

STATE OF INDIANA

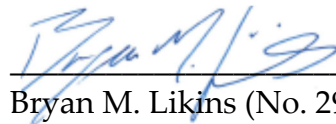
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY LLC AND FAIRBANKS SOLAR GENERATION)
LLC (THE "JOINT VENTURE") FOR (1) ISSUANCE TO NIPSCO OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR)
THE PURCHASE AND ACQUISITION OF A 250 MW SOLAR PROJECT)
(THE "FAIRBANKS PROJECT"); (2) APPROVAL OF THE FAIRBANKS)
PROJECT AS A CLEAN ENERGY PROJECT UNDER IND. CODE § 8-1-)
8.8-11; (3) APPROVAL OF RATEMAKING AND ACCOUNTING)
TREATMENT ASSOCIATED WITH THE FAIRBANK PROJECT; (4))
AUTHORITY TO ESTABLISH AMORTIZATION RATES FOR)
NIPSCO'S INVESTMENT IN THE JOINT VENTURE; (5) APPROVAL)
PURSUANT TO IND. CODE § 8-1-2.5-6 OF AN ALTERNATIVE) CAUSE NO. 45511
REGULATORY PLAN INCLUDING ESTABLISHMENT OF JOINT)
VENTURE THROUGH WHICH THE FAIRBANKS PROJECT WILL)
SUPPORT NIPSCO'S GENERATION FLEET AND THE REFLECTION)
IN NIPSCO'S NET ORIGINAL COST RATE BASE OF ITS)
INVESTMENT IN JOINT VENTURE; (6) APPROVAL OF PURCHASED)
POWER AGREEMENTS AND CONTRACT FOR DIFFERENCES)
THROUGH WHICH NIPSCO WILL PAY FOR THE ENERGY)
GENERATED BY THE FAIRBANKS PROJECT, INCLUDING TIMELY)
COST RECOVERY PURSUANT TO IND. CODE § 8-1-8.8-11 THROUGH)
NIPSCO'S FUEL ADJUSTMENT CLAUSE; (7) AUTHORITY TO DEFER)
AMORTIZATION AND TO ACCRUE POST-IN SERVICE CARRYING)
CHARGES ON NIPSCO'S INVESTMENT IN JOINT VENTURE; (8) TO)
THE EXTENT GENERALLY ACCEPTED ACCOUNTING PRINCIPLES)
WOULD TREAT ANY ASPECT OF JOINT VENTURE AS DEBT ON)
NIPSCO'S FINANCIAL STATEMENTS, APPROVAL OF FINANCING;)
(9) APPROVAL OF AN ALTERNATIVE REGULATORY PLAN FOR)
NIPSCO IN ORDER TO FACILITATE THE IMPLEMENTATION OF)
THE FAIRBANKS PROJECT; AND (10) TO THE EXTENT NECESSARY,)
ISSUANCE OF AN ORDER PURSUANT TO IND. CODE § 8-1-2.5-5)
DECLINING TO EXERCISE JURISDICTION OVER THE JOINT)
VENTURE AS A PUBLIC UTILITY.)

JOINT PETITIONERS' MOTION FOR SUBSTITUTION OF DIRECT TESTIMONY

Northern Indiana Public Service Company LLC ("NIPSCO"), by counsel, moves to substitute Joint Petitioners' Exhibit No. 2, the public (redacted) testimony of Andrew S. Campbell, originally filed on March 3, 2021, with the version as attached to this Motion. The only change to Mr. Campbell's testimony concerns the redaction of confidential information on Page 20. Once this motion is granted, NIPSCO will file confidential Page 20 of Joint Petitioner's Exhibit No. 2-C.

Respectfully submitted,




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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon T. Jason Haas, Indiana Office of Utility Consumer Counselor, PNC Center, Suite 1500 South, 115 W. Washington Street, Indianapolis, Indiana 46204 (thaas@oucc.in.gov, infomgt@oucc.in.gov), and Jennifer A. Washburn and Reagan Kurtz, Citizens Action Coalition of Indiana, Inc., 1915 West 18th Street, Suite C, Indianapolis, Indiana 46204 (jwashburn@citact.org, rkurtz@citact.org).

Dated this 21st day of May, 2021.



Bryan M. Likins

VERIFIED DIRECT TESTIMONY OF ANDREW S. CAMPBELL

1 **Q1. Please state your name, business address and title.**

2 A1. My name is Andrew S. Campbell. I am the Director of Regulatory Support
3 & Planning for Northern Indiana Public Service Company LLC
4 ("NIPSCO"). My business address is 1500 165th Street, Hammond,
5 Indiana 46320.

6 **Q2. On whose behalf are you submitting this direct testimony?**

7 A2. I am submitting this testimony on behalf of Joint Petitioners NIPSCO and
8 Fairbanks Solar Generation LLC (the "Joint Venture").

9 **Q3. Please describe your educational and employment background.**

10 A3. I graduated from Purdue University Calumet with a Bachelor of Science in
11 Mechanical Engineering and graduate studies in Interdisciplinary
12 Engineering. Additionally, I graduated with a Master of Business
13 Administration from the University of Notre Dame. I began my
14 employment with NIPSCO in June of 2009 as an Operations Analysis
15 Engineer. In September of 2011, I was promoted to the Manager of
16 Operations & Market Support and in May of 2013, assumed the role of

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1 Manager of Planning & Regulatory Support. In September of 2017, I was
2 promoted to my current role as Director of Regulatory Support &
3 Planning. Prior to joining NIPSCO, I worked as an engineer for an
4 industrial manufacturing company that specialized in engine attachments
5 for marine and small power generation applications. I am also a veteran
6 of the Army National Guard.

7 **Q4. What are your responsibilities as Director of Regulatory Support &**
8 **Planning?**

9 A4. As the Director of Regulatory Support & Planning, I am responsible for
10 leading the regulatory support and financial planning functions for the
11 Energy Supply & Optimization ("ES&O") department within NIPSCO,
12 whereby my team supports NIPSCO's operations within the electric and
13 natural gas markets. More specifically, my team is responsible for leading
14 all electric and natural gas rate case related support activities for the ES&O
15 department, supporting the forecast and reconciliation of NIPSCO's Fuel
16 Adjustment Clause ("FAC"), Regional Transmission Organization
17 ("RTO") Adjustment, Resource Adequacy ("RA") Adjustment, Green
18 Power Rider, Gas Cost Adjustment ("GCA"), leading the development of

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1 NIPSCO's natural gas and electric hedging programs, and supporting
2 NIPSCO's financial and business planning cadence. Most recently, I have
3 been leading the commercial execution of NIPSCO's generation strategy
4 outlined within its 2018 Integrated Resource Plan ("2018 IRP").

5 **Q5. Have you previously testified before this or any other regulatory**
6 **commission?**

7 A5. Yes. Most relevant, I submitted testimony before the Indiana Utility
8 Regulatory Commission ("Commission") in NIPSCO's requests for a
9 certificate of public convenience and necessity ("CPCN") to purchase and
10 acquire (indirectly through joint venture structures) in (1) Cause No. 45462
11 for a (a) 265 megawatt ("MW") solar joint venture (the "Bridge I Project"),
12 (b) 435 MW solar and 75 MW energy storage joint venture ("Bridge II
13 Project"), and (c) 200 MW solar and 60 MW energy storage joint venture
14 (the "Cavalry Project");¹ (2) Cause No. 45194 for a 102 MW wind joint
15 venture ("Rosewater Project"); and (3) Cause No. 45310 for a 302 MW wind
16 joint venture ("Crossroads Project"). I also submitted testimony before the

¹ The Bridge I Project, Bridge II Project, and Cavalry Project are collectively referred to herein as the "Solar Projects."

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Commission in NIPSCO's request for approval and associated cost recovery of power purchase agreements in (1) Cause No. 45489 with Gibson Solar LLC ("Gibson Project"); (2) Cause No. 45472 with Green River Solar, LLC ("Green River Project"); (3) Cause No. 45403 with (a) Brickyard Solar, LLC ("Brickyard Project"), and (b) Greensboro Solar Center, LLC ("Greensboro Project"); (4) Cause No. 45195 with Jordan Creek Wind Farm LLC ("Jordan Creek Project"), and (5) Cause No. 45196 with Roaming Bison Wind Farm LLC ("Roaming Bison Project"). I also filed testimony supporting NIPSCO request for a modification of the Commission's Order in Cause No. 45310 (Crossroads Project) authorizing a contract for differences as a third option in addition to the approved offtake agreements in Cause No. 45463.

