

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 45501

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
SUBMISSION OF ITS PROPOSED ORDER

Comes now, the Indiana Office of Consumer Counselor (“OUCC”), by counsel, hereby submits its Proposed Order to the Commission for its approval.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "T. Jason Haas", is written over a faint horizontal line.

T. Jason Haas

Attorney No. 34983-29

Deputy Consumer Counselor

## **CERTIFICATE OF SERVICE**

This is to certify that a copy of the *OUCC's Proposed Order* has been served upon the following parties of record in the captioned proceeding by electronic service on July 29, 2021.

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T. Jason Haas  
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## **INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS AND )  
ELECTRIC COMPANY d/b/a CENTERPOINT ENERGY )  
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APPROXIMATELY 300 MEGAWATTS ALTERNATING )  
CURRENT (“MWAC”) (THE “POSEY COUNTY SOLAR )  
PROJECT”); (2) FINDING THE POSEY COUNTY SOLAR )  
PROJECT CONSTITUTES A CLEAN ENERGY PROJECT )  
UNDER IND. CODE CH. 8-1-8.8; (3) APPROVING )  
ASSOCIATED RATEMAKING AND ACCOUNTING )  
TREATMENT FOR THE BTA PURSUANT TO IND. CODE § )  
8-1-8.8-11; (4) AUTHORIZING CENTERPOINT TO ENTER ) CAUSE NO. 45501  
INTO A POWER PURCHASE AGREEMENT (“PPA”) TO )  
PURCHASE ENERGY AND CAPACITY FROM A 100 MWAC )  
SOLAR PROJECT IN WARRICK COUNTY, INDIANA (THE )  
“WARRICK COUNTY SOLAR PROJECT”), OVER A 25- )  
YEAR TERM AND FINDING THE TERMS OF THE PPA )  
REASONABLE; (5) DETERMINING THE WARRICK )  
COUNTY SOLAR PROJECT TO BE AN ELIGIBLE CLEAN )  
ENERGY PROJECT FOR PURPOSES OF IND. CODE CH. 8- )  
1-8.8; (6) AUTHORIZING FULL RECOVERY OF THE )  
POWER PURCHASE COSTS UNDER THE PPA FROM )  
CUSTOMERS THROUGH THE FUEL ADJUSTMENT )  
CLAUSE OVER THE ENTIRE TERM OF THE PPA; (7) )  
APPROVING ASSOCIATED RATEMAKING AND )  
ACCOUNTING TREATMENT FOR THE PPA PURSUANT TO )  
IND. CODE § 8-1-8.8-11; AND (8) APPROVING )  
CONFIDENTIAL TREATMENT OF THE BTA AND PPA )  
PRICING AND OTHER NEGOTIATED COMMERCIAL )  
TERMS AND RELATED CONFIDENTIAL INFORMATION. )

ORDER OF THE COMMISSION

Presiding Officers:

David Ziegner, Commissioner

Carol Sparks Drake, Administrative Law Judge

On February 23, 2021, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“Petitioner”, “CenterPoint”, or the “Company”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause for approval and associated cost recovery of: (1) issuance of a Certificate of Public Convenience and Necessity (“CPCN”) to purchase and acquire a solar power electric generating facility in Posey County, Indiana, through a Build Transfer Agreement (“BTA”) with an aggregate nameplate capacity of approximately 300 megawatts alternating current (“MWac”) (the “Posey County Solar Project”) pursuant to Ind. Code ch. 8-1-8.5; (2) finding the Posey County Solar Project constitutes a clean energy project under Ind. Code ch. 8-1-8.8; (3) approving associated ratemaking and accounting treatment for the Posey County Solar Project pursuant to Ind. Code § 8-1-8.8-11, including recovery of the cost of the project through a Levelized Rate applied to energy generated by the facility; (4) authorizing CenterPoint to enter into a 25-year Power Purchase Agreement (“PPA”) with an affiliate of Clenera LLC to purchase energy and capacity from a solar project being constructed in Warrick County, Indiana, with an aggregate nameplate capacity of 100 MWac (the “Warrick County Solar Project”) and finding the terms of the PPA to be reasonable; (5) determining the Warrick County Solar Project to be an eligible clean energy project for purposes of Ind. Code ch. 8-1-8.8; (6) authorizing full recovery of the power purchase costs under the PPA from customers through the fuel adjustment clause (“FAC”) over the entire term of the PPA; (7) approving ratemaking treatment to account for increased cost of debt related to the Warrick County Solar Project PPA and to allow CenterPoint to earn a fair return on PPAs, as well as operations and maintenance expenses associated with entering into the PPA pursuant to Ind. Code § 8-1-8.8-11; and (8) approving confidential treatment of pricing and other negotiated commercial terms of the PPA and BTA and related confidential information.

On February 23, 2021, Petitioner also filed the direct testimony and attachments of the following witnesses in support of its Verified Petition: Steven C. Greenley, Senior Vice President of Generation Development; Justin M. Joiner, Director of Power Supply Services; Wayne D. Games, Vice President of Power Supply; Matthew A. Rice, Director of Rates and Regulatory Indiana Electric; Art Holland, Principal Consultant at Siemens PTI (formerly Pace Global Energy Services (“Siemens PTI”)); Joseph M. Manzo, Director of Financial Planning and Analysis Generation Development; Brett A. Jerasa, Assistant Treasurer; Brenda L. Musser, Director of Tax; and Rina H. Harris, Director of Energy Solutions and Business Services.

On February 23, 2021, Petitioner filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information. In its Motion, Petitioner indicated certain information (“Confidential Information”) that it intended to submit in this matter contains trade secrets under Ind. Code § 24-2-3-2. The Presiding Officers, by docket entry dated March 8, 2021, found there was sufficient basis for a determination that the Confidential Information should be held as confidential by the Commission on a preliminary basis. Petitioner submitted the confidential materials in accordance with the docket entry on March 10, 2021.

On February 24, 2021, Citizens Action Coalition of Indiana, Inc. (“CAC”) filed its Petition to Intervene, which the Presiding Officers granted by docket entry dated March 5, 2021. On April 12, 2021, Sunrise Coal LLC (“Sunrise Coal”) filed its Petition to Intervene, which the Presiding Officers granted by docket entry dated April 22, 2021.

On April 30, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony of Caleb R. Loveman, Utility Analyst, as well as Dr. Peter M. Boerger, Senior Utility Analyst.

On April 30, 2021, Sunrise Coal filed the direct testimony and attachments of Emily S. Medine, Principal at Energy Ventures Analysis.

On April 29, 2021, Petitioner filed a notice advising that Brandon H. Shaw was adopting the prefiled direct testimony of Petitioner’s witness Joseph M. Manzo. On May 27, 2021, Petitioner filed a notice advising that F. Shane Bradford was adopting the prefiled direct testimony of Petitioner’s witness Justin M. Joiner.

On May 24, 2021, Petitioner filed the rebuttal testimony and attachments of Mr. Bradford, Mr. Games, Mr. Rice, Mr. Holland, Mr. Shaw, and Mr. Jerasa. Also, on May 24, 2021, Petitioner filed its Second Motion for Protection and Nondisclosure of Confidential and Proprietary Information. The Presiding Officers, by docket entry dated June 4, 2021, found there was sufficient basis for a determination that the Confidential Information should be held as confidential by the Commission on a preliminary basis. Petitioner submitted the confidential materials in accordance with the docket entry on June 7, 2021.

The Commission set this matter for an Evidentiary Hearing to be held on June 21, 2021, at 9:30 a.m. in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. On June 15, 2021, a docket entry was issued advising that due to the ongoing COVID-19 pandemic, the hearing would be conducted via WebEx videoconferencing and providing related participation information. CenterPoint, the OUCC, CAC, and Sunrise Coal participated in the evidentiary hearing via WebEx video, and the testimony and exhibits of Petitioner and the OUCC were admitted into the record 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 in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1 and an “eligible business” as defined in Ind. Code § 8-1-8.8-6. The Commission has jurisdiction to approve Petitioner's request in the manner and to the extent provided by the Public Service Commission Act and Ind. Code §§ ch. 8-1-8.5, 8-1-8.8. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner’s Characteristics.** Petitioner is a public utility incorporated under the laws of the State of Indiana and has its principal office at 211 NW Riverside Drive, Evansville, Indiana. Petitioner has authority to engage in and is engaged in rendering electric service within Indiana. Petitioner owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities that are used and useful for the production, storage, transmission, distribution, and furnishing of electric utility service to approximately 145,000 customers in southwestern Indiana. Its service territory is spread throughout Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick, and Spencer counties.

**3. Relief Requested.** In its Verified Petition, Petitioner requested that the Commission issue an Order: (1) issuing of a CPCN to purchase and acquire the Posey County Solar Project pursuant to Ind. Code ch. 8-1-8.5; (2) finding the Posey County Solar Project constitutes a clean energy project under Ind. Code ch. 8-1-8.8; (3) approving associated ratemaking and accounting treatment for the Posey County Solar Project pursuant to Ind. Code § 8-1-8.8-11, including recovery of the cost of the project through a Levelized Rate applied to energy generated by the facility; (4) authorizing CenterPoint to enter into a 25-year PPA with Clenera to purchase energy and capacity from the Warrick County Solar Project and finding the terms of the PPA to be reasonable; (5) determining the Warrick County Solar Project to be an eligible clean energy project for purposes of Ind. Code ch. 8-1-8.8; (6) authorizing full recovery of the power purchase costs under the PPA from customers through the FAC over the entire term of the PPA; (7) approving ratemaking treatment to account for increased cost of debt related to the Warrick County Solar Project PPA and to allow CenterPoint to earn a fair return on PPAs, as well as operations and maintenance expenses associated with entering into the PPA pursuant to Ind. Code § 8-1-8.8-11; and (8) approving confidential treatment of pricing and other negotiated commercial terms of the PPA and BTA and related confidential information.

**4. The Parties' Respective Evidence.**

**A. Petitioner's Case-in-Chief.**

1. Steven C. Greenley. Mr. Greenley, Petitioner's Senior Vice President, Generation Development, provided an overview of CenterPoint's Generation Transition Plan ("the Plan") and its request to diversify its generation portfolio with the two solar projects requested in this Cause—the Posey County Solar Project and the Warrick County Solar Project. Pet. Exh. 1, p. 3. Mr. Greenley began by testifying to Petitioner's current generation mix consisting of approximately 1,329 MW of installed capacity with limited ownership of renewables, which includes, among other things, two 2 MW solar arrays and a 50 MW solar facility on its system, approved by the Commission in Cause Nos. 44909 and 45086, respectively. *Id.* at 4-5.

Mr. Greenley testified about Petitioner's Generation Transition Plan as set forth in its 2019/2020 Integrated Resource Plan ("IRP"), which was submitted on June 29, 2020. *Id.* at 2, 7. Mr. Greenley testified that Petitioner cannot continue to operate its A.B. Brown generating facility or Warrick Unit #4 beyond October 2023 without making significant investments to bring the facility in compliance with applicable environmental standards. *Id.* at 7. Mr. Greenley testified that Petitioner's 2019/2020 IRP considered the cost of these investments as compared to transitioning to new generation resources, and that the evaluation concluded that customers will likely pay lower costs over the next two decades by retiring A.B. Brown and F.B. Culley 2 and exiting the joint operations of Warrick Unit #4, while investing in a diversified generation portfolio with wind, solar, storage, natural gas, and coal generation resources. *Id.* at 7-8. Mr. Greenley indicated that approval sought in this Cause is Petitioner's first step in implementing the Plan. *Id.*

Mr. Greenley testified that the Petitioner's Plan is responsive to previous Commission guidance, offers a balanced and diverse mix of traditional and emerging generating resources, allows for flexibility to hedge against risk and opportunity to pivot and react to changing circumstances by not placing too much emphasis on a few large resources, and is reliable and resilient with complementary renewable energy resources that have fast start and fast ramping

capability to ensure dispatchable capacity sufficient to cover Petitioner's load in winter when there is less solar output. *Id.* at 8. Mr. Greenley stated that he expects the Plan will reduce the cost of providing service to customers over the next 20 years by more than \$320 million as compared to continued operation of the Petitioner's existing generation portfolio. *Id.* at 8-9.

Mr. Greenley also stated that a balanced and diversified portfolio offers risk mitigation by helping to protect customers from marketplace risks, such as increases in fuel costs or in the event the future differs from the IRP reference case scenario. *Id.* at 9. Additionally, Mr. Greenley testified that the addition of solar resources not only helps CenterPoint itself achieve its commitments to environmental stewardship and sustainability, but it also helps southwestern Indiana and, in particular, the City of Evansville move towards its sustainability and renewable energy goals, and aligns with, and supports, the City of Evansville's recently developed Climate Action Plan by reducing greenhouse gases and moving towards a cleaner energy generation portfolio. *Id.* at 9-10.

Mr. Greenley testified about both the Posey County Solar Project and the Warrick County Solar Project, including their structure, expected output, and overall benefits. *Id.* at 10-13. Regarding the Posey Project, Mr. Greenley stated that it will be structured as a BTA, and will be fully developed, engineered, procured, and constructed by Posey Solar, LLC, ("Capital Dynamics"), and will subsequently be acquired by Petitioner in a transfer of the project company, for which Petitioner is seeking a CPCN. *Id.* at 10. Mr. Greenley testified that under the BTA, Capital Dynamics will own the project until it achieves Mechanical Completion, thus bearing the risk of the project, and upon which time, Mr. Greenley stated that the Petitioner will pay the amount set forth in the BTA and acquire the project and all of its assets, properties, rights, interest, and attributes associated with the project over its useful life, which is expected to be 35 years. *Id.* 11-12. Mr. Greenley testified that the BTA transaction structure benefits the Petitioner in that it provides the advantages of direct utility ownership, which can provide multiple off-ramps and optimize flexibility and certainty for customers. *Id.* at 10. Mr. Greenley added that the BTA offers the benefit of the realization of federal investment tax credit ("ITC") and allows the Petitioner to directly realize applicable tax incentives without the added cost of a Tax Equity Partner ("TEP"), which allows these benefits to provide the most cost-effective project possible for customers. *Id.* Mr. Greenley also testified that the BTA allows CenterPoint to claim environmental benefits of renewable energy, such as carbon reductions. *Id.*

Mr. Greenley stated that the Posey Project will be a photovoltaic electric generating facility with aggregate nameplate capacity of approximately 300 MWac in Posey County, Indiana, located near Petitioner's A.B. Brown coal units and within Petitioner's service territory. *Id.* Mr. Greenley testified that once completed, the Posey Project will interconnect to Petitioner's A.B. Brown – Gibson 345 kV transmission line. *Id.* Mr. Greenley stated that the project is scheduled to be operational during the second half of 2023. *Id.*

Regarding the Warrick County Project, Mr. Greenley testified that Petitioner is seeking authorization to enter into a PPA with Clenera to purchase energy and capacity from a solar project in Warrick County, Indiana, which is located within Petitioner's assigned service territory. *Id.* at 12. Under the terms of the PPA, Mr. Greenley testified that Clenera will provide Petitioner all product and attributes associated with the 100 MWac solar plant for a period of 25-years. *Id.* Mr. Greenley testified that the Warrick Project will interconnect to the MISO transmission system at 138 kV on the Culley – Castle Transmission Line. *Id.* Mr. Greenley stated that the project is



scheduled to be operational during the second half of 2023. *Id.* Mr. Greenley testified that the benefits of the PPA for the Warrick County Solar Project include the low-cost rate over a period of 25 years, while optimizing flexibility, risk, and providing off-ramps that allows Petitioner to pivot and react to changing market conditions and technological advancements, which is responsive to Commission guidance in previous filings. *Id.*

Mr. Greenley testified that the PPA and BTA are economical options for meeting Petitioner's customer load. *Id.* at 13. He stated that the PPA and BTA were two of the best scoring proposals submitted in response to the Petitioner's 2019 all-source request for proposals ("All-Source RFP"), and both offer benefits of a long-term agreement and performance certainty, with reasonable, stable, low-cost energy. *Id.* Mr. Greenley also testified that the value of the Posey County Solar Project is further evidenced in its leveraging economies of scale and location, providing opportunity for enhanced reliability due to being sited in the portion of Indiana with the richest solar resource and within Petitioner's own transmission network. *Id.*

Mr. Greenley testified that Petitioner's proposal to purchase the Posey County Solar Project and enter into a PPA for the Warrick County Solar Project is responsive to its customers and communities in which it serves. *Id.* He stated that, aside from being responsive to the sustainability policies of existing and potential large customers, the addition of renewable resources offers other benefits within Petitioner's service territory, including supporting growth among the Petitioner's large customers, attracting new customers, creating a potential ripple effect on the local economy, and potentially spreading fixed costs over a larger customer base to the benefit of all customers. *Id.* at 14.

