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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC FOR)
THE APPROVAL OF A SOLAR-POWERED)
GENERATING FACILITY AND BATTERY ENERGY)
STORAGE FACILITY TO BE LOCATED AT CAMP)
ATTERBURY (“CAMP ATTERBURY MICROGRID”))
AND A BATTERY ENERGY STORAGE FACILITY TO)
BE LOCATED IN NABB, INDIANA (“NABB BATTERY”))
AS CLEAN ENERGY PROJECTS UNDER INDIANA)
CODE 8-1-8.8; AUTHORIZATION FOR TIMELY)
RECOVERY OF THE ASSOCIATED CONSTRUCTION)
AND OPERATING EXPENSES THROUGH THE)
COMPANY’S RENEWABLE ENERGY PROJECT RIDER)
73; APPROVAL TO DEFER COSTS ASSOCIATED WITH)
THE CAMP ATTERBURY MICROGRID AND NABB)
BATTERY UNTIL SUCH COSTS ARE REFLECTED IN)
DUKE ENERGY INDIANA, LLC’S RATES AND)
CHARGES; AND APPROVAL OF A NEW)
DEPRECIATION RATE SPECIFIC TO THE PROPOSED)
CAMP ATTERBURY AND NABB BATTERY ENERGY)
STORAGE FACILITIES)

CAUSE NO. 45002

APPROVED: MAY 30 2018

ORDER OF THE COMMISSION

Presiding Officers:

David L. Ober, Commissioner

David E. Veleta, Senior Administrative Law Judge

On October 30, 2017, Duke Energy Indiana, LLC (“Petitioner” or “Duke Energy Indiana” or “Company”) filed a Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking (1) approval of the Camp Atterbury Microgrid and Nabb Battery as “clean energy projects” under Indiana Code 8-1-8.8; (2) authorization to timely recover the Camp Atterbury Microgrid and Nabb Battery’s construction and operating costs through the Company’s renewable energy project rider, Rider 73 (“Rider 73” or “Renewable Energy Project Rider”); (3) approval to defer costs associated with the Camp Atterbury Microgrid and Nabb Battery until such costs are reflected in Duke Energy Indiana’s rates and charges; and (4) approval of a new depreciation rate specific to the proposed Camp Atterbury and Nabb Battery Energy Storage Facilities.

An evidentiary hearing was held on April 16, 2018, at 2:00 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the Office of Utility Consumer Counselor (“OUCC”) appeared at the hearing. The evidence of both parties was admitted without objection.

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 was given and published by the Commission. Petitioner is a public utility as defined in Indiana Code § 8-1-2-1 *et seq.*, and requests relief pursuant to Ind. Code §§ 8-1-2-6.6, 8-1-2-6.8, 8-1-2-42(a), Ind. Code chs. 8-1-8.7 and -8.8, and 170 Ind. Admin. Code 4-6. The Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Characteristics.** Petitioner is a public utility organized and existing under the laws of the State of Indiana, and has its principal office at 1000 East Main Street, Plainfield, Indiana 46168. It is engaged in rendering electric utility service in the State of Indiana and owns, operates, manages, and controls, among other things, plant and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such electric service to the public.

3. **Relief Sought in this Proceeding.** The proposed Camp Atterbury Microgrid will be an approximately 2 MWac/3 MWdc solar-powered generating facility and an approximately 5 MW/5 MWh battery energy storage facility on land located at the Camp Atterbury Joint Maneuver Training Center ("Camp Atterbury") and leased to Duke Energy Indiana by the State of Indiana. The Camp Atterbury Microgrid will interconnect to Duke Energy Indiana's 12.47 kV distribution substation located at Camp Atterbury. The proposed Nabb Battery will be an approximately 5 MW/5 MWh battery energy storage facility located on land owned by Duke Energy Indiana adjacent to the Company's Nabb Substation. The Nabb Battery will interconnect to Duke Energy Indiana's 34.5 kV distribution substation located in Nabb, Indiana.

In accordance with Ind. Code § 8-1-8.8-11, Duke Energy Indiana requests the Commission approve the proposed Camp Atterbury Microgrid and Nabb Battery (collectively "Projects") as reasonable and necessary and authorize timely recovery of the costs and expenses incurred during construction and operation of the proposed Projects through the Company's renewable energy project rider, Standard Contract Rider No. 73. Duke Energy Indiana intends to provide the Commission with updates on the construction of the proposed Projects through its Rider 73 filings.

