest rates. Mr. Jerasa stated that adjusting the ROE could be an acceptable option for addressing the debt equivalency issue; however, this option does not resolve lag and scope.

In response to Sunrise Coal's testimony regarding the appropriateness of the PPA adder, Mr. Jerasa testified Petitioner included PPAs in its Plan to create a balanced portfolio for customers and off-ramps that can be used to respond to changing conditions. He testified the request for a PPA adder is based on a desire to protect long-term credit health. Mr. Jerasa also responded to Ms. Medine's testimony that this issue should not be decided now by testifying the legislature intended the Commission to incentivize clean energy projects when it passed Ind. Code § 8-1-8.8-11, and incentives for clean energy projects do not require a general rate case.

Mr. Jerasa testified that if the Commission does not agree with Petitioner's proposal, the Commission could grant a lower fixed rate than the proposed \$10.50 MWh, address the issue at a later date, or grant a higher ROE in Petitioner's next general rate filing. He testified a lower fixed rate than Petitioner's proposed \$10.50 per MWh will erode the funds from operations to debt percentage of 22.586%.

#### **4. Commission Discussion and Findings.**

##### **A. Request for CPCN under Ind. Code ch. 8-1-8.5.**

CenterPoint proposes to acquire the 300 MWac Posey Project through a BTA with Capital Dynamics. Ind. Code § 8-1-8.5-2 states that a public utility must obtain a CPCN from the Commission prior to constructing, purchasing, or leasing a facility for the generation of electricity. Ind. Code § 8-1-8.5-5 sets forth the criteria for approving a utility specific generation proposal. In granting a CPCN, the Commission must consider the items set forth in Ind. Code § 8-1-8.5-4 and make findings as to the best estimate of the project's cost based on the record, whether the proposal

is consistent with our statewide analysis or a utility specific proposal, and whether public convenience and necessity requires the project. We review each factor in Ind. Code § 8-1-8.5-4 below.

Petitioner also seeks authority to enter into a PPA to purchase capacity and energy from the Warrick County Solar Project and a determination that this facility is an eligible clean energy project for purposes of Ind. Code § 8-1-8.8-11. Ind. Code ch. 8-1-8.8 does not set forth specific factors the Commission should consider in determining the reasonableness and necessity of a clean energy project. The Commission has, however, considered some of the factors in Ind. Code chs. 8-1-8.5 and 8-1-8.7 in similar cases;<sup>2</sup> therefore, in determining the reasonableness and necessity for the Warrick Project, we find it is appropriate to consider the following factors: (1) the cost of the Warrick County Solar Project; (2) the consistency of this solar project with CenterPoint's 2019/2020 IRP; (3) the need for the Warrick Project; and (4) competitive solicitation. In our discussion below, we will also assess whether the Warrick County Solar Project meets the relevant criteria and is reasonable and necessary.

1. Competitive Solicitation and Best Cost Estimate for the Posey and Warrick Projects.

Under Ind. Code § 8-1-8.5-5(b)(1), a CPCN may be granted only if the Commission makes a finding “as to the best estimate of construction, purchase, or lease costs based on the evidence of record.” CenterPoint presented evidence regarding the estimated cost of both the Warrick County Solar Project and the Posey County Solar Project. The Posey Project is to be acquired pursuant to a BTA under which CenterPoint acquires ownership of this project and all associated rights and attributes over its useful life. CenterPoint witness Bradford testified the project price is firm and covers all interconnection and various other development costs that could escalate between now and the closing date. The firm purchase price for the Posey County Solar Project is confidential but was shared confidentially by Mr. Bradford in his direct testimony. In addition, the BTA is included in the record as Attachment FSB-2 to Mr. Bradford's testimony.

Petitioner also offered into evidence the actual terms and cost of power being purchased under the PPA for the Warrick County Solar Project. The terms and price under the PPA are, likewise, confidential but were described in Mr. Bradford's testimony. In addition, the PPA was admitted into evidence as Attachment FSB-1 to Mr. Bradford's testimony.

Neither the OUCC nor Sunrise Coal suggested the prices set forth in the PPA and BTA were not the best estimate of the costs of the Warrick and Posey Projects. Moreover, the pricing for the Warrick and Posey Projects is consistent with the resources evaluated in Petitioner's 2019/2020 IRP. The cost estimate for each of the solar projects was shown to have originated with the competitive All-Source RFP conducted as part of the IRP process. CenterPoint issued an All-Source RFP for 10 to 700 MWac of capacity on June 12, 2019, and engaged Burns and McDonnell as an independent third-party consultant and the direct interface for all RFP communications.

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<sup>2</sup> See *N. Ind. Pub. Serv. Co.*, Cause No. 45194 (approved Aug. 7, 2019), at p. 52; *N. Ind. Pub. Serv. Co.*, Cause No. 45310, at p.29 (approved Feb. 19, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 45403, at pp. 24-25 (approved Jan. 27, 2021).

Based on Petitioner's testimony, responses were received from twenty-two individual respondents resulting in 110 proposals, 91 of which were for projects located in Indiana.

The evidence shows the Warrick County Solar Project and Posey County Solar Project were competitively priced, on-system solar projects scoring at the top of their groupings, with the Warrick Project being the lowest priced PPA proposal. The Posey County Solar Project was ranked the highest compared to all other proposals in terms of LCOE. Neither the efficacy of the RFP nor the price of the projects was challenged.

Based on the evidence, the Commission finds CenterPoint has provided the best estimate for the cost of the BTA, consistent with the CPCN statutory requirements, and the costs are reasonable for solar projects of this nature and scope.

## 2. Consistency of the Projects with CenterPoint's 2019/2020 IRP.

Ind. Code § 8-1-8.5-3(e)(1) provides that a public utility may submit "a current or updated integrated resource plan as part of a utility specific proposal as to the future needs for electricity to serve the people of the state or the area served by the utility." Mr. Rice sponsored Petitioner's 2019/2020 IRP as Petitioner's Exhibit No. 4, Attachment MAR-1. Ind. Code § 8-1-8.5-5(b)(2) provides that a CPCN shall be granted only if the Commission has made a finding that either:

(A) the construction, purchase, or lease will be consistent with the commission's analysis (or such part of the analysis as may then be developed, if any) for expansion of electric generating capacity; or

(B) the construction, purchase, or lease is consistent with a utility specific proposal submitted under section 3(e)(1) [Ind. Code § 8-1-8.5-3(e)(1)] of this chapter and approved under subsection (d). . . .

The record demonstrates the Warrick and Posey Projects are consistent with the preferred portfolio identified in Petitioner's 2019/2020 IRP. Under the preferred portfolio, CenterPoint adds 1,150 MW of new solar and solar plus storage in 2023-2024 to replace coal capacity. The preferred portfolio reflects CenterPoint pursuing renewable projects within the next three years based on the retirement of F.B. Culley 2 and the expiration at the end of December 2023 of the JOA for Warrick Unit #4. Adding renewable projects during this timeframe was also shown to allow CenterPoint to take advantage of renewable tax incentives before their expiration.

