

# ORIGINAL

## STATE OF INDIANA

### INDIANA UTILITY REGULATORY COMMISSION

Commissioner	Yes	No	Not Participating
Huston	✓		
Bennett	✓		
Freeman	✓		
Veleta	✓		
Ziegner	✓		

**VERIFIED PETITION OF NORTHERN INDIANA )  
PUBLIC SERVICE COMPANY LLC FOR )  
APPROVAL PURSUANT TO IND. CODE §§ 8-1-2- ) CAUSE NO. 45887  
42(a), 8-1-8.8-11 OF A (1) SOLAR ENERGY POWER )  
PURCHASE AGREEMENT, AND (2) WIND ) APPROVED: SEP 13 2023  
ENERGY POWER PURCHASE AGREEMENT, )  
INCLUDING TIMELY COST RECOVERY. )**

### ORDER OF THE COMMISSION

#### **Presiding Officers:**

**Sarah E. Freeman, Commissioner**

**Jennifer L. Schuster, Senior Administrative Law Judge**

On May 16, 2023, Northern Indiana Public Service Company LLC (“NIPSCO” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause for approval and associated cost recovery of a (1) Solar Energy Purchase Agreement between NIPSCO and Appleseed Solar, LLC (“Appleseed”) dated January 24, 2023 (“Appleseed PPA”) and (2) Wind Energy Purchase Agreement between NIPSCO and Templeton Wind Energy Center, LLC (“Templeton”) dated February 13, 2023 (“Templeton PPA”).

Also on May 16, 2023, NIPSCO filed its prepared testimony and exhibits constituting its case-in-chief, including the direct testimony of Rosalva Robles, NIPSCO’s Manager of Planning – Regulatory Support; Robert Lee, Vice President of CRA International d/b/a Charles River Associates, Inc. (“CRA”); and Patrick N. Augustine, Vice President in CRA’s Energy Practice.

On June 30, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony of Derek J. Leader in this Cause. On July 7, 2023, NIPSCO filed a Notice of Intent Not to File Rebuttal.

The Commission set this matter for an evidentiary hearing to be held at 9:30 a.m. on July 28, 2023 in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. NIPSCO and the OUCC, by counsel, participated in the evidentiary hearing, and the testimony and exhibits of NIPSCO were admitted into the record without objection.

Based upon the applicable law and the evidence of record, the Commission finds:

**1. Notice and Jurisdiction.** Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility as that term is defined in Ind. Code § 8-1-2-1 and an “eligible business” as that term is defined in Ind. Code § 8-1-8.8-6. The Commission may establish financial incentives to encourage clean energy projects pursuant to Ind. Code ch. 8-1-8.8 and approve certain fuel costs pursuant to Ind. Code § 8-1-2-

42(a). Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

**2. NIPSCO's Characteristics.** NIPSCO is a limited liability company organized and existing under Indiana law with its principal office and place of business at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO owns, operates, manages, and controls electric generating, transmission, and distribution plant and equipment and related facilities, which are used and useful in the production, transmission, distribution, and furnishing of electric energy, heat, light, and power to the public. NIPSCO is authorized by the Commission to provide electric utility service to the public in all or part of Benton, Carroll, DeKalb, Elkhart, Fulton, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Newton, Noble, Porter, Pulaski, Saint Joseph, Starke, Steuben, Warren, and White counties in Indiana.

Pursuant to the Commission's Order dated September 24, 2003 in Cause No. 42349, NIPSCO has transferred functional control of its transmission facilities to the Midcontinent Independent System Operator, Inc. ("MISO"), a regional transmission organization operated under the authority of the Federal Energy Regulatory Commission ("FERC"), which administers the use of NIPSCO's transmission system and the economic dispatching of NIPSCO's generating units pursuant to approved tariff provisions. NIPSCO also engages in power purchase transactions through MISO as necessary to meet the demands of its customers.

**3. The Templeton Project.** Templeton is an indirect, wholly owned subsidiary of NextEra Energy Resources, LLC ("NextEra"). The Templeton Project is being developed in Benton County, Indiana and has an installed capacity ("ICAP") of approximately 200 megawatts ("MW").

**4. The Appleseed Project.** Appleseed is an indirect, wholly owned subsidiary of NextEra. The Appleseed Project is being developed in Cass County, Indiana and has an ICAP of approximately 200 MW.

**5. Requested Relief.** NIPSCO requests that the Commission enter a Final Order: (1) finding that the Templeton and Appleseed PPAs are reasonable and necessary, (2) authorizing NIPSCO to enter into the Templeton and Appleseed PPAs and determining the Templeton and Appleseed Projects to be eligible Clean Energy Projects for purposes of Ind. Code § 8-1-8.8-11; (3) authorizing the full and certain recovery of the retail jurisdictional portions of the power purchase costs on an accrual basis under the Templeton and Appleseed PPAs from retail customers through NIPSCO's fuel adjustment clause ("FAC") proceedings, or successor mechanism, over the 20-year term of each agreement; (4) approving confidential treatment of the Templeton and Appleseed PPAs' pricing and other negotiated commercial terms and related confidential information; and (5) granting NIPSCO such additional and further relief as may be deemed appropriate.

**6. NIPSCO's Case-in-Chief.**

**A. Rosalva Robles.** Ms. Robles testified in support of NIPSCO's request for approval of the Templeton and Appleseed PPAs, which provide NIPSCO with 100% of the electrical output of the Templeton and Appleseed Projects and any of the environmental attributes

associated with the projects for a term of 20 years beginning at commercial operation. She described NIPSCO's generation transition plan, including the process NIPSCO followed that led to the execution of the Templeton and Appleseed PPAs, and discussed how NIPSCO will integrate the Templeton and Appleseed PPAs into NIPSCO's and MISO's operations. She discussed the terms of the Templeton and Appleseed PPAs, including NIPSCO's rights to the production, capacity, and environmental attributes and the related benefits in the form of Renewable Energy Credits ("RECs"), and NIPSCO's proposal for recovering the Templeton and Appleseed PPAs' associated costs. She testified that the Templeton PPA is for products generated from a wind energy project and the Appleseed PPA is for products generated from a solar energy project, both of which qualify as clean energy resources under Ind. Code § 8-1-37-4, renewable energy resources under Ind. Code § 8-1-8.8-10, and clean energy projects under Ind. Code § 8-1-8.8-2(2).

Ms. Robles testified that NIPSCO's October 31, 2018 Integrated Resource Plan (the "2018 IRP") resulted in a preferred portfolio for NIPSCO's generation that called for the retirement of 75% of NIPSCO's coal-fired generation by 2023 and 100% of the coal-fired generation by 2028, the continued operation of NIPSCO's gas-fired Sugar Creek Generating Station ("Sugar Creek"), and replacement of certain retired generation units largely with wind, solar, and energy storage. She stated that the Short-Term Action Plan contemplated an all-source request for proposals ("RFPs") ("All-Source RFP"), as well as additional RFPs (the "Phase II RFPs") (together, the "2018 IRP RFPs"). She explained that NIPSCO performed a portfolio analysis in 2020 (the "2020 portfolio analysis") as part of its ongoing and periodic review of its generation portfolio. Ms. Robles sponsored Attachment 1-D showing the projects approved to implement NIPSCO's 2018 Short-Term Action Plan.

Ms. Robles testified that NIPSCO's November 15, 2021 Integrated Resource Plan (the "2021 IRP") included a retirement analysis to assess different retirement dates for different elements of its existing fleet. The 2021 IRP continued to affirm the retirement of coal-fired capacity as the most cost-effective pathway for customers. She provided an update on the planned coal retirements at NIPSCO's R.M. Schahfer Generation Station ("Schahfer"), noting that both Units 14 and 15 were retired in October 2021 and that NIPSCO extended the operation of Units 17 and 18 through 2025 based on delays to solar projects that had originally been expected to be online in 2022 and 2023. She stated that NIPSCO issued a pair of RFPs in August 2022, seeking potential projects or contractual arrangements to address any identified capacity needs.