Mr. Greenley also explained that the relief requested in this Cause is consistent with Petitioner's 2019/2020 IRP and Plan. *Id.* He said that solar resources were selected in all portfolios, including the Preferred Portfolio, and together, the capacity attributable to each project helps fill a portion of the capacity necessary to meet Petitioner's retail electric load and adequate reserve margins – 400 MWac of the initial 700 MWac installed solar capacity need identified in Petitioner's 2019/2020 IRP. *Id.* Mr. Greenley testified that the Warrick County and Posey County Solar Projects represent a reasonable addition to Petitioner's generation resource portfolio that serves to increase reliability and efficiency; mitigates risk through diversification both in resource mix and asset type; and fosters an economic mix of capacity resources. *Id.*

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

Mr. Greenley testified that the Posey County and Warrick County Solar Projects are prudent, valuable, and reasonably priced renewable energy resources; serve to diversify Petitioner's generation portfolio; are consistent with the Preferred Portfolio in Petitioner's

2019/2020 IRP; provide additional solar generation located in Indiana; encourage economic development; and meet customers' increasing desire for the utility to provide renewable energy options to serve their needs, and for some, satisfy their renewable energy goals. *Id.* at 16. He stated that Commission approval of both solar projects and associated relief sought herein is in the public interest, will enhance or maintain the reliability and efficiency of service provided by the Company, and is otherwise consistent with Ind. Code 31 § 8-1-8.8-11. *Id.*

Mr. Greenley also testified to Petitioner's efforts to meet with interested stakeholders in this filing, including meeting with the Commission on November 20, 2020; the OUCC on February 18, 2021; and with other interested stakeholders, including the Citizens Action Coalition of Indiana, Inc. on February 22, 2021; and the Industrial Group on February 10, 2021. *Id.* at 17.

2. F. Shane Bradford. Mr. Bradford, Director of Petitioner's Power Supply Services, described Petitioner's use of an All-Source RFP, which was used as the basis for its Plan. Pet. Exh. 2, p. 4. Mr. Bradford testified that the Plan requires an initial development of approximately 700 MWac of solar generation, 300 MWac of wind generation, and approximately 500 MW of natural gas Combustion Turbine ("CT") generation. *Id.* at 4-5.

Mr. Bradford testified that timely approval of the Posey County Solar Project is important because development of a new generation resource takes a minimum of 3.5 years, and realization of the 30% ITC is also timing sensitive. *Id.* at 21-22. He stated that to minimize the need to rely on the wholesale energy market between the retirement of Petitioner's coal generation units and onboarding of the new generation, Petitioner acted immediately to select projects to come online in the 2023-2024 timeline. *Id.* at 5. Mr. Bradford said the solar projects requested in this Cause are both scheduled to come online in the second half of 2023. *Id.* Mr. Bradford testified that this timeline is consistent with the Petitioner's 2019/2020 IRP and the timing of the Petitioner's potential exit of the Joint Operating Agreement ("JOA") with Alcoa Corporation ("Alcoa") for Warrick Unit #4. *Id.*

Mr. Bradford testified that on June 12, 2019, Petitioner issued an All-Source RFP for proposals for 10 to 700 MWac of capacity. *Id.* at 5. He testified that this was done in response to Commission guidance and encouragement to use an RFP for the 2019/2020 IRP. *Id.*

Mr. Bradford testified that Petitioner engaged Burns and McDonnell as an independent third-party consultant and the direct interface for all RFP communications. *Id.* He testified that Burns and McDonnell managed the RFP process, served as a direct interface for all RFP communications, and worked with the Company to quantitatively and qualitatively evaluate all RFP Proposals. *Id.* at 6. Mr. Bradford testified that Burns and McDonnell issued the All-Source RFP on behalf of the petitioner on June 12, 2019, and was distributed by: (1) posting notice on the Petitioner's IRP website; (2) sending notice of its issuance to known IRP stakeholders; (3) advertising notice of its issuance across multiple media outlets, including Megawatt Daily (which has approximately 20,000 recipients), North American Energy Markets Association (150 members), and Midwest Energy Efficiency Alliance Minute (24 members); and (4) directly emailing notice to Petitioner's 2017 RFP participants, Petitioner's industry contacts and stakeholders as well as to an internal Burns and McDonnell RFP contact list (containing more than 450 industry contacts). *Id.*

Mr. Bradford submitted attachments with his prefiled testimony, which provide a detailed description of the RFP process, timing, grouping, and evaluation. *Id.* at 7.

Mr. Bradford testified that Petitioner received responses from twenty-two respondents resulting in 110 proposals, 91 of which were for projects in Indiana, and that these proposals included eight battery storage proposals, two coal, seven combined cycle, one Load Modifying Resource (LMR)/Demand Response (DR), 57 solar, 19 solar plus storage, three system energy, and 13 wind. *Id.* Mr. Bradford testified that after Burns and McDonnell initially reviewed proposals and contacted respondents as needed to clarify or request additional information, Petitioner then evaluated and scored each complete proposal based on established scoring criteria assessing reliability, cost, and certainty. *Id.* at 8. He stated that this assessment included Levelized Cost of Energy (“LCOE”), energy settlement location, interconnection and development status, MISO Zone 6 Local Clearing Requirements, and project risk factors like credit worthiness, development experience, ownership structure, delivery date, and site control status. *Id.*

Mr. Bradford testified that the RFP proposals were grouped by like characteristics, and then ranked based on quantitative and qualitative scoring criteria established in the All-Source RFP in order to determine which specific resources were most capable of providing Petitioner’s customers with a safe, reliable, and affordable power supply. *Id.* at 9.

Mr. Bradford testified to the process used by Burns and McDonnell to evaluate the pricing for the PPA and BTA proposals. *Id.* at 9. He stated that the PPA and BTA proposals were grouped and then ranked, and the top respondents’ proposals were negotiated in a way to ensure pricing was inclusive of all costs and that development uncertainty and risk of future price increases were minimized. *Id.* Mr. Bradford testified that BTA prices were requested to be held firm and inclusive of all permitting, interconnection, sitting, and other costs, and PPAs were asked to be submitted with a flat rate or constant escalator so the customer impact and LCOE could be evaluated. *Id.* Mr. Bradford testified that these terms and other key contract terms and conditions were documented in a non-binding Term Sheet used as the basis of the BTA and PPA. *Id.*

Mr. Bradford explained the qualitative and qualitative criteria used to evaluate proposals. *Id.* at 9-10. He stated that LCOE is a typical quantitative measure used to compare proposals on an equivalent economic basis, and he explained that other qualitative criteria were consistent with industry practices, broadly falling into three categories of (1) Energy Settlement Location, (2) Interconnection Status, and (3) Project Risk Factors. *Id.* at 9-10. He testified that Energy Settlement Location criteria assessed factors related to congestion and delivery of energy to Petitioner’s load node, and projects location inside, or close to, Petitioner’s service territory were favored in the RFP evaluation and scoring process. *Id.* at 10. Mr. Bradford also testified that this location qualitative factor included consideration for the economic benefits provided to the communities in Petitioner’s service territory. *Id.* Mr. Bradford testified that Interconnection Status evaluated the risk to projects of increasing network upgrade and affected system costs, and projects with completed interconnection agreements or that were further along in the MISO Interconnection Queue were generally favored over projects just starting out in the queue and thus having less certainty related to interconnection and system upgrade costs. *Id.* Mr. Bradford testified that the Project Risk Factors evaluated various other operational and control risk factors associated with the project, such as project parent company creditworthiness, developer experience, and project site control. *Id.*

Mr. Bradford testified that the All-Source RFP process resulted in Petitioner's selection of the Posey County Solar Project and Warrick County Solar Project as the top two projects based on scoring among the top proposals, lowest cost to the customer, and confirmation of the quality of the projects through due diligence with vendors. *Id.* at 7. Mr. Bradford testified that both solar projects were independent submittals to the All-Source RFP, and that each projects' respective developers independently developed the projects, entered them into the MISO Queue, and performed all necessary preliminary tasks for establishing the projects, including land acquisition, local government engagement, permitting, environmental studies, preliminary design and cost estimating, and equipment safe-harboring for tax purposes, etc. *Id.* at 13.

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

Mr. Bradford testified that the primary difference between a PPA and a BTA is that, under a BTA structure, Petitioner will acquire all rights and attributes associated with the project over its useful life after the project is fully developed, engineered, procured, and constructed by the developer. *Id.* at 16-18. Mr. Bradford testified that the purchase of the BTA transfers the project and all of its related assets, such as properties, rights, and interests of any kind. *Id.* at 18. In the case of the Posey Project, Mr. Bradford testified that the Project is currently owned by Posey Solar CEI, LLC, ("Posey Solar, LLC"), and within three business days following Mechanical Completion, will then be acquired by Petitioner. *Id.* at 16-17. Mr. Bradford testified that Posey Solar, LLC is a Delaware limited liability company and subsidiary of Capital Dynamics. *Id.* at 17.

Mr. Bradford stated Petitioner and Capital Dynamics have agreed to certain financial assurances that Capital Dynamics will meet its obligations under the BTA, which include that certain milestone requirements must be met by Capital Dynamics, and if they are not met, Capital Dynamics will be required to pay damages to provide for replacement energy, capacity, and renewable energy credits ("RECs"). *Id.* at 17-18. Mr. Bradford testified that there are other provisions to ensure quality control and performance representations and contingencies designed to protect Petitioner and its customers. *Id.* Mr. Bradford also testified that the BTA included a provision for Delay Liquidated Damages, which would be triggered by the project failing to reach Mechanical Completion by the Closing Date and a protection in the event the planned nameplate capacity amount of 300 MWac is not achieved. *Id.*

Mr. Bradford testified that Capital Dynamics is one of the largest private owners of solar assets in the United States, scored well in terms of creditworthiness among bidders, and provides a high degree of expertise through its experts and partnership with Tenaska in the MISO and Southeastern Electric Reliability Council footprints. *Id.* at 20. Mr. Bradford testified that these factors all provide assurances that Capital Dynamics will provide a quality, on-time project. *Id.*

Mr. Bradford additionally testified that the location of the Posey County Solar Project not only provides reliability and economic benefits to customers and communities Petitioner serves,

but it also reduces the chances of being affected by congestion or curtailment, and enhances Petitioner's ability to efficiently operate and maintain the Solar Project. *Id.* at 18. Mr. Bradford testified that the Posey Project's location enables the energy to avoid having to traverse other Transmission Owners' systems; provides energy that counts toward the MISO Local Clearing Requirement; and maximizes performance as southwest Indiana receives the highest amount of solar irradiance in the state. *Id.* at 18-19.

Mr. Bradford testified that energy output from the Posey Project will be offered into the MISO wholesale energy market daily per MISO tariff and Business Practice Manual requirements, which means offering the expected energy output on a day-ahead basis and settling the actual real-time output against day-ahead awarded volume and market clearing price. *Id.* at 21. Mr. Bradford testified that all accredited capacity will be used to satisfy MISO Planning Reserve Margin Requirements ("PRMR") and Local Clearing Requirements prescribed by the MISO tariff, and that the Posey County Solar Project will provide accredited capacity and energy to meet PRMR in the MISO wholesale market and Local Clearing Requirements. *Id.*

Mr. Bradford testified that the Levelized Rate of the Posey Project is \$0.0535 per kWh, which he states is competitive with the rates that would be available under PPAs, based on the scoring system used by Burns and McDonnell. *Id.* at 23. Mr. Bradford's confidential attachments included information on how this Levelized Rate was determined and evaluated. *Id.*

For the Warrick County Solar Project, Mr. Bradford described the negotiation and bidding process, beginning with the All-Source RFP and final execution of the PPA with Clenera in February 2021, and explained the structure and terms agreed to in the PPA. *Id.* at 24-25. Mr. Bradford also testified to the benefits of the PPA, the unique opportunities presented by working with Clenera, and the importance of timely approval of the Solar Project. *Id.* at 26-28. Mr. Bradford testified that the PPA price was the lowest LCOE of all the PPA proposals submitted to Petitioner in its All-Source RFP, and that the risks associated with the project are largely mitigated through the terms of the agreement and the location of the project in Petitioner's transmission system. *Id.* at 28.

Mr. Bradford also testified about the effect of the growth of renewable resources on MISO's dispatch. *Id.* at 29. He explained that the requested procurement of 400 MW of solar energy is due to MISO requirements that Petitioner hold adequate generating capacity to serve the annual peak demand of its customer base and a PRMR. *Id.* at 30. Mr. Bradford testified that 400 MW of first year installed solar is accredited by MISO as 200 MW of capacity, known as Unforced Capacity ("UCAP"), while in future years, UCAP is based on the generator's actual performance during peak load conditions. *Id.* Mr. Bradford further testified how this new capacity will replace units Petitioner has identified as unavailable beyond 2023/2024, and how the solar projects interconnection with Petitioner's transmission system benefits customers. *Id.* at 32.

3. Wayne D. Games. Mr. Games, Vice President of Power Generation Operations for Petitioner, testified about Petitioner's request for a CPCN, the benefits of adding solar resources, the components of the Posey County Solar Project, and the 2019/2020 IRP-based decision to retire F.B. Culley 2, and the uncertainty about the JOA with Alcoa for Warrick Unit #4.

Mr. Games testified that the 2019/2020 IRP Preferred Portfolio provides a diverse, but balanced mix of traditional and emerging renewable generation resources. Pet. Exh. No. 3, p. 4. He stated that the Preferred Portfolio selected in the IRP calls for replacement of 730 MWs of coal-fired generation with new generation. *Id.* Mr. Games testified that the solar projects requested in this Cause will add 400 MWac of energy to replace capacity currently being supplied by F.B. Culley 2 and Warrick Unit #4. *Id.* Mr. Games stated that continued operation of F.B. Culley 2, which is Petitioner's oldest, smallest (90 MWs) and least efficient (12,500-13,000 BTU/kWh) coal unit, would require approximately \$45M in capital investment by the end of 2023 in order to update the unit to be compliant with environmental regulations. *Id.* at 13. He stated that continued operation of that unit would also require Petitioner to incur approximately \$6.7M in capital expenses and \$11M in Operations and Maintenance ("O&M") costs to ensure safe and reliable operations, and thus, he testified that it is not possible to upgrade F.B. Culley 2 in a cost-efficient way. *Id.* For Warrick Unit #4, Mr. Games testified to the long-term uncertainty about that unit and about the terms of the JOA between Petitioner and Alcoa. *Id.* at 14-15. Mr. Games explained why Petitioner believes Alcoa might exit the JOA and that operational difficulties have led Petitioner to the decision to exit. *Id.* at 15-16. Mr. Games testified that the Preferred Portfolio calls for these older units to operate through 2023, which is only to allow time to obtain replacement capacity. *Id.* at 4.

Mr. Games testified that this is why it is important to obtain a CPCN as soon as possible in order to have the solar projects operational by 2023. *Id.* at 4-5. Mr. Games further stated that if Petitioner retires F.B. Culley 2 and exits the JOA near the end of 2023, then it will need to purchase capacity from the market. *Id.* at 16. Mr. Games testified that until the CPCNs associated with the Generation Plan are approved, built, and placed in service, there will be a huge capacity shortage that will need to be filled. *Id.* at 16. Mr. Games stated that if approved, the Posey County and Warrick County Solar Projects will be online in 2023 in time to provide replacement capacity for Warrick Unit #4 and a portion of F.B. Culley 2. *Id.* Mr. Games stated that there will still be a capacity shortfall through 2025 until replacement capacity for other coal unit retirements are placed in service. *Id.* Mr. Games testified that this Cause is the first of other CPCN requests that will be filed in 2021, as called for in the 2019/2020 Preferred Portfolio. *Id.* at 5.

Mr. Games also provided general testimony about the Posey County Solar Project and explained that the DC capacity of the project is approximately 380 MWdc. *Id.* at 6. Mr. Games also testified about the BTA structure and explained that Petitioner will have oversight of the project throughout its construction prior to purchasing. *Id.* at 6-7. He testified about the primary considerations used in choosing a solar system, including types of modules, inverters, and type of racking system. *Id.* at 8-9. Mr. Games stated that the expected life of the Posey Project is about 35 years, and Petitioner will have a 25-year warranty on the modules, a 5-year warranty with option to extend on the inverters, and a 10-year warranty on the structural tracking systems. *Id.* at 9-10. Mr. Games testified that the Posey County Solar Project does not include a battery storage facility at this time, but one could be incorporated in the future. *Id.* at 10.

Mr. Games testified to the benefits of the location of the Posey County Solar Project, which include adding to the tax base in a community where the Petitioner serves, constructing on terrain that is relatively flat so that construction costs are minimized, as well as its easy access to the transmission system and proximity to Petitioner's generating facility. *Id.* at 7. Mr. Games also

testified to the benefits of the BTA structure, which has the builder bearing the risk of construction costs increasing as the project proceeds. *Id.* at 8.

Mr. Games testified that once the project is complete, Petitioner will take responsibility for the O&M of the Posey County Solar Project, including required and routine maintenance, resolution of outages or performance concerns, replacement of broken panels, electrical repair, property lease costs, insurance costs, audit fees, and vegetation management. *Id.* Mr. Games stated that the pro forma O&M costs of the Posey Project are \$7.0 million annually, including labor costs. *Id.* at 10.

