


STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY LLC FOR)
APPROVAL PURSUANT TO IND. CODE §§ 8-1-2-)
42(a), 8-1-8.8-11 OF TWO RENEWABLE ENERGY) CAUSE NO. 45403
POWER PURCHASE AGREEMENTS,)
INCLUDING TIMELY COST RECOVERY.)

INDIANA OFFICE OF THE UTILITY CONSUMER COUNSELOR
SUBMISSION OF PROPOSED ORDER

The Indiana Office of Consumer Counselor, by counsel, hereby submits its Proposed Order, both clean and redline versions, to the Commission for its approval.

Respectfully submitted,



T. Jason Haas
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Deputy Consumer Counselor

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ORDER OF THE COMMISSION

Presiding Officers:

Stefanie N. Krevda, Commissioner

Brad J. Pope, Administrative Law Judge

On July 17, 2020, Northern Indiana Public Service Company LLC (“NIPSCO” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause for approval and associated cost recovery of (1) a Solar Energy Purchase Agreement between NIPSCO and Brickyard Solar, LLC (“Brickyard”) dated June 30, 2020 (“Brickyard PPA”), and (2) a Solar Generation and Energy Storage Energy Purchase Agreement between NIPSCO and Greensboro Solar Center, LLC (“Greensboro”) dated June 30, 2020 (“Greensboro PPA”), collectively referred to as the “Solar PPAs.” On July 17, 2020, NIPSCO filed its prepared testimony and exhibits constituting its case-in-chief. NIPSCO filed corrections to Mr. Campbell’s direct testimony on September 2, 2020.

On August 31, 2020, Citizens Action Coalition of Indiana, Inc. (“CAC”) filed its Petition to Intervene, which the Presiding Officers granted in a docket entry dated September 11, 2020.

In accordance with the July 30, 2020 Docket Entry setting the procedural schedule for this Cause, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed testimony and exhibits constituting its case-in-chief on September 8, 2020. NIPSCO filed its rebuttal testimony on September 18, 2020.

On October 15, 2020, NIPSCO filed joint exhibits to be offered into the record at the October 19, 2020 evidentiary hearing. The OUCC filed joint exhibits to be offered into the record at the October 19, 2020 evidentiary on October 16, 2020.

The Commission set this matter for an evidentiary hearing to be held at 10:30 a.m. on October 19, 2020, in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. A Docket Entry was issued on October 16, 2020, advising that in accordance with ongoing COVID-19 pandemic, the hearing would be conducted via WebEx and providing related participation information. NIPSCO, the OUCC, and CAC, by counsel, participated in the evidentiary hearing via WebEx video or audio, and the testimony and exhibits of NIPSCO and the

OUCG were admitted into the record without objection. NIPSCO and the OUCG Joint Exhibits 1, 2, 2-C, 3, and 3-C, were also admitted into the record without objection.

Having considered the evidence presented and the applicable law, the Commission finds:

1. Notice and Commission Jurisdiction. Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility within the meaning of that term as used in Ind. Code § 8-1-2-1 and an “eligible business” as that term is defined in Ind. Code § 8-1-8.8-6. The Commission may establish financial incentives to encourage clean energy projects pursuant to Ind. Code ch. 8-1-8.8 and approve certain fuel costs pursuant to Ind. Code § 8-1-2-42(a). Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. NIPSCO’s Characteristics. NIPSCO is a limited liability company organized and existing under the laws of the State of Indiana with its principal office and place of business at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO is authorized by the Commission to provide electric utility service to the public in all or part of Benton, Carroll, DeKalb, Elkhart, Fulton, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Newton, Noble, Porter, Pulaski, Saint Joseph, Starke, Steuben, Warren and White Counties in northern Indiana. NIPSCO owns, operates, manages, and controls electric generating, transmission, and distribution plant and equipment and related facilities, which are used and useful in the production, transmission, distribution, and furnishing of electric energy, heat, light and power to the public. Pursuant to the Commission’s Order dated September 24, 2003 in Cause No. 42349, NIPSCO has transferred functional control of its transmission facilities to the Midcontinent Independent System Operator, Inc. (“MISO”), a regional transmission organization operated under the authority of the Federal Energy Regulatory Commission, which administers the use of NIPSCO’s transmission system and the economic dispatching of NIPSCO’s generating units pursuant to approved tariff provisions. NIPSCO also engages in power purchase transactions through MISO as necessary to meet the demands of its customers.

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

¹ The Brickyard Project is being developed in Boone County, Indiana and has an installed capacity of approximately 200 megawatts (“MW”) (nameplate capacity, alternating current). The Greensboro Project is being developed in Henry County, Indiana and has an installed capacity of approximately 100 MW (nameplate capacity, alternating current), as well as an attached battery with installed capacity of approximately 30 MW (nameplate capacity, alternating current). The Brickyard Project and Greensboro Project are collectively referred to as the “Solar Projects.”