Ms. Robles stated that NIPSCO retained CRA to assist in the design, administration and bid evaluation of two separate requests for proposals: (1) an RFP for renewable facilities and energy storage options (the "2022 All-Source RFP") and (2) an RFP targeted to procure a resource(s) intended to provide peaking, black start capabilities, and other reliability attributes (the "Schahfer Development RFP") (together, the "2022 RFPs"). She said the 2022 RFPs included the latest information associated with MISO's seasonal resource adequacy construct, federal Inflation Reduction Act ("IRA") tax credits, and resource costs and also provided information related to the latest costs of storage resources and the viability of alternative natural gas peaker options. She explained that NIPSCO performed a portfolio analysis in 2023 (the "2023 portfolio analysis") to incorporate market shifts and changes that have occurred since the 2021 IRP, specifically MISO market rule updates, passage of the IRA, updated market pricing from the 2022 RFPs, and portfolio needs.

Ms. Robles testified that changes to NIPSCO's resources and other market conditions were made in the 2023 portfolio analysis relative to the 2021 IRP, including (1) near-term adjustments to NIPSCO's generation resource portfolio to reflect updated projects costs, PPA prices, and online dates for new solar and solar-plus-storage resources and the retirement date for Schahfer Units 17 and 18, as well as plant capacity ratings and other operation parameters for NIPSCO's existing resources; (2) the latest information related to MISO's seasonal resource adequacy construct; (3) updated commodity price inputs; (4) resource costs based on the 2022 RFPs; and (5) clean energy and storage tax credit extensions as outlined in the IRA.

Ms. Robles stated that NIPSCO's 2021 IRP, which included an expanded analysis of reliability, affirmed that early retirement of coal is still cost-effective for customers, and replacement resources containing a diverse, flexible, and scalable mix of incremental resources support continued reliability. She explained that the 2023 analysis incorporated market shifts and changes that have occurred since the 2021 IRP, which point to the increased need for capacity advantaged resources in the portfolio. She stated that solar still has high value in the summer season, but with higher capital costs and, as demonstrated in the 2022 RFPs, wind has improved economics given the IRA and MISO market rules. Ms. Robles said NIPSCO is effectuating the generation transition by reviewing at-risk projects that may no longer be viable, pursuing solar and wind PPAs, seeking cost and structure updates that take advantage of IRA incentives, and building a gas peaker at Schahfer. Ms. Robles testified NIPSCO is confident that, through its own resource planning efforts and its participation in the MISO market, it will be able to serve all its customers reliably and affordably during and upon completion of its generation transition.

Ms. Robles stated that Appleseed and Templeton are both Delaware limited liability companies with their principal places of business in Juno Beach, Florida. Appleseed and Templeton are both indirect, wholly owned subsidiaries of NextEra, which is the renewable energy subsidiary of NextEra Energy, Inc. She explained that NextEra, with approximately 28,940 MW of total net generating capacity as of December 31, 2021, is one of the largest wholesale generators of electric power in the U.S., across 38 states and four Canadian provinces. This includes over 19,520 MW of wind (total generating capacity), over 3,466 MW of operational solar, and over 755 MW of battery storage. She noted that, since 2017, NextEra's subsidiaries have invested over \$734.8 million in the state, including an annual payroll of \$1.8 million and \$2.2 million in annual landowner lease payments. She testified that NextEra is also the parent company and developer for seven of NIPSCO's approved renewable projects.

Ms. Robles testified that Appleseed expects to construct, own, and operate a 200 MW solar energy project in Cass County, Indiana that will interconnect to the 345 kV Walton substation owned by Duke Energy Indiana. The Solar Project will be within the footprint of MISO. The Appleseed Solar PPA allows for important capacity accreditation and energy production during the summer months, while still providing important energy production in the fall, winter, and spring MISO seasons. Appleseed has a fully executed Generation Interconnection Agreement ("GIA") (J992). Further, the Appleseed Solar Project is fully permitted through a special use permit granted by the Cass County Board of Zoning Appeals and all local permitting has been completed. The fully executed GIA and favorable permitting status are two factors that reduce the development risk of the Appleseed Project in terms of other solar projects evaluated in the 2022 RFP.

Ms. Robles testified that Templeton expects to construct, own, and operate a 200 MW wind energy project in Benton County, Indiana that will interconnect to the 345 kV Westwood substation owned by Duke Energy Indiana. The Templeton Wind Project will be within the footprint of MISO. Templeton is in the Definitive Planning Phase I of the MISO GIA process (J1966). MISO is performing system impact studies and Facility Studies to determine whether transmission upgrades will be necessary. The GIA is expected to be executed by December 2023.

Ms. Robles explained that NIPSCO will take delivery of the energy provided by the PPAs at specified metering points. NIPSCO will be the Market Participant and will make the energy available in the MISO energy market. NIPSCO will pay the seller the contract price per MW-hour (“MWh”) and count this energy as used in the NIPSCO system. NIPSCO will “settle” the sale price for the energy sold into MISO against the price paid for the energy. NIPSCO offers its generation and bids its load into the MISO energy and ancillary services markets daily, along with other sales and purchases, in the end “settling” the costs against revenues. MISO treats these types of renewable projects as dispatchable intermittent resources. As such, the PPAs will be subject to real-time Revenue Sufficiency Guarantee and Excessive Deficient charges assessed under the Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”).

Ms. Robles stated the MISO generator interconnection agreement related to the Projects will have network resource interconnection service (“NRIS”) available for their full injection once any required transmission system upgrades at their respective points of interconnection are complete. Having NRIS will allow NIPSCO to designate each generation facility as a network resource to receive Network Integration Transmission Service without further study.

Ms. Robles testified that the creditworthiness of potential counterparties was reviewed during the 2022 RFP pre-qualification process. She stated that counterparties that were investment grade based on their unsecured senior debt rating met the credit requirements, and a bidder that did not meet the debt rating requirement was required to post collateral upon executing an agreement. She testified that Appleseed and Templeton satisfy this collateral posting requirement and have the financial ability to construct and operate the projects during the terms of the PPAs. She stated that NIPSCO included performance security provisions in the PPAs, which require such performance security be provided to NIPSCO no later than 30 days after NIPSCO receives state regulatory approval in the form of either a guaranty from a qualified guarantor, a letter of credit from a qualified financial institution, or cash (collectively, the “Security Fund”). If Appleseed or Templeton is in default of any obligation under the respective PPA or NIPSCO is otherwise entitled to indemnification or damages under the respective PPA, NIPSCO has a right to access the Security Fund directly for reimbursement.

Ms. Robles testified that, as part of the 2023 portfolio analysis, clean energy and storage tax credit extensions as outlined in the IRA were incorporated for new NIPSCO resource options, which included ten-year extensions for the production tax credit (“PTC”) and investment tax credit (“ITC”), extension of the ITC to standalone storage projects, and bonus credit eligibility for projects sited in “energy communities.”<sup>1</sup> She explained that the IRA awards a 10% bonus (a 10%

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<sup>1</sup> Energy communities are census tracts containing or adjoining to tracts containing retired coal mines or coal-fired electric generating units; areas with historical employment in fossil industries and a higher unemployment rate than the national average; or properties with the potential presence of hazardous substances, pollutants, or contaminants.

adder to the ITC or a 10% increase in the PTC level in \$/MWh) if a project is located within a newly defined “energy community.” She stated that the Appleseed Project was found to be located within an energy community and thus qualifies for a 10% increase in the ITC level or a 10% increase in the PTC level in \$/MWh. The Templeton Project does not qualify for additional bonus credits based on its geographic location.