4. Matthew A. Rice. Mr. Rice, Director of Indiana Electric Regulatory and Rates for Petitioner, provided testimony regarding Petitioner's process and approach to its 2019/2020 IRP. Pet. Exh. 4, p. 4-7. Mr. Rice testified that the 2019/2020 IRP was Petitioner's most detailed resource planning analysis process, and Petitioner worked with several industry experts to conduct technical analysis, including Itron, Burns and McDonnell, Black and Veatch, GDS, and Siemens PTI. *Id.* at 5. Mr. Rice testified that these industry experts were relied upon for factors such as coal, gas, market capacity price forecasts, and long-term emerging resource cost forecasts. *Id.* at 7. Mr. Rice testified that he believed the forecasts Petitioner used were reasonable, as evidenced by the Director's Report historic praise of Petitioner's use of consensus forecasts and by their transparency and incorporation of stakeholder input throughout the portfolio development process. *Id.* at 7-8.

In developing the 2019/2020 IRP, Mr. Rice testified that key stakeholders were involved from the very beginning, and Petitioner also carefully considered past Commission Orders issued in connection with Petitioner's requests for CPCNs in Cause Nos. 45052 and 45086. *Id.* at 5. Mr. Rice testified that stakeholder meetings were held on August 15, 2019, October 10, 2019, December 13, 2019, and June 15, 2019, and summarized the topics discussed at each one. *Id.* at 5-6.

In developing the portfolios modeled in the 2019/2020 IRP, Mr. Rice testified that five portfolio development strategies were discussed with stakeholders, including (i) Status Quo (i.e., continue running existing units), (ii) Scenario-based (i.e., least cost optimization), (iii) Bridge (i.e., continued use of A.B. Brown assets), (iv) Diverse (i.e., diverse energy with renewables, gas, and coal), and (v) Renewables Focuses (i.e., much less reliance on fossil fuel resources). *Id.* at 8-9. Mr. Rice testified that deterministic modeling was used to select the most economic way to meet Petitioner's capacity and energy obligations. *Id.* at 9.

Mr. Rice testified that fifteen portfolios were created through Petitioner's process. *Id.* at 9-10. From these fifteen, Mr. Rice testified that Petitioner selected the Preferred Portfolio through applying a variety of considerations encompassed through a balanced scorecard assessment and rating. *Id.* at 11-12. Mr. Rice stated that the Preferred Portfolio performed well in terms of cost risk relative to other portfolios, and its percent reduction of CO<sub>2</sub>e was near the middle of all portfolios. *Id.* at 12-13. Mr. Rice testified that compared to the top portfolios in consideration, the Preferred Portfolio relied the least on energy purchases, ranked best in reliance on energy sales to the market, and was 0.4% better in less long-term reliance on the capacity purchases. *Id.*

Mr. Rice testified that the Preferred Portfolio was selected because it provides a reliable, resilient portfolio that offers a strong mix of traditional and emerging resources with fast start and fast ramping capability. *Id.* at 13. Mr. Rice testified that the Preferred Portfolio includes energy efficiency at 1.25 between 2021-2023 and 0.74% thereafter, with 300 MW of wind resources to come online in 2022, 1,150 MWs of new solar and solar plus storage in 2023-2024 to replace coal capacity, and two CTs to come online in 2023-2025. *Id.* at 13-14. Mr. Rice additionally stated that the Preferred Portfolio is cost-effective, expected to save Petitioner's customers up to \$320 million over the IRP's 20-year planning period, as comparing to continuing to operate coal units. *Id.* at 13.

Regarding the retirement of F.B. Culley 2 and Warrick Unit #4, Mr. Rice testified that long-term reliance on these plants is not an economical option for Petitioner or customers. *Id.* at 14-15. He stated that F.B. Culley 2 is Petitioner's smallest, least efficient coal unit and is in need of costly upgrades, and that extension of the JOA for Warrick Unit #4 was deemed not economical. *Id.* at 15. Mr. Rice testified that, in the short-term, the Preferred Portfolio requires Petitioner to retire F.B. Culley 2, let the JOA for Warrick Unit #4 expire in December 2023, and pursue renewable projects within the next three years. *Id.*

Mr. Rice stated that the relief requested in this Cause—approval for the Posey County and Warrick County Solar Project—is Petitioner's first step in implementing its short-term action plan in the 2019/2020 IRP. *Id.* at 15. He testified that these were the highest scoring projects included in the IRP. *Id.* at 15-16.

Mr. Rice provided details about both the Posey County Solar Project and the Warrick County Solar Project. *Id.* at 16-20. Regarding the Posey Project, Mr. Rice testified that it will provide 300 MWac of the total 700-1,000 MWac of installed solar capacity identified as necessary in the IRP. *Id.* at 17. He testified that after one year of operation, this resource is expected to cover 150 MWs towards Petitioner's PRM requirement and 75-90 MWs in the long-term due to expected penetration of solar on the MISO system. *Id.* Mr. Rice testified that the Posey Project is in the public interest and will enhance or maintain the reliability and efficiency of service provided by Petitioner. *Id.* at 18.

Regarding the Warrick County Solar Project, Mr. Rice testified that that Project will have an installed capacity of approximately 100 MWac upon completion and will fulfill 100 MWac of the initial 700 MWac of installed capacity identified in the 2019/2020 IRP. *Id.* at 19. Mr. Rice stated that in one year of operation, the Warrick Project is expected to cover 50 MWac towards Petitioner's PRM requirement and 25-30 MWac in the long-term due to expected penetration of solar on the MISO system. *Id.* Mr. Rice testified that the Warrick Project is consistent with Petitioner's 2019/2020 IRP and was selected as the least cost solar PPA offering from the All-Source RFP. *Id.*

Mr. Rice also testified to certain cost and rate issues associated with the Projects, including how the Levelized Rate for the Posey County Solar Project will be incorporated within Petitioner's Clean Energy Cost Adjustment ("CECA"), which was approved by the Commission on August 16, 2017, in Cause No. 44909. *Id.* at 20-22. Mr. Rice testified that the Posey County Solar Project component of the CECA will be derived by multiplying the then effective Levelized Rate per kWh by the Production Baseline kWh produced by the Posey County Solar Project during the upcoming twelve-month period, grossed up for Indiana Utility Tax Receipts ("IURT"), and provided



additional calculations regarding how this filing will be managed as well as the timing and process for the CECA filing. *Id.* at 22-24.

Mr. Rice also testified as to how the cost of the Warrick County Solar Project will be recovered through the FAC mechanism, including recovery of debt equivalency discussed by Petitioner's witness Brett A. Jerasa. *Id.* at 15.

Regarding the impact on customer rates, Mr. Rice testified that the impact of the Posey Project on a residential customer using 1,000 kWh per month is approximately \$11 per month. *Id.* at 25. He added that this amount does not reflect an offset for RECs, O&M and fuel savings from existing the Warrick Unit #4 JOA, or closing F.B. Culley 2. *Id.* Mr. Rice testified that the impact of the Warrick Project on a residential customer using 1,000 kWh per month is approximately \$2 per month. *Id.* Overall, Mr. Rice stated that Petitioner believes the addition of both projects will result in a net savings for customers of \$3 per month, when considering summation of all the expected savings. *Id.* at 25-26.

Mr. Rice testified that both solar projects qualify as "clean energy projects" under Ind. Code § 8-1-8.8-2. *Id.* at 17-18, 19-20. Mr. Rice also testified about the statutory requirements for approval of a CPCN under Ind. Code ch. 8-1-8.5, and stated that the Posey County Solar Project was selected in accordance with all of the requisite factors. *Id.* at 26-28. Mr. Rice also testified that the proposal in this Cause is consistent with the five pillars—reliability, resilience, stability, affordability, and environmental sustainability—of the Final Report issued by the 21st Century Energy Policy Development Task Force from November 2020. *Id.* at 29.

5. Art Holland. Mr. Holland, Principal Consultant of Siemens PTI, provided testimony regarding Petitioner's IRP process, the efficacy of retiring some of Petitioner's units, and issues related to the cost estimates modeled with the new solar resource options in the 2019/2020 IRP. Mr. Holland stated that Siemens PTI contributed to the management and development of the IPR modeling, strategic consulting, participation in the stakeholder process, and scorecard development. Pet. Exh. 5, p. 4. In structuring Petitioner's 2019/2020 IRP process, Siemens PTI advised Petitioner on a staged process involving selection of portfolios and application of a risk analysis. *Id.*

Mr. Holland testified about the model used to evaluate Petitioner's IRP—AURORAxmp, which Mr. Holland stated is widely used by electric utilities and other groups. *Id.* at 4-5. He stated that the model solves for optimized generation portfolios and can be run in several different ways, including the Long-Term Capacity Expansion mode ("LTCE") and the Standard Zonal mode. *Id.* Mr. Holland testified that the LTCE was used to determine the least cost mix of existing and new generating assets that meets demand over time with regulatory and reliability requirements. *Id.* at 5. Mr. Holland also testified as to how the model provides a reasonable basis to evaluate generation planning and how the model reflected Petitioner and stakeholder objectives. *Id.* at 5-6.

Mr. Holland testified to the risk analysis process, which used both a deterministic (i.e., scenario-based) and probabilistic (i.e., stochastic) analysis to consider key market variables over the long-term and evaluate risk and relative performance of selected portfolios. *Id.* at 7-10. Mr. Holland testified that the modeling used incorporates details related to power plant and transmission network operations, emission reduction targets, transmission and plant operation

limitations, mandatory portfolio targets, and other factors, with inputs into the model including load forecasts, power plant costs and operating characteristics, fuel costs, fixed and variable operating costs, outage rates, emission rates, and capital costs. *Id.* at 8-9.

Mr. Holland also testified to each of the scorecard metrics selected for evaluating the portfolios in Petitioner's 2019/2020 IRP and how the metrics were applied. *Id.* at 10. Mr. Holland testified that the metrics included affordability (20-year mean net present value of revenue requirement ("NPVRR")), cost uncertainty (95th percentile of NPVRR), emission risk (CO<sub>2</sub>e), and four market overreliance metrics (purchases as a percentage of generation, sales as a percentage of generation, purchases as a percentage of peak demand, and sales a percentage of peak demand), and were used to compare portfolios to each other. *Id.*

Mr. Holland testified that the portfolio selected as the "Preferred Portfolio" is the High Technology Portfolio, which he stated performs very well across all the performance and evaluation metrics, including 20-year NPVRR, reduction of CO<sub>2</sub>, renewable resources, dispatchable and fast ramping generation, etc. *Id.* at 11. Mr. Holland testified that the balanced scorecard method showed that the Preferred Portfolio scored among the top for affordability and cost uncertainty objectives and scored in the middle for the emission risk objective. *Id.* at 13. Mr. Holland testified that the Preferred Portfolio was among the best for market overreliance risk. *Id.*

Regarding retirement of certain assets, Mr. Holland stated that the Preferred Portfolio recommended retiring 730 MWs of coal generation, which will include the A.B. Brown Units 1 and 2, the F.B. Culley 2 unit, and Warrick Unit #4. *Id.* Mr. Holland stated that the Preferred Portfolio recommends replacement of the retired units with 700 to 1,000 MWs of solar generation; the addition of 300 MWs of wind, backed by dispatchable generation with two new CT gas units; and maintenance of F.B. Culley 3 coal unit. *Id.* at 13-14. Mr. Holland testified that F.B. Culley 2 and Warrick Unit #4 were not good fits for the Petitioner under the balanced scorecard methodology, while testifying that the Posey County and Warrick County Solar Projects are well-suited for the anticipated future portfolios. *Id.* at 14-15.

6. Brandon H. Shaw. Mr. Shaw, Director of Financial Planning and Analysis Generation Development for Petitioner, provided testimony about the proposed accounting treatment of the Posey County Solar Project BTA, specifically regarding the use of a Levelized Rate and how the project will be depreciated. Pet. Exh. 6, p. 4. Mr. Shaw testified that Petitioner is requesting the Commission authorize the necessary accounting and ratemaking treatment for Petitioner to recover all associated project costs in its annual CECA filing under Cause No. 44909 through the use of a Levelized Rate, to begin once Petitioner is operating the Posey County Solar Project. *Id.* at 5, 11. Mr. Shaw testified that the part of the CECA attributable to the Posey County Solar Project will be derived by multiplying the Levelized Rate per kWh by the projected kWh produced by the Project during the upcoming twelve month period, grossed up for Indiana Utility Receipts Tax. *Id.* at 6. Mr. Shaw stated that the projected kWh is based on the minimum anticipated first year output per the BTA. *Id.* Additionally, Mr. Shaw testified that Petitioner will depreciate all investments of the Posey County Solar Project over a period of 35 years, which is the expected life of the project. *Id.* at 5.

Mr. Shaw testified that Petitioner is proposing a fixed Levelized Rate of \$0.0535 over the life of the project, similar to the rate approved by the Commission in Cause No. 45086 for the Troy

Solar Project. *Id.* 5-6. He testified that this Levelized Rate was chosen based on analysis of the costs of PPAs, and is intended to provide a low-risk, low-cost resource for customers that is lower than what would otherwise be provided from under Ind. Code § 8-1-8.8-1 *et seq.* due to the ITC benefit, while ensuring Petitioner will have enough income to offset the cost of the project. *Id.* at 7-8. Mr. Shaw stated that Petitioner also performed a “reality check” to ensure that the Levelized Rate would be fair to ratepayers and the Company, which was provided as Petitioner’s Exh. 6, Attachment BHS-1. *Id.* at 8.

Mr. Shaw testified that earnings from the Posey County Solar Project will be excluded from Petitioner’s actual Net Operating Income used for the quarterly FAC earnings test, from calculation of Petitioner’s electric revenue requirement in each rate case over the life of the Posey Project, and from rate base in a future base rate case. *Id.* at 7.

Mr. Shaw testified that the Levelized Rate will not be subject to annual escalations like rates typically included in a PPA. *Id.* at 8. Mr. Shaw stated that the Levelized Rate would only be adjusted if changes are made to State or Federal Income Tax Rates that result in a change to other approved tariff rates, which ensures neither customers or Petitioner would be unfairly unburdened by changes beyond Petitioner’s control. *Id.* In the event Capital Dynamics must pay liquidated damages to Petitioner, Mr. Shaw stated that the liquidated damages provisions of the BTA ensure Petitioner is made whole while protecting customers from harm should Capital Dynamics fail to deliver the project as expected. *Id.* at 9-10. Mr. Shaw testified that the Levelized Rate approach reduces the overall impact of the Posey County Solar project on rates, while still making the project feasible for Petitioner. *Id.* at 11.

7. Brett A. Jerasa. Mr. Jerasa, Assistant Treasurer for the Petitioner testified about Petitioner’s current credit ratings, rating agency treatment of PPAs, the potential impact of a PPA on Petitioner’s credit metrics, and mechanisms to mitigate this impact.

Mr. Jerasa testified that Petitioner currently has a credit rating of BBB+ with a negative outlook from S&P Global Ratings (“S&P”) and a rating of A3 from Moody’s Investors Services (“Moody’s”). Pet. Exh. 8, p. 4-5. Regarding the PPA, Mr. Jerasa testified that rating agencies, like S&P and Moody’s, may impute adjustments to total debt or approximate a debt equivalent for PPAs, which Mr. Jerasa testified, ultimately can impact customer’s rates if the debt adjustment is material enough to cause a downgrade in a utility’s credit rating. *Id.* at 8.

Mr. Jerasa testified that over the long term, if Petitioner enters into multiple PPAs as a part of its Plan under the 2019/2020 IRP, then the impact to its credit metrics could be material enough to cause a downgrade. *Id.* at 11. To combat this potential downgrade, Mr. Jerasa testified that there are three potential solutions for PPA debt equivalent issues: (1) increase equity, (2) increase return on equity (“ROE”); and (3) ratio restoration via an adder. *Id.* Mr. Jerasa testified that in this Cause, Petitioner is proposing the third option—an adder adjustment to the PPA payment that provides an equivalent equity return to offset the imputed debt during the life of the PPA. *Id.* Mr. Jerasa testified that without a solution in place when the PPA is executed, the debt burden would be financed by shareholders with no economic return, increase the cost of debt due to declining credit quality, and ultimately, be paid by customers through higher bills. *Id.* at 12.

Mr. Jerasa testified that debt equivalent created by the PPA can be calculated by taking the net present value of PPA payments using Petitioner's cost of debt and applying a risk factor adjustment of 25%. *Id.* Mr. Jerasa testified that the PPA adjustment would be calculated by calculating the equity required to offset imputed debt for each year of the PPA by Petitioner's authorized ROE from its most recent general rate case. *Id.* Mr. Jerasa testified that although this proposed PPA adjustment does not totally maintain Petitioner's Funds from Operations ("FFO") to Debt at its status quo level, it does help it maintain a greater-than 20% target. *Id.* at 13.