I have also submitted testimony in NIPSCO's electric rate case in Cause No. 45159; NIPSCO's gas rate case in Cause No. 44988; NIPSCO's request for approval of its 2018 Hedging Plan, 2019 Hedging Plan, and 2020 Hedging Plan (Cause Nos. 38706-FAC-118, 38706-FAC-122, 38706-FAC-126, and 38706-FAC-130); NIPSCO's request for approval of an amendment to NIPSCO's 2017-2018 financing authority (Cause No. 45020);

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1 and in some of the following tracker filings: GCA tracker filings (Cause
2 No. 43629-GCA-XX), FAC tracker filings (Cause No. 38706-FAC-XX), RA
3 Adjustment tracker filings (Cause No. 44155-RA-XX), and RTO
4 Adjustment tracker filings (Cause No. 44156-RTO-XX).

5 **Q6. What is the purpose of your direct testimony in this proceeding?**

6 A6. The purpose of my direct testimony is to support Joint Petitioners' request
7 for an order authorizing NIPSCO to continue implementation of its
8 generation transition plan as set forth in its 2018 IRP submitted October 31,
9 2018. I provide a broad overview of the proposed transaction. I also
10 discuss details of the proposed 250 MW solar joint venture (the "Fairbanks
11 Project") that is a reasonable and necessary component of NIPSCO's
12 generation portfolio as it replaces certain legacy coal units. I also discuss
13 how NIPSCO will integrate the Fairbanks Project into NIPSCO's and the
14 Midcontinent Independent System Operator, Inc.'s ("MISO") operations.
15 I also discuss the viability of solar and solar plus storage energy resources
16 generally, and the terms of the Build Transfer Agreement ("BTA"), the
17 Contract for Differences ("CFD") and the BTA power purchase agreement
18 ("PPA") outlining NIPSCO's rights to the Fairfield Project's production,

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capacity, and environmental attributes, and the benefits associated with the environmental attributes in the form of Renewable Energy Credits ("RECs"). I then describe the Back-Stop PPA, which will only come into play if the conditions precedent to the BTAs are not met.

Q7. Are you sponsoring any attachments to your direct testimony?

A7. Yes. I am sponsoring the following attachments, all of which were prepared by me or under my direction and supervision.

Confidential Attachment 2-A	Build Transfer Agreement by and between Fairbanks Solar Generation LLC, as Purchaser and Fairbanks Solar Holdings LLC, as Seller ("Fairbanks BTA") ²
Confidential Attachment 2-B	Solar Energy Purchase Agreement between Northern Indiana Public Service Company LLC and Fairbanks Solar Energy Center LLC, as Seller ("Fairbanks Back-Stop PPA")
Confidential Attachment 2-C	Example Term Sheet for Joint Venture Operating Agreement
Attachment 2-D	Illustrations of the Fairbanks transaction structure

² In prior joint venture cases, NIPSCO has sometimes included an Engineering, Procurement and Construction Agreement. For the Fairbanks Project, a "Balance of System" Contract is included as Exh. F-1 to the BTA, which takes the place of an Engineering, Procurement and Construction Agreement.

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GENERATION TRANSITION PLAN

1 **Q8. Please provide some background information about NIPSCO's 2018**
2 **IRP.**

3 A8. The 2018 IRP resulted in a preferred portfolio for NIPSCO's generation that
4 calls for (a) the retirement of 75% of NIPSCO's coal-fired generation by
5 2023 and 100% of the coal-fired generation by 2028, (b) the continued
6 operation of NIPSCO's gas-fired Sugar Creek Generating Station ("Sugar
7 Creek"), and (c) replacement of certain retired generation units largely
8 with wind, solar, and energy storage. Section 9.4 of the IRP described a
9 Short-Term Action Plan, which outlined the key steps NIPSCO should take
10 to select and implement resources to replace the 2023 retirements. The
11 Short-Term Action Plan contemplated an all-source request for proposal
12 ("All-Source RFP"), which NIPSCO undertook on May 14, 2018 and
13 additional RFPs, which NIPSCO undertook in 2019 (the "Phase II RFPs"),
14 as more fully discussed below. Witness Augustine provides a more
15 detailed discussion of NIPSCO's 2018 IRP and the Short-Term Action Plan.
16 NIPSCO Witness Whitehead provides further information on NIPSCO's
17 generation transition.

1 **Q9. Did NIPSCO make any adjustments to the implementation of its Short-**
2 **Term Action Plan subsequent to its All-Source RFP?**

3 A9. Yes. NIPSCO and CRA International d/b/a Charles River Associates, Inc.
4 ("CRA") took the experience and knowledge gained from the All-Source
5 RFP and leveraged it in the Phase II RFPs process, which also received
6 robust responses. Based on the outcome of the Roaming Bison Project
7 which was ultimately cancelled due to local zoning restrictions,³ NIPSCO
8 increased the weight of the scoring related to "development risk" within
9 the Phase II RFPs, as discussed in greater detail by Witness Lee. This
10 scoring adjustment does not guarantee a selected project coming out of the
11 Phase II RFPs will enter commercial operation, but it was an intentional
12 decision by NIPSCO and CRA so that projects more advanced in
13 development would receive credit in CRA's project scoring. As it was
14 negotiating with short-listed projects, NIPSCO's due diligence also
15 included evaluating the likelihood of any county ordinances that could
16 possibly increase development risk, such as the ordinance change that

³ The Roaming Bison Project had a 300 MW ICAP and 45 MW UCAP, representing only a fraction of the capacity needed to replace the 2023 retirements.

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1 impacted the Roaming Bison Project.

2 **Q10. Thus far, what projects have been finalized coming out of the Phase II**
3 **RFPs?**

4 A10. NIPSCO has now completed negotiations with several solar and solar plus
5 energy storage projects as a result of the Phase II RFPs, including: (1) the
6 Brickyard Project and Greensboro Project approved in Cause No. 45403;
7 (2) the Solar Projects in Cause No. 45462, (3) the Green River Project in
8 Cause No. 45472, (4) the Gibson Project in Cause No. 45489, and the
9 Fairbanks Project, which is the subject of this filing.⁴

10 **Q11. Is there a risk that the Fairbanks Project will not reach commercial**
11 **operation?**

12 A11. Of course. Given the number of projects required to facilitate the
13 retirement of and replacement of the capacity from R.M. Schahfer
14 Generating Station ("Schahfer"), and the dynamic nature of the renewable
15 generation industry, there is always a risk that a particular project may not
16 achieve commercial operation. With that said, this risk also demonstrates

⁴ NIPSCO is also in the midst of commercial negotiations with additional projects coming out of the Phase II RFPs.

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1 part of the value associated with project diversification and entering into a
2 portfolio of projects, rather than potentially putting emphasis on one or
3 only a few projects, or even on a single technology.

4 The failure of Roaming Bison also emphasizes one of the primary risks
5 associated with entering into PPAs—the lack of control over the project's
6 development. This risk can be mitigated by project ownership, such as
7 through the joint venture structure proposed here for the Fairbanks
8 Project, and it is one of the reasons NIPSCO believes it would be imprudent
9 to rely exclusively (or too heavily) on PPAs to replace retiring generation.

10 While a PPA may appear to be the “cheaper option” on paper, NIPSCO
11 believes the Fairbanks Project is a prudent and reasonable investment for
12 NIPSCO and its customers, as it will help NIPSCO achieve an affordable,
13 reliable, flexible, and diverse generation portfolio as part of its broader
14 Short-Term Action Plan under the 2018 IRP. This is one reason why
15 NIPSCO is continuing to pursue a diversified approach, with a mix of
16 PPAs and project ownership through joint venture structures.