Duke Energy Indiana also requests the Commission authorize the Company to defer any costs associated with the Projects incurred prior to the time that the Commission issues an Order providing for recovery of such costs. Duke Energy Indiana submits that such ratemaking and accounting treatment should be authorized for any costs associated with this Petition and should continue until such costs are timely recovered by Duke Energy Indiana through its Renewable Energy Project Rider or its basic rates and charges. Lastly, the Company requests approval of a depreciation rate specific to the proposed Projects.

4. **Summary of Evidence.** Petitioner presented case-in-chief testimony and exhibits of Mr. Jonathan A. Landy, Business Development Manager for Duke Energy Business Services LLC; Mr. Phillip Brandon Lane, General Manager of Distributed Energy Projects for Duke Energy Business Services LLC; and Ms. Christa L. Graft, Lead Rates and Regulatory Strategy Analyst for Duke Energy Business Services LLC. Petitioner also presented the rebuttal testimony of Mr. Lane.

A. **Jonathan A. Landy.** Mr. Landy presented an overview of the Company's proposal to construct (1) an approximately 2 MWac/3MWdc solar-powered generating facility and an approximately 5 MW/5 MWh battery energy storage facility on land located at Camp Atterbury and leased to Duke Energy Indiana by the State of Indiana, and (2) an approximately 5 MW/5 MWh battery energy storage facility located on land owned by Duke Energy Indiana adjacent to the Company's Nabb Substation. The Camp Atterbury Microgrid will interconnect to Duke Energy Indiana's 12.47 kV distribution substation located at Camp Atterbury. The Nabb Battery will interconnect to Duke Energy Indiana's Nabb Substation.

Mr. Landy testified that Duke Energy Indiana is requesting approval of its proposal to construct the Camp Atterbury Microgrid and the Nabb Battery and that the Commission approve its proposed accounting and rate treatment related to constructing, owning, and operating the Projects.

Continuing his testimony, Mr. Landy explained that Camp Atterbury is located near Edinburgh, Indiana, within the counties of Johnson, Bartholomew, and Brown, is operated by the Indiana National Guard, and supports active duty and reserve component training. The Camp Atterbury Microgrid consists of the solar facility that will export power to the grid and a fast-responding battery that will serve the Midcontinent Independent System Operator's ("MISO") ancillary services market by likely providing regulating reserves and enabling greater integration of intermittent renewable generation.

Mr. Landy explained that the Camp Atterbury Microgrid project was initially discussed in 2015 as part of the Department of Defense's Environmental Security Technology Certification Program for environmental and energy technologies, but that the project did not move forward at that time. In 2016, separate discussions began between Camp Atterbury and Duke Energy Indiana due to their mutual interest in energy security and clean energy technologies. He explained that the Camp Atterbury Microgrid will provide system-wide benefits to the grid, as well as enhanced energy security to the base.¹

Mr. Landy discussed that the Camp Atterbury Microgrid will enable the bulk power system to operate more efficiently with increased flexibility. Storage can provide voltage and frequency support, smooth renewable generation, and improve grid reliability.

Mr. Landy testified that in return for the twenty-five (25) year lease with the State of Indiana for the land necessary to construct the Camp Atterbury Microgrid near the Camp Atterbury distribution substation, Camp Atterbury will be able to access the microgrid during a catastrophic, regional grid event. During such an event, in which the energy produced by the solar array and battery services cannot be transmitted to the commercial grid, the Camp Atterbury Microgrid will provide backup power to critical customer loads at the base. Camp Atterbury will continue to pay for service through its standard tariff rate whether the assets are grid-tied or in island-mode.

Mr. Landy explained that Duke Energy Indiana will receive renewable energy credits ("RECs") applicable to the renewable energy generation, but not energy storage. Petitioner will own the RECs associated with the solar generation portion of the Camp Atterbury Microgrid, and

¹ Enhanced energy security to the base is an important objective of the Indiana National Guard.

will seek to sell the RECs until such time as they are needed for a regulatory requirement. Any net proceeds associated with the sale of the RECs will be credited to customers through Rider 73.