Ms. Robles testified the addition of the Appleseed Solar PPA and Templeton Wind PPA to NIPSCO’s portfolio is fully supportive of and consistent with the conclusions in NIPSCO’s 2021 IRP and 2023 portfolio analysis and will provide NIPSCO’s customers with more affordable and cleaner energy resources.

Ms. Robles testified NIPSCO is proposing to recover the costs of the PPAs throughout the full 20-year term of the agreements through a rate adjustment mechanism pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11. For administrative efficiency, NIPSCO proposes the timely cost recovery be administered through NIPSCO’s FAC proceedings (or successor mechanism). Ms. Robles stated that NIPSCO is seeking approval of power purchases pursuant to the PPAs as reasonable throughout the entire term of the agreement and is therefore also seeking confirmation that the costs thereof are recoverable through the FAC proceedings or successor mechanism without regard to Ind. Code § 8-1-2-42(d) or other FAC benchmarks.

Ms. Robles sponsored Attachment 1-F showing the estimated bill impact for a residential customer that uses 700 kWh per month resulting from the Appleseed Solar PPA is \$1.49 and resulting from the Templeton Solar PPA is \$2.02. She explained these bill impacts do not include offsets such as REC sales or any other savings/credits such as off-system sales, which are expected to lower customer bills or provide other savings associated with NIPSCO’s generation transition strategy, and do not account for the cost of energy that would be otherwise incurred without including these PPAs as a part of the generation portfolio.

Ms. Robles testified that NIPSCO is willing to provide performance information and data for the PPAs to the OUCC through the standard OUCC audit package in NIPSCO’s quarterly FAC filings for the duration of the PPAs.

Ms. Robles sponsored Attachment 1-E providing the information required under General Administrative Order 2022-01 as it pertains to NIPSCO’s request for approval under Ind. Code ch. 8-1-8.8 in this Cause.

**B. Patrick N. Augustine.** Mr. Augustine provided an overview of the resource planning process that CRA has deployed with NIPSCO over the last several years and recent IRP conclusions. He described that NIPSCO’s preferred portfolio from the 2018 IRP called for the retirement of all four coal units at Schahfer by 2023 and the retirement of the Michigan City Generating Station coal plant (“Michigan City”) by 2028. He stated the preferred portfolio also included capacity replacements made up of energy efficiency and demand side management (“DSM”) programs, wind, solar, and solar-plus-storage capacity. He stated the short-term action plan associated with NIPSCO’s preferred portfolio emphasized the need for flexibility, acknowledging that changes in market conditions may occur and that the preferred plan intentionally leaves room to evaluate market and technology changes on a dynamic basis in order to be flexible and responsive to change.

Mr. Augustine stated that, from a cost perspective, across NIPSCO's scenario and stochastic-based retirement analysis, it was determined that the more coal-fired generation that was retained in the portfolio and the longer that it was retained, the more expensive the portfolio was for NIPSCO's customers, which was true across all of NIPSCO's scenarios and the full stochastic distribution of uncertainties that was evaluated. It was also determined that the portfolios that included more renewable resources were more cost-effective and less risky than the alternatives. He testified that, given evolving market conditions and new information received in the Phase II RFPs that NIPSCO conducted after the 2018 IRP, NIPSCO performed the 2020 portfolio analysis as part of its ongoing and periodic review of its generation portfolio. The 2020 portfolio analysis demonstrated that, when accounting for the latest expectations of NIPSCO's load requirements, commodity market prices, and expected market rules changes, the Phase II RFPs provided sufficient renewable capacity at a competitive cost to confirm the direction of the 2018 IRP's preferred portfolio. Furthermore, the 2020 portfolio analysis highlighted the opportunity to acquire more solar paired with storage capacity to help mitigate risk associated with solar generation output, market energy prices, and capacity accreditation and to maintain flexibility in the portfolio.

Mr. Augustine explained how the portfolio conclusions developed in the 2021 IRP compared with the 2018 IRP's preferred portfolio and 2020 portfolio analysis. He stated that, as in the 2018 IRP, NIPSCO's 2021 IRP performed a retirement analysis to assess different retirement dates for different elements of the existing fleet. He said that although the difference in costs between various retirement options was narrower in the 2021 IRP relative to the 2018 IRP due to different portfolio concepts under study, updated commodity price inputs, and updated new resource costs from the 2021 RFP, the IRP continued to affirm that earlier retirement of coal capacity resulted in lower costs for customers and that the 2021 IRP concluded that new additions should be predominantly renewable resources, supplemented by a diverse mix of other technologies, including an uprate to NIPSCO's existing Sugar Creek combined cycle, new thermal peaking capacity, new energy storage capacity, new distributed energy resources ("DER"), and additional DSM programs. He explained that these conclusions were informed by review of all metrics on NIPSCO's integrated scorecard, including cost to customer, scenario and stochastic-based cost risk, carbon emissions, resource optionality, impacts on the local economy, and a comprehensive quantitative reliability assessment, which included analysis of ancillary services, blackstart requirements, dispatchability, and other technical reliability parameters. He stated that given evolving MISO market rules related to intermittent resource accreditation, seasonal reserve margin planning, and other reliability planning considerations, relative to the 2018 IRP, the 2021 IRP concluded that additional dispatchable resources like thermal peaking capacity and storage were necessary additions to the portfolio.

Mr. Augustine described the key elements of the 2021 IRP's short-term action plan. He stated the 2021 IRP's action plan called for the retirement of the remaining coal units in NIPSCO's fleet as well as the aging gas peaker units at the Schahfer site by 2028 and the integration of the wind, solar, and solar-plus-storage capacity under development from the 2018 IRP, and also called for further diligence of thermal peaking, storage, renewables, and Sugar Creek uprate opportunities to facilitate future specific resource decisions within the IRP's preferred portfolio framework. He stated the short-term action plan explicitly called for performing additional RFPs as needed and for continuous monitoring of ongoing changes in MISO market rules, federal and state policy, and new resource technology. He stated that, as in the 2018 IRP, the 2021 IRP explicitly noted the

importance of flexibility in the implementation plan, outlining a range of retirement dates for the Michigan City coal plant and the Schahfer 16A/B gas peaker units and a MW range for new resource additions depending on technology, policy, and market rules changes, noting that by design, the preferred portfolio was constructed to preserve flexibility in resource procurement, particularly over the long term.

Mr. Augustine testified that, since the submission of the 2021 IRP, NIPSCO has continued to advance in the acquisition of approved renewable projects, with over 800 MW of wind now in service and several solar projects and one additional wind project near completion; has developed a plan to complete the capacity uprate at Sugar Creek in 2023; has executed capacity contracts both from the 2021 RFP and to meet short-term capacity requirements; and has conducted additional RFPs to evaluate new resource options.

Mr. Augustine explained that four major developments have occurred since the 2021 IRP submission: (1) MISO's seasonal resource adequacy construct was formally approved by FERC at the end of August 2022; (2) the IRA was passed by Congress and signed into law by President Biden in August 2022; (3) supply chain constraints, tariff uncertainty, and inflationary cost pressures have delayed some of NIPSCO's solar projects and put the completion of others at risk; and (4) NIPSCO has conducted additional RFPs with CRA to assess the latest market data for new resource costs.