Neither the OUCC nor Sunrise Coal claimed the Warrick or Posey Projects are inconsistent with the 2019/2020 IRP, and the OUCC's witnesses supported both projects. OUCC witness Boerger recommended "the Commission approve the projects CenterPoint proposes in this proceeding," subject to the modifications Mr. Loveman recommended. Public's Exh. 3 at p. 9. Sunrise Coal witness Medine was, however, critical of the 2019/2020 IRP process, asserting that CenterPoint's IRP needs to be updated due to flaws and changed circumstances. Sunrise Coal Exh. 1 at p. 6. She contended the JOA for Warrick Unit #4 could be extended and an offer for reduced coal transportation costs should be evaluated. Ms. Medine recommended the Commission direct CenterPoint to revise its resource analysis to address the issues Sunrise Coal raised regarding the 2019/2020 IRP. But, we are not persuaded that CenterPoint should be required to update its

2019/2020 IRP before approving the two projects at issue. As the Commission has previously found, “[i]nherently, integrated resource plans are performed at a point in time and use modeled scenarios to show how resources perform over a variety of alternative future conditions.” *Re NIPSCO Request for Approval of Dunn’s Bridge*, Cause No. 45462, at p. 62 (approved May 5, 2021). The evidence demonstrates CenterPoint utilized an array of best practices, including basing model inputs on its All-Source RFP, which allowed for an informed forecast at that time.

CenterPoint’s 2019/2020 IRP includes a variety of generation sources. Through the Generation Transition Plan being implemented pursuant to the preferred portfolio, CenterPoint is or will be seeking Commission approval of several projects to replace retiring capacity. Petitioner projects these will include wind, CTs, solar, and solar plus storage. The Posey and Warrick Projects represent 300 and 100 MWac, respectively, are part of Petitioner’s Generation Transition Plan, and include both ownership and PPA structures. CenterPoint’s evidence indicates the duration of its renewable generation commitments will be staggered at various lengths between 20 and 30 years. These factors are designed to diversify CenterPoint’s portfolio and to provide off ramps that enable Petitioner to react to changing circumstances and make appropriate changes in its resources.

Moreover, Mr. Rice testified that CenterPoint considered Sunrise Coal’s comments during the stakeholder process when developing its 2019/2020 IRP and ran scenarios based on Sunrise Coal’s critique in Cause No. 45052, including scenarios with high gas prices and low coal prices. Mr. Games and Mr. Rice took issue with Ms. Medine’s claim that material changes have occurred with respect to the JOA with Alcoa.<sup>3</sup> More critically, continuation of the JOA past 2023 was found to be uneconomical in the 2019/2020 IRP.<sup>4</sup> Mr. Rice also testified that inclusion of the CSX offer to reduce coal transportation costs did not decrease the price over the IRP reference case significantly. He noted three of the five scenarios CenterPoint modeled in its 2019/2020 IRP included a drastically reduced coal price. Mr. Games, similarly, testified:

We discussed the CSX offer which really when you look at the total price to deliver coal to the Brown plant, it had less than a 3 percent impact to cost, and Witness Rice can talk about this in more detail, but when we model various coal prices to Brown, we reduced that cost by 25 percent in three of the five scenarios. So we more than covered the small reduction in transportation cost.

I’ll also point out that the offer was not – not firm. It was subject to approval from both CSX as well as Evansville Western railroad.

Tr. at pp. A-20-21.

We find the changes Ms. Medine identified do not warrant rejecting the Posey or the Warrick Project or requiring CenterPoint to update the IRP before granting the relief requested. Rather, the changes she recommends were shown to be relatively minor in nature and would not have impacted the result of the IRP process. Based upon the evidence, we further find the Posey

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<sup>3</sup> This contention is further discussed below in considering the necessity of the solar projects.

<sup>4</sup> The 2019/2020 IRP at page 231 notes this option “ultimately was not selected by the optimization routine for continuation *based on purely economic considerations*.” (emphasis added).

County Solar Project and the Warrick County Solar Project were shown to be consistent with CenterPoint's 2019/2020 IRP.

### 3. Public Convenience and Necessity.

Under Ind. Code § 8-1-8.5-5(b)(3), before granting a CPCN, the Commission must make “a finding that the public convenience and necessity require or will require the construction, purchase, or lease of the facility.” Mr. Games testified the 400 MWac of solar generation from the Posey and Warrick Projects is needed to replace the capacity currently being supplied by CenterPoint's share of Warrick Unit #4 and the capacity provided by F.B. Culley 2. Per the preferred portfolio in the IRP, those units operate through 2023 only to allow time to obtain replacement capacity. The 2019/2020 IRP provides:

Vectren plans to close its smallest, most inefficient coal unit, Culley 2 (90 MWs) and Vectren's contract for joint operations of Warrick unit 4 (150 MWs) expires by the end of 2023. In order to replace this generation, Vectren plans to acquire renewable generation in the next three years in order for Vectren's customers to benefit from expiring renewables tax incentives and, at a minimum, replace this portion of Vectren's coal fleet. This equates to approximately 700-1,000 MWs of capacity from solar generation towards the 2023/2024 and the 2024/2025 MISO planning years, partially dependent on expected solar penetration levels within MISO at that time and MISO resource accreditation.

Petitioner's Exh. 4, Attachment MAR-1 at p. 285.<sup>5</sup>

The OUCC did not contest the need for the Posey County Solar Project or the Warrick County Solar Project. Sunrise Coal did not dispute the need to retire F.B. Culley 2, with Sunrise Coal's comments to CenterPoint's 2019/2020 IRP stating: “Culley 2 is a small older unit. There is no dispute over whether it should be retired and, therefore, there is no reason to include incremental costs in BAU to 2039 that would allow it to continue to run.” Sunrise Coal Exh. 1, Attachment 2, p. 6 footnote 2. Ms. Medine, however, testified that based on Mr. Games' statements, continued operation of Warrick Unit #4 is technically still an option, subject to negotiating acceptable terms with Alcoa or, alternatively, that CenterPoint could enter into a PPA with Alcoa for the capacity it currently owns at Warrick Unit #4. We find the record shows the economic viability of continued operation of Warrick Unit #4 is questionable.

From a financial perspective, CenterPoint's previous two IRPs both reflected that exiting the JOA is beneficial for Petitioner and its customers. Petitioner's Exh. 3-R at p. 10.<sup>6</sup> Per the

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<sup>5</sup> Southern Indiana Gas & Electric Company, Inc. d/b/a CenterPoint Indiana South formerly conducted business as Vectren.

<sup>6</sup> See also Tr. at pp. A-18 to A-19 showing the following exchange:

Q. If Alcoa expressed a desire to keep operating Warrick 4, would the company [CenterPoint] be open to selling its capacity to a third party?