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1 **Q12. Please explain the process by which NIPSCO came to enter into the Joint**
2 **Venture for the Fairbanks Project.**

3 A12. In the fourth quarter of 2019, NIPSCO retained CRA to assist in the design,
4 administration and bid evaluation of a set of three all-source requests for
5 proposals (the Phase II RFPs) solicitation process. The purpose of the
6 Phase II RFPs was to secure market-based information on the cost and
7 performance of alternative resource options and request proposals for the
8 development of various types of electric capacity and energy projects in
9 support of NIPSCO's remaining needs as identified in its 2018 IRP.
10 Through the process, NIPSCO received bids supported by renewable
11 facilities, fossil-fueled resources, and energy storage options. Bids for both
12 standalone assets and integrated facilities comprised of different resource
13 types or supported by energy storage were submitted. Bidders also
14 offered PPAs for the output of existing and proposed assets and assets for
15 sale.

16 Witness Augustine discusses the preferred portfolio from NIPSCO's 2018
17 IRP and how the assumptions associated with the resource options
18 modeled in the 2018 IRP compare with the cost of the Joint Venture for the

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1 Fairbanks Project. Mr. Augustine also discusses additional modeling
2 analysis that NIPSCO performed in 2020 (the "2020 portfolio analysis").
3 Witness Lee explains the analysis NIPSCO used to evaluate its various
4 options for energy and why the Joint Venture for the Fairbanks Project is
5 an economic choice for helping NIPSCO meet its retail electric load.

6 **Q13. Please explain NIPSCO's negotiations coming out of the Phase II RFPs.**

7 A13. NIPSCO, again in conjunction with CRA, negotiated with developers of
8 the most viable energy projects with preferred or "short-listed" projects
9 being identified from the scoring of the Phase II RFPs. During the course
10 of negotiations, NIPSCO and CRA engaged in due diligence and
11 negotiations for the short-listed projects. After completion of negotiations
12 over the terms, conditions and price, NIPSCO executed (1) four PPAs (the
13 Brickyard, Greensboro, Green River, and Gibson Projects) for a total
14 purchase of approximately 780 MWs of nameplate solar power and 30
15 MWs of energy storage, and (2) four joint ventures (the Solar Projects and
16 Fairbanks Project) for a total purchase of approximately 1,150 MWs of
17 nameplate solar power and 135 MWs of energy storage. In addition to the
18 those four PPAs, and the four Joint Ventures, NIPSCO expects to finalize

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1 additional projects (to potentially include additional asset purchases
2 through joint venture structures and/or additional PPAs) over the coming
3 months and will present those projects for Commission approval
4 subsequent to finalizing the agreements, all of which will round out the
5 portfolio that supports the retirement of the coal generation at Schahfer.

6 **Q14. What role did you have in the Phase II RFPs process?**

7 A14. My involvement in the Phase II RFPs process was to ensure the process
8 conformed to NIPSCO's intent to competitively bid and secure additional
9 electric energy and capacity in the amount needed to serve NIPSCO's retail
10 customers in the future, and to assure that CRA conducted the process in
11 a fair and transparent manner.

INTRODUCTION TO AND VIABILITY OF SOLAR ENERGY RESOURCES

12 **Q15. Is solar energy a viable energy resource?**

13 A15. Yes. Solar energy is a renewable, indigenous, and clean energy source.
14 Solar energy projects do not use fossil or nuclear fuel in operation, which
15 means no mining or drilling for fuel, no radioactive or hazardous wastes,
16 no use of water for steam or cooling, and no emissions of greenhouse gases
17 or other pollutants. The absence of fossil or nuclear fuel also means the

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1 price of solar power is not impacted by the volatility of commodities.

2 Due to meteorological and resource diversity, the location of solar projects
3 influences the capacity accreditation and available solar energy. The
4 Fairbanks Project is located in Indiana and is expected to have a production
5 level consistent with its geographic location. In a general sense, within the
6 continental United States, solar production improves the further south and
7 west a project is located. However, with advances in solar technology in
8 areas such as solar panel availability, capacity factor, efficiency, and design
9 and size, solar energy has become a viable source of renewable energy
10 resources on a per megawatt-hour ("MWh") basis in the Midwest.

11 **Q16. How does the Fairbanks Project fit into NIPSCO's overall generation**
12 **portfolio?**

13 A16. As explained by Witness Augustine, the preferred portfolio under the 2018
14 IRP includes the following capacity replacements over time: 125 MWs of
15 energy efficiency and demand side management peak load savings by
16 2023, growing to 370 MW by 2038; approximately 1,100 MW of installed

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1 capacity ("ICAP")⁵ wind representing 157 MW of unforced capacity
2 ("UCAP")⁶ entering into service in 2020 and 2021; approximately 2,100
3 MW of ICAP solar representing about 1,050 MW of UCAP in 2023, along
4 with additional generic solar over the long-term; and 175 MW of ICAP
5 solar plus storage capacity representing approximately 90 MW of UCAP
6 in 2023. The Fairbanks Project accounts for 250 MW of ICAP solar,⁷
7 accounting for a relatively small percentage of the 2023 solar needs under
8 the Short-Term Action Plan. The Fairbanks Project, which will initially be
9 owned by a joint venture but ultimately be owned by NIPSCO, is an
10 important part of replacing the capacity from the retirement of the coal
11 generation at Schahfer.

⁵ Installed capacity or ICAP represents the nameplate capacity of a resource and the maximum amount of output that can be produced at any given time.

⁶ Unforced capacity or UCAP represents the expected capacity available during the system peak. For renewable resources, MISO relies on historical operational data during peak hours or generic planning numbers based on a system-wide effective load carrying capability analysis. The 2018 IRP developed UCAP numbers based on bidder responses to the All-Source RFP (where available) and generic estimates of approximately 15% of ICAP for wind resources and 50% of ICAP for solar resources.

⁷ In my testimony, all nameplate capacity MW values for the Fairbanks Project are stated in alternating current. In various exhibits to the PPAs, MW values may be referenced in direct current, which will appear higher than the alternating current equivalent.

1 **Q17. If the Fairbanks Project is approved, where would this place NIPSCO in**
2 **its implementation of the Short-Term Action Plan?**

3 A17. Coming out of the All-Source RFP in 2018, NIPSCO filed and received
4 approval for the Rosewater Project, Crossroads Project, Jordan Creek
5 Project, and Roaming Bison Project. Coming out of the Phase II RFPs in
6 2019, NIPSCO filed and received approval for the Brickyard Project and
7 Greensboro Project, and filed for approval of the Solar Projects, Green
8 River Project, and Gibson Project, as well as the Fairbanks Project filed
9 here.⁸

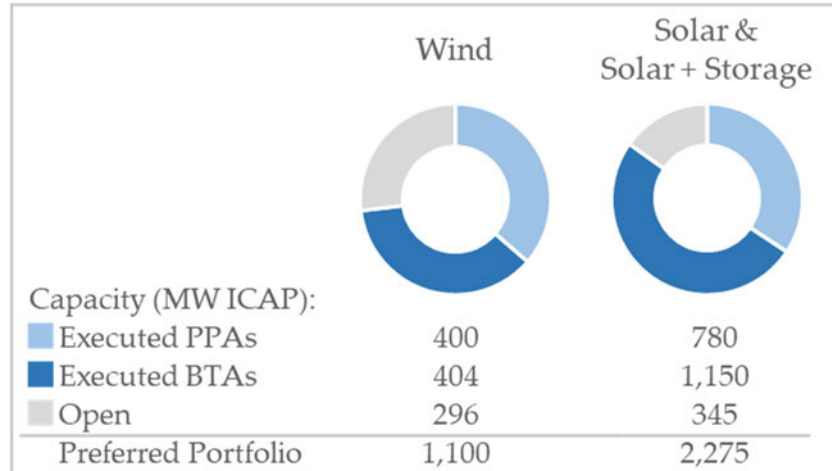
10 A graphical representation of where NIPSCO is positioned in
11 implementing its Short-Term Action Plan, which is intended to fill the
12 capacity need associated with the retirement of the coal generation at
13 Schahfer is shown in Figure 1.

14

⁸ NIPSCO is also in the midst of commercial negotiations with additional projects coming out of the Phase II RFPs.