Mr. Jerasa testified about the financial incentives provided for in Ind. Code § 8-1-8.8-11, and stated that the PPA adjustment would eliminate the natural disincentive to enter into PPAs created by potential credit downgrades and recommended the Commission approve the adder. *Id.*

8. Brenda L. Musser. Ms. Musser, Director of Tax for Petitioner, testified that, under the BTA for the Posey County Solar Project, Petitioner will acquire all of the associated "Project Assets," which include all assets, properties, and rights and interests of any kind. Pet. Exh. 7, p. 4. Ms. Musser testified that Petitioner will qualify for the federal ITC under Section 48(a)(3)(B) of the Internal Revenue Code ("IRC"), which allows ITCs for solar energy systems on commercial properties. *Id.* at 5. Ms. Musser testified that, in the case of the Posey County Solar Project, Petitioner will be eligible for the ITC even though the property is initially being developed by Capital Dynamics. *Id.* Ms. Musser explained that this is one major benefit of a BTA over a PPA. *Id.* She testified that under a PPA, Petitioner would not be the owner of the facility and therefore, would not qualify for the ITC. *Id.* Ms. Musser testified that ownership of the Posey County Solar Project through the BTA allows Petitioner to obtain the ITC and pass the benefit through to customers by amortizing the ITC through tax expense over the life of the project, which allows Petitioner to offer a lower Levelized Rate for energy produced by the project. *Id.* at 5, 8. Ms. Musser also explained the factors that will enable Petitioner to be eligible for the 30% ITC. *Id.* at 5-7.

Ms. Musser explained that a project may be considered Public Utility Property for tax purposes, if the property: (1) is used predominantly in the sale of (among other things) electrical energy, if the rates for such sale have been established or approved by (among others) a public utility commission; and (2) the rates for the sale of electrical energy from the generating facility have been established or approved on a cost-of-service, rate-of-return basis by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or similar body. *Id.* at 8.

Ms. Musser testified that the Posey County Solar Project will not be treated as a Public Utility Project for tax purposes based on the use of the Levelized Rate. *Id.* Ms. Musser explained that if the Posey County Solar Project were to be treated as Public Utility Project, Petitioner would be constrained by IRS rules in the way the ITC could be shared with the ratepayers and would potentially be in violation of IRS normalization rules. *Id.* Ms. Musser further testified that the goal of the Levelized Rate, which was aligned to market-based rates and PPA pricing, was to fix the rate for the life of the investment with limited updates, none of which are based on cost-of-service or rate-of-return ratemaking. *Id.*

9. Rina H. Harris. Ms. Harris, Director of Petitioner's Energy Solutions and Business Services, testified that the addition of renewable energy to a utility's resources has become increasingly important as large customers emphasize the importance of addressing climate change through both their own operations as well as the sources of energy relied upon by their local utility. Pet. Exh. 9, p. 4. Ms. Harris testified that corporations within Petitioner's service territory have announced sustainable and renewable energy goals and have specific expectations that utilities will move toward diverse generation portfolios to assist corporations with their renewable goals. *Id.* at 4-5. Ms. Harris testified that these larger customers, which include Toyota, AstraZeneca, Walmart, Berry Global, St. Vincent, Deaconess Health Networks, and the Evansville Vanderburgh School Corporation, all support the transition to more renewable energy. *Id.* Ms. Harris testified that Petitioner's proposal to purchase the Posey County Solar Project and enter into a PPA for energy produced by the Warrick County Solar Project is responsive to these large customer's policies, and four of Petitioner's large customers have expressed an interest in entering a contract to purchase renewable energy from Petitioner. *Id.* at 5-6.

Ms. Harris also testified about the City of Evansville's recent Climate Action Plan, which is supported by the community, including residential and non-residential customers alike; and outlines how the City will reduce its greenhouse gas emissions to mitigate climate change. *Id.* at 8. Ms. Harris testified about Evansville's Climate Action Plan Strategies, which are supported by and involve Petitioner. *Id.* Ms. Harris testified that Petitioner's customers, both large and small, are increasingly interested in the utility's use of more renewable resources to meet the customers' energy needs, and that the Posey County and Warrick County Solar Projects are significant steps towards strategic alignment with Petitioner's customers. *Id.* at 9.

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

1. Peter M. Boerger, Ph.D. OUCC witness Peter M. Boerger testified that the proposed levelized rate for the Posey County Solar Project falls within a reasonable range, and he stated that the rate for the Warrick County Solar Project PPA is also reasonable if Petitioner's requested financial incentive adder is denied, along with other modifications proposed by OUCC witness Caleb Loveman. Pub. Exh. 1, p. 1.

Dr. Boerger testified that, as is the case with the PPA Petitioner proposes in this proceeding, PPAs are generally less expensive than owned facilities, usually requiring a shorter time commitment than owned facilities, and provide the important benefit of optionality at the end of the PPA period. *Id.* at 2-3. Dr. Boerger testified that he considers the debt equivalency factor to be unneeded and unreasonable. Rather, Dr. Boerger testified that PPAs should be viewed as part of a portfolio of generation resources and as part of the utility's obligation to provide service to its customers at the lowest rates reasonably possible. *Id.* at 4. Dr. Boerger testified that, if approved, the incentives for projects filed under Ind. Code ch. 8-1-8.8 should be nominal. *Id.*

Dr. Boerger also testified about MISO's recently issued report regarding its Renewable Integration Impact Assessment ("RIIA") initiative. *Id.* at 5. He testified that the report identified three ranges of energy penetration—less than 30% penetration, 30% to 50% penetration, and above 50% penetration—each requiring a varying level of changes by MISO. *Id.* at 5-6.

Dr. Boerger calculated the renewable energy penetration for Petitioner, including the proposed solar projects and the previously approved Troy solar project, to be about 21%. *Id.* at 7. Dr. Boerger testified that this is a significant level of renewable penetration. *Id.* at 8. However, Dr. Boerger testified that this level of intermittent resource penetration is reasonable as part of a diversified portfolio. Dr. Boerger testified that the RIIA report identified emerging risks and costs, which will require support as renewable energy levels increase. *Id.* at 6. He stated these risks and costs include new stability risk, shifting periods of grid stress, shifting periods of energy shortage risk, shifting flexibility risk, and insufficient transmission capacity. *Id.* Dr. Boerger testified that the issues raised by MISO in its RIIA report have not been fully incorporated into CenterPoint's 2019/2020 IRP modeling and analysis. *Id.* at 6-8.

2. Caleb R. Loveman. OUCC witness Caleb R. Loveman, Utility Analyst of the OUCC, recommended the Commission approve Petitioner's requests with the following amendments : (1) require Commission approval prior to contracting with a tax equity investor through a TEP for the Posey County Solar Project if Petitioner seeks to utilize a TEP in association with this project; (2) accept a Levelized Rate of \$0.0501 for the Posey County Solar Project; (3) require Petitioner to adjust the Levelized Rate revenue requirements if liquidated damages are received from Capital Dynamics; and (4) deny Petitioner's request for an adder for the Warrick Project PPA. Pub. Exh. 2, p. 2, 4, 8, 11, 16-17. Mr. Loveman recommended that the Commission approve Petitioner's proposal to recover the costs of the Posey County Solar Project through the CECA mechanism and approve Petitioner's proposal to recover the costs of the Warrick Project through its FAC tracker. *Id.* at 2, 7, 17.

Mr. Loveman testified that he did not agree with Petitioner's proposed Levelized Rate and ratemaking and accounting treatment for the Posey County Solar Project. *Id.* at 7. Mr. Loveman proposed a \$0.0501 per kWh Levelized Rate in his testimony, which he testified more accurately reflects the revenue requirement over the life of the Posey County Solar Project. *Id.* at 8. Mr. Loveman testified that he used a revenue requirement approach and based his calculations off Petitioner's confidential attachments, modifying the capital structure to reflect a different ROE average. *Id.* Mr. Loveman testified that he recommended using the 2019 ROE average in Petitioner's Levelized Rate calculations to "lock-in" a lower ROE comparable to recently approved ROEs across the country. *Id.* at 9. Mr. Loveman testified Petitioner did not provide much support for the Posey County Solar Project projected O&M expense. Therefore, Mr. Loveman also proposed an O&M expense in the levelized rate calculation that was lower than Petitioner's, which he explained resulted from removing contingency expense. *Id.* at 9-10.

Regarding the issue of liquidated damages, Mr. Loveman disagreed with Petitioner's proposal to not adjust the Levelized Rate if CenterPoint were to receive liquidated damages from Capital Dynamics. *Id.* at 7. Mr. Loveman testified that Petitioner should adjust its annual revenue requirement for the Levelized Rate if it receives liquidated damages and to adjust the production baseline if the liquidated damages are the result of the Posey County Solar Project not achieving the minimal first year output or other similar occurrences. *Id.* at 11. He testified that if this adjustment is not made, Petitioner would double recover a portion of the annual revenue requirement from ratepayers. *Id.*

Regarding the Warrick County Solar Project, Mr. Loveman testified that he does not support the use of an adder to combat potential credit issues related to debt equivalence. *Id.* at 15. Mr. Loveman testified that he understands credit agencies may view long-term PPAs as a fixed-debt-like financial obligation, and he is aware of three different methods available to combat this. He testified CenterPoint proposed an adder to the Warrick County Solar Project PPA in the form of imputed equity, which is the most expensive of the three methods known to Mr. Loveman. *Id.* at 12-14. Mr. Loveman testified CenterPoint confirms that it does not anticipate a PPA the size of the Warrick County Solar Project will cause a drop in CenterPoint's credit rating. *Id.* at 14.

Mr. Loveman testified that Petitioner has not demonstrated that it or its customers will be monetarily harmed if a credit rating agency assesses a debt equivalency for the Warrick County Solar Project. *Id.* at 15-16. Mr. Loveman also testified CenterPoint has not sufficiently demonstrated S&P or Moody's will assess a debt equivalency for CenterPoint's PPAs the OUCC does not object to the Warrick County Solar Project PPA be recovered through CenterPoint's FAC tracker, allowing CenterPoint to achieve full cost recovery of the PPA. He also testified this method proposed by CenterPoint is not appropriate as CenterPoint has investment grade credit ratings from both S&P and Moody's. *Id.* at 16. He testified that although the OUCC recognizes the potential for a credit rating agency to assess a debt equivalency, the OUCC does not agree Petitioner's Warrick County Solar Project PPA warrants any modification to the current PPA price to adjust for debt equivalency. *Id.* at 16-17.

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

1. Emily S. Medine, Sunrise Coal witness Emily S. Medine of Energy Ventures Analysis, Inc., testified that Commission's approval of the two solar projects requested in this Cause would be premature due to issues in Petitioner's 2019/2020 IRP and Preferred Portfolio. Sunrise Coal Exh. 1, p. 1. She stated specifically that Petitioner's filing is unclear about how the Posey Project affects other part of the Plan and whether an extension of the JOA with Alcoa for Warrick Unit #4 would eliminate the need for replacement capacity. *Id.* at 1-2. Ms. Medine also testified that the requested levelized cost recovery for the Posey Project, the PPA pricing for the Warrick Project, and the debt equivalency treatment proposed by Petitioner is not favorable to ratepayers and could result in future stranded costs. *Id.* at 2. Ms. Medine stated that the debt equivalency recovery should be rejected. *Id.* at 5.

Ms. Medine recommended deferring approval of CenterPoint's proposal until it revises its resource analysis to address issues raised by Sunrise Coal; discloses the impact of the Posey Project on continued operation of the A.B. Brown plant and future CTs that might be constructed there; revises levelized costs assumptions from 35 years to 20 years; shortens the term of the Warrick PPA to 20 years or modifies to allow for a market-based buy-out after 20 years; confirms the costs for the solar projects are consistent with renewable costs used in the 2019/2020 IRP; and updates its resource analysis to include extending the JOA with Alcoa in light of the recent sale of the Warrick Rolling Mill. *Id.* at 4-5.

Ms. Medine testified that material changes have occurred since the Petitioner's 2019/2020 IRP, which include the extension of the ITC and the changed status of the Alcoa smelter. *Id.* at 7. Ms. Medine stated that the ITC, originally to expire in 2021, was granted a two-year extension,

which she stated reduces the urgency of the 2019/2020 IRP. *Id.* at 2. Further, Ms. Medine testified that Mr. Games did not mention the November 2020 announcement that the Warrick Rolling Mill would be sold to Kaiser Aluminum Corporation for \$670 million. *Id.* at 19. Ms. Medine stated that Petitioner has failed to adjust its Plan in response to these changes. *Id.* at 6-7.

Ms. Medine testified the Indiana Coal Council (“ICC”) and Sunrise Coal offered joint comments on Petitioner’s 2019/2020 IRP, which she stated identified biases against continued operation of the A.B. Brown plant. *Id.* at 7. She stated that the economic analysis assumed that the capital cost for upgrades required to keep the A.B. Brown station on-line and burning coal beyond 2023 were entirely recovered in the first year, rather than being amortized over the life of the investments. *Id.* at 7-8. Ms. Medine testified that this differential treatment materially slanted the net present value (“NPV”) metric in favor of investing in replacement resources. *Id.* at 8. She also stated that the Preferred Plan assumed construction of two CTs, which Petitioner indicated would be most economically located at the A.B. Brown site, but the IRP analysis did not analyze the potential impact of the Posey County Solar Project on the A.B. Brown site. *Id.* She stated that Petitioner needs to disclose that impact and revise the IRP analysis before proceeding. *Id.* Ms. Medine testified that economic bias against continued operation of A.B. Brown also came from Petitioner choosing not to consider a firm 12-year offer from the CSX railroad that would have materially reduced the delivered cost of coal and thus lowered the total and dispatch cost. *Id.*

Ms. Medine testified that in its 2019/2020 IRP Petitioner did not give any value to deferring commitments to long-term replacement generation given the uncertainty that existed when the IRP was being done in 2019 and 2020 as to new environmental regulations, the rapidly changing landscape of available resource options, and concerns about the cost of integration of a large amount of renewables into MISO. *Id.* at 9-10.

Ms. Medine testified that Petitioner also failed to consider the possibility of future constraints on the use of natural gas, which could limit the time such assets could be utilized. *Id.* at 10. Ms. Medine stated that the ICC/Sunrise Coal joint comments noted that all but one of the gas price scenarios do not assume methane controls at the well-head, and Petitioner did not conduct scenario analyses of low- and high-priced natural gas outlook. *Id.*

Ms. Medine testified that the costs of adding renewable resources are more uncertain than assumed, citing two cases involving CenterPoint and NIPSCO in which costs of renewable resources came out higher than anticipated. *Id.* at 10-11. Ms. Medine testified that this indicates IRP assumptions regarding renewable pricing may not be achievable and an all-source RFP is not dispositive. *Id.* at 11. She stated that the utility should update its IRP analysis prior to filing a request for approval because of the long timeframe that makes it difficult for developers to hold their projects and pricing. *Id.* at 12. Ms. Medine also stated that long-term PPAs with no opportunity to renegotiate or buy-out the agreement are very likely to be out-of-the money at some point during their terms. *Id.* at 13. She testified that to limit exposure to future ratepayers, the term of the PPA should be limited or include the ability to renegotiate term or price as a result of market changes. *Id.*



Ms. Medine testified that Sunrise Coal believes it is a bad idea to authorize debt equivalency recovery in this proceeding, as Petitioner did not model debt equivalency recovery as a cost in the IRP. *Id.* 14-15. She stated that allowing debt recovery could incentivize over-reliance by Petitioner on PPAs rather than owned generation assets. *Id.* at 15. Ms. Medine testified that allowing debt recovery would be a major, material change in Indiana’s regulatory landscape, and would be more appropriately considered in the context of a full rate case. *Id.*

Ms. Medine also discussed revenues associated with the sale of RECs, which she stated can have varying prices depending on location and type of renewables. *Id.* at 18. She testified that REC revenues from the PPA should be accounted for by crediting the entire revenue to ratepayers. *Id.*

Ms. Medine testified that the request that costs flow through the FAC without being subject to review is problematic and recommended that all PPA costs recovered through the FAC be subject to continuing regulatory review for active management of the long-term PPA contract. *Id.* at 21-22. Ms. Medine also testified that she believed the 25-year term without any price reopeners or early termination options is too long, and PPA contracts should provide a mechanism for early termination that both parties can accept. *Id.* at 22. Ms. Medine also testified that she believed it inappropriate for the Posey County Solar Project costs to be levelized over 35 years because levelizing costs over this time period does not reflect the true cost reality and creates an incorrect bias in favor of a new solar facility. *Id.* at 23.

Ms. Medine also testified that there are benefits to continued operation of Warrick Unit #4. *Id.* at 19-20. Ms. Medine also testified that “the outlook for the Alcoa smelter (to supply aluminum to the rolling mill), and therefore the Warrick 4 plant (to supply power to both the smelter and rolling mill), seems brighter than reflected in Witness Games testimony.” *Id.* at 20. She stated that a lower cost option for Petitioner would be to enter into a PPA with Alcoa for the capacity Petitioner currently owns at Warrick Unit #4. *Id.* at 20.