A. No.

The IRP has definitely pointed -- Both the last two IRPs have pointed to the fact that it's the best decision for our customers to exit the Joint Operating Agreement with Alcoa. There's

2019/2020 IRP, extending operation of Warrick Unit #4 an additional three years before exiting the JOA “ultimately was not selected by the optimization routine for continuation based on purely economic considerations.” Petitioner’s Exh. 4, Attachment MAR-1 at p. 233. The evidence reflects Warrick Unit #4 will require substantial upgrades to operate beyond 2023 and averaged an annual equivalent forced outage rate of over 16% during the past five years. This unit is also CenterPoint’s most expensive coal unit to operate based on annual O&M cost per MWh of capacity.

Importantly, evidence was not introduced confirming that Alcoa, as the other party to the JOA, intends to operate Warrick Unit #4 beyond 2023 or is amenable to doing so. Per Mr. Games, the long-term outlook for Warrick Unit #4 is uncertain. Mr. Games testified, “there are a lot of indications that they [Alcoa] don’t have an interest in keeping the operation of Warrick 4.” Tr. at pp. A-23-24. The JOA expires on December 31, 2023. This record is, at best, speculative as to whether Alcoa will continue to operate Warrick Unit #4.

CenterPoint will need to purchase capacity from the market upon the retirement of F.B. Culley 2 and expiration of the JOA for Warrick Unit #4, and the closure of several coal plants by the end of 2023 may well impact future capacity prices. We find it is reasonable and necessary for the Posey County Solar Project and Warrick County Solar Project to provide this capacity and energy. In addition to being needed to facilitate CenterPoint continuing to provide adequate and reliable service, the Posey and Warrick Projects will add diversity to Petitioner’s generation portfolio. The Commission has recognized that fuel diversity may help mitigate risk<sup>7</sup> and that there are potentially benefits from renewable resources within a utility’s portfolio being located in Indiana. In approving a long-term purchase of power by Duke Energy Indiana from a wind provider, we stated:

Not only does the environment benefit from such emissions free electric generation but also Indiana benefits through the development of another ‘home grown’ energy resource. The price volatility of foreign energy and carbon fuels and the historically increasing costs and stringency of environmental emissions compliance make the potential Indiana savings from reasonably-priced Indiana renewable energy sources more economically beneficial than ever before. In addition, as the record substantiates here, this renewable energy project offers the traditional economic benefits of local Indiana business investment, revenue generation, and job creation.

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just too much uncertainty about the future of that unit in order to take the risk to continue with that Joint Operating Agreement.

There’s the environmental investments that need to be made; the historical operation of that unit has been poor; the EFOR has been very high -- the EFOR, Equivalent Forced Outage Rate, has been very high.

That tells me there’s a lot of dollars that need to be invested, both capital and O&M, to increase the reliability of that unit to be there for customers and for a capacity sale for that matter.

<sup>7</sup> See e.g., *Verified Petition of Indianapolis Power & Light Company for Certificates of Public Convenience and Necessity*, Cause No. 44794, at p. 28 (approved April 26, 2017) (“IPL’s ability to purchase and store coal minimizes customer exposure to fluctuating natural gas prices. This fleet fuel diversity mitigates risks.”); *Joint Petition of PSI Energy, Inc. and CinCap VII LLC for Issuance of Certificates of Public Convenience and Necessity*, Cause No. 42145, at p. 29 (approved Dec. 19, 2002) (“The evidence further indicates that the addition of gas-fired peaking capacity will benefit the PSI system in terms of fuel diversity and mitigating future environmental regulation risk.”)

*Verified Petition of PSI Energy, Inc. d/b/a Duke Energy Indiana, Inc. for Approval of a Renewable Wind Energy Project Purchased Power Agreement*, Cause No. 43097, at pp. 16-17 (approved December 6, 2006).

Along with fuel diversity, CenterPoint's proposed BTA and PPA will also diversify its portfolio by inserting both a utility-owned resource and a long-term purchase agreement for energy. The subject BTA and PPA were shown to have unique benefits, and Petitioner's plan to balance these benefits should provide its customers with additional reliability. The BTA will provide a CenterPoint owned resource to be operated for 35 years, after which the facility is projected to continue to produce and provide low-cost power benefitting CenterPoint's customers. This long-term operation should help insulate Petitioner's customers from the risk of rising energy prices. The PPA, on the other hand, places the risk of performance on the owner of the facility and expires after 25 years, allowing CenterPoint to pursue other opportunities.

Petitioner presented evidence that renewable resources will also aid in retaining and attracting industrial and commercial customers because of their renewable energy goals. Ms. Harris testified that several larger customers support Petitioner transitioning to more renewable investments, including Toyota, AstraZeneca, Walmart, Berry Global, St. Vincent, Deaconess Health Networks, and the Evansville Vanderburgh School Corporation, with four large customers having expressed an interest in potentially entering into a contract to purchase renewable energy from CenterPoint. She also testified that CenterPoint "is in the process of developing a green power tariff to be able to provide that solution" for customers wanting to directly purchase renewable energy. Tr. at p. B-13.

Based on the evidence, as discussed above, the Commission finds Petitioner has shown a need for the proposed solar projects and that public convenience and necessity require or will require Petitioner's construction of the Posey County Solar Project and support entering into the PPA for the Warrick County Solar Project.

#### 4. Consideration of Alternatives under Ind. Code § 8-1-8.5-4.

The Commission is required under Ind. Code § 8-1-8.5-4, in acting on a petition for the construction, purchase, or lease of any facility for the generation of electricity, to take the following into account:

- (1) The applicant's current and potential arrangement with other electric utilities for:
  - (A) The interchange of power;
  - (B) The pooling of facilities;
  - (C) The purchase of power; and
  - (D) Joint ownership of facilities; and
- (2) Other methods for providing reliable, efficient, and economical electric service, including the refurbishment of existing facilities, conservation, load management, cogeneration and renewable energy sources.

The evidence shows Petitioner conducted an All-Source RFP to meet its capacity needs. The responses were varied and enabled CenterPoint to consider a variety of alternatives. Twenty-



two individual respondents submitted complete responses resulting in 110 proposals. The proposal types included eight battery storage, two coal, seven combined cycle, one load modifying resource/demand response, 57 solar, 19 solar plus storage, three system energy, and 13 wind. The proposals included both utility-owned projects and PPAs. In CenterPoint's 2019/2020 IRP other alternatives were also considered, including maintaining the existing coal fleet as well as extending the JOA with Alcoa for three years, the latter of which Mr. Rice testified was not selected because it was not an economic option for Petitioner's customers. Tr. at p. A-33. The evidence reflects the preferred plan includes energy efficiency at 1.25% of eligible sales between 2021-2023 and 0.74% thereafter and is expected to save CenterPoint's customers up to \$320 million over the IRP's 20-year planning period (2020-2039) compared to continuing to operate its coal units.