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Figure 1



As Figure 1 demonstrates, even after including the Fairbanks Project, NIPSCO will have flexibility as it looks to fill the approximately 296 MW of wind, and 345 MW of solar and solar plus storage still needed to replace the coal generation at Schahfer. There will also be additional opportunities for NIPSCO to adjust its ultimate generation portfolio to account for Michigan City Generating Station's ("Michigan City") retirement in 2028. Additionally, between the retirement of the coal generation at Schahfer and 2028, NIPSCO will be able to rely on Michigan City, and it will continue to utilize Sugar Creek and its gas peaker units (Schahfer Units 16A and 16B) as part of its generation portfolio.

1 **Q18. Is NIPSCO confident that it will be able to reliably and affordably serve**
2 **all customers during and upon completion of its generation transition?**

3 A18. Yes. As explained in the 2018 IRP preferred portfolio, NIPSCO intends to
4 maintain fully dispatchable resources such as Sugar Creek and its gas
5 peaker Units 16A and 16B at Schahfer. With these levels of fully
6 dispatchable resources, NIPSCO is confident it can respond to both the
7 economic and reliability needs of the MISO Market and, therefore, its
8 customers. Furthermore, wind, solar, and battery technology are
9 complimentary resources and can now be seamlessly integrated into the
10 bulk electric system.⁹ MISO has also transitioned these resources to
11 Dispatchable Intermittent Resources (“DIR”) to increase the operational
12 flexibility of the assets and efficiently dispatch the resources in real-time.
13 Developers are also requesting more robust interconnection positions with
14 regard to the MISO Interconnection Queue, whereby they are requesting
15 higher levels of network resource interconnection service (“NRIS”)
16 resulting in greater asset deliverability to the broader MISO market.
17 NIPSCO has made, and continues to make, necessary upgrades to its

⁹ Enhancements such as better short circuit protections, better communications protocols, and inclusion of more renewable assets being designated as network resources with MISO, etc.

1 transmission system to ensure generation deliverability and system
2 reliability will not be impacted by its generation transition. Ultimately,
3 NIPSCO is confident that through its own resource planning efforts and
4 its participation in the MISO market it will be able to reliably and
5 affordably serve all its customers during and upon completion of its
6 generation transition.

OVERVIEW OF PROPOSED PROJECT

Q19. Please describe the Fairbanks Project.

8 A19. The Fairbanks Project is being implemented through the Fairbanks BTA
9 using a series of agreements – a CFD¹⁰ (or BTA PPA¹¹) and a Backstop PPA¹²
10 (in the event the parties do not close) (collectively referred to as the “Solar
11 Offtake Agreements”) to pay for the energy and capacity, and an
12 Operations and Maintenance Agreement to support the operation and
13 maintenance (“O&M”) of the project,¹³ as well as an Equity Capital
14 Contribution Agreement (“ECCA”) and a Joint Venture Operating

¹⁰ A pro forma CFD is included in the Fairbanks BTA at Exhibit Q-2.

¹¹ A pro forma BTA PPA is included in the Fairbanks BTA at Exhibit Q-1.

¹² The executed Back-Stop PPA is included in Confidential Attachment 2-B.

¹³ A pro forma O&M Agreement is included in the Fairbanks BTA at Exhibit K.

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1 Agreement ("LLC Agreement").

2 Fairbanks Solar Holdings LLC as Seller under the BTA, through a special
3 purpose entity known as Fairbanks Solar Energy Center LLC ("Fairbanks
4 ProjectCo"), is developing a solar system and associated electric
5 interconnection transmission line in Sullivan County, Indiana (utilizing
6 MISO interconnect request J829), having an aggregate nameplate capacity
7 of approximately 250 MWs (the Fairbanks Project) (Attachment 2-D,
8 Figure 1).¹⁴ The Fairbanks Project is expected to achieve commercial
9 operation by September 30, 2023 and has an estimated purchase price of
10 [REDACTED], prior to any applicable adjustments.¹⁵ The size of the
11 project may change slightly as engineering and technical specifications are
12 finalized.

13 **Q20. Please briefly describe Invenergy Services LLC ("Invenergy").**

14 A20. Invenergy, who is a leading privately held, global developer and operator
15 of sustainable energy solutions with 175 projects developed totaling more

¹⁴ The point of interconnection is Duke's Dresser-Merom 345kV transmission line. To facilitate the project's interconnection, upgrades are required.

¹⁵ See Confidential Attachment 2-A, Section 8.2.

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1 than 27,400 MWs across four continents, is Developer of the Fairbanks
2 Project. Invenergy solves energy challenges facing customers and
3 communities with clean power and renewable energy sources for the
4 future. As of December 31, 2020, Invenergy has developed 105 wind
5 facilities with a total generating capacity of 16,695 MWs; 42 solar facilities
6 with a total generation capacity of 4,811 MWs; 16 storage facilities with a
7 total generating capacity of 300 MWs (871 MWh); and 12 natural gas
8 facilities with a total of 5,661 MWs.

9 **Q21. Please discuss Invenergy's creditworthiness.**

10 A21. Invenergy's financial ability to complete construction of the Fairbanks
11 Project and then transfer to the Joint Venture is key to NIPSCO and the
12 Joint Venture. NIPSCO has taken this into consideration by including
13 adequate assurance provisions in the BTA. Furthermore, as part of
14 NIPSCO's due diligence when evaluating the creditworthiness of potential
15 counterparties, NIPSCO gathered and reviewed credit information during
16 the pre-qualification process in the Phase II RFPs. Counterparties that
17 were creditworthy based on their unsecured senior debt rating met the
18 credit requirements. If a bidder did not meet the debt rating requirement

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1 or did not have a rating, they were required to post collateral upon
2 executing a definitive agreement. Invenenergy met this requirement.¹⁶

3 **Q22. Please explain how NIPSCO reached its decision to contract for the MWs**
4 **of electric energy made available through the Fairbanks Project.**

5 A22. Witness Augustine explains NIPSCO's 2018 IRP process and the
6 demonstrated need for additional electric supply to maintain adequate
7 electric reserves beginning in 2023. The decision to contract for the solar
8 and solar plus storage coming out of the Phase II RFPs was based upon
9 NIPSCO's and CRA's analysis that doing so was in the best interest of
10 NIPSCO's customers under the Short-Term Action Plan. As described by
11 Witness Augustine, the Short-Term Action Plan initially called for focusing
12 on acquisition of wind projects based on the expiration of the production
13 tax credit ("PTC"), followed by acquiring solar and solar plus storage
14 projects that would enter commercial operation by 2023. According to this
15 analysis, a substantial portion of the benefit of the solar and solar plus

¹⁶ The BTA requires Invenenergy to provide either a guaranty or a letter of credit from a qualified guarantor or from a qualified financial institution. After the Closing Date, the amount of the guaranty or letter of credit remains in effect until the earlier of the date when all of Invenenergy's obligations have been satisfied or the tax statute of limitations runs, which approximately which is 6 years after closing.

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1 storage projects is the investment tax credit ("ITC"), which is set to decline
2 over time. As described by Witness Brummitt, the anticipated ITC for the
3 Fairbanks Project is approximately \$ [REDACTED]. The Fairbanks Project
4 plays a role in satisfying NIPSCO's electric planning goals and objectives.
5 Further, the Fairbanks Project also represents some of the short-listed
6 assets available to NIPSCO from the Phase II RFPs.

7 **Q23. How were congestion risks of the Fairbanks Project assessed?**

8 A23. Congestion risks of the Fairbanks Project were assessed using MISO's
9 future year ProMod models which are capable of simulating hourly
10 market operations for a given study year. The output was then used to
11 determine the expected curtailments, total revenue and congestion and
12 loss charges for each site under consideration. Sites with greater
13 congestion risk have been appropriately discounted in NIPSCO's site
14 analysis.