Next, Mr. Landy explained that the Nabb Battery will be located approximately 25 miles north of Louisville and that the Nabb Substation serves approximately 350 Duke Energy Indiana customers via a single 12.47 kV distribution line. He explained that in 2016, Duke Energy Indiana commissioned a conceptual design study and identified and quantified the potential benefits of energy storage on the Duke Energy Indiana system. After narrowing to three potential storage locations, the Nabb Substation was selected as the most likely to support distribution system power quality and reliability on a radial feeder, while also able to participate in key bulk power functions that benefit grid operations and the MISO market. Petitioner believes that the Nabb Battery will defer the need for a redundant 34.5 kV feeder, which had been planned to enhance reliability in the community of Nabb. In addition, the community of Nabb will be able to utilize the energy storage facility to provide backup power during an outage event.

Continuing his testimony, Mr. Landy described the potential benefits of the proposed energy storage facilities, such as:

- Asset deferral;
- Ancillary services;
- Integration of renewables;
- Power quality improvement;
- Resiliency and reliability to critical loads;
- Deployment of batteries as a cost-effective solution for meeting critical needs for the grid and customers; and
- Enhanced reliability and frequency regulation.

Gaining operational knowledge of owning and operating battery energy storage facilities is essential to the successful, cost-effective deployment and integration of distributed energy storage in the future.

Mr. Landy explained that the Camp Atterbury solar facility will be treated as behind-the-meter generation for MISO purposes and that Duke Energy Indiana will be compensated for it, along with both the energy storage portion at the Camp Atterbury Microgrid and the Nabb Battery, which will support MISO with ancillary services. Revenues realized for providing such services to MISO will benefit Duke Energy Indiana customers.

Mr. Landy testified that the Projects will provide critical insight with regard to energy storage and will allow Petitioner to quantify the values and cost of energy storage and to gain operational knowledge related to these types of systems.

Mr. Landy explained that by investing in a diverse generation portfolio, Duke Energy Indiana can respond to customer demand and provide customers with cost-effective resources that help to insulate against risks in the marketplace. In addition, customers are interested in a diverse portfolio of options to serve their energy needs.

Continuing, Mr. Landy testified that Petitioner provides a service to its customers, and to the extent customers are interested in more generation from renewable sources, Duke Energy Indiana wants to be responsive to that interest. He explained that customers are interested in keeping their rates low, and that these projects represent a modest investment in renewable and distributed energy in a way that attempts to balance the interests of the State of Indiana and Duke Energy Indiana customers. Additionally, customers will benefit from the federal investment tax credit (“ITC”), which currently allows utilities to claim a 30% credit for investing in certain renewable technologies, such as solar and energy storage.

Mr. Landy explained that the Camp Atterbury Microgrid and Nabb Battery are clean energy projects under Ind. Code § 8-1-8.8-2, renewable energy resources under Ind. Code § 8-1-8.8-10, and promote a “robust and diverse portfolio of energy production or generating capacity, including...the use of renewable energy resources...if Indiana is to continue to be successful in attracting new businesses and jobs” under Ind. Code § 8-1-8.8-1. He testified that Duke Energy Indiana is not seeking a certificate of public convenience and necessity (“CPCN”) under Ind. Code § 8-1-8.5-7 due to the exemption from CPCN requirements for public utilities building clean energy projects under Ind. Code § 8-1-8.8-2 that use specified clean energy resources, such as solar, with a nameplate capacity of 50,000 kW or less.

Mr. Landy opined that Duke Energy Indiana believes that investing in solar energy and energy storage resources is reasonable and appropriate and will benefit both the State of Indiana and Duke Energy Indiana customers. The Camp Atterbury Microgrid and Nabb Battery serve to diversify the Company’s generation portfolio, provide additional solar generation and new energy storage resources in Indiana, encourage economic development, and meet customers’ increasing desire to have renewable and distributed energy options available to serve their needs.