Given the foregoing evidence, the Commission finds Petitioner has satisfied the requirement under Ind. Code § 8-1-8.5-4 that it consider alternative methods for providing reliable, efficient, and economical electric service.

5. Conclusion Regarding Ind. Code § 8-1-8.5-4 and -5.

Based upon the evidence, the Commission finds CenterPoint has met the requirements of Ind. Code ch. 8-1-8.5. As found above, public convenience and necessity support construction of the Posey County Solar Project and the PPA for the Warrick County Solar Project. The Posey and the Warrick Projects in tandem are necessary to meet Petitioner's projected capacity needs. Upon the retirement of F.B. Culley 2 and exit from the Warrick Unit #4 JOA, CenterPoint will need to generate the energy both produce or will need to turn to the market to purchase capacity. Fuel diversity and the addition of local renewable resources are important in helping insulate electric utilities and their customers from contingencies such as fuel price fluctuations and changes in regulatory practices, including environmental regulations, that can impact the cost of a particular fuel. The projects at issue will both be located within Petitioner's service territory, were selected following a competitive bidding process using an All-Source RFP, and the costs were shown to be reasonable for projects of this nature. Accordingly, the Commission finds a CPCN for CenterPoint's pursuit of the Posey County Solar Project should be issued.

**B. Clean Energy Projects.**

Ind. Code § 8-1-8.8-11 provides that "[a]n eligible business must file an application to the commission for approval of a clean energy project under this section" and directs the Commission to encourage clean energy projects by creating certain financial incentives for clean energy projects, if the projects are found to be reasonable and necessary. An eligible business includes an energy utility that "undertakes a project to develop alternative energy sources, including renewable energy projects[.]" Ind. Code § 8-1-8.8-6(3). As a public utility rendering electric service within Indiana, CenterPoint is an energy utility.

A clean energy project includes "[p]rojects to develop alternative energy sources, including renewable energy projects[.]" Ind. Code § 8-1-8.8-2(2). Solar energy is specifically identified as a clean energy resource in Ind. Code § 8-1-37-4(a)(2), making it a renewable energy resource under Ind. Code § 8-1-8.8-10. Although CenterPoint is not constructing and will not own the physical facilities comprising the Warrick Project, it is proposing to enter into a PPA to purchase the energy from this facility and is, therefore, contributing to the project's development. Accordingly, the

Commission finds CenterPoint is an eligible business for purposes of reviewing its request for the creation of financial incentives under Ind. Code § 8-1-8.8-11.

As discussed above in Finding 5.A., Ind. Code ch. 8-1-8.8 does not set forth specific factors the Commission must consider in determining the reasonableness and necessity of a clean energy project; however, the Commission has, in analogous cases, considered some of the factors in Ind. Code chs. 8-1- 8.5 and 8-1- 8.7 such as the cost of the project, consistency with the IRP, need, and competitive solicitation. These factors were each discussed above, and we reiterate below the basis for our conclusion that the Posey and Warrick Projects are clean energy projects.

1. Cost of the BTA and PPA. As discussed in Finding 5.A.1. above, the evidence demonstrates the energy to be obtained from the Posey and Warrick Projects is reasonably priced compared to other alternatives. The BTA and PPA were selected based on the results of an All-Source RFP. The Warrick Project PPA was the lowest priced PPA proposal, and the Posey County Solar Project BTA was ranked the highest compared to all other proposals in terms of LCOE.

2. Consistency of the BTA and PPA with CenterPoint's 2019/2020 IRP. As discussed in Finding 5.A.2. above, the BTA and PPA are consistent with CenterPoint's 2019/2020 IRP. The preferred portfolio calls for 1,150 MW of new solar and solar plus storage to come online in 2023-2024 to replace coal capacity, including capacity currently provided by F.B. Culley 2 and Warrick Unit #4. We find the BTA and PPA were shown to be necessary first steps in this transition per Petitioner's 2019/2020 IRP.

3. Need for the BTA and PPA. As discussed in Finding 5.A.3. above, the evidence demonstrates CenterPoint has a need for capacity by 2023, which is supported by its 2019/2020 IRP. In addition to meeting this upcoming capacity need, the BTA and PPA will diversify CenterPoint's generation portfolio, provide solar generation located in Indiana sourced from Petitioner's territory, and meet customers' increasing desire for renewable energy options from CenterPoint.

4. Competitive Solicitation for the BTA and PPA. As discussed in Finding 5.A.1. above, Petitioner's evidence demonstrates the BTA and PPA are the result of a thorough, highly competitive All-Source RFP process that reflects current market conditions. The All-Source RFP evaluated multiple options for meeting Petitioner's capacity needs, and CenterPoint relied upon an independent, qualified third party to evaluate the RFP responses and recommend projects for commercial negotiations. The record further demonstrates that the terms of the BTA and PPA were reached after arms-length negotiations.

The Commission finds, consistent with our findings and discussion above, that the Posey County Solar Project and Warrick County Solar Project are clean energy projects under Ind. Code § 8-1-8.8-11. We also find the energy and capacity the BTA and PPA will provide to be reasonable and necessary additions to CenterPoint's portfolio of generating resources to meet the need for electricity within CenterPoint's service area. These projects will also mitigate risk through diversification and use of an economic mix of resources that provides flexibility. The record shows that adding the Posey County Solar Project and energy from the Warrick County Solar Project to CenterPoint's resource mix will timely provide needed energy and capacity.

**C. Financial Incentives Pursuant to Ind. Code § 8-1-8.8-11.**

Pursuant to Ind. Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects if they are found to be reasonable and necessary. CenterPoint seeks certain financial incentives with respect to both the Posey County Solar Project and Warrick County Solar Project. The OUCC and Sunrise Coal objected to aspects of each proposal.

CenterPoint asks the Commission to authorize its recovery of the cost of the Posey County Solar Project through a levelized rate incorporated into the CECA during construction and operation of the Posey Project. No party objected to levelized rate recovery, but the OUCC recommended the proposed levelized rate for the Posey County Solar Project be reduced. The OUCC also proposed that CenterPoint be required to adjust the levelized rate “revenue requirements” if CenterPoint receives liquidated damages and the production baseline if the liquidated damages are the result of the Posey Project not achieving the minimum anticipated first year output or any other conditions that cause the production baseline to be adjusted. Sunrise Coal recommended CenterPoint revise the levelized rate cost assumptions and calculations for the Posey County Solar Project from 35 years to 20 years. The parties did not dispute Petitioner’s proposed use of RECs to offset the levelized rate. Per Mr. Rice, CenterPoint’s sale of the RECs created by both projects is anticipated to generate approximately \$8 per MWh, the benefits of which will be directed to ratepayers. Ms. Medine recommended the entire revenue for RECs, whether it turns out to be the assumed \$8 per MWh or a higher or lower amount, be credited to ratepayers who are, effectively, paying for this asset in the PPA price. Mr. Rice confirmed this is Petitioner’s practice.