15 **Q24. Where does the Fairbanks Project stand in the MISO queue and are there**
16 **any interconnection issues or other delay issues?**

17 A24. The generation interconnection agreement ("GIA") for the Fairbanks
18 Project (which will enter commercial operation in 2023) was executed with

1 MISO on May 11, 2020. To facilitate the interconnection, upgrades are
2 required. [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED].¹⁷

OVERVIEW OF THE PROPOSED TRANSACTION

6 **Q25. Are there any differences between the Fairbanks Project joint venture**
7 **structure proposed and the Solar Projects joint venture structures?**

8 A25. No. The Fairbanks Project joint venture structure is generally the same as
9 the Solar Projects joint venture structures, including proposals by NIPSCO
10 to address concerns raised by the OUCC in prior proceedings

11 **Q26. Have you provided an illustration of the transaction structure?**

12 A26. Yes. Figures 1, 2, 3, and 4 in Attachment 2-D illustrate the transaction
13 surrounding the Joint Venture through time as described below.

14 **Q27. Please describe the structure of the proposed transaction.**

15 A27. Pursuant to the BTA, and as explained in the Example Term Sheet for LLC

¹⁷ See Confidential Attachment 2-A, Section 2.6.

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1 Agreement (Confidential Attachment 2-C), Joint Venture will purchase
2 100% of the equity interest in ProjectCo from Seller (Figure 2 in Attachment
3 2-D). As a pre-condition to the transaction, an LLC Agreement must be
4 executed under which Joint Venture will be owned by two members
5 (NIPSCO and TEP). The Joint Venture will purchase the project from the
6 Seller at the point of Mechanical Completion.¹⁸ The first member is the
7 TEP, a financial investor, which will not be responsible for project
8 operations. The TEP has not yet been identified. The second member is
9 NIPSCO, which will manage the Project at the closing of the transaction
10 under the BTA. NIPSCO is the managing member and will contribute cash
11 to the Joint Venture equal to approximately [REDACTED] of the purchase
12 price of the Project. NIPSCO will remain the managing member of the
13 Joint Venture at all times. Seller will build the Project through ProjectCo,
14 and ProjectCo will own the Project. Under the terms of the BTA, Seller will
15 transfer 100% of ProjectCo to Joint Venture at the time the Project reaches
16 Mechanical Completion in exchange for cash from the Joint Venture
17 (Figure 2 in Attachment 2-D). For its share, TEP will invest a percentage

¹⁸ Mechanical Completion is expected to occur in May 2023. See Section 7.3 of the BTA for details of Mechanical Completion.

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1 of the amount needed to pay Joint Venture's obligation under the BTA.¹⁹

2 NIPSCO will invest the remaining amount needed under the BTA in return

3 for its share of Joint Venture. TEP's interest in Joint Venture will enable it

4 to receive 99% of the ITCs and tax losses generated by the Project along

5 with distributions of approximately [REDACTED]²⁰ of cash available for

6 distribution generated by the Fairbanks Project, with the remainder

7 flowing to NIPSCO. NIPSCO continues to pay ProjectCo for the output of

8 the Project under the terms of the CFD (or BTA PPA). This arrangement

9 continues until the TEP reaches the specified internal rate of return ("IRR")

10 or the CFD or BTA PPA is terminated (Figure 2 in Attachment 2-D).²¹ Once

11 TEP has attained an IRR as specified in the LLC Agreement, the allocation

12 of taxable income, loss, gain and deductions drops to approximately 5%.

13 At this point, NIPSCO will have the option to acquire the TEP interest for

14 fair market value as defined in the LLC Agreement (Figure 3 in Attachment

¹⁹ As explained by Witness Brummitt, the TEP will make two installments, with one being made at Mechanical Completion and the other at Substantial Completion. See Section 7.3 of the BTA for details of Mechanical Completion.

²⁰ The percentage of excess cash to which the TEP will be entitled will vary according to the TEP's monetary investment and related financial metrics.

²¹ The standard term for the BTA PPA and CFD is 15 years.

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1 2-D).²² Lastly, NIPSCO can consolidate the project and eliminate the need
2 for the CFD or BTA PPA (Figure 4 in Attachment 2-D).

3 **Q28. Is it possible that NIPSCO would need to make cash investments in the**
4 **Joint Venture beyond those that you have described?**

5 A28. Yes. NIPSCO does not anticipate a need for additional cash investment
6 beyond what is contemplated in the agreement. However, situations after
7 the Fairbanks Project is purchased by the Joint Venture that would be
8 necessary if the project was not able to operate as expected, based on things
9 like a force majeure event or a lengthy forced outages where the Fairbanks
10 Project is unable to produce for an extended period of time, could result in
11 a need for additional cash investment. NIPSCO seeks authority in this case
12 to include any such additional cash investments as an increase of its
13 investment in the Joint Venture. As further discussed below, in response
14 to concerns expressed by the OUCC in prior proceedings, NIPSCO is
15 proposing that recovery of additional cash investments in the Joint
16 Venture be capped, so that any investments exceeding the cap will not be

²² This is anticipated to be 2030.

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1 recovered from NIPSCO's customers.

2 **Q29. How has NIPSCO addressed potential uncertainties in the future?**

3 A29.

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█ [REDACTED]

2 While the amounts listed above may differ, this is a similar provision to
3 what was included in the BTAs for the Solar Projects in Cause No. 45462.

4 **Q30. Has NIPSCO considered any additional steps to mitigate against the**
5 **potential that the Fairbanks Project may not qualify for the full 30%**
6 **ITC?**

7 A30. Although NIPSCO believes it has addressed the risk that the Fairbanks
8 Project may not qualify for the full 30% ITC through due diligence and are
9 comfortable with safe harbor strategy utilized, as part of effectuating the
10 BTAs, NIPSCO continues to assess and respond to potential project risks.
11 NIPSCO has considered the potential of procuring an insurance product
12 that would protect NIPSCO and its customers by insuring against possible
13 events that could impact the amount of ITC the Fairbanks Project qualifies
14 for – such as project delays once Joint Venture purchases ProjectCo or
15 potential risk of the safe harbor strategy utilized. NIPSCO's due diligence
16 in this regard has revealed that such an insurance product would be
17 available. Estimates received by NIPSCO to this point have been high-
18 level; however, based on current market pricing for this kind of product,

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1 premiums would be expected to range between 3% and 5% of the ITC
2 NIPSCO is looking to insure. This would be expected to have a *de minimis*
3 impact on the Fairbanks Project's LCOE. To the extent NIPSCO were to
4 procure this product in the future, it would be treated as part of the overall
5 project cost. Furthermore, the recent extension of the ITC qualifications
6 reduces the overall risk in the event the project suffers delays that reduce
7 the amount of ITC the project qualifies for, as project completion delays
8 from 2023 to 2024 or even later would not have as large an impact.²³

DETAILS OF THE JOINT VENTURE

9 **Q31. Please describe the Joint Venture as it exists today.**

10 A31. NIPSCO formed the LLC under the laws of Delaware to serve as Joint
11 Venture. Prior to the closing of the ECCA and the LLC Agreement, the
12 Joint Venture will be a shell. Both of these agreements must be executed
13 as a condition precedent to closing in the BTAs. It is anticipated that the
14 ECCA will be entered into once a form of the LLC Agreement has been
15 agreed to between the parties to the ECCA. The LLC Agreement will be
16 executed in connection with the closing of the sale of the ProjectCo to the

²³ See Witness Brummitt's testimony at Question / Answer 23-24 for more on the ITC.

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1 Joint Venture. The ECCA will obligate NIPSCO and the TEP to contribute
2 funds to the Joint Venture to fund the purchase of the ProjectCo. The LLC
3 Agreement will govern the operation and management of the Joint
4 Venture after the purchase of the ProjectCo. As noted above, NIPSCO will
5 be the managing member of the Joint Venture. The LLC Agreement will
6 also allow NIPSCO to purchase the TEP's interest in the Joint Venture (see
7 Figure 3 in Attachment 2-D). Witness Brummitt provides additional
8 details of the ECCA and LLC Agreement.

9 **Q32. Has an agreement with the TEP been executed?**

10 A32. No. As further discussed by Witness Brummitt, the agreements that are
11 necessary to be executed by the TEP will be negotiated prior to execution
12 of the ECCA (to occur prior to completion of construction).