B. Phillip Brandon Lane. Mr. Lane provided testimony regarding the cost estimates and construction schedules for the Projects. He explained that the Camp Atterbury Microgrid scope includes developing, designing, procuring, constructing and operating a 2 MWac/3 MWdc solar facility and a 5 MW/5 MWh battery. Following a competitive procurement process, Duke Energy Indiana intends to contract with a reputable engineering, procurement, and construction (“EPC”) firm and procure the major solar and battery equipment directly from suppliers. Duke Energy Indiana’s distribution team will install protection and control equipment and will oversee project execution and provide project management, construction oversight, environmental health and safety, and document controls. Duke Energy Indiana will issue a request for final proposals from suppliers with the goal of placing both projects in-service in the first half of 2019.

Mr. Lane explained that the cost estimate for the Camp Atterbury Microgrid is \$14.5 million and for the Nabb Battery is \$9.1 million, each of which includes contingency of approximately \$1.2 million, but does not include allowance for funds used during construction (“AFUDC”). He stated that the various components of the cost estimate for both projects are the equipment, engineering and construction, distribution interconnection, and site control and communications infrastructure.

Continuing, Mr. Lane described the process Duke Energy Indiana will use to select its contractors. He explained that since 2015, Duke Energy has solicited multiple microgrid and battery proposals through Requests for Information (“RFI”) and Requests for Proposal (“RFP”) in order to identify and evaluate the commercial and technical capabilities of providers within the microgrid and battery industries. As the microgrid and battery markets have evolved, the Company has continued to gather cost and performance estimates through vendor meetings, attending industry events, and leveraging market research. As project development efforts continue to progress, a formal RFP will be issued for the Projects to providers best suited to successfully execute these projects. Mr. Lane testified that Petitioner will comply with the provisions of Ind. Code 8-1-8.5 that require the Company to use a contractor in the engineering, procurement or construction that is subject to Indiana unemployment taxes and is selected by the public utility through bids solicited in a competitive procurement process.

Next, Mr. Lane explained the process of how the Company determined the amount of contingency to include in the project estimates. He explained that within Duke Energy, projects follow a standard methodology for establishing contingency and that relative to estimate uncertainty, contingency values are applied to cost categories by Duke Energy cost estimators, considering historical variability of items such as wage rates and contract pricing. The other component of contingency is identifying and quantifying project risks. Risk items are identified by project team members and quantified based on the project location, contracting strategy, technology and other items resulting in a project risk register, which is used to tabulate and calculate the appropriate required contingency. This process was followed for both Projects.

Mr. Lane opined that the cost estimates for both projects are reasonable. Continuing his testimony, Mr. Lane explained that Petitioner anticipates that the Projects will each have a useful life of approximately 25 years through battery augmentation throughout project life². Following construction, Mr. Lane testified that Duke Energy Indiana will own, operate and maintain the Projects for the benefit of its customers.

Mr. Lane explained the types of operation and maintenance activities³ once the Projects are in-service and that these costs were provided to Ms. Graft for use in her rate impact calculations.

Mr. Lane referenced the construction schedules and that Petitioner proposes to provide progress reports on construction to the Commission through its annual Rider 73 proceeding.

C. Christa L. Graft. Ms. Graft testified regarding the recovery of costs associated with the Projects through Rider 73. She explained that the Petitioner is also requesting authority to accrue a regulatory asset for post-in-service carrying costs at rates equal to Duke Energy Indiana’s AFUDC rates on the retail jurisdictional portion of the capital project expenditures for the Projects once they are placed in service until the costs are included in retail

² Duke Energy Indiana’s lease with the State of Indiana is an approximately 25-year term, which will allow for a period of construction, 25 years of operation, and future dismantlement activities.

³ Maintenance activities required will include remote performance monitoring, resolution of outage or system performance concerns, replacement of panels as needed due to breakage or performance loss, routine maintenance of the inverters and power transformers, repair of electrical connections, routine vegetative management, and energy storage system controller updates.

rates. She explained that the Company's current Rider 73 provides for construction work in progress ("CWIP") ratemaking treatment as well as the recovery of depreciation expense and operating expenses⁴ associated with investments in utility-owned renewable energy projects approved by the Commission as clean energy projects, such as the proposed Camp Atterbury Microgrid and Nabb Battery projects. Ms. Graft explained that Rider 73 is updated annually using estimated costs and that the estimated costs are subsequently reconciled to actual costs⁵.