CenterPoint proposed to recover the Warrick County Solar Project PPA costs throughout the full 25-year term through the FAC (or a successor mechanism) and, accordingly, seeks a finding that power purchases pursuant to the PPA are reasonable throughout the term of the agreement and confirmation that the costs are recoverable through the FAC proceedings (or a successor mechanism) without regard to the Ind. Code § 8-1-42(d)(1) test or other FAC benchmarks. In addition, CenterPoint proposes to include an adjustment to the PPA cost that provides an equivalent equity return to offset the imputed debt during the life of the PPA. Both the OUCC and Sunrise Coal opposed debt equivalency recovery. Sunrise Coal also recommended CenterPoint shorten the term of the Warrick Solar PPA to 20 years or modify it to allow for a buy-out at the end of 20 years.

Each of the financial incentives proposed for the Posey County Solar Project and the Warrick County Solar Project is discussed below.

**1. The Posey County Solar Project Incentives.**

**a. The Levelized Rate.**

Petitioner proposes a fixed levelized rate of \$0.0535 per kWh over the life of the Posey County Solar Project. CenterPoint also proposes the levelized rate be adjusted if adjustments are made to the law governing Indiana state and/or federal income tax rates that result in a change to

other approved tariff rates. The levelized rate was derived based on an analysis of the LCOEs of the top quartile PPA projects submitted in response to CenterPoint's All-Source RFP. CenterPoint also performed a "reality check" to ensure the levelized rate will be fair to ratepayers and to Petitioner that was provided as Petitioner's Exhibit 6, Attachment BHS-1. In addition, CenterPoint compared the levelized rate to the rate per kWh that would result from applying traditional ratemaking principles.

The Commission approved the levelized rate approach in *Re Petition of Southern Indiana Gas & Elec. Co.*, Cause No. 45086 (approved March 20, 2019) (the "45086 Order") as part of a settlement agreement among several parties in that proceeding. In that case, we noted the levelized rate allows a utility to recover its prudently incurred costs associated with the solar project, while providing benefits and protections for customers. No party opposed use of the levelized rate, and we find the levelized rate here has the benefits identified in the 45086 Order. The levelized rate in this Cause is lower than the cost of the project using a traditional ratemaking approach. The average cost of the Posey County Solar Project under traditional ratemaking was estimated at approximately \$0.065 per kWh over the life of the asset. Petitioner's Exh. No. 6, Attachment BHS-2. The levelized rate will also protect customers from cost increases they would not be protected from under traditional ratemaking principles. As noted in the 45086 Order, if "capital costs, or if O&M costs increase above the assumed amount, Petitioner will still only collect" the levelized rate. 45086 Order at p. 17. As such, CenterPoint will bear the risk of the cost of the project increasing. The levelized rate approach also allows customers to begin realizing the benefit of the federal ITC immediately, whereas under a traditional ratemaking approach, the ITC would not be accounted for until Petitioner's next rate case.

OUCC witness Loveman recommended CenterPoint reduce the levelized rate to \$0.0501 per kWh, excluding IURT, which he derived using a revenue requirement approach. Mr. Loveman indicated his revenue requirement approach targeted an ROE of 9.66%, and he reduced the amount of contingency included in CenterPoint's O&M budget.

We conclude, based on the evidence, that Petitioner's proposed levelized rate of \$0.0535 per kWh is reasonable, will allow CenterPoint to recover its prudently incurred costs associated with the Posey County Solar Project, and reflects current solar prices. Mr. Bradford testified the levelized rate is competitive with the rates available under similar PPAs based on the scoring system Burns & McDonnell used, and OUCC witness Boerger acknowledged the proposed levelized rate for the Posey Project falls within the range of reasonableness.

Petitioner demonstrated it is unlikely that its proposed levelized rate will result in CenterPoint earning an excessive return on the asset, a concern Mr. Loveman attempted to address by proposing a lower rate. Petitioner's witness Shaw testified that CenterPoint has already learned it underestimated certain O&M costs. More specifically, Mr. Shaw stated CenterPoint underestimated the acreage for the Posey County Solar Project by 1,000 acres, and this underestimate means O&M costs for the Posey Project are under-budgeted by \$1.2 million per year. He noted this underestimate alone reduces the ROE to 9.9%, which is slightly above Mr. Loveman's target ROE of 9.66%, placing CenterPoint at risk if other O&M costs increase.

CenterPoint also conveyed concern that adopting Mr. Loveman's rate-of-return approach will put the project at risk of being Public Utility Property, which would change the federal ITC treatment and put the project in jeopardy. Ms. Musser explained that a project may be considered Public Utility Property for tax purposes if it: (1) is used predominantly in the sale of (among other things) electrical energy, if the rates for such sale have been established or approved by (among others) a public utility commission; and (2) the rates for the sale of electrical energy from the generating facility have been established or approved on a cost-of-service, rate-of-return basis by a public service or public utility commission or similar body. She testified the goal of the levelized rate is to fix the rate for the life of the investment with limited updates, none of which are based on rate-of-return ratemaking. The Commission finds it unwise to create a risk of the project being found to be Public Utility Property given the difference between Mr. Loveman's proposal and Petitioner's after the underestimated land costs are taken into consideration.

Sunrise Coal suggested CenterPoint revise the levelized cost assumptions and calculations used to derive the levelized rate from 35 years to 20 years. We find the impact of decreasing the number of years over which the cost assumptions are applied would increase the levelized rate, which is not in the public interest. As both Petitioner's witnesses Games and Rice testified, solar panels are made to last more than 20 years, and the Posey County Solar Project is expected to operate for at least 35 years. Ms. Medine acknowledged a 35-year life is at the upper end of new solar project expectations. The 35-year time period also is consistent with the Settlement Agreement the Commission approved for CenterPoint's solar project in Troy, Indiana. *Re Petition of Southern Indiana Gas & Elec. Co.*, Cause No. 45086 (approved March 20, 2019).

Based on the evidence and for the reasons explained above, the Commission finds the proposed levelized rate of \$0.0535 per kWh is reasonable, in the public interest, and should be approved under Ind. Code § 8-1-8.8-11. We further find it is appropriate to collect the levelized rate through the CECA using the methodology Petitioner proposed and that the levelized rate should be excluded from Petitioner's NOI used for the quarterly FAC earnings test and calculation of Petitioner's revenue requirement in rate cases over the 35-year life of the project.

b. Liquidated Damages.