He explained that, on August 31, 2022, in Docket No. ER22-495, FERC approved MISO's request to transition to a seasonal resource adequacy construct, which requires load-serving entities to have sufficient capacity to meet peak load requirements across four distinct seasons, meaning that instead of planning only for a single summer peak, NIPSCO must now ensure sufficient capacity is available during all seasons of the year. He stated the seasonal construct has different reserve margin targets for each of the four seasons and the capacity accreditation of NIPSCO's resources will vary by season. Thus, the new rules require dynamic planning across all seasons to reflect resource tradeoffs and ensure system reliability.

Mr. Augustine testified that NIPSCO's 2021 IRP anticipated FERC approval of MISO's change to a seasonal construct. He explained that, in the 2021 IRP, winter and summer peak load projections were developed as part of NIPSCO's demand forecast; seasonal capacity ratings for new utility-scale generation resource options, DER, and DSM measures were estimated; and the portfolio development process relied on least-cost optimization analysis for both the winter and summer seasons. He said several new details regarding seasonal reserve margin targets and seasonal accredited capacity levels have since been published after the FERC approval, but NIPSCO's 2021 IRP preferred portfolio was developed to meet resource adequacy requirements generally consistent with the market redesign that FERC approved.

Mr. Augustine explained the impact of the IRA on NIPSCO's resource plan. He testified that, most notably, the IRA extends the PTC and ITC for renewable and clean energy resources for an additional decade. The IRA also expands tax credits to new resources like standalone storage and green hydrogen production and introduces opportunities for bonus tax credits above and beyond historical base tax credit levels. These changes in federal policy impact the net costs to customers for tax-credit-eligible resources that may be added to NIPSCO's portfolio.



Mr. Augustine testified that NIPSCO's 2021 IRP contemplated the potential for this kind of federal policy change. He stated NIPSCO's 2021 IRP was conducted as federal policymakers were proposing and debating changes to clean energy and storage tax credits so, as a result, the IRP developed a broad range of scenarios with different long-term tax credit assumptions. He stated that NIPSCO's Reference Case assumed a short-term extension of the PTC and ITC, while one alternative scenario (Economy-Wide Decarbonization) incorporated a ten-year extension of the PTC and ITC, including expansion of the ITC to storage resources.

Mr. Augustine explained how NIPSCO's expected solar capacity additions have evolved relative to what was assumed in the 2021 IRP. He stated that, overall, the online dates for several Commission-approved solar projects have been delayed from their original expected in-service dates in 2022 and 2023, while other projects are currently at risk of advancing to completion. He stated the delay in solar online dates results in less available new renewable capacity in the near-term than was originally contemplated in the preferred portfolios from the 2018 and 2021 IRPs.

Mr. Augustine testified that in addition to these observations regarding existing solar projects, NIPSCO acquired additional market information regarding trends in technology costs since the 2021 IRP. He stated that CRA worked with NIPSCO to conduct multiple RFPs during 2022 to identify the costs and availability of resource options to fulfill the 2021 IRP's short-term action plan and to respond to changing market conditions. He indicated the RFP provided actionable resource cost data that incorporates the latest policy, technology, and macroeconomic information. He stated that overall, the results of the RFP confirmed that solar costs have escalated and that wind resource costs are more competitive given the tax credit provisions in the IRA, as well as that the RFP also provided information related to the latest costs of storage resources and the viability of alternative natural gas peaker options.

Mr. Augustine testified CRA worked with NIPSCO to perform additional portfolio analysis (the "2023 portfolio analysis") to support near-term resource decisions using the latest market information. He explained that, similar to the 2020 portfolio analysis that reviewed NIPSCO's short-term action plan between the 2018 and 2021 IRPs, NIPSCO's 2023 portfolio analysis evaluated portfolio options with the benefit of the latest technology cost information from the 2022 RFPs and using updated market and policy assumptions. He described the following changes:

- Near-term adjustments to NIPSCO's generation resource portfolio were made to update project costs, PPA prices, and online dates for new solar and solar-plus-storage resources and the retirement date for Schahfer Units 17 and 18 (now extended to 2025). In addition, for modeling purposes, the retirement date for Michigan City 12 was set at 2028. The latest NIPSCO plant capacity ratings and other operational parameters for NIPSCO's existing resources were also incorporated.
- The latest information associated with MISO's seasonal resource adequacy construct as of the time of the analysis, including seasonal capacity accreditation for intermittent resources and seasonal planning reserve margin targets, was incorporated.

- Commodity price inputs were updated to reflect the latest outlooks for natural gas and coal prices, the regional capacity mix across MISO, and the resulting power prices.
- New resource costs were updated based on responses to NIPSCO's 2022 RFPs. As NIPSCO has done in past IRPs and portfolio analyses, RFP bids were aggregated into tranches according to resource type and ownership structure for use in the portfolio modeling.
- Clean energy and storage tax credit extensions as outlined in the IRA were incorporated for new NIPSCO resource options. This included ten-year extensions for the PTC and ITC, extension of the ITC to standalone storage projects, and bonus credit eligibility for projects sited in "energy communities."

Mr. Augustine explained that NIPSCO and CRA ultimately developed the following three distinct portfolio options for evaluation based on the updated market and portfolio conditions, leveraging the portfolio themes that were analyzed in the 2021 IRP:

- Portfolio 1: An update to 2021 IRP Portfolio E, which included primarily storage and renewable resource additions with no new thermal capacity additions aside from short-term capacity contracts, adjusted for the latest MISO seasonal resource adequacy construct and the results from the 2022 RFPs;
- Portfolio 2: An update to 2021 IRP Portfolio F, which included a mix of storage, renewable, and thermal peaking capacity, adjusted for the latest MISO seasonal resource adequacy construct and the results from the 2022 RFPs; and
- Portfolio 3: A modification to Portfolio 2 incorporating the potential loss of four out of ten (or 700 MW of solar and 30 MW of storage) of NIPSCO's current solar and solar-plus-storage projects, with replacement capacity based on the results from the 2022 RFPs.

He noted that the resource additions were similar to those incorporated in the 2021 IRP's portfolio analysis, although adjustments were made as a result of the latest information associated with MISO's seasonal resource adequacy construct, IRA tax credits, and resource costs from the 2022 RFPs. In addition, the 2022 RFP results revealed higher costs for solar projects, likely due to the factors described above; additional wind options at competitive costs, likely a result of the IRA's extension of the production tax credit; and updated cost and project size information for storage and thermal peaking options.

Mr. Augustine stated that, as a result of these updates, new wind resources were found to be more economic than new solar resources and larger amounts of dispatchable thermal or storage capacity were identified to meet NIPSCO's winter reserve margin needs relative to the levels evaluated in NIPSCO's 2021 IRP. Thus, the updated portfolio concepts included more wind capacity, less solar capacity, and more thermal peaking or storage capacity relative to the 2021 IRP portfolio concepts. In addition, since Portfolio 3 assumed that NIPSCO loses four of its

currently planned near-term solar projects, additional incremental capacity relative to Portfolios 1 and 2 was incorporated.

He stated that CRA and NIPSCO performed a detailed portfolio dispatch analysis and developed revenue requirement projections over a 30-year planning horizon in the same fashion as in the 2021 IRP. Overall, the analysis arrived at two major conclusions:

- Similar to the results from the 2021 IRP, a portfolio with predominantly new storage additions and no new thermal peaking capacity (Portfolio 1) was found to be more costly than one that incorporates a gas peaker and only the most attractive storage projects (Portfolio 2). While these conclusions will be influenced by future uncertainties regarding ancillary services value, energy community bonus qualification, and other factors, the latest RFP information indicates that relying solely on storage additions for new dispatchable capacity needs is higher cost, even after incorporating IRA tax credits. Furthermore, as summarized in the 2021 IRP, thermal peaking capacity provides additional reliability benefits.
- NIPSCO has an opportunity to slightly pivot its portfolio towards more wind and a larger peaker relative to the 2021 IRP's preferred portfolio if some of the current solar projects are canceled. This pivot can provide cost savings to customers, as higher-cost solar projects that do not provide significant winter capacity accreditation are replaced by more cost-effective wind energy and thermal peaking and storage capacity.