Ms. Graft explained that upon approval of the Projects as clean energy projects eligible for financial incentives, Petitioner is proposing to commence CWIP ratemaking treatment for the Projects via Rider 73 and that the Company will continue this ratemaking treatment until the Projects are deemed used and useful. She testified that the utility-owned renewable energy projects currently in Rider 73 will remain in Rider 73 until those investments are moved into rate base in a retail base rate case proceeding.

Next, Ms. Graft discussed the Company's proposal to accrue post-in-service carrying costs on the retail jurisdictional portion of the Projects' capital expenditures at the Company's AFUDC rates once the projects are placed in service, including accrual on previously computed post-in-service carrying cost amounts, until such expenditures and post-in-service carrying costs are recovered in retail rates. She stated that this proposed accounting treatment is in accordance with Generally Accepted Accounting Principles.

Ms. Graft opined that the requested accounting treatment, including the accounting treatment for post-in-service carrying costs, is appropriate. She explained that deferral of the retail jurisdictional portion of the post-in-service carrying costs on the capital costs of the proposed Projects as a regulatory asset until they can be included in the Company's retail rates will minimize the timing differences between cost recognition on the Company's books and cost recovery. Ms. Graft stated that Ind. Code 8-1-8.8 provides for the recovery of costs associated with the construction and operation of a project approved by the Commission as a clean energy project, which would include post-in-service carrying costs, as they are costs associated with operating a clean energy project.

Next, Ms. Graft discussed that the Company is requesting approval to include the retail jurisdictional portion of depreciation expense and operating expenses associated with the Projects as discussed by Mr. Lane. She also requested that the Commission approve the deferral of operating expenses on an interim basis until such costs are recovered in Rider 73, so that the Company can match revenue with the associated expenses that the revenues are intended to recover.

Ms. Graft stated that Rider 73 revenue requirement amounts are allocated to customers using the same demand allocation method adopted in the Company's last rate case.

Ms. Graft explained that Duke Energy Indiana will be receiving RECs based on the net output of the Camp Atterbury Microgrid project and as opportunities arise, it is the Company's

⁴ Including operation and maintenance, property insurance, property tax, payroll tax, and employee benefit costs.

⁵ The Company's Rider 73 was last approved by the Commission on September 13, 2017 in Cause No. 44932.

intent to monetize these RECs through open market sales.⁶ She discussed that should Duke Energy Indiana become subject to a renewable portfolio standard or other regulatory requirement, the RECs may be maintained and counted toward Duke Energy Indiana's requirement.

Ms. Graft testified that under current federal income tax law⁷, the Camp Atterbury Microgrid would be eligible for ITC, but the Nabb Battery project would not be eligible. Any ITC value that Duke Energy Indiana receives from its investment in the Camp Atterbury Microgrid will benefit customers by reducing revenue requirements over the depreciable life of the property generating the ITC. The Company is proposing to include the ITC benefit in Rider 73 beginning as soon as the Company is able to utilize the credit per federal income tax normalization rules and ending when the ITC benefit is reflected in base rates.

Next, Ms. Graft described the ratemaking for MISO revenues and expenses associated with the Projects. She stated that like energy or ancillary services for other Company-owned generation, revenues received from MISO for the energy or other ancillary services provided by the solar component of the Camp Atterbury Microgrid, net of any related MISO costs, would reduce fuel costs included in the Company's fuel clause filings. She explained that as with other Company-owned generation, any non-fuel MISO credits or charges resulting from the solar component of the Camp Atterbury facility would be included for recovery in the Company's Standard Contract Rider No. 68. She further explained that revenues received from MISO for the energy storage projects for regulation or other ancillary services, net of any related MISO costs or energy purchases, would reduce fuel costs included in the Company's fuel clause filings.

Ms. Graft stated that Petitioner proposes to use the 3.33% annual depreciation rate, approved by the Commission in Cause No. 44734 for the Crane Solar Facility, for the solar component of the Camp Atterbury project. She explained that the battery storage plant portion of the Projects has two major components: cells and monitoring equipment and other battery-related equipment. Cells and monitoring equipment have an expected useful life of 12 years, resulting in an 8.33% annual depreciation rate; the other battery-related equipment has an expected useful life of 25 years, resulting in a 4.00% annual depreciation rate. She stated there are not any battery storage assets in the most recently approved depreciation study; therefore, the Company is requesting specific approval of these two new depreciation rates based on the assets' expected useful lives and noted the proposed rates do not include anything for net negative salvage or dismantling costs. She further explained that at such time as a new depreciation study is completed, the depreciation rates will be updated to reflect any estimated net negative salvage or dismantling costs associated with the battery storage assets.