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

1. Shane Bradford. Mr. Bradford responded to OUCC and Sunrise Coal witnesses’ discussions of the Levelized Rate used for the Posey County Solar Project, stating that Petitioner’s proposed Levelized Rate is well below the average rate of the best projects proposed. Pet. Exh. 2-R, p. 3. Mr. Bradford testified that OUCC witness Loveman’s testimony is misleading because the debt equivalence factor does not materially increase the comparable PPA prices, evidenced by the confidential attachment discussed by Mr. Bradford. *Id.* at 4. Moreover, Mr. Bradford testified that the cost of imputed debt resulting from entering into a PPA is a real cost to CenterPoint and customers, and he testified that the lack of imputed debt for a utility-owned project is one of the real benefits of a BTA over a PPA. *Id.*

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

Mr. Bradford testified to the importance of the Levelized Rate being a market-based rate in order to be eligible for the ITC. *Id.* at 5. He testified it was not appropriate to determine the Levelized Rate based on a “revenue requirements” approach. He stated that if the Levelized Rate is not market-based, the Posey County Solar Project could be at risk of being treated as Public Utility property, and Petitioner would be constrained by Internal Revenue Service (“IRS”) rules in the way the ITC could be shared with ratepayers, and would potentially be in violation of IRS normalization rules if it were to share the benefits of the ITC using the Levelized Rate. *Id.* He testified that the RFP is an appropriate methodology to determine a market-based Levelized Rate. *Id.*

Mr. Bradford also testified that a 35-year life for new solar photovoltaic projects is the industry average, assuming proper O&M and avoidance of force majeure events, or other unforeseen factors. *Id.* at 6. Mr. Bradford stated that Petitioner modeled 0.5% degradation annually, meaning the Posey County Solar Project would still be producing more than 250 MWs after 35 years. *Id.* Mr. Bradford testified that a 35-year life is consistent with other similar projects, like Petitioner’s Troy solar project approved in Cause No. 45086. *Id.*

Mr. Bradford testified that the term of the PPA is appropriate, as it was the most competitive price that was offered for the Warrick County Solar Project PPA; shortening the term or inclusion of additional early termination options would have increased the price under the PPA; and the 25-year term of the Warrick County Solar Project PPA is part of the overall strategy of CenterPoint to pursue agreements of varying lengths. *Id.* at 7. Mr. Bradford testified that a PPA over a shorter term would likely not offer the same price or terms from a solar developer, as these terms are part of the negotiated package. *Id.* at 8. However, Mr. Bradford testified that Petitioner’s proposal is consistent with the MISO RIIA. *Id.* at 10. Mr. Bradford stated that the RIIA study is a call to action for thoughtful consideration and the timely buildout of the transmission system that must occur to allow the most efficient and effective utilization of the large penetration of renewables that is expected. *Id.* He stated that MISO’s inflection point occurs when the MISO system-wide annual load served by renewable resources is reached, and that by the time MISO’s system-wide annual load served by renewables reaches 30% penetration, some Local Resource Zones will be approaching 24%. *Id.*

Mr. Bradford testified that the RIIA does not identify costs associated with addressing risks resulting from renewable penetration, except to say that MISO expects to incur significant costs in integrating that level of renewable generation into the bulk electric system. *Id.* Mr. Bradford stated that Petitioner has not identified any specific costs Petitioner would incur by serving 30% or more of its load with renewable generation. *Id.* at 11. Mr. Bradford testified that RIIA identified bulk electric system issues that arise when 30% or more of system-wide annual load is served by renewable generation, but there is no indication that the same issues will be experienced at the individual utility level when it reaches 30% renewable penetration. *Id.*

2. Wayne D. Games. Mr. Games responded to Sunrise Coal witness Medine’s testimony regarding the need to retire A.B. Brown and Warrick Unit #4. Pet. Exh. 3-R, p. 1. Mr. Games stated that the expiration of the ITC, while a factor, was not motivating the

timeline for the Posey County and Warrick County Solar Projects. *Id.* at 3. He testified that the need for the projects is based on the retirement of F.B. Culley 2 and the expiration of the JOA for Warrick Unit #4. *Id.* He testified that it is necessary for Petitioner to start moving toward initiating these projects because Petitioner would need to purchase capacity from the market in 2024-2025, which would expose customers to the risk of market prices. *Id.* at 4.

Mr. Games noted that no party disputed the need to retire F.B. Culley 2, which will be nearly 60 years old in 2023, and is Petitioner's oldest, smallest, and least efficient coal unit. *Id.* at 4-5. He added that from 2015-2020, the average capacity factor was only 18% because of its high cost to produce energy. *Id.* at 5.

Mr. Games testified the recent Coal Combustion Residuals ("CCR") Part A Rule has provided CenterPoint with a path to continue operating F.B. Culley 2 through 2025 by constructing a CCR compliant pond to dispose of bottom ash. *Id.* The cost to construct the pond to handle bottom ash from F.B. Culley 2 and maintain the capacity accreditation from F.B. Culley 2 to meet the MISO PRMR is estimated at \$6 million. *Id.* This is a lower cost than recent bids the Company received to purchase market capacity to meet the projected shortfall. *Id.* He further stated that continued operation of F.B. Culley 2 through 2025 does not eliminate the need for the solar projects, and operation of F.B. Culley 2 would be not be prudent, cost-effective, or in the interest of customers. *Id.*<sup>1</sup>

Mr. Games testified that continued operation of Warrick Unit #4, while "still an option," as Ms. Medine stated, is not the best option from a financial or risk perspective. *Id.* at 7. Regarding Kaiser Aluminum's intended purchase of the rolling mill, Mr. Games testified that Kaiser's public filing with the United States Securities and Exchange Commission outlines transition services between Alcoa and Kaiser, and it alludes to the development of infrastructure necessary for the rolling mill to obtain electricity from a "third party supplier" (aside from Kaiser and Alcoa), which signals that the operation of the rolling mill is not tied to Alcoa Warrick Unit #4 plant and that Kaiser Aluminum will still need to purchase electricity to operate the rolling mill. *Id.* at 7-8. Further, Mr. Games noted that the existence of Alcoa's agreement with Kaiser Aluminum does not mean that Alcoa will continue to operate Warrick Unit #4 to power the smelter. *Id.* at 8.

Mr. Games also testified that Petitioner has received no indication that Alcoa is interested in continuing to operate the coal plant at Warrick Unit #4 beyond the expiration of the JOA on December 31, 2023. *Id.* Mr. Games also stated that Warrick Unit #4 would likely require substantial upgrades to operate beyond 2023, as it has averaged an annual Equivalent Forced Outage Rate ("EFOR") of over 16% in the past five-year period. *Id.* at 9. Mr. Games also noted that Alcoa has adopted environmental sustainability initiatives recently. *Id.*

Mr. Games testified that Petitioner's previous two IRPs have identified that exiting the JOA with Alcoa for Warrick Unit #4 is beneficial for Petitioner customers. *Id.* at 10. He stated that

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

operating Warrick Unit #4 beyond December 31, 2023, would expose ratepayers to significant risk. *Id.*

In response to Ms. Medine's testimony about the A.B. Brown plant, Mr. Games testified that the Posey County and Warrick County Solar Projects do not impact the A.B. Brown plant. *Id.* at 10-11. Moreover, Mr. Games testified that the primary drivers to retire the A.B. plant are based on the capital investments and ongoing O&M to make upgrades to continue operating the facility in a safe and reliable manner while staying in compliance with current and future environmental regulations. *Id.* at 11.

Mr. Games said the CSX coal transportation "offer" Ms. Medine discussed is not as firm as she suggests. *Id.* Mr. Games stated that the "offer" that CenterPoint received was still subject to negotiation and in fact indicated: "[t]his proposal requires Operations and Commercial senior management approval, both within CSXT and the [Evansville Western Railway] EVWR." *Id.*

3. Matthew Rice. Mr. Rice responded to Sunrise Coal witness Medine's comments about Petitioner's 2019/2020 IRP process. Pet. Exh. 4-R, p. 4. He testified that Petitioner considered Sunrise Coal and ICC's joint comments during the stakeholder process of the IRP. *Id.* He testified specifically that Petitioner analyzed life cycle emissions of each portfolio, which included upstream and downstream emissions of resources; included scenario analysis with high gas prices and low coal prices; considered more portfolio options that continue to run coal plants longer within the risk analysis; and analyzed the potential to extend the contract with Alcoa to run the plant for three years beyond the current expiration date at the end of 2023. *Id.* at 4-5.

Mr. Rice testified that there have been no "material changes," as suggested by Ms. Medine, that require an updated IRP analysis. *Id.* at 7. He testified that Alcoa's sale of its rolling mill to Kaiser Aluminum does not affect the IRP analysis. *Id.* Further, he testified that the ITC and PTC did not play a role in determining the timing as to the potential retirement of coal units, and if the ITC and PTC were extended, the decision point would not change. *Id.* Mr. Rice stated that the material changes cited by Ms. Medine would not change the decisions of the 2019/2020 IRP. *Id.* at 8. Mr. Rice testified that the Posey County and Warrick County Solar Projects are needed to replace capacity from F.B. Culley 2 and Warrick Unit #4, not A.B. Brown. *Id.* Mr. Rice stated the A.B. Brown plant will not be impacted by the projects at issue in this proceeding. *Id.*

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

Regarding Ms. Medine's testimony about an offer from the CSX railroad, Mr. Rice testified that the offer from CSX was not a firm offer but was contingent on specific approvals from CSX and Evansville Railway. *Id.* at 9. He also stated that the CSX offer would have made no difference in the Petitioner's analysis, as modeled in Mr. Rice's confidential attachment. *Id.* Mr. Rice also testified that Petitioner considered different scenarios accounting for the uncertainty in new

environmental regulations, including a “Low-Regulatory” scenario, in the preparation of the 2019/2020. *Id.*

Mr. Rice responded to Ms. Medine’s concerns about the possibility of future constraints on the use of natural gas, stating that, should the referenced net zero goal become a reality, Petitioner is in a good position to comply, and the Posey County and Warrick County Solar Projects, which are not natural gas units, would help to meet this goal. *Id.* at 10. Moreover, Mr. Rice testified that the renewables in the Preferred Portfolio would be backed up by natural gas combustion turbines that have a very low annual capacity factor of approximately 2% by 2035 in the reference case, which can easily be addressed with offset opportunities in the market. *Id.* Mr. Rice testified that Petitioner did include low- and high-priced natural gas outlook in its scenario analysis. *Id.*

Mr. Rice further responded to Ms. Medine’s testimony regarding examples of experiences of utilities that added renewable resources. *Id.* at 11. He testified the IRP did take into account the fact that the costs for renewable generation can be uncertain. *Id.* He also noted the examples Ms. Medine cited in her testimony are for wind PPAs entered into in 2009. *Id.*

Mr. Rice testified that the Generation Transition Plan is in the public interest, as it calls for the orderly transition away from coal resources to clean renewable resources, backed up by natural gas combustion turbines and the F.B. Culley 3 coal unit. *Id.* at 13. He testified that the public interest is best served by acting in a timely manner in accordance with the Plan to provide opportunities for lower costs for customers and economic benefits to the communities the Petitioner serves. *Id.*

Regarding rate and regulatory issues, Mr. Rice testified that it is Petitioner’s current practice to utilize the FAC to recover PPA costs for its current wind contracts, and recovery of costs through the FAC for the Warrick County Solar Project would be a continuation of this practice. *Id.* at 13-14. Mr. Rice testified that he agrees with Ms. Medine that revenue from RECs should be credited to ratepayers. *Id.* at 14. He testified that it is Petitioner’s current practice to sell RECs into the market or to individual industrial customers, and all revenue associated with the sale will flow back to customers. *Id.* Mr. Rice testified that the Levelized Cost assumptions and calculations should not be changed from 35 to 20 years, as Ms. Medine recommends. *Id.* at 15. He testified that solar panels are typically warrantied for 25 years, the Posey County Solar Project is expected to operate for at least 35 years, and the 35-year time limit is consistent with the Settlement Agreement approved by the Commission in Cause No. 45086. *Id.*

Mr. Rice further testified that the “active management” recommended by Ms. Medine for the PPA is already part of the FAC process, which requires quarterly audits by the OUCC. *Id.* Likewise, Mr. Rice testified that Ms. Medine’s recommendation of continuing review of the BTA is unnecessary, as Petitioner is proposing to incorporate the Levelized Rate into the CECA mechanism approved in Cause No. 44909, and Petitioner has also agreed to report on the Posey County Solar Project within the annual CECA filing. *Id.* at 15-16.

Mr. Rice testified that Petitioner has analyzed the potential impact of a commitment of an additional 300 MW from the Posey County Solar Project facility on the A.B. Brown – Gibson 345

kV transmission line as part of the 2019/2020 IRP. *Id.* at 16. He testified that the renewable resources used for Petitioner's analysis were projects already in the MISO queue and existing in the MISO models, including the Posey County Solar Project. *Id.* Mr. Rice testified that the Preferred Portfolio required \$11 million in transmission upgrades, none of which were caused by the Posey County Solar Project. *Id.*

Regarding OUCC witness Loveman's testimony that authorized ROEs for electric utilities have declined significantly, Mr. Rice testified that he believes ROEs for a 35-year asset should be considered in a more long-term context. *Id.* at 17. Moreover, Mr. Rice stated that the ROE that can be expected from the Posey County Solar Project already is consistent with the lower ROEs experienced in previous years (as opposed to the ROE approved in the Petitioner's last rate case) due to an underestimate of land costs. *Id.* at 18.

4. Art Holland. Mr. Holland, responded to Sunrise Coal's witness Medine, explaining why there was no bias against continuation of A.B. Brown in Petitioner's 2019/2020 IRP. Pet. Exh. 5-R., p. 2. He testified that the economic assessment that concentrated the capital cost in 2025 rather than amortized over the life of the asset reflects the preference of the modeler and does not affect the outcome. *Id.* Mr. Holland testified that the use of the Capital Cost Recover factor ("CCR") reflects the time value of money and works both ways in discounting for NPV calculations and for annualization of investments so they can be recovered over the life of the asset. *Id.* He testified that the CCR factor, when multiplied by the capital investment of the asset, converts it into a uniform stream of payments throughout the life of the asset. *Id.* Mr. Holland stated this methodology created no bias against the continuation of A.B. Brown. *Id.* at 2-3.

5. Brandon H. Shaw. Mr. Shaw responded to OUCC witness Loveman's recommendations regarding the proposed modification to the Levelized Rate based on a revenue requirement methodology. Mr. Shaw testified that the Levelized Rate was developed to allow customers to begin realizing the benefit of the federal ITC immediately, and the 30% ITC allows Petitioner to offer a competitive Levelized Rate. Pet. Exh. 6-R, p. 3-4. Mr. Shaw testified that OUCC witness Loveman appeared to base his approach on a cost-of-service, rate-of-return methodology, which he stated is problematic because if the Commission were to incorporate any portion of Mr. Loveman's proposed "revenue requirement approach" into its ultimate findings, it could put the Posey County Solar Project in jeopardy of being treated as Public Utility Property, which would put the entire Levelized Rate approach in jeopardy. *Id.* at 4.

Mr. Shaw testified that the OUCC's approach made two principal modifications to Petitioner's assumptions to reach its "revenue requirement" derived-rate: (1) inclusion of a ROE average, which is lower than the ROE currently approved for Petitioner; and (ii) the exclusion of Petitioner's proposed 10% contingency estimate from its estimated O&M expense. *Id.* at 5. Mr. Shaw testified that it was not appropriate for the OUCC to modify Petitioner's ROE, as this is not a rate case. *Id.* Further, he stated that Petitioner is not likely to propose an ROE as low as the OUCC's hypothetical 9.66% ROE in its next rate case. *Id.* In response to Mr. Loveman's direct testimony about having a locked-in ROE over the 35-year life of the Posey County Solar Project, Mr. Shaw testified that the Levelized Rate does not provide Petitioner with a guaranteed ROE, and that the ROE for the Posey County Solar Project also will not increase if the Commission decides

a higher ROE is more appropriate in a future rate case. *Id.* at 6. Mr. Shaw also testified that the use of a Levelized Rate does not “lock-in” any particular ROE, as Mr. Loveman suggests. *Id.*

Mr. Shaw testified that Petitioner’s use of a 10% contingency was reasonable because Petitioner is bearing the risk of O&M expenses increasing, which would result in a reduction in its internal rate of return. *Id.* Mr. Shaw stated that Petitioner underestimated the estimated amount of money needed for the land lease budget, which means Petitioner is under-budget by \$1.2 million/year for the lease alone. *Id.* at 7-8. Mr. Shaw testified that this demonstrates the need for the contingency and why the Levelized Rate should not and, in fact, cannot be further reduced such that the Posey County Solar Project would continue to be feasible. *Id.* at 8.