Mr. Augustine explained that NIPSCO's preferred portfolio now contemplates the cancellation of up to 700 MW of solar (plus 30 MW of paired storage) out of approximately 2,400 MW of total solar and storage capacity, meets winter and summer reserve margins, and remains balanced from an energy perspective by pivoting towards more wind, some incremental solar, new storage, and an upsized thermal peaker plant. Through 2028, the preferred portfolio includes incremental capacity additions totaling 200 MW of solar, up to 400 MW of wind, between 400 and 442 MW of thermal peaking capacity, and between 125 and 150 MW of new storage capacity. Relative to the 2021 IRP's preferred portfolio, larger capacity additions for wind and thermal peaking capacity are incorporated, while storage and new solar additions are comparable. In addition, the same DSM, DER, Sugar Creek uprate, and short-term capacity contracts are included.

Mr. Augustine stated that he compared the total cost of the new solar and wind resource inputs used in the 2023 portfolio analysis with the specific costs associated with the PPAs using a levelized cost of energy ("LCOE") calculation for the 2023 portfolio analysis solar and wind resource options, which were informed by the 2022 RFP data and the PPAs. The LCOE develops a levelized, all-in cost of a given resource option over a pre-defined analysis period on a per-MWh basis, allowing for a direct comparison of the costs of the modeling inputs with specific project costs over an extended time frame by distilling all key parameters related to costs and operational performance into a single dollar-per-MWh number.

Mr. Augustine testified that, for a PPA resource, the following input parameters are included: the PPA price in dollars per MWh over the term of the contract; the expected generation output for the resource over time; and the expected market cost to replace the generation output after the expiration of the PPA contract term if it falls within the 30-year planning horizon. The expected difference between the nodal price at the project and NIPSCO's load node is an input used to quantify the expected congestion risk over time. He stated that generic nodal congestion estimates based on NIPSCO's current solar and wind project expectations from the 2021 IRP were used in the 2023 portfolio analysis, while project-specific congestion analysis was performed for the PPAs.

Mr. Augustine testified the solar resource incorporated in the preferred portfolio from the 2023 portfolio analysis was a 20-year PPA with a price of \$60.84/MWh and a capacity factor of approximately 25%. He said that the 30-year LCOE of the solar PPA used in the 2023 portfolio analysis was calculated to be \$65/MWh, based on the 20-year PPA price plus congestion costs plus an additional ten years of market-based energy and capacity costs over the full planning horizon. He testified that the 30-year LCOE of the Appleseed PPA was calculated based on a 20-year PPA price plus estimated congestion costs plus ten years of equivalent market-based energy and capacity costs after the expiration of the contract.

Mr. Augustine testified the wind resource incorporated in the preferred portfolio from the 2023 portfolio analysis was a 20-year PPA with a price of \$50/MWh and a capacity factor of approximately 35.6%. He said that the 30-year LCOE of the wind PPA used in the 2023 portfolio analysis was calculated to be \$59.51/MWh, based on the 20-year PPA price plus congestion costs plus an additional ten years of market-based energy and capacity costs over the full planning horizon. He testified that the 30-year LCOE of the Templeton PPA was calculated based on a 20-year PPA price plus estimated congestion costs plus ten years of equivalent market-based energy and capacity costs after the expiration of the contract.

Mr. Augustine testified how NIPSCO's requested relief supports the conclusions of the 2021 IRP and its Short-Term Action Plan and the subsequent 2023 portfolio analysis. He stated that the operational and cost characteristics of the Appleseed PPA are fully consistent with the assumptions for new solar resources used in the 2023 portfolio analysis, which developed a preferred portfolio with 200 MW of new nameplate capacity solar additions in the near-term. He stated that although the 2023 portfolio analysis demonstrated that NIPSCO can achieve cost savings for customers relative to the 2021 IRP's preferred plan by pivoting away from certain high-cost solar projects that are currently at risk, it also confirmed that some incremental solar at competitive cost remains attractive, a conclusion that was also reached during the development of the preferred portfolio in NIPSCO's 2021 IRP.

In addition, Mr. Augustine stated the operational and cost characteristics of the Templeton PPA are fully consistent with the assumptions for new wind resources used in the 2023 portfolio analysis, which developed a preferred portfolio with 400 MW of new nameplate capacity wind additions in the near-term. He stated the 2023 portfolio analysis demonstrated that NIPSCO can achieve cost savings for customers relative to the 2021 IRP's preferred plan by pivoting towards new, cost-effective wind projects that are supported by the IRA's PTC extension and that provide stronger winter capacity accreditation under MISO's new seasonal resource adequacy construct.

Mr. Augustine testified that, overall, the additions of the Appleseed PPA and the Templeton PPA to NIPSCO's portfolio are fully supported by and consistent with the conclusions of the 2023 portfolio analysis and the flexibility embedded in the short-term action plan from NIPSCO's 2021 IRP.

**C. Robert Lee.** Mr. Lee explained the analysis NIPSCO used to evaluate its various options for wind and solar projects and why the PPAs are an economic choice for helping meet NIPSCO's retail electric load. He testified that, through the Opinion Letter and its attachments, CRA provided a review of the 2022 RFPs and included a rank ordering of projects submitted into the 2022 All-Source RFP and recommended certain assets as potential projects to advance to a definitive agreement phase and that the assets recommended for advancement were selected based on the preferred portfolio in NIPSCO's 2021 IRP and the 2022 All-Source RFP's scoring criteria developed in advance of the RFP process.

Mr. Lee sponsored Confidential Attachment 3-D, providing the detailed scoring results for each project bid into the 2022 All-Source RFP. He stated that, consistent with the evaluation criteria for the 2022 All-Source RFP, each project was evaluated based on non-economic categories (development risk, asset reliability, and deliverability, and asset specific benefit and risk factors) and economic categories (estimated LCOE or levelized cost of coating ("LCOC") for the project over a 30-year period, in addition to an estimated LCOE or LCOC over the bid duration).

Mr. Lee also discussed NIPSCO's resource planning and the 2022 All-Source RFP process and results. He stated that, prior to launching the 2022 RFPs, NIPSCO had identified a potential resource need of 300 – 600 MW of MISO capacity in addition to the 370 – 450 MW dispatchable resource anticipated for the Schahfer site. He provided an overview of the 2022 RFP design and execution. He stated that prior to issuing the two 2022 RFPs, CRA worked with the NIPSCO team to define the process objectives and requirements. He said NIPSCO advised CRA that in order to ensure adequate, reliable capacity supplies to meet customer needs, they intended to acquire dispatchable, semi-dispatchable, or renewable resources that, at a minimum, would meet established industry-wide reliability and performance criteria for electric generation facilities and that had physical deliverability into MISO LRZ6. He stated CRA worked with NIPSCO to prepare the RFP documentation, ensure the product requested was clearly defined, and ensure the evaluation criteria were clearly specified in the RFP documentation for both the 2022 RFPs.