4. NIPSCO's Case-in-Chief.

A. Andrew S. Campbell, Director of Regulatory Support and Planning for NIPSCO. Mr. Campbell provided testimony to support NIPSCO's request for approval of the Solar PPAs. The Solar PPAs provide NIPSCO with 100% of the electrical output of the Solar Projects, and any environmental attributes associated with the project for a term of 20 years beginning at the commercial operation date. He described the process NIPSCO followed that led to the execution of the Solar PPAs and discussed how NIPSCO will integrate the Solar PPAs into NIPSCO's and MISO's operations. He also discussed the viability of solar energy resources generally, and the terms of the Solar PPAs outlining NIPSCO's rights to the solar energy projects' production, capacity, and environmental attributes, and the benefits associated with the environmental attributes in the form of Renewable Energy Credits ("RECs"), and NIPSCO's proposal for recovering the costs associated with the Solar PPAs.

Mr. Campbell testified the Solar PPAs are for products generated from a solar energy project – a clean energy resource under Ind. Code § 8-1-37-4, a renewable energy resource under Ind. Code § 8-1-8.8-10, and a clean energy project under Ind. Code § 8-1-8.8-2(2).

Mr. Campbell testified NIPSCO retained CRA International d/b/a Charles River Associates, Inc. ("CRA") in the fourth quarter of 2019 to assist in the design, administration and bid evaluation of three separate requests for proposals, one for wind resources, one for solar resources, and one for thermal/other capacity resources (the "Phase II RFPs"). He said the purpose of the Phase II RFPs was to solicit bids for energy and capacity for many types of resources, including solar, storage, wind, and thermal plants, with a specific target for solar and solar plus storages resources based on the conclusions of the 2018 IRP and the Short-Term Action Plan. Mr. Campbell stated that through the process, NIPSCO received bids supported by renewable facilities, fossil resources, and energy storage options and that bids for both standalone assets and integrated facilities comprised of different resource types or supported by energy storage were submitted. He stated that bidders offered power purchase agreements ("PPAs") for the output of existing and proposed assets and assets for sale. He stated that his involvement in the Phase II RFPs process was to ensure the process conformed to NIPSCO's intent to competitively bid and secure additional electric energy and capacity in the amount needed to serve NIPSCO's retail customers in the future, and to assure that CRA conducted the process in a fair and transparent manner.

Mr. Campbell testified that solar is a renewable, indigenous, and clean energy source. He stated that solar energy projects do not use fossil or nuclear fuel in operation, which means no mining or drilling for fuel, no radioactive or hazardous wastes, no use of water for steam or cooling, and no emissions of greenhouse gases or other pollutants. He said the absence of fossil or nuclear fuel also means the price of solar power is not impacted by the volatility of commodities. He stated that due to meteorological and resource diversity, the location of solar projects influences the capacity accreditation and available solar energy. Mr. Campbell stated that both the Solar Projects are located in Indiana and are expected to have production levels consistent with their respective geographic location. He noted that in a general sense, within the continental United States, solar production improves the further south and west a project is located. He said that with advances in solar technology in areas such as solar panel availability, capacity factor, efficiency, and design and size, solar energy has become a viable source of renewable energy resources on a per megawatt-hour ("MWh") basis in the Midwest.

Mr. Campbell provided information on NIPSCO's path to replace the retiring R.M. Schahfer Generating Station ("Schahfer"), which is retiring in 2023, as outlined in the IRP's Short-Term Action Plan. He noted that in 2018, in conjunction with CRA, NIPSCO issued an All-Source RFP. He said the results of the All-Source RFP led NIPSCO to negotiate with developers of the four most viable projects, which in that instance were wind energy projects. He explained that after negotiations were complete, NIPSCO executed four wind agreements for a total purchase of approximately 1,100 MW of nameplate wind power. NIPSCO received approval from the Commission for the four wind agreements in Cause Nos. 45194, 45195, 45196, and 45310.

Mr. Campbell testified that NIPSCO, again in conjunction with CRA, negotiated with developers of the most viable energy projects with preferred or "short-listed" projects being identified from the scoring of the Phase II RFPs. He stated that during the course of negotiations, NIPSCO and CRA engaged in due diligence and negotiations for the short-listed projects. Mr. Campbell testified that after completion of negotiations over the terms, conditions and price, NIPSCO executed two PPAs for a total purchase of approximately 300 MWs of nameplate solar power and 30 MWs of battery storage, and noted that the size of each project may change slightly as engineering and technical specifications are finalized. He testified the two agreements presented in this Cause are the first agreements of many being contemplated from the Phase II RFPs to round out the portfolio that supports the retirement of Schahfer in 2023.