Mr. Shaw further testified that the OUCC failed to consider that, as part of the tax code, the tax basis that will be depreciated into the future for a solar project is reduced by 50% of the collected ITC. *Id.* at 9. He testified that this means an increase in expected taxes. *Id.* Mr. Shaw testified that if this correction to the OUCC’s approach were appropriately made, then the \$0.0501 rate proposed by the OUCC would result in a much lower return than the 9.66% that is suggested by Mr. Loveman. *Id.*

Mr. Shaw testified that the intention of the liquidated damages provisions in the BTA is to give Petitioner the comfort needed to offer the Levelized Rate knowing that if Capital Dynamics does not perform, then the Company will be made whole through liquidated damages. *Id.* at 10. Mr. Shaw testified that the liquidated damages provisions of the BTA coupled with the Levelized Rate shield customers from risks associated with the performance of the Posey County Solar Project and are not intended to double recover from ratepayers. *Id.* Further, Mr. Shaw testified that if Petitioner receives liquidated damages from Capital Dynamics for failing to achieve the minimum anticipated first year output established in the BTA, then the Production Baseline would be adjusted for the impacted year(s) resulting in a lower levelized revenue to be recovered from customers in the CECA due to decreased Solar Project production. *Id.* at 11. Mr. Shaw testified that the Levelized Rate will stay the same and customers will pay a lower amount for the unit based on the reduction to the Production Baseline. *Id.* Mr. Shaw testified that customer will only be paying for electricity delivered from the unit at the Levelized Rate and thus, will not be double paying for the facility. *Id.* Because this low Levelized Rate would be applied to a lower level of production level, the Company would not be collecting a sufficient amount from customers to compensate it for the investment in the Posey County Solar Project. *Id.* Mr. Shaw testified that the liquidated damages would compensate Petitioner for the portion of the cost of the facility that is not recovered from customers through the Levelized Rate. *Id.*

Mr. Shaw stated that Petitioner negotiated the BTA knowing that it wanted to propose a Levelized Rate, and without Capital Dynamics’ agreement to pay liquidated damages, then Petitioner could not offer the Levelized Rate. *Id.* at 11-12.

6. Brett A. Jerasa. Mr. Jerasa responded to the OUCC and Sunrise Coal witnesses’ testimony relating to the potential impact of PPAs on Petitioner’s credit metrics. Pet. Exh. 8-R, p. 3. He testified that denying the request to counteract the rating drag with the PPA adder will not help because the rating agencies do assess debt equivalency, and the long-term credit health of the Petitioner is something the Commission should value. *Id.* at 3. Mr. Jerasa testified

that the rating agencies will likely adjust for PPA debt equivalency based upon their past treatment of utilities' PPAs and his discussions with Petitioner's S&P analyst. *Id.* at 4. Mr. Jerasa testified that he does not expect an immediate credit rating downgrade as a result of the Warrick County Solar Project PPA, but the long-term credit health of the Petitioner will be at risk with this new solar project. *Id.* Mr. Jerasa testified that the proposed adder is the superior option to mitigate the impact on Petitioner's long-term credit health, particularly as the Petitioner moves forward with its Plan to enter into multiple PPAs. *Id.* 4-5.

Mr. Jerasa testified that the Commission has valued the credit health of utilities in the past and recognized the benefits of mechanisms that protect their credit ratings. *Id.* at 5. Mr. Jerasa also stated that protecting the credit health of a utility has benefit to customers, as any impact to Petitioner's credit metrics and rating will increase the cost of incremental debt, which will unduly impact the interest expense recovered from customers. *Id.* Mr. Jerasa testified that the PPA adder is meant to serve the goal of providing service at the lowest cost reasonably possible, specifically by helping prevent future increases in the cost of debt by offsetting a decline in the Company's credit metrics. *Id.* at 6.

Mr. Jerasa testified that the impact of a credit downgrade could far outweigh the monetary impact of the Petitioner's proposed PPA adder, depending on the size of the ROE increase in future rate cases. *Id.* Mr. Jerasa testified to the importance of ensuring the long-term credit health of Petitioner and to the importance of keeping Petitioner's credit ratings at investment grade to finance its need to invest in generation resources at satisfactory interest rates for customers. *Id.* at 7. Mr. Jerasa stated that adjusting the ROE could be an acceptable option for addressing the debt equivalency issue raised by the PPA; however, this option does not resolve the issues of lag and scope. *Id.*

In response to Sunrise Coal's testimony regarding the appropriateness of the PPA adder, Mr. Jerasa testified that Petitioner included PPAs in its proposed Plan to create a balanced portfolio for customers and to create "off-ramps" that can be used to respond to changing conditions. *Id.* at 8. He testified that the request for a PPA adder is based on a desire to protect long-term credit health, not to provide a return that de-incentivizes investment and ownership of assets. *Id.*

Further, Mr. Jerasa responded to Ms. Medine's testimony that this issue should not be decided now by testifying that the legislature did intend for the Commission to incentivize clean energy projects when it passed Ind. Code § 8-1-8.8-11, and that incentives for clean energy projects do not require a general rate case. *Id.* 8-9.

Mr. Jerasa testified that, if the Commission did not agree with Petitioner's proposal, then the Commission could grant a lower fixed rate than the proposed \$10.50 MWh, address the issue at a later date, or grant a higher ROE in Petitioner's next general rate filing. *Id.* at 9. Mr. Jerasa testified that a lower fixed rate under the proposed \$10.50 per MWh would cause an impact of a FFO to Debt percentage of 22.586%. *Id.* at 10.

## **5. Commission Discussion and Findings.**



**A. Request for CPCN under Ind. Code ch. 8-1-8.5 and reasonableness and necessity of PPA.**

Petitioner proposes to acquire the 300 MWac Posey County Solar Project through a BTA entered into with Capital Dynamics. Indiana Code § 8-1-8.5-2 states that a public utility must obtain a CPCN from the Commission prior to constructing, purchasing, or leasing a facility for the generation of electricity. In granting a CPCN, the Commission must consider the items set forth in Ind. Code § 8-1-8.5-4, must make a finding as to the best estimate of cost of the project based on the evidence of record, must make a finding whether the proposal is consistent with our statewide analysis or a utility specific proposal, and must make a finding whether the public convenience and necessity requires the project. We review each of the factors set forth in Ind. Code § 8-1-8.5-4 that the Commission must consider before granting a CPCN in the discussion below.

Petitioner also is seeking authority to enter into a PPA to purchase capacity and energy from the Warrick County Solar Project and a determination that the facility is an eligible “clean energy project” for purposes of Ind. Code § 8-1-8.8-11. Indiana 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. However, 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.<sup>2</sup> Therefore, in determining the reasonableness and necessity for the Warrick County Solar Project, we find it appropriate to consider the following Ind. Code ch. 8-1-8.5 factors: (1) the cost of the Warrick County Solar Project; (2) the consistency of the Warrick County Solar Project with CenterPoint’s 2019/2020 IRP; (3) the need for the Warrick County Solar Project; and (4) competitive solicitation. Accordingly, in our discussion of each of the factors we must consider under Ind. Code ch. 8-1-8.5 in connection with Petitioner’s request for a CPCN for the Posey County Solar Project, we also will assess whether the Warrick County Solar Project meets the relevant criteria and therefore, is reasonable and necessary.

**1. Competitive Solicitation and Best Estimate of the Posey County Solar Project and Warrick County Solar Project.**

Pursuant to Ind. Code § 8-1-8.5-5(b)(1), a CPCN may be granted only if the Commission makes a finding “as to the best estimate of construction, purchase, or lease costs based on the evidence of record.” Petitioner presented evidence of the estimated cost of both the Warrick County Solar Project and Posey County Solar Project. The Posey County Solar Project will be acquired pursuant to a BTA, under which CenterPoint will acquire the project and all rights and attributes associated with the project over its useful life. CenterPoint witness Bradford testified that the price of the project was firm and covers all interconnection and various other development costs that could escalate between now and the closing date. Pet. Exh. 2 at 17. The firm purchase price for the Posey County Solar Project is confidential but was set forth on page 17 of Mr.

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<sup>2</sup> See *N. Ind. Pub. Serv. Co.*, Cause No. 45194 (IURC Aug. 7, 2019), at 50-54; *N. Ind. Pub. Serv. Co.*, Cause No. 45310, at 27-30 (IURC Feb. 19, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 45403, at 24-26 (IURC Jan. 27, 2021); *Ind. Mich. Power Co.*, Cause No. 44511, at 7-8 (IURC Feb. 4, 2015); and *N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC Jun. 5, 2019) (discussing Chapter 8.5 factors relevant for clean energy projects under Chapter 8.8); see also *Ind. Mich. Power Co.*, Cause No. 44182, at 53-54 (IURC July 17, 2013) (discussing Chapter 8.7 factors relevant for Life Cycle Management Project under Chapter 8.8).

Bradford's direct testimony. In addition, the BTA was introduced into evidence in this proceeding as Attachment FSB-2 to Mr. Bradford's testimony.

Petitioner also offered into evidence the actual terms and cost of power being purchased under the PPA for the Warrick County Solar Project. *Id.* at 25. The terms and price under the PPA likewise are confidential but were described in detail on page 25 of Mr. Bradford's testimony. In addition, the PPA was introduced into evidence in this proceeding as Attachment FSB-1 to Mr. Bradford's testimony.

Neither the OUCC nor Sunrise Coal suggested the prices set forth in the PPA and BTA were not the "best estimate" of the costs the Warrick County Solar Project and Posey County Solar Project, respectively. Moreover, the pricing for the Warrick County Solar Project and Posey County Solar Project is consistent with the resources evaluated in Petitioner's 2019/2020 IRP. In fact, the cost estimate for the Warrick County Solar Project and Posey County Solar Project originated with the competitive All-Source RFP conducted as part of the IRP process. Pet. Exh. 2 at 4-7. CenterPoint issued an All-Source RFP for 10 to 700 MWac of capacity on June 12, 2019. *Id.* at 5. The Company engaged Burns and McDonnell as an independent third-party consultant and the direct interface for all RFP communications. *Id.* CenterPoint received responses from twenty-two individual respondents resulting in 110 proposals, 91 of which were for projects located in Indiana. *Id.* at 7.

The evidence reflects that the Warrick County Solar Project and Posey County Solar Project were competitively priced, on-system solar projects scoring at the top of their groupings. *Id.* at 13. The Warrick County Solar Project was the lowest priced PPA proposal. Pet. Exh. 2, Attachment FSB-5. The Posey County Solar Project was ranked the highest compared to all other proposals in terms of LCOE. *Id.* at 13. Neither the efficacy of the RFP nor the price of the projects has never been challenged.

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

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

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

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

(B) *the construction, purchase, or lease is consistent with a utility specific proposal submitted under section 3(e)(1) of this chapter. . . .*

(emphasis added).

The Warrick County Solar Project and Posey County Solar Project are consistent with the Preferred Portfolio identified in the 2019/2020 IRP. Under the Preferred Portfolio CenterPoint is to add 1,150 MWs of new solar and solar plus storage in 2023-2024 to replace coal capacity. Pet. Exh. 4 at 13. The Preferred Portfolio calls for CenterPoint to pursue renewable projects within the next three years based on the retirement of F.B. Culley 2 and the expiration of the contract for joint operation of Warrick Unit #4 in December 2023. *Id.* at 15. Adding renewable projects during this time frame also allows CenterPoint to take advantage of renewable tax incentives before they expire. *Id.*

Neither the OUCC nor Sunrise Coal claimed either the Warrick County Solar Project or Posey County Solar Project was inconsistent with the 2019/2020 IRP. In fact, the OUCC supported both the Posey County Solar Project and Warrick County Solar Project. OUCC witness Boerger recommended “the Commission approve the projects CenterPoint proposes in this proceeding.” Pub. Exh. 3 at 9.

Sunrise Coal witness Medine, however, criticized the 2019/2020 IRP process in general and argued material changes require the IRP to be updated. Sunrise Coal Exh. 1 at 6. These changes include Ms. Medine’s contention that the JOA for Warrick Unit #4 could be extended and a recent offer for reduced coal transportation costs should be evaluated. *Id.* at 9. Ms. Medine recommended the Commission direct “CenterPoint [to] revise its resource analysis to address issues raised by Sunrise in the 2019/2020 IRP.” *Id.* at 4. We do not find any of Ms. Medine’s criticisms support a finding that CenterPoint needs to revise its analysis or update its 2019/2020 IRP.

The fact that a stakeholder would have made different modeling assumptions does not invalidate an IRP. As we have previously found, “[i]nherently, integrated resource plans are performed at a point in time and use modeled scenarios to show how resources perform over a variety of alternative future conditions.” *Re NIPSCO Request for Approval of Dunn’s Bridge*, Cause No. 45462, at 62 (IURC May 5, 2021). There is strong evidence in the record that CenterPoint utilized an array of best practices, including basing model inputs on its All-Source RFP, which allowed for a more informed forecast of the cost of utility scale, supply-side generators than the Commission has seen in CenterPoint’s prior IRPs.

In *S. Ind. Gas & Elec. Co.*, Cause No. 45052, we found: “[a] key consideration in long-term resource planning is the need to retain maximum flexibility in utility resource decisions to minimize risks.” *Id.* at 24 (IURC Apr. 24, 2019). We noted that “[t]he credibility of the analysis is critical to the efforts of Indiana utilities to maintain as many options as possible, which includes off ramps, to react quickly to changing circumstances and make appropriate changes in the resources.” *Id.* CenterPoint’s 2019/2020 IRP took the foregoing feedback into account and includes a wide variety of generation sources. Through the Generation Transition Plan being implemented pursuant to the Preferred Portfolio, CenterPoint is seeking Commission approval of several discreet projects to replace retiring capacity, which it projects to be a mix of wind, CTs, solar, and solar plus storage. The Posey County Solar Project and Warrick County Solar Project representing 300 and 100 MWac, respectively, are part of this Generation Transition Plan and are

a mix of ownership and PPA structures. Petitioner's evidence indicates that the duration of renewable generation project commitments will stagger at various lengths between 20 and 30 years. All of these factors diversify CenterPoint's portfolio in metrics beyond fuel-source diversity and provide off ramps to allow the Company to react quickly to changing circumstances and make appropriate changes in the resources.

Moreover, Mr. Rice testified that CenterPoint did, in fact, incorporate comments from Sunrise Coal into its 2019/2020 IRP. Pet. Exh. 4-R at 4. CenterPoint ran scenarios specifically based on the request of Sunrise Coal, including a scenario with high gas prices and low coal prices. *Id.* at 4. Mr. Games and Mr. Rice both testified that Ms. Medine's suggestion that the JOA with Alcoa could be continued beyond 2023 was not consistent with the Company's understanding. Pet. Exh. 3-R at 3; Pet. Exh. 4-R at 7.<sup>3</sup> More critically, continuation of the JOA past 2023 was found to be uneconomical in the 2019/2020 IRP.<sup>4</sup> Pet. Exh. 4-R at 7. Mr. Rice also testified that inclusion of the CSX offer to reduce coal transportation costs did not decrease the price over the IRP reference case significantly. *Id.* at 9. Mr. Rice also noted that three of the five scenarios that CenterPoint modeled in its 2019/2020 IRP included a drastically reduced coal price. *Id.* Mr. Games likewise testified:

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

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

Tr. at A-20 to A-21.

The “changes” Ms. Medine identified do not support rejecting the Posey County Solar Project or Warrick County Solar Project or requiring CenterPoint to “update” the IRP. Even assuming Ms. Medine's changes had not been refuted by Mr. Rice, this would not be a case where a utility “failed to respond to changes in the electric industry or the broader market, and now seeks approval of generation additions based on a questionable foundation.” *See Re NIPSCO Request for Approval of Dunn's Bridge*, Cause No. 45462, at 62 (IURC May 5, 2021). Rather, the changes recommended by Ms. Medine were shown to be minor in nature and would not have impacted the result of the IRP process.

Based upon the record evidence, we find the Posey County Solar Project and Warrick County Solar Project are consistent with CenterPoint's 2019/2020 IRP.

### 3. Public Convenience and Necessity of the Solar Projects.

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<sup>3</sup> This contention is further discussed in Section 5.A.3. below in our consideration of the necessity of the solar projects.

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

Pursuant to Ind. Code § 8-1-8.5-5(b)(3), before granting a CPCN, the Commission must make “a finding that the public convenience and necessity require or will require the construction, purchase, or lease of the facility.” Petitioner’s witness Games testified that the 400 MWac of solar generation from the Posey County Solar Project and Warrick County Solar Project are needed to replace the capacity currently supplied by the 150 MWs of CenterPoint’s share of Warrick Unit #4, co-owned with Alcoa and the capacity produced by F.B. Culley 2, which is CenterPoint’s smallest and most inefficient unit. Pet. Exh. 3 at 4. The Preferred Portfolio in the IRP calls for those units to operate through 2023 only to allow time to obtain replacement capacity. *Id.* The 2019/2020 IRP provides:

Vectren plans to close its smallest, most inefficient coal unit, Culley 2 (90 11 MWs) and Vectren’s contract for joint operations of Warrick unit 4 (150 MWs) expires by the end of 2023. In order to replace this generation, Vectren plans to acquire renewable generation in the next three years in order for Vectren’s customers to benefit from expiring renewables tax incentives and, at a minimum, replace this portion of Vectren’s coal fleet. This equates to approximately 700-1,000 MWs of capacity from solar generation towards the 2023/2024 and the 2024/2025 MISO planning years, partially dependent on expected solar penetration levels within MISO at that time and MISO resource accreditation.

Pet. Exh. 4, Attachment MAR-1 at 284.<sup>5</sup>

The OUCC did not contest the need for either the Posey County Solar Project or Warrick County Solar Project and recommended that “the Commission approve the projects CenterPoint proposes in this proceeding.” Pub. Exh. 3 at 9. Sunrise Coal did not dispute the need to retire the F.B. Culley 2 plant. In fact, Sunrise Coal’s comments to CenterPoint’s 2019/2020 IRP state: “Culley 2 is a small older unit. *There is no dispute over whether it should be retired and, therefore, there is no reason to include incremental costs in BAU to 2039 that would allow it to continue to run.*” Sunrise Coal, Attachment 2, p. 6 (emphasis added).