13 **Q33. What is the general role of the TEP in the Joint Venture?**

14 A33. As more fully discussed by Witness Brummitt, the TEP will contribute cash
15 to the Joint Venture equal to approximately [REDACTED] of the purchase
16 price of the ProjectCo under the terms of the BTA.²⁴

²⁴ As referenced on Section 4.10.2 (p. 62) of NIPSCO's 2018 IRP, in order to properly account for the rate base reduction impact of partnering with a TEP, CRA worked with NIPSCO's tax team

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SOLAR OFFTAKE AGREEMENTS

1 **Q34. At this time, does NIPSCO anticipate utilizing a traditional PPA (the**
2 **BTA PPA) to pay for the related energy and capacity?**

3 A34. No. NIPSCO currently anticipates using the CFD rather than the BTA
4 PPA.

5 **Q35. Why is NIPSCO proposing to use a CFD in this proceeding?**

6 A35. As more fully discussed by Witness Brummitt, at this time, if NIPSCO were
7 to utilize a BTA PPA, and not receive certain guidance from the U.S.
8 Internal Revenue Service ("IRS"), there is a potential that the Joint Venture
9 may not be able to fully utilize certain tax-related benefits of the Fairbanks
10 Project. Were this to occur, it would increase the costs associated with the
11 transactions, which would ultimately be borne by NIPSCO's customers.
12 By utilizing the CFD (which is a "financial" rather than "physical"
13 contract), NIPSCO is able to avoid the potential negative tax implications
14 that would exist if the BTA PPA were used, thereby fully utilizing the tax
15 benefits of the Fairbanks Project for the benefit of NIPSCO's customers.

to develop relevant financial models to estimate the breakdown of capital expenditures. For solar and solar-storage paired projects, the tax equity contribution is estimated to be around 35% of total capital costs, meaning NIPSCO would cover the remaining 65%.

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1 This is consistent with NIPSCO's proposal in Cause No. 45462.

2 **Q36. What is a Contract for Differences?**

3 A36. A CFD is a financial instrument that is often used in energy markets to
4 establish a fixed price for energy when a party is not physically transacting
5 in the underlying commodity (in this case, the energy from the Fairbanks
6 Project). Under the CFD, NIPSCO would pay to (or receive from)
7 ProjectCo the difference between the specified contract price and the actual
8 market price (Locational Marginal Pricing ("LMP")), at the ProjectCo's
9 Commercial Pricing Node (or applicable HUB location) for the expected
10 energy production from the Fairbanks Project. That is, NIPSCO would pay
11 the ProjectCo the specified contract price; the ProjectCo would pay
12 NIPSCO the market price; and there would be monthly settlements
13 between the two parties, based on the differences between the two prices
14 and the amount of power covered by the CFD. Ultimately, utilizing the
15 CFD instead of the BTA PPA will have no impact on NIPSCO's customers,
16 as the price that will be paid will be the same under either the CFD or the
17 BTA PPA.

18 As I testified in my rebuttal testimony in Cause Nos. 45462 and 45463,

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1 NIPSCO will ensure customers end up in no worse position if a CFD is
2 ultimately utilized. Also, if the Commission believes it to be necessary,
3 NIPSCO is willing to submit a work paper (or something similar) in each
4 FAC proceeding (or equivalent proceeding) that demonstrates how
5 customers are not impacted by a CFD as compared to a BTA PPA.

6 **Q37. Please demonstrate how a CFD would work using example numbers.**

7 A37. Confidential Figure 2 below illustrates how things would work under the
8 BTA PPA and the CFD. It shows the flow of dollars under each
9 arrangement using the same \$/MWh rate and results in the same ultimate
10 charge (for the difference between the contract price and the ultimate LMP
11 revenue received) being credited to or recovered from NIPSCO's
12 customers through the FAC. Witness Cubenas provides a more detailed
13 description of how charges (or credits) would flow through NIPSCO's
14 FAC.

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1

Confidential Figure 2²⁵

2

3 **Q38. What is the pricing for the CFD for the Fairbanks Project?**

4 A38. The pricing under the CFD for the Fairbanks Project is [REDACTED] per MWh. If
5 the BTA PPA is ultimately utilized, the pricing for the project will be the
6 same as under the CFD. Witness Cubenas describes the cost recovery
7 authority sought with respect to the Solar Offtake Agreements.

8 **Q39. If the IRS provides the tax guidance that NIPSCO has requested, will**
9 **NIPSCO utilize the CFD or the BTA PPA?**

10 A39. If the IRS guidance is provided, NIPSCO anticipates using the BTA PPA.

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1 This would be NIPSCO's preference. However, it is possible that the
2 guidance could be delayed to a point where commercial negotiations have
3 advanced to a stage where the CFD approach needs to be used. This is
4 why NIPSCO is requesting the necessary approvals to pay for the electrical
5 energy output from the Fairbanks Project through any of the Solar Offtake
6 Agreements. To the extent NIPSCO gains additional clarity around this
7 issue (i.e., if the IRS were to issue related party guidance), NIPSCO will
8 update the Commission and all parties.

9 **Q40. When would the Back-Stop PPA be used?**

10 A40. Which of the Solar Offtake Agreements is used depends on whether the
11 conditions precedent to the BTA are satisfied. The Back-Stop PPA would
12 be used if the conditions precedent to the BTA are not met. The Back-Stop
13 PPA would be directly between NIPSCO and the ProjectCo, without
14 transfer of ownership for the Fairbanks Project to the Joint Venture.

15 **Q41. What is the pricing for the Back-Stop PPA for the Fairbanks Project?**

16 A41. The pricing under the Back-Stop PPAs is \$ [REDACTED] per MWh.

17 **Q42. How was the pricing for the Solar Offtake Agreements determined?**

18 A42. During the definitive agreement phase of commercial negotiations

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1 between NIPSCO and Invenergy, the prices for the CFD (and BTA PPA)²⁶
2 and the Back-Stop PPAs were offered as a proposal from Invenergy which
3 contemplated the Joint Venture structure. The negotiation was an arms-
4 length negotiation between two unaffiliated parties. The prices for the
5 Joint Venture are in line with other proposals received through the Phase
6 II RFPs and are considered to be market-based prices at a level in which
7 the transaction will attract a TEP's investment. The market price was
8 discovered through an open and competitive RFP. Attracting the TEP is a
9 key component of the transaction whether the BTA and CFD (or BTA PPA)
10 are in full effect or if the Back-Stop PPA is employed. As explained by
11 Witness Augustine, it is also generally consistent with the modeling in the
12 2018 IRP.

13 **Q43. Why is NIPSCO attaching a CFD and BTA PPA that have not been**
14 **executed?**

15 A43. In prior regulatory proceedings, NIPSCO has submitted Back-Stop PPAs,
16 LLC Agreements, and similar documents that included the material terms

²⁶ Technically speaking, the prices were initially offered as a BTA PPA and Back-Stop PPA, but Invenergy was amenable to using a CFD instead of a BTA PPA so that NIPSCO could address the related party issue.

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1 for the agreement but have not been formally executed by the parties. In
2 this instance, NIPSCO is also submitting CFDs and BTA PPAs that have
3 been negotiated by NIPSCO and Seller but that have not been executed.
4 This is being done because there are certain regulatory compliance
5 requirements that take effect at the time a CFD is executed because it is a
6 financial, rather than physical, transaction. Following execution of the
7 BTA, NIPSCO needed additional time to address those compliance
8 requirements. Additionally, if the IRS issues the related party guidance,
9 NIPSCO plans to utilize the BTA PPA instead of the CFD. Because the
10 BTA PPA is a physical transaction, the same compliance requirements that
11 apply to a CFD do not apply, meaning NIPSCO may not need to address
12 them at all. Thus, inclusion of the unexecuted CFD and BTA PPA provides
13 the material terms for the agreements for the Commission and interested
14 parties to review, while allowing NIPSCO time to address potential
15 compliance requirements for use of the CFD. At the time the CFD or BTA
16 PPA is executed, NIPSCO will file the executed agreements with the
17 Commission. The BTA PPA and CFD are exhibits to the executed BTA.
18 The BTA has an explicit requirement that the parties execute either the
19 BTA PPA or the CFD once the determination of which of the two contracts

1 is intended to be utilized.