CenterPoint proposes the levelized rate be changed only if adjustments are made to the law governing Indiana state and/or federal income tax rates. OUCC witness Loveman recommended the Commission also require CenterPoint "to adjust the Levelized Rate revenue requirements if liquidated damages are received from Capital Dynamics," and adjust "the production baseline if the liquidated damages are the result of the Posey County Solar Project not achieving the minimum anticipated first year output, or any other conditions that would cause the production baseline to be adjusted." Public's Exh. 2 at p. 11. The OUCC contends Petitioner could be double recovering a portion of the annual revenue requirement from ratepayers if CenterPoint receives liquidated damages but did not explain how this allegedly occurs.

CenterPoint's evidence addresses why Petitioner's receipt of liquidated damages will not result in a double recovery. Per Mr. Shaw, "If [CenterPoint] receives liquidated damages from Capital Dynamics for failing to achieve the minimum anticipated first year output established in the BTA, then the Production Baseline would be adjusted for the impacted year(s) resulting in a

lower levelized revenue to be recovered from customers in the CECA due to decreased production.” Petitioner’s Exh. 6-R at p. 11. While the levelized rate will stay the same, customers will pay a lower amount for the unit based on the reduction to the Production Baseline as opposed to double paying for the facility because they will only pay for the electricity delivered from the unit – no more and no less. Mr. Shaw testified the liquidated damages CenterPoint receives from Capital Dynamics, if any, will be used to make Petitioner whole for the portion of the cost of the facility that is not recovered from customers because the levelized rate is applied to a lower Production Baseline.

The OUCC’s approach in this case is similar to how an analogous situation was addressed in the Settlement Agreement in *Re Petition of Southern Indiana Gas & Elec. Co.*, Cause No. 45086 (approved March 20, 2019). The liquidated damages provision in the Settlement Agreement in Cause No. 45086 provided:

To the extent First Solar Electric, LLC (‘First Solar’) pays Vectren South Liquidated Damages as a result of the Solar Project failing to achieve the Minimum Guaranteed Capacity or Guaranteed Capacity established in the Engineering, Procurement and Construction Agreement (‘EPC Agreement’), such Liquidated Damages received by Vectren South will be used as an offset to revenue requirements and the Levelized Rate will be recalculated to reflect the reduced revenue requirement. A corresponding adjustment will be made to the annual Production Baseline for the impacted year(s) to match the recalculated Levelized Rate due to decreased Solar Project production.

Cause No. 45086 Settlement Agreement at p. 9, ¶ 15. In Cause No. 45086, however, the levelized rate was based on a revenue requirement methodology and was subject to adjustment based on the utility’s ROE.<sup>8</sup> Accordingly, to the extent liquidated damages were received, the Settling Parties agreed those funds would be used as an “offset to revenue requirements.” *Id.*

The OUCC’s liquidated damages recommendation appears to be based on the use of a revenue requirements methodology. Mr. Loveman recommends CenterPoint “adjust the Levelized Rate revenue requirements if liquidated damages are received.” Public’s Exh. 2 at p. 11. But as discussed above, the levelized rate in this case is not based on a revenue requirements methodology and will not be adjusted based on Petitioner’s ROE. If the Posey County Solar Project produces less energy than anticipated, the levelized rate will stay the same, but customers will pay a lower amount for the unit based on the Production Baseline being reduced. The liquidated damages at issue will be used under this scenario to make up the difference between the reduced amount customers pay and the amount needed to compensate Petitioner for the investment in the Posey County Solar Project.

During the evidentiary hearing, Mr. Shaw noted, as shown in the exchange below, that under Petitioner’s proposal, CenterPoint takes the risk of nonperformance.

Q. Now, I just want to be—I just want to make sure I understand.

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<sup>8</sup> The revenue requirements approach was modified in a subsequent subdocket to avoid tax problems. Order in Cause No. 45086 S1, approved January 29, 2020.

Suppose there are future capital expenditures that are necessary, for example, some panels fail and have to be replaced and they're not under warranty, or some other capital item fails and has to be replaced and it's not under warranty, who would pay for those future capital expenses?

A. CenterPoint.

Q. And would CenterPoint seek to recover those future capital expenses from ratepayers?

A. No.

Q. Are there any other potential future costs, such as decommissioning costs, that might be passed on to ratepayers?

A. No.

Q. If, because of some circumstance no one can foresee today, the Posey County facility or some material portion of it should become no longer used and useful before the end of the projected 35-year life, how would that be handled under the Levelized Rate proposal?

A. The customers are paying a fixed Levelized Rate, and CenterPoint is [b]earing all the risk outside of that.

So if the O&M increases or the project ends early for whatever reason, you know, CenterPoint is [b]earing the risk for that.

Tr. at pp. A-58-59. Thus, the liquidated damages provisions in the BTA offset CenterPoint shouldering the foregoing risks.

Based on the record and our discussion above, the Commission finds it is not appropriate to adopt the OUCC's recommendation that Petitioner adjust the levelized rate revenue requirements if liquidated damages are received from Capital Dynamics.

## 2. Warrick County Solar Project Incentives.

### a. Recovery of PPA Costs through the FAC.

CenterPoint proposes to recover the Warrick County Solar Project PPA costs throughout the full 25-year term of the PPA through the FAC (or a successor mechanism) pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11. CenterPoint also seeks confirmation that the costs under the PPA are recoverable through the FAC proceedings (or a successor mechanism) without regard to the Ind. Code § 8-1-19 42(d)(1) test or other FAC benchmarks. OUCC witness Loveman recommended that if the Commission approves the Warrick Project, the Commission also "approv[e] CenterPoint's proposal to recover costs associated with the PPA through the FAC tracker." Public's Exh. 2 at 17.<sup>9</sup> Mr. Loveman noted this treatment is consistent with the cost recovery approved in Cause Nos. 43259 and 43635 for purchases from the Benton County Wind Farm and Fowler Ridge II.<sup>10</sup>

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<sup>9</sup> See also Public's Exh. 2 at p. 16 wherein Mr. Loveman testified: "As CenterPoint proposes, and the OUCC does not object to, the Warrick County Solar Project PPA cost will be recovered through its FAC tracker. As a result, CenterPoint will achieve full PPA cost recovery."

<sup>10</sup> See Commission's Order in Cause No. 43259, approved December 5, 2007, and Commission's Order in Cause No. 43635, approved June 17, 2009.

Neither the OUCC nor Sunrise Coal objected to the rate per kWh set forth in the PPA. Dr. Boerger testified that “[b]ased on [his] experience with these facility types, the negotiated rate falls within a range of reasonableness for such a PPA type.” Public’s Exh. 1 at p. 3. The PPA was the lowest LCOE of all the PPA proposals submitted in response to CenterPoint’s All-Source RFP. Based on the record, we find the rates set forth in the PPA are reasonable and in the public interest. When we approve a PPA under Ind. Code § 8-1-8.8-11, we are making a determination that the PPA is in the public interest and is reasonable over its term. *See Re Northern Ind. Public Serv. Co. LLC*, Cause No. 45489, at p. 22 (approved June 29, 2021). Accordingly, we find CenterPoint should be authorized to recover the Warrick County Solar Project PPA costs throughout the full term of the PPA through the FAC pursuant to Ind. Code § 8-1-8.8-11 and in the manner Petitioner proposed. Based on the record and consistent with Commission decisions in other PPA proceedings, we further find that CenterPoint’s recovery of its PPA costs should not be subject to the requirements of Ind. Code § 8-1-2-42(d) or other comparable tests or benchmarks.