Sunrise Coal witness Medine, however, claimed continued operation of Warrick Unit #4 may still be an option subject to negotiation of acceptable terms with Alcoa; or alternatively, that CenterPoint could enter into a PPA with Alcoa for the capacity it currently owns at Warrick Unit #4. Sunrise Coal Exh. 1 at 19-20. Notwithstanding Ms. Medine’s testimony, the record evidence does not support our finding that continued joint operation of Warrick Unit #4 is a viable economic option. From a financial perspective, CenterPoint’s last two IRPs both identified that the best option for the Company and customers is to exit the JOA. *See* Pet. Exh. 3-R at 10.<sup>6</sup> The 2019/2020

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

<sup>6</sup> *See also* Tr. at A-18 to A-19.

- Q. If Alcoa expressed a desire to keep operating Warrick 4, would the company be open to selling its capacity to a third party?
- A. No. The IRP has definitely pointed -- Both the last two IRPs have pointed to the fact that it's the best decision for our customers to exit the Joint Operating Agreement with Alcoa. There's just too much uncertainty about the future of that unit in order to take the risk to continue with that Joint Operating Agreement.

IRP notes that continuation of the JOA “... ultimately was not selected by the optimization routine for continuation *based on purely economic considerations*.” Pet. Exh. 4, Attachment MAR-1 at 231 (emphasis added). The evidence reflects that Warrick Unit #4 would require substantial upgrades to operate beyond to 2023 and has averaged an annual EFOR of over 16% in the past five-year period. Pet. Exh. 3-R at 9. Warrick Unit #4 also is the most expensive unit to operate among the CenterPoint coal units based on annual O&M cost per MWh of capacity. *Id.* at 9-10.

Moreover, there is no evidence that Alcoa, the other party to the JOA, intends to operate Warrick Unit #4 beyond 2023. To the contrary, the record evidence supports Petitioner’s witness Games’ conclusion that “the long-term outlook for Warrick Unit #4 is uncertain.” Pet. Exh. 3-R at 9. In a discovery response that Petitioner offered into evidence, Sunrise Coal indicated its contract to supply coal to Alcoa “expires at the end of 2022.” Pet. Exh. 10 at 2. During the evidentiary hearing, Mr. Games testified that “[t]here are a lot of indications that they [Alcoa] don’t have an interest in keeping the operation of Warrick 4.” Tr. at A-23 to A-24. Given this uncertainty, it would be imprudent for CenterPoint to plan to meet future customer needs based on speculation that Alcoa will continue to operate Warrick Unit #4, or CenterPoint could purchase capacity from Alcoa. The JOA expires on December 31, 2023. Pet. Exh. 4 at 15. If Alcoa were to provide notice of its intent to terminate the JOA, CenterPoint could not obtain a CPCN and construct a plant to replace the energy and capacity provided by Warrick Unit #4 within the notice period.

Absent the Posey County Solar Project and Warrick County Solar Project, CenterPoint would have to purchase capacity from a potentially volatile capacity market upon the retirement of F.B. Culley 2 and the expiration of the JOA for Warrick Unit #4. Pet. Exh. 3 at 16. With the rapid closure of several coal plants by the end of 2023, there is the possibility that capacity will be in demand and sold at a high price in future years. The Posey County Solar Project and Warrick County Solar Project are necessary to fill this capacity and energy void.

In addition to being needed to ensure that CenterPoint is able to continue to provide adequate and reliable service to customers, the Posey County Solar Project and Warrick County Solar Project serve the important objective of adding diversity to Petitioner’s generation portfolio and reducing risks. We have continuously recognized the importance of fuel diversity generally,<sup>7</sup> with respect to generation portfolios, and recognized the benefits of “home grown” renewable solar resources in particular. In approving a long-term purchase of power by Duke Energy Indiana from a wind provider, we stated:

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

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

<sup>7</sup> See e.g., *Verified Petition of Indianapolis Power & Light Company for Certificates of Public Convenience and Necessity*, Cause No. 44794, at 28 (IURC April 26, 2017) (“fleet fuel diversity mitigates risks”); *Joint Petition of PSI Energy, Inc. and CinCap VII for Issuance of Certificates of Public Convenience and Necessity*, Cause No. 42145, at 29 (IURC Dec. 19, 2002) (“...the addition of gas-fired peaking capacity will benefit the [] system in terms of fuel diversity and mitigating future environmental regulation risk.”); *In the Matter of the Petition of Wabash Valley Power Association for Issuance of a Certificate of Public Convenience and Necessity*, Cause No. 42321, at 5 (IURC March 26, 2003) (“Landfill Units are an appropriate choice to meet Petitioner’s need for additional generating capacity, which should enhance system integrity and reliability and provide Petitioner with increased fuel diversity.”)

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

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

Along with fuel diversity, CenterPoint’s proposal further diversifies its portfolio by inserting a mix of utility owned resources and energy provided through PPAs. The BTA and PPA have unique benefits, and the Company’s plan to balance these benefits will provide additional reliability for customers. For instance, the BTA will provide a resource that may be operated for beyond 35 years, after which the facility will continue to produce and provide low-cost power to the benefit of CenterPoint’s customers. This long-term operation helps insulate customers from the risk that energy prices might rise in the future. The PPA, on the other hand, places the risk of performance on the owner of the facility and expires after 25 years, allowing CenterPoint to pursue another opportunity.

Petitioner presented evidence that renewable resources also will aid in retaining and attracting industrial and commercial customers with renewable energy goals. CenterPoint witness Harris testified that several larger customers support the transition to more renewable investments, including Toyota, AstraZeneca, Walmart, Berry Global, St. Vincent, Deaconess Health Networks, and the Evansville Vanderburgh School Corporation. Pet. Exh. 9 at 5. Four large customers have expressed an interest in potentially entering a contract to purchase renewable energy from CenterPoint. *Id.* at 6. CenterPoint also has received a significant increase in RFPs with an expectation for access to renewable resources, including local generation assets. During the evidentiary hearing, Petitioner’s witness Harris testified that CenterPoint “is in the process of developing a green power tariff to be able to provide [a] solution for customers that want to directly purchase renewable energy. Tr. at B-13.

Based on the evidence of record and for the reasons explained above, we find that the public convenience and necessity requires Petitioner’s construction of the Posey County Solar Project and the PPA for the Warrick County Solar Project.

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

The Commission is required under Ind. Code § 8-1-8.5-4 when acting on any Petition for a CPCN to take into account:

- (1) the applicant’s current and potential arrangement with other electric utilities for:
  - (A) the interchange of power;
  - (B) the pooling of facilities;
  - (C) the purchase of power; and

- (D) joint ownership of facilities; and
- (2) other methods for providing reliable, efficient, and economical electric service, including the refurbishment of existing facilities, conservation, load management, cogeneration and renewable energy sources.

The evidence regarding the alternatives required by Ind. Code § 8-1-8.5-4 permits the Commission to make an informed decision as to whether a pending proposal is in the public interest. As we noted in *PSI Energy, Inc.*, Cause Nos. 41924 and 42145, “the statute does not require a utility to exhaust all statutory alternatives before it may request a CPCN for new capacity. Rather, what is important is that the Commission be given enough information so that the Commission can take into account all of the enumerated alternatives in making its determination. The statute does not limit the Commission’s discretion to weigh the importance of each alternative in determining the public interest.” *PSI Energy, Inc.*, Cause No. 42145, at 14 (IURC Dec. 19, 2002) (citing Cause No. 41924).

Petitioner conducted an All-Source RFP for proposals to meet its capacity needs by any method. The responses were varied and allowed CenterPoint to consider a wide variety of alternatives. Pet. Exh. 2 at 4-7. Twenty-two individual respondents submitted complete responses resulting in 110 proposals. *Id.* at 7. The proposal types included eight battery storage, two coal, seven combined cycle, one Load Modifying Resource (LMR)/Demand Response (DR), 57 solar, 19 solar plus storage, three system energy, and 13 wind. *Id.* The proposals included utility-owned projects and PPAs. The 2019/2020 IRP considered other alternatives, including maintaining the existing coal fleet as well as continuing the JOA with Alcoa.<sup>8</sup> During the evidentiary hearing, Petitioner’s witness Rice testified, “[I]n the 2019/2020 IRP, we did model an extension of the Warrick 4 contract for three years, and it was not selected because it was not an economic option for our customers.” Tr. at A-33.<sup>9</sup> The evidence reflects that the Preferred Portfolio is expected to save CenterPoint’s customers up to \$320 million over the IRP’s 20-year planning period (2020-2039) compared to continuing to operate coal units. Pet. Exh. 4 at 13.

Based on the foregoing, we find Petitioner has satisfied the requirement under Ind. Code § 8-1-8.5-4 that it consider alternative methods for providing reliable, efficient, and economical electric service.

##### 5. Conclusion Regarding Factors in Ind. Code § 8-1-8.5-4, -5.

Based upon the evidence of record, the Commission finds CenterPoint has met the requirements of Ind. Code ch. 8-1-8.5. The public convenience and necessity support construction of the Posey County Solar Project and the PPA for the Warrick County Solar Project. The Posey County Solar Project and the Warrick County Solar Project in tandem are necessary to meet capacity needs on Petitioner’s system. Upon the retirement of F.B. Culley 2 and the exit of the

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<sup>8</sup> Page 231 of the 2019/2020 IRP notes that continued operation of Warrick Unit #4 “... ultimately was not selected by the optimization routine for continuation *based on purely economic considerations.*” (emphasis added).

<sup>9</sup> See also Tr. at A-41:

- Q. Is it your testimony that you did fully consider retaining the agreement with Alcoa for Warrick 4 in the 2019/2020 IRP?
- A. We did.



Warrick Unit #4 JOA, CenterPoint will need energy produced from both or would need to turn to the market to purchase capacity. Fuel diversity and the addition of local renewable resources is important to protect electric utilities and their customers from contingencies such as fuel price fluctuations, and changes in regulatory practices that can drive up the cost of a particular fuel (e.g., environmental regulations). The projects were selected following a competitive bidding process using an All-Source RFP and the costs are reasonable for projects of this nature. Accordingly, the Commission finds that a CPCN for CenterPoint's pursuit of the Posey County Solar Project should be issued. For the same reasons, we find the Warrick County Solar Project to be reasonable and necessary and that the PPA should be approved.

## **B. Clean Energy Projects.**

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.” An “eligible business” is an energy utility that “undertakes a project to develop alternative energy sources, including renewable energy projects.” Ind. Code § 8-1-8.8-6(3). A “clean energy project” includes “[p]rojects to develop alternative energy sources, including renewable energy projects.” Ind. Code § 8-1-8.8-2(2). “Solar energy” is specifically listed as one of the clean energy resources in Ind. Code § 8-1-37-4(a)(1) through Ind. Code § 8-1-37-4(a)(16), thus making it a “renewable energy resource” under Ind. Code § 8-1-8.8-10.

As we indicated in Section 5.A. above, Chapter 8.8 does not set forth specific factors the Commission must consider in determining the reasonableness and necessity of a clean energy project. However, the Commission has considered certain factors outlined in Chapters 8.5 and 8.7 in other cases (i.e., cost of the projects, consistency with the IRP, need, and competitive solicitation). We discussed each of those factors above, and we reiterate below the basis for our conclusion that both the Posey County Solar Project and the Warrick County Solar Project are reasonable and necessary clean energy projects.

1. The Cost of the Solar Projects. As discussed in Section 5.A.1. above, the evidence in this Cause supports a finding that the energy to be obtained from the Warrick County Solar Projects and the Posey County Solar Project are reasonably priced compared to other alternatives. The Posey County Solar Project and the Warrick County Solar Project were selected based on the results of an All-Source RFP. The Warrick County Solar Project was the lowest priced PPA proposal. Pet. Exh. 2, Attachment FSB-5. The Posey County Solar Project was ranked the highest compared to all other proposals in terms of LCOE. Pet. Exh. 2 at 13.

2. Consistency of the Solar Projects with CenterPoint's 2019/2020 IRP. As discussed in Section 5.A.2. above, the Solar Projects are consistent with CenterPoint's 2019/2020 IRP. The Preferred Portfolio calls for 1,150 MWs of new solar and solar plus storage to come online in 2023-2024 to replace coal capacity, including capacity currently provided by Culley 2 and Warrick Unit #4. Pet. Exh. 4 at 13. The Posey County Solar Project and the Warrick County Solar Project are a necessary first step in this transition.

3. Need for the Solar Projects. As discussed in Section 5.A.3. above, the evidence demonstrates that CenterPoint has a need for capacity by 2023, which is supported by its 2019/2020 IRP. In addition to meeting an important capacity need, the Posey County Solar Project and Warrick County Solar Project serve to diversify CenterPoint's generation portfolio, provide additional "home grown" solar generation located in Indiana, and meet customers' increasing desire to have renewable energy options available to serve their needs.

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

We therefore find the Posey County Solar Project and Warrick County Solar Project are clean energy projects under Ind. Code § 8-1-8.8-11. We also find the energy and capacity provided through the Posey County Solar Project and Warrick County Solar Project are reasonable and necessary additions to CenterPoint's portfolio of generating resources to meet the need for electricity within CenterPoint's service area, while also mitigating the risk through the diversification and use of an economic mix of resources that provides flexibility. The record shows addition of the Posey County Solar Project and Warrick County Solar Project to CenterPoint's resource mix will provide needed energy and capacity.

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

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

CenterPoint requested that the Commission authorize it to recover the cost of the Posey County Solar Project through a "Levelized Rate" incorporated into the CECA, during the construction and operation of the Posey County Solar Project. No party objected to the recovery of the Levelized Rate through the CECA, but the OUCC recommended the Levelized Rate for the Posey County Solar Project be reduced. Pub. Exh. 2 at 8. The OUCC also proposed that the Commission require CenterPoint to adjust the Levelized Rate "revenue requirements" if CenterPoint receives liquidated damages and adjust the production baseline if the liquidated damages are the result of the Posey County Solar Project not achieving the minimum anticipated first year output, or any other conditions that would cause the production baseline to be adjusted. *Id.* at 2. Sunrise Coal recommended CenterPoint revise the Levelized Rate costs assumptions and

calculations for the Posey County Solar Project from 35 years to 20 years.<sup>10</sup> Sunrise Coal Exh. 1 at 5.

CenterPoint proposed to recover the Warrick County Solar Project PPA costs throughout the full 25-year term through the FAC (or successor mechanism) and accordingly sought a finding that power purchases pursuant to the PPA are reasonable throughout the term of the agreement and confirmation that the costs are recoverable through the FAC proceedings (or successor mechanism) without regard to the Ind. Code § 8-1-42(d)(1) test or any other FAC benchmarks. In addition, CenterPoint proposed to include an adjustment to the PPA cost that provides an equivalent equity return to offset the imputed debt during the life of the PPA. Pet. Exh. 8 at 11-12. Both the OUCC and Sunrise Coal opposed debt equivalency recovery. Pub. Exh. 1 at 4; Sunrise Coal Exh. 1 at 2. Sunrise Coal also recommended CenterPoint shorten the term of the Warrick Solar PPA to 20 years or modify it to allow for a buy-out at the end of 20 years. Sunrise Coal Exh. 1 at 5.

We address each of the proposed financial incentives proposed for the Posey County Solar Project and the Warrick County Solar Project below.

1. The Posey County Solar Project Incentives.

a. *The Levelized Rate.*

Petitioner proposed a fixed Levelized Rate of \$0.0535 per kWh over the life of the Posey County Solar Project. Pet. Exh. 6 at 6. CenterPoint proposed the Levelized Rate be adjusted if any adjustments are made to the law governing Indiana State and/or Federal Income Tax Rates that result in a change to other approved tariff rates. Pet. Exh. 6 at 8. The Levelized Rate was derived based on an analysis of the LCOEs of the top quartile PPA projects submitted in response to CenterPoint's All-Source RFP. Pet. Exh. 2 at 23. CenterPoint also performed a "reality check" to ensure that the Levelized Rate would be fair to ratepayers and the Company, which was provided as Petitioner's Exh. 6, Attachment BHS-1. In addition, CenterPoint compared the Levelized Rate to the rate per kWh that would result from applying traditional ratemaking principles.