2 **Q44. Please describe the terms of the CFD?**

3 A44. The CFD provides NIPSCO with 100% of benefit associated with the
4 electrical energy output of the Fairbanks Project for 15 years. As noted
5 above, NIPSCO will not take delivery of the energy from ProjectCo under
6 a CFD. Instead, NIPSCO will settle each month for the difference between
7 the CFD price and the actual LMP at the ProjectCo's Commercial Pricing
8 Node or applicable HUB location. MISO treats solar energy projects as
9 dispatchable intermittent resources. Other benefits (e.g., UCAP and
10 environmental attributes (the RECs)) and costs (MISO Settlement Charges)
11 addressed in the BTA PPA will be allocated to NIPSCO pursuant to the
12 LLC Agreement. The LLC Agreement will also address operating
13 procedures / parameters for the Fairbanks Project. Regardless, the fixed
14 price settlement of the CFD for energy and the allocation of other benefits
15 / costs described herein will ensure that the same economic position
16 relative to the BTA PPA is maintained.

17 **Q45. Please describe the terms of the BTA PPA?**

18 A45. The BTA PPA provides NIPSCO with 100% of the electrical energy output

1 of the Fairbanks Project, the UCAP, which represents the percentage of
2 ICAP available after a units forced outage rate is taken into account as
3 shown in the BTA PPA, and any environmental attributes (RECs) of the
4 project for 15 years.

5 **Q46. How will NIPSCO account for the energy provided by the CFD?**

6 A46. NIPSCO will not take delivery of the energy from ProjectCo under a CFD.
7 Instead, NIPSCO will settle each month for the difference between the CFD
8 price and the actual LMP. MISO treats solar energy projects as
9 dispatchable intermittent resources. As such, the ProjectCo will be subject
10 to real-time Revenue Sufficiency Guarantee and Uninstructed Deviation
11 charges assessed under the Open Access Transmission, Energy and
12 Operating Reserve Markets Tariff ("MISO Tariff").

13 **Q47. How will NIPSCO account for the energy provided by the BTA PPA, if**
14 **ultimately utilized?**

15 A47. NIPSCO will take delivery of the energy from ProjectCo at a specified
16 metering point. NIPSCO will be the Market Participant and will make the
17 energy available in the MISO energy market. NIPSCO will be paying the
18 Joint Venture (through the ProjectCo) the contract price per MWh and

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1 counting this energy as used in the NIPSCO system. NIPSCO will “settle”
2 the sale price for the energy sold into MISO against the price paid for the
3 energy. NIPSCO offers its generation and bids its load into the MISO
4 energy markets daily, along with other sales and purchases, in the end
5 “settling” the costs against revenues. MISO treats solar energy projects as
6 dispatchable intermittent resources. As such, the ProjectCo will be subject
7 to real-time Revenue Sufficiency Guarantee and Uninstructed Deviation
8 charges assessed under the MISO Tariff.

9 **Q48. How are any environmental attributes or RECs reflected?**

10 A48. As used in the relevant contracts, the phrase “environmental or renewable
11 characteristics or attributes” is contained within the definition of the term
12 RECs and is intended to capture any changes to governmental rules,
13 regulations or law, or changes to registration systems put in place over the
14 term of the contracts. I refer to the environmental attributes acquired as
15 RECs, which are tradable credits corresponding to each megawatt-hour of
16 electricity generated by a renewable-fueled or environmentally friendly
17 source. NIPSCO anticipates the RECs it receives will be tracked through
18 the Midwest Renewable Energy Tracking System (“M-RETS”) or similar

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1 system. M-RETS is a database that tracks relevant information about
2 renewable energy produced and delivered in the Upper Midwest,
3 including the MISO footprint, to verify for subscribers in states with
4 mandatory or voluntary renewable portfolio standards or for utility and
5 other participants the RECs made available to them through REC
6 purchases and sales. M-RETS will track the ownership of RECs and
7 generation attributes that result from the generation of renewable
8 electricity.

9 **Q49. Will NIPSCO be able to designate the Fairbanks Project as a network**
10 **resource under the MISO Tariff?**

11 A49. Yes. The GIA executed with MISO has NRIS available for its full injection
12 once any required transmission system upgrades are complete. Having
13 NRIS will allow NIPSCO to designate the generation facility as a network
14 resource to receive Network Integration Transmission Service ("NITS")
15 without further study. As previously mentioned, the Fairbanks Project has
16 a fully executed GIA.

17 **Q50. Which of the Solar Offtake Agreements will ultimately be utilized?**

18 A50. Which of the Solar Offtake Agreements that will ultimately be utilized

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1 depends on whether the conditions precedent to the BTA are satisfied, as
2 well as on guidance from the IRS. The conditions precedent that are
3 necessary for NIPSCO to proceed with the Joint Venture structure are
4 discussed in greater detail by Witness Brummitt. As further described
5 below, if all the conditions precedent are met, Seller will sell its equity in
6 ProjectCo to the Joint Venture. Witness Cubenas describes the cost
7 recovery authority sought with respect to both PPAs.

8 **Q51. If all of the conditions precedent *are* met under the BTA, do the CFD and**
9 **BTA PPA described herein represent prudent, valuable and reasonably**
10 **priced renewable energy resources for NIPSCO?**

11 A51. Yes. The CFD and BTA PPA described herein will provide NIPSCO's
12 customers with more affordable and cleaner energy resources. This is
13 supported by the analysis performed in NIPSCO's 2018 IRP, as well as the
14 additional analysis undertaken since the 2018 IRP, as discussed by Witness
15 Augustine.

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1 **Q52. If all of the conditions precedent contained in the BTA *are not* met, do**
2 **the Back-Stop PPA described herein represent prudent, valuable and**
3 **reasonably priced renewable energy resources for NIPSCO?**

4 A52. Yes. The Back-Stop PPA described herein will provide NIPSCO's
5 customers with more affordable and cleaner energy resources as well. This
6 is also supported by the analysis performed in NIPSCO's 2018 IRP.

7 **Q53. During negotiations of the key documents related to the Fairbanks**
8 **Project, did NIPSCO handle all contractual negotiations alone, or did**
9 **NIPSCO utilize the assistance of others with experience in these types**
10 **of transactions?**

11 A53. NIPSCO secured the services of Sargent and Lundy ("S&L") to assist with
12 negotiations of the key contractual documents related to the Fairbanks
13 Project and to serve as "owner's engineer," a service offered by S&L,
14 wherein they serve as an independent advocate for a project owner. As
15 owner's engineer, S&L played a supporting but critical role by utilizing
16 their expertise on solar projects that NIPSCO does not currently possess
17 "in-house." In this capacity, S&L reviewed template contracts and certain
18 contract provisions and technical exhibits for the Fairbanks Project, and

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1 provided guidance on contract provisions and content of technical exhibits
2 that NIPSCO should consider in commercial negotiations for these
3 contracts. S&L also performed additional services, such as reviews of
4 major equipment suppliers; engineering, procurement, and construction
5 (EPC) contractors and subcontractors; and similar work. Additionally,
6 S&L, along with NIPSCO, will monitor the construction of the Fairbanks
7 Project.

DIFFERENCES IN CURRENT TRANSACTIONS

8 **Q54. Are Joint Petitioners proposing any modifications to what was proposed**
9 **for the Solar Projects in Cause No. 45462, beyond those that have been**
10 **discussed above?**

11 A54. No. NIPSCO continues to incorporate the following commitments

12 First, NIPSCO commits not to seek approval in this proceeding of any
13 amounts related to its purchase of the TEP's share of the Fairbanks Project.
14 Rather, once a determination has been made by NIPSCO to purchase the
15 TEP's share of the Fairbanks Project, NIPSCO will seek recovery of such
16 costs in a separately docketed proceeding. NIPSCO commits not to seek
17 recovery of more than the fair market value of the TEP's share of the Joint

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1 Venture in any such proceeding.