Ms. Graft testified that the average retail rate impact at its peak in 2022 is estimated to be a 0.2% increase over total retail revenues for the twelve months ended June 30, 2017.

⁶ This treatment was approved for the Crane Solar Facility and Markland Uprate Project, also included in Rider 73, in Cause Nos. 44734 and 44767, respectively.

⁷ At the time of the filing of Ms. Graft's direct testimony on December 14, 2017, Congress was considering modifications to federal income tax law, and it was unknown how or if this ITC benefit may be modified.

5. **OUCC Testimony.** The OUCC presented the testimony of Utility Analyst, Anthony Alvarez. Mr. Alvarez testified that he reviewed Petitioner's filings, and recommended Commission approval of the Projects, subject to the following conditions:

- Require Duke Energy Indiana to formalize and provide its operational and learning goals in a transparent and comprehensive plan to show how it will achieve such goals;
- Require Duke Energy Indiana to report, update, and share, on an annual basis, the results of its operational knowledge and learning goals with the Commission, the OUCC, and other interested parties to demonstrate the operational benefits to Duke Energy Indiana's customers and the State of Indiana; and
- Require Duke Energy Indiana to cap the total project cost for the Camp Atterbury Microgrid project at \$14.5 million and the Nabb Battery project at \$9.1 million.

Mr. Alvarez explained that approval of the projects will allow Duke Energy Indiana to gain operational knowledge on how to successfully own, operate and integrate battery storage technology into its system, and that the cap on total project costs will help minimize ratepayer risk and potential cost escalation.

Ms. Rohitha Ramaraj, Utility Analyst, also presented testimony on behalf of the OUCC. Ms. Ramaraj testified that she reviewed Petitioner's filings and had discussions with Company representatives. Ms. Ramaraj explained that Petitioner's requested ratemaking and accounting treatment for the Projects is consistent with Crane Solar Facility's and Markland Hydro Uprate Project's ratemaking and accounting treatment, which are recovered through Rider 73. Ms. Ramaraj testified that Petitioner's requested accounting and ratemaking treatment is in compliance with Indiana Code § 8-1-8.8-11 and recommends Commission approval of the proposed accounting and ratemaking treatment and recovery of costs through Rider 73.

6. **Rebuttal Testimony.** Mr. Lane provided rebuttal testimony to discuss the agreement reached between Duke Energy Indiana and the OUCC regarding recovery of the estimated costs for the Projects. He explained that since the competitive bidding process has not yet begun and recent market information indicates that the cost of metal enclosures for energy storage are expected to increase in 2018, the parties agreed to a cap on recovery through Rider 73 of the Company's proposed estimates plus a confidential amount above those estimates, and that any amounts over the cap may be deferred and presented for recovery in the next rate case.

Mr. Lane explained that progress of construction of the projects will be reported in Rider 73 filings and that upon completion Duke Energy Indiana will describe the operations of the Projects in detail as requested. He explained that Petitioner proposes reporting the annual energy production in kWh of the solar facility, annual net capacity factor of the solar facility, annual energy throughput in kWh of the batteries, annual number of islanding operations of both projects, and the annual duration in minutes of the islanding events of both projects.

Concluding his rebuttal testimony, Mr. Lane testified that the agreement reached by the OUCC and Duke Energy Indiana is reasonable and in the public interest.

7. **Commission Discussion and Findings.**

A. **CPCN under Ind. Code 8-1-8.5.** A CPCN is not required for the Camp Atterbury Microgrid and Nabb Battery. Indiana Code § 8-1-8.5-7 contains an exemption from the requirement to obtain a CPCN for public utilities that install a clean energy project that is approved by the Commission and uses a clean energy resource with a nameplate capacity of 50,000 kW or less, given that the utility uses a contractor in the engineering, procurement, or construction of the project that is subject to Indiana unemployment taxes and is selected by the public utility through bids solicited in a competitive procurement process. Duke Energy Indiana Witnesses Landy and Lane both noted Petitioner's intent to contract with an EPC firm for the project. Further, our findings below are premised on Petitioner's stated intent to contract with an EPC firm. Thus, we would expect that the Camp Atterbury Microgrid be actually completed through competitive procurement consistent with the above statutory requirements.