Sunrise Coal recommended CenterPoint either shorten the term of the Warrick Project PPA to 20 years or modify the PPA to allow for a market-based buyout at the end of 20 years. The record does not, however, show that Clenera will accept either of these proposals. Petitioner’s witness Bradford testified that “[s]hortening the term or inclusion of additional early termination options would have increased the price under the PPA.” Petitioner’s Exh. 2-R at p. 8. The evidence also reflects the 25-year term was “the most competitive price that was offered for the Warrick County Solar Project PPA.” *Id.* In addition, the 25-year term of the Warrick County Solar Project PPA is part of CenterPoint’s overall strategy to pursue agreements of varying lengths. Per Mr. Bradford, CenterPoint focused on negotiating PPAs that have varying terms in order to provide multiple off-ramps and prevent a single year for future transition. Accordingly, we reject Sunrise Coal’s recommendation that Petitioner be required to renegotiate this PPA to modify its term or incorporate the proposed buy-out provision.

b. The Proposed Debt Equivalency Factor.

CenterPoint proposed a PPA debt equivalency factor to mitigate the risk of rating agencies imputing an adjustment to Petitioner’s total debt based on the present value of the PPA payments. Mr. Jerasa testified that imputing an adjustment to debt has become standard practice for rating agencies and weakens the credit metrics and credit profile of a utility. He stated, “Weaker credit ratings can increase borrowing costs, access to capital, and negatively impacts a utility’s cost of capital. This increases costs to customers.” Petitioner’s Exh. 8 at p. 8. Petitioner requests the Commission approve, as a financial incentive under Ind. Code § 8-1-8.8-11, an adjustment to the PPA payment that provides an equivalent equity return to offset the imputed debt during the life of the PPA. Mr. Jerasa testified this debt equivalency factor will allow CenterPoint to maintain its current debt-to-equity ratios with minimal impact to credit quality and support the equity capital shareholders provide. Mr. Jerasa presented a calculation of the annual PPA adjustment per MWh, which he indicated was based on S&P’s methodology for imputing debt. The adjustment equates to approximately \$10.50 per MWh.



Sunrise Coal witness Medine contended the issue of whether debt equivalency costs are recoverable and, if so, how, should be decided by the Indiana General Assembly or by the Commission uniformly on a statewide basis or in the context of a rate case.

The OUCC did not challenge the methodology Mr. Jerasa used to develop the debt equivalency factor but did challenge the necessity and propriety of a debt equivalency factor in this proceeding. Per the OUCC, CenterPoint failed to establish that Petitioner or its customers will be monetarily harmed via a debt equivalency assessed by a credit rating agency for the Warrick Project PPA. Mr. Loveman described three alternatives for addressing debt equivalence concerns and opined that the adder CenterPoint proposes is the most expensive of the three. Public's Exh. 2 at pp. 13-14.

The Commission recognizes the potential risk that rating agencies may assess a debt equivalency on a utility that enters into a PPA; however, CenterPoint acknowledged the Warrick Project PPA will not lead to a downgrade of its credit ratings. Petitioner's Exh. 8 at p. 11; Petitioner's Exh. 8-R at p. 4. In addition, to date, S&P has not included a debt adjustment for CenterPoint's current PPAs. Based on this record, we agree with the OUCC that Petitioner has not proven the need for this adder in this proceeding or demonstrated this adder will be beneficial to its customers. We find it is not prudent to approve an adder when its necessity is in question and the benefits were not demonstrated. We are also reluctant to approve the proposed adder based on speculation upon the impact in the future to Petitioner's credit metrics. Accordingly, while the Commission is authorized and encouraged under Ind. Code § 8-1-8.8-11 to award financial incentives for clean energy projects, consistent with the foregoing, the Commission finds it is not appropriate to approve the proposed adder for debt equivalency at this time.

#### **D. Reporting and Ongoing Review of the Solar Projects.**

Ind. Code § 8-1-8.5-6(a) provides:

In addition to the review of the continuing need for the facility under construction prescribed in section 5.5 [Ind. Code § 8-1-8.5-5.5] of this chapter, the Commission shall, at the request of the public utility, maintain an ongoing review of such construction as it proceeds. The applicant shall submit each year during construction, or at such other periods as the commission and the public utility mutually agree, a progress report and any revisions in the cost estimates for the construction.

CenterPoint will not own the Posey County Solar Project during construction as its ownership will not be transferred until the project is completed and placed in service.<sup>11</sup> Nonetheless, Mr. Rice testified CenterPoint will report on the Posey County Solar Project within its annual CECA filings. Petitioner's Exh. 4 at p. 21. We find Petitioner's proposal meets the requirements in Ind. Code § 8-1-8.5-6(a).

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<sup>11</sup> Posey Solar, LLC has filed a petition in Cause No. 45549 related to the Commission's jurisdiction over the Posey County Solar Project.

Sunrise Coal witness Medine suggested the PPA and BTA also be subject to continuing review for active management, which she testified means “insuring on an ongoing, contemporaneous basis that the contract is being implemented properly and that there are no contractual opportunities to improve upon current position.” Sunrise Coal Exh. 1 at p. 21. However, once the Posey County Solar Project is in commercial operation its ownership will be transferred to CenterPoint, leaving no opportunity for either party to improve upon its position. In addition, the terms of the PPA have already been negotiated, and PPA costs will flow through the FAC mechanism and be subject to ongoing Commission and OUCC review. Accordingly, we find the evidence does not support the need to impose reporting requirements other than those required under Ind. Code § 8-1-8.5-6(a).

#### **E. Approval Before Contracting with a Tax Equity Investor.**

OUCC witness Loveman recommended the Commission require CenterPoint to seek Commission approval prior to contracting with a tax equity investor through a TEP for the Posey County Solar Project. Pub. Exh. 2 at p. 2. Mr. Bradford testified that CenterPoint is not opposed to this proposal, but the possibility of using a tax equity investor is remote because: (1) CenterPoint Energy, Inc. will have adequate taxable income to fully utilize the credit; and (2) contracting with a TEP would undercut Petitioner’s ability to offer the levelized rate which is predicated on CenterPoint Energy Inc.’s ability to realize the ITC. Pet. Exh. 2-R at p. 5. Although unlikely, based on this evidence, the Commission finds CenterPoint should seek Commission approval, via a subdocket in this Cause, if Petitioner contracts with a tax equity investor through a TEP.