2 Second, NIPSCO commits that there will be a cap of cost recovery related
3 to any additional investments (cash contributions for force majeure,
4 extended outages, and circumstances described above in Question /
5 Answer 28) NIPSCO may make into the Joint Ventures. The amount
6 recoverable from ratepayers shall be capped at [REDACTED]

7 [REDACTED].²⁷

8 During the 15 year term of the CFD (or BTA PPA), to the extent sales
9 revenue by the Joint Venture to NIPSCO exceed operating costs, NIPSCO's
10 cash allocation will be returned to NIPSCO's customers. To the extent
11 revenues are less than operating costs, cash contributions by NIPSCO may
12 be offset (netted against) by NIPSCO's cash allocations. At the time of the
13 buyout of each TEP, any accrued balance of the additional portion of this
14 regulatory asset to be recovered from NIPSCO's customers will be no more

²⁷ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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Northern Indiana Public Service Company LLC
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1 than [REDACTED].

2 Third, NIPSCO has already begun and proposes to continue discussions
3 with the OUCC about NIPSCO's strategy with regard to RECs from
4 renewable resources within NIPSCO's quarterly FAC proceedings.

5 Fourth, except as described in the other agreed-upon conditions, for the
6 Fairbanks Project, NIPSCO commits not to seek cost recovery from
7 customers of any other costs related to the Fairbanks Project incurred by
8 NIPSCO related to (1) the buyout of the TEP(s), or (2) the operations of the
9 Joint Venture while TEP(s) are still participants in the Joint Venture, but
10 does propose the inclusion prudently incurred costs associated with the
11 initial acquisition of the Fairbanks Project by the Joint Venture.

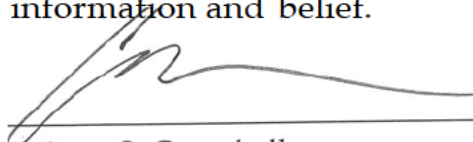
12 Fifth, NIPSCO commits to remain the managing member of each Joint
13 Venture.

14 **Q55. Does this conclude your prefiled direct testimony?**

15 A55. Yes.

VERIFICATION

I, Andrew S. Campbell, Director of Regulatory Support & Planning for Northern Indiana Public Service Company LLC, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Andrew S. Campbell

Date: March 3, 2021

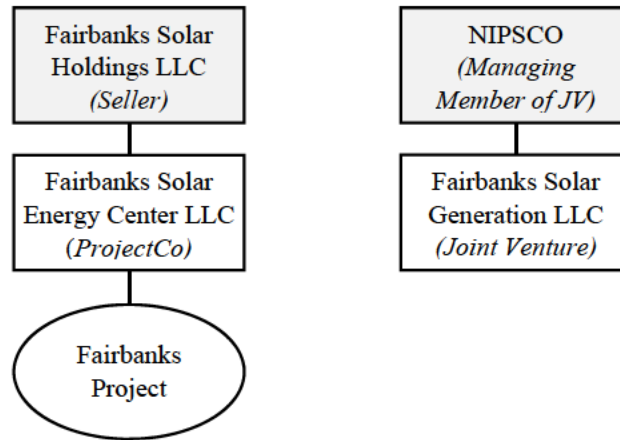
Confidential Attachment 2-A (Redacted)

Confidential Attachment 2-B (Redacted)

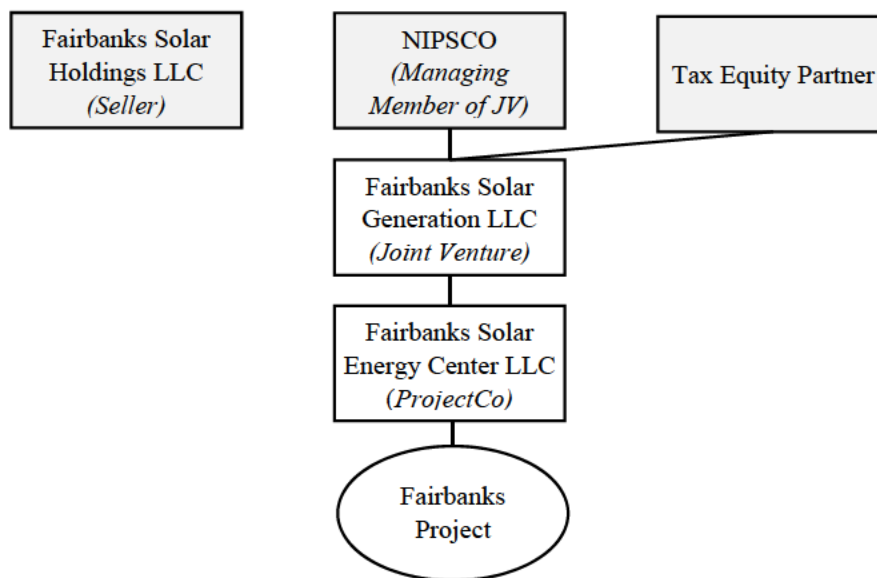
Confidential Attachment 2-C (Redacted)

Figure 1 – March 2021

Fairbanks Solar Generation LLC (Joint Venture) enters into agreements with Fairbanks Solar Holdings LLC (Seller)¹ to build Fairbanks Project.



Joint Venture enters into the Build Transfer Agreement (“BTA”) with the Seller to build the Fairbanks Project. On or before Closing in 2023, NIPSCO enters into an offtake agreement² with Fairbanks Solar Energy Center LLC (ProjectCo) to be the sole off-taker of energy from the project.

Figure 2 – Quarter 3 2023

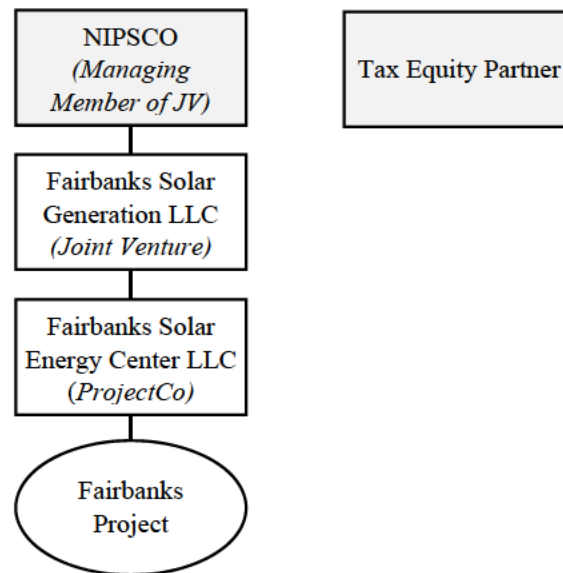
Upon completion of construction, Tax Equity Partner and NIPSCO contribute cash to the Joint Venture. The Joint Venture uses the cash to acquire the ProjectCo from Seller. (Seller never

¹ Invenergy Renewables Global LLC (“Invenergy”) is referred to in the BTA as the “Invenergy Parent.” Invenergy is the ultimate owner of the Seller. Invenergy is also the “Acceptable Guarantor.”

² This will either be a BTA Power Purchase Agreement (“PPA”) or a contract for differences (“CFD”).

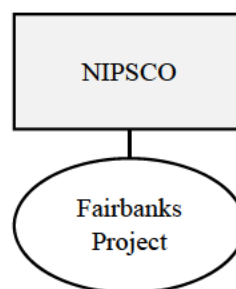
becomes a member of the Joint Venture.) The ProjectCo commences operations and sells output from the project to NIPSCO under the terms of the offtake agreement. This arrangement continues until the Tax Equity Partner reaches the specified internal rate of return ("IRR") or the offtake agreement is terminated.

Figure 3 – Approximately 2030



At the time the Tax Equity Partner achieves the targeted IRR, NIPSCO has the option to purchase the membership interest of the Tax Equity Partner in the Joint Venture at fair market value. If NIPSCO exercises the option to acquire the membership interest of the Tax Equity Partner, NIPSCO shall seek recovery of such costs in a separately docketed proceeding and will own 100% of the project.

Figure 4 – Post-Option Exercise



If NIPSCO exercises the option to acquire the Tax Equity Partner's membership interest in the Joint Venture, NIPSCO will liquidate both the Joint Venture and the ProjectCo and will own the solar facility directly. There also will no longer be a need for the offtake agreement.