We approved the Levelized Rate approach in *Re Petition of Southern Indiana Gas & Elec. Co.*, Cause No. 45086 (approved March 20, 2019), which was part of a settlement agreement between several parties in that proceeding. In that case, we noted that the Levelized Rate allows Petitioner to recover its prudently incurred costs associated with the solar project, while providing benefits and protections for customers. *Id.* at 29. No party opposed the use of the Levelized Rate, and we find the Levelized Rate here has the same benefits identified in Cause No. 45086. The Levelized Rate is lower than the cost of the project using a traditional ratemaking approach. The average cost of the Posey County Solar Project under traditional ratemaking was estimated at

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<sup>10</sup> Undisputed by the parties is the use of RECs to offset the Levelized Rate. Petitioner witness Rice explained that CenterPoint will sell the RECs created by both projects, which is anticipated to generate approximately \$8 per MWh, the benefits of which will be directed to ratepayers. Pet. Exh. No. 4 at 26. Sunrise Coal witness Medine recommended that "[t]he entire revenue for RECs, whether it turns out to be the assumed \$8 per MWh or some higher or lower amount should be credited to ratepayers who are paying for this 'asset' in the PPA price." Sunrise Coal Exh. 1 at 18. Witness Rice confirmed that this is Petitioner's current practice. Pet. Exh. No. 4-R at 14.

approximately \$0.065 per kWh over the life of the asset. Petitioner's Exhibit No. 6, Attachment BHS-2. The Levelized Rate also protects customers from cost increases, which they would not be protected from under traditional ratemaking principles. As we noted in Cause No. 45086, if "capital costs, or if O&M costs increase above the assumed amount, Petitioner will still only collect" the Levelized Rate. Cause No. 45086 at 17. As such, CenterPoint bears all of the risk of the cost of the project increasing. The Levelized Rate approach also allows customers to begin realizing the benefit of the federal ITC immediately. Under a traditional ratemaking approach, the ITC would not be accounted for until the Company's next rate case.

OUCG witness Loveman recommended CenterPoint reduce the Levelized Rate to \$0.0501 per kWh, excluding IURT, which he derived using a "revenue requirement" approach. Pub. Exh. 2 at 8. Mr. Loveman indicated his revenue requirement approach targeted an ROE of 9.66% and he reduced the amount of contingency included in CenterPoint's O&M budget. *Id.*

We conclude based on the evidence of record that the OUCG's proposed Levelized Rate of \$0.0501 per kWh is reasonable and reflects an appropriate rate based on forecasted costs and revenue requirements that are specific to the project. This rate will allow CenterPoint to recover its prudently incurred costs associated with the Posey County Solar Project while allowing CenterPoint to recover additional revenues similar to a return if the Posey County Solar Project was recovered through rates under a traditional ratemaking approach.

Moreover, Petitioner's proposed Levelized Rate is not based on a revenue requirement approach and relies on an analysis of LCOEs of other PPA projects which are inclusive of other costs, such as debt equivalency, that may not materialize. Petitioner's proposed Levelized Rate has a greater potential for CenterPoint to earn excessive revenues given the recent electric utility ROE climate. We agree with Mr. Loveman that CenterPoint's Levelized Rate should include a reduction to the ROE percentage, 9.66%, in the calculation. We previously recognized the downward trend in ROE rates in previous proceedings, along with the mitigation of risk associated with various regulatory mechanisms such as the rate recovery authorization requested in this proceeding, and find the ROE proposed by the OUCG for use in the Levelized Rate calculation is appropriate for the same reasons. (IURC Cause No. 45235, Order at 40-41; IURC Cause No. 45253, Order at 58). We also agree with Mr. Loveman that a lower O&M expense amount, removal of the contingency amount, be reflected in the Levelized Rate calculation. CenterPoint did not provide adequate justification for its proposed O&M expense estimate for the Posey County Solar Project. It is unprecedented to include a contingency amount on already forecasted O&M expenses.

Sunrise Coal suggested CenterPoint revise the levelized costs assumptions and calculations used to derive the Levelized Rate from 35 years to 20 years. Sunrise Coal Exh. 1 at 5. The impact of decreasing the number of years over which the cost assumptions are applied would serve only to increase the Levelized Rate, which we do not find to be in the public interest. Moreover, as both Petitioner's witnesses Games and Rice testified, solar panels are made to last more than 20 years and the Posey County Solar Project is expected to operate for at least 35 years. Pet. Exh. 3 at 10; Pet Exh. 4-R at 14. Ms. Medine acknowledged a 35-year life is possible.<sup>11</sup> The 35-year time period also is consistent with the Settlement Agreement, approved by this Commission for

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<sup>11</sup> "A 35-year project life is at the upper end of what new solar PV projects are expected to operate." Sunrise Coal Exh. 1 at 22.

CenterPoint's solar project in Troy, Indiana in *Re Petition of Southern Indiana Gas & Elec. Co.*, Cause No. 45086 (approved March 20, 2019).

Based on the evidence of record and for the reasons explained above, we find the proposed Levelized Rate of \$0.0501 per kWh is reasonable and in the public interest and should be approved under Ind. Code § 8-1-8.8-11. We find the Levelized Rate should be collected through the CECA using the methodology proposed by Petitioner and excluded from Petitioner's NOI used for the quarterly FAC earnings test and calculation of Petitioner's revenue requirement in each rate case over the life of the project.

b. *Liquidated Damages.*

CenterPoint proposed the Levelized Rate be changed only if adjustments are made to the law governing Indiana State and/or Federal Income Tax Rates. OUCC witness Loveman recommended the Commission require CenterPoint "to adjust the Levelized Rate revenue requirements if liquidated damages are received from Capital Dynamics," and to adjust "the production baseline if the liquidated damages are the result of the Posey County Solar Project not achieving the minimum anticipated first year output, or any other conditions that would cause the production baseline to be adjusted." Pub. Exh. 2 at 11. The OUCC contends Petitioner could be double recovering a portion of the annual revenue requirement from ratepayers in the event it receives liquidated damages. *Id.*

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

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

Cause No. 45086 Settlement Agreement; ¶ 18.

In Cause No. 45086, the Levelized Rate was based on a revenue requirement methodology and was subject to adjustment based on the Company's ROE.<sup>12</sup> Accordingly, to the extent liquidated damages were received, the Settling Parties agreed those funds would be used as an "offset to revenue requirements." *Id.* at ¶ 15. As discussed above, because we are adopting the OUCC's proposed Levelized Rate in this case based on its "revenue requirements" methodology,

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<sup>12</sup> The revenue requirements approach was modified in a subsequent subdocket to avoid tax problems. See Cause No. 45086-S1 (approved January 29, 2020).

we will require Petitioner to adjust the Levelized Rate revenue requirements if liquidated damages are received from Capital Dynamics. Additionally, the Levelized Rate will be adjusted based on the OUCC's proposed ROE. The Liquidated Damages will be used by CenterPoint to offset project costs charges to consumers.

Based on the foregoing, we adopt the OUCC's recommendation that Petitioner adjust the Levelized Rate "revenue requirements" if liquidated damages are received.

2. Warrick County Solar Project Incentives.

a. *Recovery of PPA Costs through the FAC over a 25-Year Term.*

CenterPoint proposed to recover the Warrick County Solar Project PPA costs throughout the full 25-year term of the PPA through the FAC (or successor mechanism) pursuant to Ind. Code §§ 8-1-2-42(a) and 8-1-8.8-11. CenterPoint also is seeking confirmation that the costs under the PPA are recoverable through the FAC proceedings (or successor mechanism) without regard to the Ind. Code § 8-1-19 42(d)(1) test or any other FAC benchmarks. OUCC witness Loveman recommended "approving CenterPoint's proposal to recover costs associated with the PPA through the FAC tracker." Pub. Exh. 2 at 17.<sup>13</sup> Mr. Loveman noted that this treatment is consistent with the approved cost recovery approved in Cause Nos. 43259 and 43635 for purchases from the Benton County Wind Farm and Fowler Ridge II.<sup>14</sup> *Id.*

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

Sunrise Coal recommended CenterPoint either shorten the term of the Warrick Solar PPA to 20 years or modify the PPA to allow for a market-based buy-out at the end of 20 years. Sunrise

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<sup>13</sup> *See also* OUCC Exh. 2 at 16 ("As CenterPoint proposes, and the OUCC does not object to, the Warrick County Solar Project PPA cost will be recovered through its FAC tracker. As a result, CenterPoint will achieve full PPA cost recovery.")

<sup>14</sup> *See* Commission's Final Order in Cause No. 43259, dated December 5, 2007; and Commission's Final Order in Cause No. 43635, dated June 17, 2009.

Coal Exh. 1 at 5.<sup>15</sup> However, there is no evidence to support a finding that Clenera would have accepted either of these proposals. To the contrary, Petitioner’s witness Bradford testified that “[s]hortening the term or inclusion of additional early termination options would have increased the price under the PPA.” Pet. Exh. 2-R at 8. The evidence also reflects that the 25-year term was “the most competitive price that was offered for the Warrick County Solar Project PPA.” *Id.* In addition, the 25-year term of the Warrick County Solar Project PPA is part of the overall strategy of CenterPoint to pursue agreements of varying lengths. Mr. Bradford testified that CenterPoint focused on negotiating PPAs that have varying terms in order to provide multiple off-ramps and prevent a single year for future transition. Accordingly, we reject Sunrise Coal’s recommendation that Petitioner be required to renegotiate the PPA to modify its term or incorporate a buy-out provision.

b. *The Proposed Debt Equivalency Factor.*

The most controversial issue in this proceeding was Petitioner’s proposed PPA debt equivalency factor designed to mitigate the risk of rating agencies imputing an adjustment to the Company’s total debt based on the present value of the PPA payments. Petitioner’s Witness Jerasa testified that imputing an adjustment to debt has become standard practice for rating agencies and weakens the credit metrics and credit profile of a utility. Pet. Exh. 8 at 8. Mr. Jerasa stated that “[w]eaker credit ratings can increase borrowing costs, access to capital, and negatively impacts a utility’s cost of capital [which] increases costs to customers.” *Id.* Petitioner proposed the Commission award as a “financial incentive” under Ind. Code § 8-1-8.8-11 an adjustment to the PPA payment that provides an equivalent equity return to offset the imputed debt during the life of the PPA. *Id.* at 13. Mr. Jerasa testified that this “debt equivalency factor” will allow Petitioner to maintain its current debt-to-equity ratios with minimal impact to credit quality and support the equity capital provided by shareholders. *Id.* at 11. Mr. Jerasa presented a calculation of the annual PPA adjustment per MWH, which he indicated was based on S&P’s methodology for imputing debt. *Id.* at 12, and Attachment BAJ-5. The adjustment equates to approximately \$10.50 per MWH.

Sunrise Coal witness Medine contends the issue of whether debt equivalency costs are recoverable, and if so how, should be decided by the Indiana General Assembly or by the Commission uniformly on a statewide or in the context of a rate case. Sunrise Coal Exh. 1 at 8.

The OUCC did not challenge the methodology Mr. Jerasa used to develop the debt equivalency factor. The OUCC, however, did challenge the necessity of the debt equivalency factor in this proceeding. The OUCC stated that CenterPoint has not demonstrated it, nor its customers will be monetarily harmed via a debt equivalency assessed by a credit rating agency for the Warrick County Solar Project PPA. *Id.* at 15-16. The OUCC also described three options to address debt equivalence concerns, pointing out that the adder proposed by CenterPoint is the most expensive of the three. *Id.* at 13-14.

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<sup>15</sup> Ms. Medine also recommended that if the Warrick Solar PPA is approved, it should be subject to regular review over its entire life that CenterPoint is prudently administering that contract. *Id.* We address that issue in Section 5.D below relating to Reporting and Ongoing Review of Solar Projects.

We are cognizant of the risk that ratings agencies may assess a “debt equivalency” on a utility that enters into a PPA. The cumulative impact of PPA debt equivalency, if not addressed, could result in a downgrade. However, Petitioner acknowledges that the PPA in this proceeding will not lead to a downgrade of its credit ratings. Pet. Ex. 8 at 11, Pet. Ex. 8-R at 4. We agree with the OUCC that the adder is not needed in this proceeding, and Petitioner has not demonstrated this adder will be beneficial to its customers. The Commission has not approved an adder in any other PPA proceeding, and we do not believe it is prudent to address the need for an adder in this proceeding when its necessity is in question and the benefits are not proven. Based on the foregoing, we find it not necessary to approve the adder for debt equivalency at this time. We, therefore, do not approve Petitioner’s proposed debt equivalency adder.

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

Indiana Code § 8-1-8.5-6(a) provides:

In addition to the review of the continuing need for the facility under construction ... the Commission shall, at the request of the public utility, maintain an ongoing review of such construction as it proceeds. The applicant shall submit each year during construction or at such other periods as the Commission and the public utility mutually agree, a progress report and any revisions in the cost estimates for the construction.

Petitioner will not own the Posey County Solar Project “during construction” as it will not be transferred until it is completed and placed in service.<sup>16</sup> Nonetheless, Petitioner’s witness Rice testified that CenterPoint will report on the Posey County Solar Project within its annual CECA filings. Pet. Exh. 4 at 21. We find that Petitioner’s proposal meets the requirements set forth in Ind. Code § 8-1-8.5-6(a).

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

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

OUCC witness Loveman recommended the Commission require CenterPoint to seek Commission approval prior to contracting with a tax equity investor through a TEP for the Posey County Solar Project. Pub. Exh. 2 at 2. CenterPoint witness Bradford testified that the Company

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<sup>16</sup> Posey Solar, LLC has filed a Petition in Cause No. 45549, seeking certain approvals related to its construction of the Posey County Solar Project.



was not opposed to this proposal, but the possibility of using a tax equity investor is remote because: (i) CenterPoint Energy, Inc. will have adequate taxable income to fully utilize the credit; and (ii) contracting with a TEP would undercut the Company's ability to offer the Levelized Rate which is predicated on CenterPoint Energy Inc.'s ability to realize the ITC. Pet. Exh. 2-R at 5. Although unlikely, we find CenterPoint should seek Commission approval if it contracts with a tax equity investor through a TEP as a subdocket in this Cause.

#### **F. Renewable Integration Impact Assessment ("RIIA").**

CenterPoint, in Volume 1, Section 5 of its 2019/2020 IRP, extensively discusses capacity accreditation of intermittent generation resources, both from the standpoint of Effective Load Carrying Capacity in MISO's RIIA study and the potential for seasonal accreditation under MISO's Resource Availability and Need initiative. Pub. Exh. 1 at 7. OUCC witness Boerger stated that aside from capacity accreditation costs, CenterPoint did not incorporate other MISO RIIA costs in its 2019/2020 IRP analysis. *Id.* at 8. Dr. Boerger, however, concluded, "the risks related to its proposed intermittent resources level in this proceeding are manageable." *Id.*

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

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

Sunrise Coal witness Medine suggested a commitment of an additional 300 MW from the Posey County Solar Project to be connected to the A.B. Brown – Gibson 345 kV 9 transmission line could impact continued operation of the A.B. Brown plants, or change the economics of placing replacement CTs at that site. Sunrise Coal Exh. 1 at 16. Ms. Medine stated it is unclear whether CenterPoint has even analyzed that potential impact. *Id.* The evidence reflects that CenterPoint analyzed that potential impact.

Petitioner's witness Rice testified that, as part of the 2019/2020 IRP, CenterPoint performed transmission planning analyses to study a wide range of potential portfolio options, including the Preferred Portfolio, which included the Posey County Solar Project. Pet. Exh. 4 at 4-16; Attachment MAR-1. Mr. Rice stated the Preferred Portfolio required \$11 million in transmission upgrades, none of which are caused by the Posey County Solar Project. Pet. Exh. 4-R at 16. Moreover, as CenterPoint witness Bradford testified, MISO requires a Generator Interconnection Request for every new generator that connects to the MISO transmission system and participates in its wholesale market, which identifies any and all transmission upgrades

required as a result of the generator's projected peak output and nameplate capacity. Pet. Exh. 2-R at 11. Upgrades are required to the extent they are necessary to ensure the MISO system functions as it did prior to the resource connecting. This process further ensures the Posey County Solar Project will not impact the A.B. Brown interconnection or its current or planned plants.

#### **H. Conclusion.**

We find the evidence of record in this proceeding supports approval of the Posey County Solar Project, the Warrick County Solar Project, the BTA and PPA and the proposed methods of cost recovery. The BTA and PPA terms and costs are reasonable, they provide needed energy, diversify CenterPoint's supply portfolio, provide environmental benefits, and defend against fuel cost volatility. We find the costs associated with the PPA should be recovered through a Section 42(a) tracking mechanism to be administered through CenterPoint's quarterly FAC filings. We find that the cost of the BTA should be recovered through the Levelized Rate incorporated into the CECA mechanism, as modified by our discussion above. We further find that CenterPoint's proposed financial incentives as outlined above in Paragraph 5.C. should be granted and a CPCN should be issued for the Posey County Solar Project.

#### **6. Confidential Information.**

On February 23, 2021, CenterPoint filed its first motion for protective order, which was supported by affidavit, showing documents to be submitted to the Commission were trade secret information as defined by Ind. Code § 24-2-3-2 and within the scope of Ind. Code § 5-14-3-4(a)(4). On March 8, 2021, the Presiding Officers issued a docket entry finding the information described in the request for confidentiality to be confidential on a preliminary basis. On May 24, 2021, CenterPoint filed its second motion for protective order, which was supported by affidavit, showing documents to be submitted to the Commission were trade secret information as defined by Ind. Code § 24-2-3-2 and within the scope of Ind. Code § 5-14-3-4(a)(4). On June 4, 2021, 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 as defined in Ind. Code § 34-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. CenterPoint takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to CenterPoint. Therefore, we affirm the preliminary ruling and find 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 and held confidential and protected from public disclosure by the Commission.

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

1. Petitioner is granted a Certificate of Public Convenience and Necessity for its proposed acquisition of the Posey County Solar Project through the Build Transfer Agreement. This Order shall constitute such Certificate.

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

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

**APPROVED:**

**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**