Mr. Lee testified that in August 2022, NIPSCO issued two RFPs: the All-Source RFP and the Schahfer Development RFP. He stated that through the 2022 All-Source RFP, NIPSCO sought to identify the discrete capacity resources best positioned to satisfy the anticipated capacity shortfall consistent with both the 2021 IRP analysis and the 2022 RFP's bid selection criteria. NIPSCO considered a wide range of asset types, including physical generating assets and PPAs. He said that, through the process, NIPSCO received bids supported by renewable facilities, fossil resources and energy storage options. Bids for both standalone assets and integrated facilities supported by energy storage were submitted. Bidders offered assets under PPA arrangements and offered assets for sale. In addition, he stated that, while the 2021 IRP identified an anticipated capacity shortfall starting in 2024, NIPSCO considered bids with transfer dates or PPA start dates in advance of the identified need in 2024. He stated CRA served as an independent third party managing the RFP process ("RFP Manager"). Through the Schahfer Development RFP, NIPSCO

sought to identify a potential development partner to work with NIPSCO to utilize MISO's generator replacement interconnection process at the Schahfer site.

According to Mr. Lee, the 2022 RFPs were issued on August 12, 2022; CRA conducted a bidder conference on August 17, 2022; Prospective bidders were required to provide a Notice of Intent, Bilateral Confidentiality Agreement, and Pre-Qualification Application on August 24, 2022; final proposals ("All-Source Proposals") for the 2022 All-Source RFP were due on September 16, 2022, and final proposals for the Schahfer Development RFP were due on September 30, 2022.

He explained that CRA managed the outreach to potential bidders interested in the processes and worked with NIPSCO to identify existing assets and projects in-development located within LRZ6. Both NIPSCO and CRA participated in a public information session to inform interested parties about the opportunity. In addition, CRA ran trade press advertising in Power Daily on August 9, 2022, and again on August 11, 2022.

Throughout the RFP processes, CRA maintained a public website containing all key documents related to the RFPs. Through the website, interested parties could submit questions and comments related to the process, the documents, or any RFP requirements and, when appropriate, those questions and answers were posted to the website to ensure all bidders had equal access to information. He stated all interested parties were allowed to submit proposals in the RFPs and that ultimately, CRA approved all pre-qualification applications submitted and notified the applicants of their pre-qualification status.

In the 2022 All-Source RFP, 22 bidders submitted proposals supported by 53 projects across five states and regions. Many of the 2022 All-Source RFP proposals included both fixed and variable pricing options and flexibility on PPA start dates or contract terms. Mr. Lee characterized the 2022 All-Source RFP as highly competitive. He noted that several proposals included multiple options for facility configuration and resource sizes. In total, approximately nine gigawatts of ICAP were offered into the 2022 All-Source RFP, providing a wide range of capacity choices across technologies and deal structures. CRA evaluated the economics and other scoring considerations related to each 2022 All-Source RFP proposal independently of NIPSCO or any NIPSCO affiliates.

Mr. Lee testified that, after the 2022 All-Source RFP proposals were received, CRA, as the RFP Manager: (1) reviewed all proposals and screened the responses to ensure they conformed with all requirements; (2) as necessary, conducted follow-up conference calls and/or targeted email outreach to certain bidders' representatives to clarify asset-specific issues with the information provided; (3) evaluated all conforming proposals according to the pre-specified criteria as outlined in Appendix F of each RFP; (4) managed bidder communication and outreach; and (5) confirmed the winning proposals and the ranked list of assets to consider for advancement to the definitive agreement phase. He stated CRA reviewed all proposals that met pre-determined qualifying criteria set forth in the RFP documentation and evaluated each based on certain pre-specified evaluation criteria. For physical generating assets and storage assets offered under either a PPA or an asset sales structure, the evaluation considered (1) the LCOE or LCOC per MWh, (2) asset reliability and deliverability, (3) development risk, and (4) asset-specific benefits and risks.

Mr. Lee stated that NIPSCO was not directly involved in the evaluation of proposals, nor was it aware of bidder identities as part of the process. NIPSCO was provided general information about the level of interest in the RFPs, the MW of capacity offered by asset type, and deal structure. CRA also provided NIPSCO indications of the general level and range of prices received for various asset categories in order to facilitate communication with stakeholders and others interested in the NIPSCO process. During the evaluation, NIPSCO was only made generally aware of CRA's progress and was only involved with bidder-specific issues if those issues required policy or technical guidance from NIPSCO subject matter experts.

Mr. Lee testified that the 2022 All-Source RFP process resulted in a rank-ordered list of qualifying projects based on their relative scoring on the RFP evaluation criteria. The rank-ordered list was categorized by technology type (e.g., wind, solar, etc.) and submitted to NIPSCO. He stated that projects were selected for further due diligence based on the resource planning requirements and analysis. He opined that the 2022 All-Source RFP was performed in a transparent, fair, and nondiscriminatory manner and the processes used to solicit and evaluate proposals were executed consistent with the processes as defined and envisioned by NIPSCO and CRA. He stated that no bidder was given an undue advantage or preference in the RFP, nor was any advantage or preference alleged by any participant in the RFP.

Mr. Lee testified that 30 solar and solar-plus-storage capacity resources were bid into the 2022 All-Source RFP and 29 were considered for advancement, including the Appleseed Solar Project. He said two wind resources were bid into the 2022 All-Source RFP and both were considered for advancement, including the Templeton Wind Project. He stated each project was ranked consistent with the evaluation criteria that captured the project economics and project-specific risks and benefits associated with each option.

Mr. Lee explained how NIPSCO evaluated the pricing with and without RECs and that CRA evaluated RECs qualitatively. He said that certain proposals included the provision that RECs would accrue to the project developer rather than NIPSCO and that these proposals lost points in the evaluation versus projects where RECs were transferred to NIPSCO.

Mr. Lee also explained why CRA valued the RECs qualitatively rather than quantitatively. He stated the value of renewable energy was incorporated into the resource planning process through evaluation of portfolio costs, risks, and carbon dioxide emissions. Given the uncertainty associated with future regulation and the future costs of renewable resources, no explicit REC value was attributed to renewable projects. He stated NIPSCO's preferred portfolio was predominantly comprised of renewable resources. Assuming a similar facility capacity factor for like assets, assets within the same asset class would generate a similar number of RECs per MW-year and therefore similar REC values. However, in cases where RECs accrue to the developer rather than to NIPSCO, there is a different but highly uncertain value offered by one project versus another. He said CRA wanted that difference in value reflected in the bid evaluation but there was not a specific REC value. As a result, projects that did not include RECs lost points through the proposal-specific risk scoring category.

Mr. Lee described how NIPSCO evaluated the relative economics of facilities offered for sale versus facilities offered under a PPA structure of different lengths. He said that, as part of the evaluation of the economics of each bid received, CRA calculated the levelized cost per MWh of

each bid in two ways. First, the levelized cost was considered over the duration of the bid. This means that for a 15-year PPA, the 15-year LCOE was considered, while for a 20-year PPA, the 20-year LCOE was considered. Next, the LCOE was considered for all assets over 30 years. He said that, for shorter-term options, the balance of the 30 years was filled in with market purchases at market prices consistent with IRP modeling. He testified that this two-phase LCOE analysis allowed CRA to compare all assets over a consistent time horizon without missing short-term opportunities that may offer a good value to customers.

Mr. Lee explained how CRA's LCOE analysis evaluates the difference in value offered through asset ownership (a Build Transfer Agreement ("BTA")) versus a PPA. He testified that, for all assets, including those offered under a BTA, the explicit LCOE period was 30 years from the anticipated commercial operation date of the facility or the commencement of any PPA. The 30-year period facilitated the analysis of the value of owning an asset versus entering into a finite power purchase agreement. He said that, for shorter-term assets, the balance of the 30-year period would require market purchases to create a package of assets with a comparable term for analysis.