#### **F. Renewable Integration Impact Assessment (“RIIA”).**

CenterPoint, in Volume 1, Section 5 of its 2019/2020 IRP, discusses capacity accreditation of intermittent generation resources, both from the standpoint of Effective Load Carrying Capacity in MISO’s RIIA study and the potential for seasonal accreditation under MISO’s Resource Availability and Need initiative. Public’s Exh. 1 at p. 7. Dr. Boerger stated that aside from capacity accreditation costs, CenterPoint did not incorporate other MISO RIIA costs in its 2019/2020 IRP analysis, but he concluded, “the risks related to its proposed intermittent resources level in this proceeding are manageable.” *Id.* at p. 9.

The Commission will continue to monitor the impact of proposed generation resources on the overall reliability and resource adequacy of Indiana’s bulk electric system. We find, however, that the RIIA does not identify particular costs associated with addressing risks resulting from renewable penetration, except to indicate that MISO expects to incur significant costs in integrating that level of renewable generation into the bulk electric system. MISO is in the process of executing its Reliability Imperative, which includes the Long-Range Transmission Plan. It remains to be seen how costs will be allocated to improve the transmission system to mitigate risks associated with increasing levels of renewable generation. Accordingly, we find Petitioner’s 2019/2020 IRP includes the most up to date information available. CenterPoint, in its next IRP, is directed to integrate the most up-to-date results of MISO’s capacity resource accreditation and RIIA studies into renewable resource cost modeling scenarios.

### **G. Impact of the Posey County Solar Project on the Transmission System.**

Ms. Medine suggested an additional 300 MW from the Posey County Solar Project connected to the A.B. Brown – Gibson 345 kV 9 transmission line could impact continued operation of the A.B. Brown plants or change the economics of placing replacement CTs at that site. She stated it is unclear whether CenterPoint has analyzed that potential impact, but the evidence, as discussed below, reflects that CenterPoint has done just that.

Petitioner's witness Rice testified that, as part of the 2019/2020 IRP, CenterPoint performed transmission planning analyses to study a wide range of potential portfolio options, including the preferred portfolio, which included the Posey Project. Petitioner's Exh. 4 at pp. 4-16, Attachment MAR-1. Mr. Rice stated the preferred portfolio required \$11 million in transmission upgrades, none of which are caused by the Posey County Solar Project. Petitioner's Exh. 4-R at p. 16. Moreover, as CenterPoint witness Bradford testified, MISO requires a Generator Interconnection Request for every new generator connecting to the MISO transmission system and participating in its wholesale market. Each Generator Interconnection Request identifies any and all transmission upgrades required as a result of the generator's projected peak output and nameplate capacity. Upgrades are required to the extent they are necessary to ensure the MISO system functions as it did prior to the resource connecting. Based on this evidence, this process further ensures the Posey County Solar Project will not impact the A.B. Brown interconnection or its current or planned plants.

### **H. Conclusion.**

We find the evidence in this proceeding supports approving the BTA, the PPA, and the proposed methods of cost recovery, excluding Petitioner's proposed debt equivalency factor. The BTA and PPA terms and costs were shown to be reasonable, and they will provide needed energy, diversify CenterPoint's supply portfolio, provide environmental benefits, and mitigate fuel cost volatility. The Commission, therefore, finds the costs associated with the PPA should be recovered through a tracking mechanism to be administered through CenterPoint's quarterly FAC filings, and the cost of the BTA should be recovered through the levelized rate incorporated into the CECA mechanism. We further find a CPCN should be issued for the purchase and acquisition through the BTA of the Posey County Solar Project consistent with our discussion above.

Ultimately, we are persuaded that the Posey County Solar Project and the Warrick County Solar Project are consistent with CenterPoint's 2019/2020 IRP, which was developed to meet the current reliability and resource adequacy constructs of MISO and the Commission. We find the Posey and Warrick Projects were shown to be cost-effective resources that will satisfy, in part, CenterPoint's obligation to reliably serve its customers after the retirement of F.B. Culley 2 and exit from the JOA for Warrick Unit #4.

### **5. Confidential Information.**

On February 23, 2021, CenterPoint filed its first motion for protective order, supported by an affidavit showing documents to be submitted to the Commission contained trade secrets as defined by Ind. Code § 24-2-3-2 and within the scope of Ind. Code § 5-14-3-4(a)(4). On March 8,

2021, a docket entry was issued finding the information described in the motion to be confidential on a preliminary basis. On May 24, 2021, CenterPoint filed a second motion for protective order, supported by an affidavit showing additional information to be submitted to the Commission also included trade secrets under Ind. Code § 24-2-3-2 and within the scope of Ind. Code § 5-14-3-4(a)(4). On June 4, 2021, a docket entry was issued finding the information described in the second request for confidentiality to also be confidential on a preliminary basis. After reviewing the information, we find it is confidential pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, should be exempt from public access and disclosure by Indiana law, and shall continue to be held as confidential and protected from public access and disclosure by the Commission.

**IT IS THEREFORE ORDERED BY THE INDIANA REGULATORY COMMISSION that:**

1. CenterPoint is granted a Certificate of Public Convenience and Necessity for Petitioner's proposed acquisition of the Posey County Solar Project through the Build Transfer Agreement. This Order shall constitute such Certificate.
2. CenterPoint's estimated cost for the Posey County Solar Project is approved.
3. CenterPoint's proposed Posey County Solar Project is approved as a reasonable and necessary clean energy project under Ind. Code § 8-1-8.8-11.
4. Petitioner's proposed levelized rate and associated ratemaking and accounting treatment for the Posey County Solar Project, pursuant to Ind. Code § 8-1-8.8-11, is approved.
5. Petitioner is authorized to engage in the Warrick County Solar Project Power Purchase Agreement with Clenera, or its assigns and successors.
6. Petitioner's Warrick County Solar Project PPA with Clenera, or its assigns or successors, is approved as a reasonable and necessary clean energy project under Ind. Code § 8-1-8.8-11.
7. Petitioner is authorized to recover the Warrick County Solar Project PPA costs over their full term as proposed, pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11, to be administered within CenterPoint's FAC proceedings (or a successor mechanism). This recovery shall not be subject to Ind. Code § 8-1-2-42(d) tests or FAC benchmarks.
8. Petitioner shall include the Reporting Information in its CECA proceedings, as set out in Finding 4.D. above.
9. CenterPoint's request to use the proposed ratemaking treatment to address imputed debt related to the Warrick County Solar Project PPA is denied, as set out in Finding 4.C.2.b. above.
10. Petitioner's request for confidential trade secret treatment is granted, and all such Confidential Information shall continue to be excepted from public disclosure.

11. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED: OCT 27 2021**

**I hereby certify that the above is a true  
and correct copy of the Order as approved.**

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**Dana Kosco**  
**Secretary of the Commission**