B. **Indiana Code 8-1-8.8.** Indiana 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 [certain] financial incentives for clean energy projects, if the projects are found to be reasonable and necessary." In addition, Indiana Code § 8-1-8.8-2 defines a "clean energy project" as including "projects to develop alternative energy sources, including renewable energy projects." "[S]olar energy" and "energy storage systems or technologies" are specifically listed as clean energy resources in Indiana Code § 8-1-37-4(a) (1) through Indiana Code § 8-1-37-4(a) (16), thus making both projects "renewable energy resources" under Indiana Code § 8-1-8.8-10.

Based on the evidence presented in this proceeding, we find that the proposed Camp Atterbury Microgrid and Nabb Battery meet the requirements of a clean energy project and therefore find that both of the proposed projects are eligible for financial incentives.

In accordance with Indiana Code § 8-1-8.8-11, Petitioner requests that the Commission approve the proposed Camp Atterbury Microgrid and Nabb Battery as reasonable and necessary and authorize timely recovery of the costs and expenses incurred during construction and operation of the proposed Camp Atterbury Microgrid and Nabb Battery through Rider 73. Petitioner also requests deferral of costs associated with the Projects until they are reflected in Duke Energy Indiana's retail rates. Petitioner further requests that such ratemaking and accounting treatment should be authorized for costs associated with this Petition and continue until such costs are timely recovered by Petitioner through its Rider 73, its basic rates and charges, or a combination of both.

As Petitioner and the OUCC have outlined in their testimonies, they have agreed that Petitioner should be allowed to recover the retail jurisdictional portion of the construction and operating costs associated with the proposed Projects via Rider 73, subject to an agreed upon cap on recovery of the Projects' costs through the rider. The Company and the OUCC also agreed that Duke Energy Indiana may defer any amounts over the cap until the Company's next rate case.

The Parties agreed that the 3.33% annual depreciation rate approved by the Commission in Cause No. 44734 for the Crane Solar Facility should be used for the solar component of the Camp Atterbury project. The Parties further agreed that the expected life for the cells and

monitoring equipment of the battery storage plant portion of the Projects is 12 years and for other battery-related equipment is 25 years. Since there are no battery storage assets in the Company's most recently approved depreciation study, the Parties further agreed that a depreciation rate of 8.33% for the cells and monitoring equipment and a depreciation rate of 4.00% for the other battery-related equipment is appropriate until the Commission approves a new depreciation rate supported by a depreciation study in a future proceeding.

According to Indiana Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects, if found to be reasonable and necessary. The Commission can authorize several different financial incentives for clean energy projects, including the additional relief Duke Energy Indiana has requested in this Cause – namely, the timely recovery of costs and expenses through Rider 73 incurred during construction and operation of the Camp Atterbury Microgrid and Nabb Battery projects, including depreciation on the new generation investment, and the authority to defer capital costs for future recovery, together with carrying costs (CWIP and AFUDC, including post-in-service AFUDC). We find that the financial incentives Duke Energy Indiana has requested in this Cause pursuant to Indiana Code § 8-1-8.8-11 should be and are hereby approved for recovery.

The Commission further finds that Petitioner should be authorized, as provided for in Indiana Code § 8-1-8.8-11(a) to: (1) timely recover the associated construction and operating expenses through Duke Energy Indiana's Rider 73; (2) defer costs associated with the Projects until such costs are reflected in Petitioner's retail rates and charges; (3) utilize the new depreciation rates of 8.33% based on the expected 12-year life of the cells and monitoring equipment related to the battery storage plant portion of the Projects; and 4.00% based on the expected 25-year life of the other battery-related equipment related to the battery storage plant portion of the Projects until such time as a new depreciation rate supported by a depreciation study is approved by the Commission in a future proceeding; and (4) utilize the 3.33% depreciation rate for the solar component of the Camp Atterbury Microgrid project.