Mr. Lee explained how CRA's LCOE analysis evaluates the fixed versus escalating pricing of the proposals. He said the mechanics of the LCOE calculation were identical between fixed and escalating PPA proposals, and, in many cases, developers offered a single project under both fixed and escalating pricing structures at NIPSCO's option. In these cases, the LCOE was calculated both under fixed and variable pricing structures and the option that yielded the best LCOE per MWh was included in the scoring of the bid. He said each renewable facility's underlying dispatch into the MISO market was assumed to be the same under either a fixed or variable PPA structure. Since wind, solar, and other similar projects have zero or near-zero variable costs, it was assumed the facilities would dispatch into the market at their maximum level regardless of the PPA pricing structure.

Mr. Lee opined that the proposed Appleseed PPA is an economic option for meeting NIPSCO's retail electric load. He stated that the 2021 IRP identified that based on the current market economics and outlook, solar power represents an excellent resource option for NIPSCO and its customers over the expected useful life of a solar facility. He testified that the Appleseed Project yielded 855 points.

Mr. Lee explained that the Appleseed Project received 300 out of 300 points for reliability. He said NextEra confirmed the Capacity Asset currently meets the (n-1-1) reliability standard. He said the Appleseed Project received strong scores for development risk, as the project had met five of six major milestones and NextEra received 75 out of 100 possible points for development experience in MISO. No significant asset-specific issues were identified for the Appleseed Project, and it received an additional ten points for asset-specific benefits related to NextEra's supplier diversity program including the use of diverse suppliers. Finally, he stated the Appleseed Solar Project received an LCOE score that was among the highest, and a total overall score that was the highest, of all solar and solar-plus-storage capacity projects.

Mr. Lee testified the proposed Templeton PPA is an economic option for meeting NIPSCO's retail electric load. He stated that the 2021 IRP identified that based on the current market economics and outlook, wind power represents an excellent resource option for NIPSCO



and its customers over the expected useful life of a solar facility. He testified that the Templeton Project yielded 810 points.

Mr. Lee explained that the Templeton Project received 300 out of 300 points for reliability. He said NextEra confirmed the Capacity Asset currently meets the (n-1-1) reliability standard. He said the Templeton Project lost 125 points for development risk, as the project had only met one out of six development milestones at the time of the RFP, although NextEra received 75 out of 100 possible points for their development experience in MISO. No significant asset-specific issues were identified for the Project, and the Project did receive an additional ten points for asset-specific benefits related to NextEra's supplier diversity program including the use of diverse suppliers. He stated the project received an LCOE score that was higher than the other wind projects.

**7. OUCC's Case-in-Chief.** Mr. Leader described NIPSCO's request for approval of the Appleseed and Templeton PPAs and associated recovery. He explained that both PPA contracts specify that RECs (one for each MWh of renewable energy generation) would go to NIPSCO and offset the PPA price and that any proceeds from the sale of the RECs will be passed back to NIPSCO's customers in its FAC proceedings. He testified that, given uncertainty in the market, NIPSCO did not attribute an explicit REC value to the projects it considered, but that if NIPSCO does sell the RECs, it may be unable to call the energy or capacity from the PPAs renewable.

Mr. Leader said that NIPSCO indicated it will retire all coal-fired generation by 2028 and plans to retire or upgrade many natural gas plants, including replacement of existing vintage gas peaking units at Schahfer. NIPSCO plans to achieve a goal of a 90-percent reduction in carbon emissions from a 2005 baseline by 2030. He said that, between the thermal generation still operating at Schahfer and that of Michigan City, by 2028 NIPSCO will need to replace 1,191 MW of coal generation and 155 MW of natural gas. He said that thermal resources have a higher capacity factor than intermittent resources like solar and wind, meaning that for resource adequacy planning a higher percentage of thermal resources' ICAP can be relied upon to meet peak load throughout the year. He stated that the retirement of NIPSCO's remaining coal units presents the opportunity to add renewable generation with low variable costs, as well as the risk associated with meeting resource adequacy standards set by MISO with a generation fleet composed largely of lower-capacity-factor intermittent resources.

Mr. Leader explained that NIPSCO worked with CRA to perform the 2023 portfolio analysis. He said that for this update, market conditions were updated to include revised project costs, commodity prices, and new resource costs based on NIPSCO's 2022 RFP. He stated that near the end of August 2022, MISO was approved to move to a seasonal capacity construct, which assigns intermittent resources a percentage of their nameplate capacity for each season that counts towards meeting planning reserve margins. These seasonal capacity accreditation ratings and seasonal planning reserve margin targets were also included in the 2023 portfolio analysis.

Mr. Leader opined that, in light of the Indiana General Assembly's policies, affordability should be a constant consideration for all Indiana jurisdictional utilities. He stated that, in March 2023, the typical NIPSCO residential customer using 700 kWh per month paid (excluding taxes) \$111.26 for their electric bill. The estimated bill impact for a residential customer using 700 kWh per month resulting from the Appleseed PPA is \$1.49 and resulting from the Templeton PPA is \$2.02, resulting in a total 3.15% increase for a residential customer using 700 kWh per month. He

opined that, for these PPAs, this represents an affordable and reasonable increase for consumers considering the needed energy and capacity.

Mr. Leader recommended that the Commission approve the PPAs. He testified the costs of the PPAs are slightly less than estimated in NIPSCO's assumptions for the preferred portfolio in the 2023 portfolio analysis and that procuring both a wind and a solar resource helps to ensure meeting MISO's resource adequacy requirements throughout the year.

## **8. Commission Discussion and Findings.**

**A. Clean Energy Project and Financial Incentives.** 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" and that "[t]he commission shall encourage clean energy projects by creating [] financial incentives for clean energy projects, if the projects are found to be just and reasonable[.]" An "eligible business" is an energy utility that "undertakes a project to develop alternative energy sources, including renewable energy resource projects[.]" Ind. Code § 8-1-8.8-6(3). We have already found that NIPSCO 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). "Energy from wind" and "solar energy" are specifically identified as clean energy resources in Ind. Code § 8-1-37-4(a)(1) and (2), respectively, thus making each a "renewable energy resource" under Ind. Code § 8-1-8.8-10. The Appleseed and Templeton PPAs are therefore renewable energy resources under Ind. Code § 8-1-8.8-10(a)(1). While NIPSCO is not constructing and will not own the physical facilities that comprise the Appleseed and Templeton PPAs, it is proposing to enter into PPAs for the purchase of the energy from the facilities and is therefore contributing to the development of these projects. Therefore, we find that NIPSCO is an eligible business for purposes of reviewing its request for the creation of financial incentives under Ind. Code § 8-1-8.8-11. These statutes provide the basis for NIPSCO's request for Commission approval to enter into the Appleseed and Templeton PPAs and for assurance of purchased power cost recovery through the full terms of the Appleseed and Templeton PPAs. Ind. Code § 8-1-2-42(a) also authorizes recovery of purchased electricity.

According to Ind. Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects, if found to be just and reasonable. While 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 considered some of the factors outlined in Ind. Code chs. 8-1-8.5 and 8-1-8.7 in similar cases. Therefore, we find it appropriate to include the application of principles reflected in the following Ind. Code ch. 8-1-8.5 factors in our consideration: (1) the cost of the Projects; (2) the consistency of the Projects with NIPSCO's IRP; (3) the need for the Projects; and (4) competitive solicitation of the Projects.

**i. Cost.** The evidence in this Cause supports a finding that the energy to be obtained from the Appleseed and Templeton Projects through the Appleseed and Templeton PPAs is reasonably priced compared to other alternatives and provides material benefits. The uncontested evidence of record also demonstrates that the pricing of the Appleseed

and Templeton PPAs is similar to the renewable resource tranches evaluated in NIPSCO's 2021 IRP and is thus consistent with the Short-Term Action Plan.

**ii. Consistency with NIPSCO's IRP.** There is no evidence in the record that calls into question our prior support of NIPSCO's 2021 IRP. IRPs are created at a point in time and use modeled scenarios to show how resources perform over a variety of alternative future conditions. NIPSCO performed the 2021 IRP analysis and has appropriately responded to changes in the electric industry and the broader market and now seeks approval of generation additions based on the same foundation we have repeatedly found was sufficient. NIPSCO's 2021 IRP was specifically designed to be flexible in the face of evolving market conditions and NIPSCO's Short-Term Action Plan discussed changes that would be tracked in support of future resource decisions. NIPSCO's 2021 IRP did not rely on a single set of assumptions that could later be invalidated by evolving market conditions. Since the 2021 IRP was issued, the timeline for implementation of the Short-Term Action Plan identified in the 2021 IRP has been three years (2022–2024), and NIPSCO's proposed projects in this Cause are consistent with this timeline. Therefore, we find that NIPSCO's 2021 IRP process, which occurred in concert with the 2022 All-Source RFP, was robust and well developed, ultimately resulting in the Short-Term Action Plan on which the proposed Appleseed and Templeton PPAs are based.

Although it was not required to do so, NIPSCO also voluntarily performed the 2023 portfolio analysis to consider changes that have occurred since its 2021 IRP and thereby determine whether its preferred portfolio and the Short-Term Action Plan are still reasonable. The record demonstrates that the 2023 portfolio analysis accounted for NIPSCO's ongoing resource planning and other market conditions and developments that have occurred since the 2021 IRP was completed, including, among other things, updated pricing from NIPSCO's 2022 All-Source RFP, changes to the MISO resource adequacy construct, commodity pricing updates, and changes to federal law. The evidence of record demonstrates that the Appleseed and Templeton PPAs are consistent with and supported by the 2023 portfolio analysis as well. The inclusion of this additional evidence further supports NIPSCO's request in this Cause.

Thus, based on the evidence of record and for the reasons explained above, we find that NIPSCO's 2021 IRP, as supplemented and supported by the 2023 portfolio analysis, is a valid basis for approval of the Appleseed and Templeton PPAs, and the Appleseed and Templeton PPAs are consistent with the 2021 IRP.

**iii. Need.** We find that the evidence in this Cause shows that the energy to be obtained from the Appleseed and Templeton PPAs is needed by NIPSCO. NIPSCO's request in this proceeding involves approximately 200 MW (ICAP) of solar resources and 200 MW (ICAP) of wind resources, which represents another step in NIPSCO's implementation of the Short-Term Action Plan and completes its expected need to replace the retiring capacity at Schahfer. The Appleseed and Templeton PPAs will fit well into and diversify NIPSCO's overall generation portfolio, and they will ensure the generation portfolio has adequate energy and capacity. The record also shows that NIPSCO reasonably modeled the Appleseed and Templeton PPAs. Mr. Lee and Mr. Augustine demonstrated that the LCOE analysis showed acquiring the solar energy from the Appleseed PPA and wind energy from the Templeton PPA was superior to other options available to NIPSCO.

iv. **Competitive Solicitation.** The evidence of record establishes that the Appleseed and Templeton PPAs are the result of a thorough, highly competitive RFP process, which reflects current market conditions. The 2022 All-Source RFP also evaluated various technological options and different transactional structures and NIPSCO relied upon a qualified third party to evaluate the RFP responses and recommend projects for commercial negotiations. The record demonstrates that the terms of the Appleseed and Templeton PPAs, including pricing terms, were reached after arm's-length negotiations. Furthermore, NIPSCO's 2022 All-Source RFP process incorporated extensive transmission and deliverability analysis to evaluate the reliability of energy generated by potential projects. This analysis included the potential for future congestion at the point of interconnection and any reliability constraints on the broader MISO system, which was performed with an updated MISO model and demonstrated average congestion costs on a MWh basis.

v. **Conclusion.** Based on the evidence of record and applicable law, we find that the energy and capacity provided through the Appleseed and Templeton PPAs are reasonable and necessary additions to NIPSCO's portfolio of generating resources to meet the need for electricity within NIPSCO's service area, while also mitigating risk through the diversification and use of an economic mix of resources that provides flexibility. The record shows that the addition of the Appleseed and Templeton PPAs to NIPSCO's resource mix will provide needed energy and capacity. Furthermore, we find that the Appleseed and Templeton PPAs are cost-effective resources that satisfy, in part, NIPSCO's obligation to reliably serve its customers with energy and capacity that precedes the anticipated need arising from the retirement of Schahfer's coal-fired units by 2025. For these reasons, we find that the Appleseed and Templeton PPAs should be approved.

B. **Cost Recovery.** NIPSCO proposed that timely cost recovery be administered through NIPSCO's FAC proceedings (or successor mechanism). Ind. Code § 8-1-8.8-11 provides that renewable energy projects, such as the Appleseed and Templeton PPAs, are eligible for incentives, including timely recovery of costs. We find that the costs to be incurred pursuant to the Appleseed and Templeton PPAs throughout the term of the PPAs are reasonable. Based on the evidence of record, the Commission finds that the recovery of all the purchased power costs over the full term of the Appleseed and Templeton PPAs should be approved. We further find that NIPSCO should recover the Appleseed and Templeton PPA costs through its FAC proceeding (or successor mechanism). Based on the evidence of record and consistent with prior Commission decisions in other PPA proceedings, we find that NIPSCO's recovery of its Appleseed and Templeton PPA costs should not be subject to the requirements of Ind. Code § 8-1-2-42(d) or any other tests or benchmarks. In conclusion, we find these assurances of timely and lifetime cost recovery are reasonable incentives to encourage the development of the Appleseed and Templeton PPAs.

C. **Reporting Requirements.** NIPSCO proposed to provide performance information and data for the PPAs to the OUCC through the standard OUCC audit package in NIPSCO's quarterly FAC filings for the duration of the PPAs. We find that NIPSCO shall include the performance information and data for the PPAs in its FAC filings in Cause No. 38706 FAC XX (or successor mechanism) for the duration of the Appleseed and Templeton PPAs, commencing at the commercial operation date.

**9. Confidential Information.** On May 16, 2023, NIPSCO filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information, which was supported by the Affidavit of Andrew S. Campbell, showing documents to be submitted to the Commission were trade secret information within the scope of Ind. Code §§ 5-14-3-4(a)(4) and (9) and Ind. Code § 24-2-3-2. On May 30, 2023, the Presiding Officers issued a docket entry finding the information described in the request for confidentiality to be confidential on a preliminary basis.

After reviewing the designated confidential information, we find all such information qualifies as confidential trade secret information pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. NIPSCO takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to NIPSCO. Therefore, we affirm the preliminary rulings on confidentiality in this Cause and find that this information should be exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29, held confidential, and protected from public disclosure by this Commission.

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

1. NIPSCO is authorized to engage in the Wind Energy Purchase Agreement with Templeton or its assigns and/or successors.

2. NIPSCO is authorized to engage in the Solar Energy Purchase Agreement with Appleseed or its assigns and/or successors.

3. The Templeton Project is approved as a renewable energy project.

4. The Appleseed Project is approved as a renewable energy project.

5. NIPSCO is authorized to recover the costs of the Appleseed and Templeton PPAs over their full terms pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11, to be administered within NIPSCO's FAC proceedings (or successor mechanism). This recovery shall not be subject to any tests or FAC benchmarks.

6. NIPSCO shall include the Reporting Information in its FAC proceedings (or successor mechanism), as set out above.

7. The information submitted under seal in this Cause pursuant to NIPSCO's motions for confidential treatment is determined to be confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

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

**HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:**

**APPROVED: SEP 13 2023**

**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**