We also approve the use of the cost recovery methodology currently used in Rider 73. The Camp Atterbury Microgrid and Nabb Battery are utility-owned renewable generation which will ultimately be included in rate base. At a future point in time, Petitioner will receive revenue from the sale of RECs associated with the solar component of the Camp Atterbury Microgrid which will be used to reduce the total Rider 73 revenue requirements. Similarly, at a future point in time, Petitioner will receive ITCs As a result of its investment in the solar component of the Camp Atterbury Microgrid, reducing the revenue requirements in Rider 73 over the depreciable life of the Camp Atterbury Microgrid. In addition, for the solar component of the Camp Atterbury Microgrid, any revenues received from MISO for the energy or other ancillary services would reduce fuel costs in Petitioner's fuel clause adjustment filings and any non-fuel MISO credits or charges would be included for recovery in Petitioner's Standard Contract Rider No. 68 (MISO Rider). Further, revenues received from MISO for the energy storage projects at Camp Atterbury and Nabb would also reduce the costs included in the Petitioner's quarterly fuel clause filings. We therefore approve the revenue requirement recovery methodology agreed to by the Parties, both for purposes of cost recovery and to fairly apply future revenue requirement offsets (*i.e.*, ITCs and RECs) to customers paying for the renewable generation facilities.

8. **Confidential Information**. Petitioner filed a Motion for Protection of Confidential and Proprietary Information with the Affidavit of Phillip Brandon Lane on December 14, 2017. The Presiding Officers granted the Motion in a January 12, 2018 Docket Entry, finding the information should be held confidential on a preliminary basis.

The Affidavit of Mr. Lane indicated that the confidential information has actual or potential independent economic value for Petitioner and its ratepayers, the disclosure of the confidential information could provide Petitioner's competitors and suppliers an unfair advantage, and Petitioner and its affiliate have taken all reasonable steps to protect the confidential information from disclosure. Accordingly, pursuant to Ind. Code §§ 5-14-3-4(a) and 8-1-2-29, we find that the confidential information is trade secret and excepted from public access and disclosure by the Commission.

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

1. Petitioner's proposed Camp Atterbury Microgrid and Nabb Battery projects are approved as Clean Energy Projects under Indiana Code 8-1-8.8, along with the financial incentives requested herein by the Petitioner.

2. Petitioner's proposed accounting and ratemaking treatment to timely recover the jurisdictional portion of the actual costs of constructing, owning, and operating the Camp Atterbury Microgrid and Nabb Battery projects through Petitioner's Rider 73 are approved.

3. Petitioner is authorized to defer and accrue a regulatory asset for post-in-service carrying costs from the Camp Atterbury Microgrid and Nabb Battery projects until the approved costs are recovered through Petitioner's retail rates and charges.

4. Petitioner's request to include the retail jurisdictional portion of depreciation expense and operating expenses associated with the Camp Atterbury Microgrid and Nabb Battery projects for recovery in Rider 73 are approved.

5. Petitioner is authorized to use the depreciation rate of 3.33% for the solar component of the Camp Atterbury Microgrid. For the battery storage plant portion of the projects, Petitioner is authorized to use the depreciation rate of 8.33% for the cells and monitoring equipment, based on the expected life of 12 years, and the depreciation rate of 4.00% for the other battery-related equipment based on the expected life of 25 years, until such time as a new depreciation rate supported by a depreciation study is approved by the Commission in a future proceeding.

6. The project cost (excluding AFUDC) for the Camp Atterbury Microgrid is capped at \$14.5 million, and the project cost (excluding AFUDC) for Nabb Battery is capped at \$9.1 million, plus the agreed-upon confidential amounts above the cost estimates for both projects.

7. Duke Energy Indiana shall report annually on the competitive procurement and construction of the Camp Atterbury Microgrid and Nabb Battery through its Rider 73 filings.


8. The Confidential Information shall continue to be exempt from disclosure under Ind. Code § 8-1-2-19, Ind. Code § 24-2-3-2, and Ind. Code § 5-14-3-4.

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

HUSTON, KREVDA, OBER, AND ZIEGNER CONCU; FREEMAN ABSENT:

APPROVED: **MAY 30 2018**

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



Mary M. Becerra
Secretary of the Commission