Mr. Campbell described that Brickyard and Greensboro are both Delaware limited liability companies with their principal place of business in Juno Beach, Florida. They are both also an indirect, wholly owned subsidiary of NextEra Energy Resources, LLC ("NextEra"), which is the renewable energy subsidiary of NextEra Energy, Inc. He stated that NextEra (together with its affiliated entities) is a clean energy leader and is one of the largest wholesale generators of electric power, with more than 21,000 megawatts of generating capacity, in the United States and Canada as of year-end 2018. Mr. Campbell testified that NextEra is the world's largest operator of renewable energy from the wind and sun and that the business operates clean, emissions-free nuclear power generation facilities in New Hampshire, Iowa and Wisconsin as part of the NextEra Energy nuclear fleet, which is one of the largest in the United States. He explained that one of NextEra's primary business objectives is the development, construction and operation of renewable generation facilities and that NextEra has been generating clean energy for more than 25 years and currently owns and operates approximately 15% of the installed base of U.S. wind power production capacity and 9% of the installed base of U.S. solar power production capacity. He noted that NextEra is also the parent company for the Jordan Creek Wind Energy Project, for which NIPSCO entered into a PPA that was approved by the Commission in Cause No. 45195.

Mr. Campbell testified that as outlined in the Solar PPAs, Brickyard and Greensboro are contractually obligated to file with the Commission their respective declination filings within 60 days of the agreement execution, or by August 31, 2020.

Mr. Campbell testified that as part of NIPSCO's due diligence when evaluating the creditworthiness of potential counterparties, NIPSCO gathered and reviewed credit information during the pre-qualification process in the Phase II RFPs. He stated counterparties that were investment grade based on their unsecured senior debt rating met the credit requirements and that if a bidder did not meet the debt rating requirement or did not have a rating, they were required to post collateral upon executing a definitive agreement. Mr. Campbell testified that both Brickyard

and Greensboro satisfy this collateral posting requirement and that the financial ability to complete construction of the solar projects, along with the ability to continue successful operation of the projects during the term of the Solar PPAs, is key to NIPSCO. He stated that NIPSCO has taken this into consideration by including performance security provisions in the Solar PPAs. Mr. Campbell stated that the Solar PPAs require Brickyard and Greensboro to provide to NIPSCO such performance security, no later than 30 days after NIPSCO receives state regulatory approval of the respective PPA, in the form of either: (1) a guaranty from a qualified guarantor; (2) a letter of credit from a qualified financial institution; or (3) cash (collectively “Security Fund”). He also noted that, in the event Brickyard or Greensboro are in default of any obligation under the respective PPA or NIPSCO is otherwise entitled to indemnification or damages under the PPA, NIPSCO has a right to access the Security Fund directly to reimburse NIPSCO for any damages or costs incurred as a result of Brickyard’s or Greensboro’s failure to comply with their obligations under the respective PPA.

Mr. Campbell testified Brickyard expects to construct, own, and operate a 200 MW solar energy project in Boone County, Indiana that will interconnect via a line tap to the 230 kV New London – Frankfort transmission line owed by Wabash Valley Power Association and operated by Duke Energy Indiana.² He stated the Brickyard Project will be within the footprint of MISO. Mr. Campbell testified that during the Definitive Planning Phase I of the MISO Generation Interconnection process, MISO performed system impact studies and Facility Studies to determine whether transmission upgrades would be necessary, which were completed in 2020. Mr. Campbell stated MISO determined that the energy generated by Brickyard would be deliverable to the point of interconnection.

Mr. Campbell testified Greensboro expects to construct, own, and operate a 100 MW solar energy project, paired with a 30 MW battery storage project, in Henry County, Indiana that will interconnect to Duke Energy Indiana’s Cayuga 138 kV Greensboro substation. He stated the Greensboro Project will be within the footprint of MISO. Mr. Campbell testified that during the Definitive Planning Phase I of the MISO Generation Interconnection process, MISO performed system impact studies and Facility Studies to determine whether transmission upgrades would be necessary, which were completed in 2019. Mr. Campbell said MISO determined that the energy generated by Greensboro would be deliverable to the point of interconnection.

Mr. Campbell stated that congestion risks were assessed using MISO’s future year ProMod models, which are capable of simulating hourly market operations for a given study year. He said the output was then used to determine the expected curtailments, total revenue, congestion, and loss charges for each site under consideration. Mr. Campbell stated that sites with greater congestion risk have been appropriately discounted in NIPSCO’s site analysis. He indicated that consistent with the All-Source RFP project evaluations, CRA has incorporated expected congestion impacts (positive or negative) to the Locational Margin Price (LMP) of the Phase II projects into the Levelized Cost of Energy (“LCOE”) calculations. He stated that NIPSCO will continue to dispatch its steam and gas fleet and available wind generation, as well as purchase power from MISO to meet customer demand and reliability needs throughout the term of the Solar

² In his rebuttal testimony (at pp. 28-29), Mr. Campbell explained that the incorrect interconnection point had been included in the response to the Phase II RFPs, but that NIPSCO had updated its transmission analysis, as provided in Mr. Augustine’s rebuttal testimony.

PPAs, which ensures that when the sun is not shining customers will continue to receive reliable service every hour of every day. He stated that NIPSCO and both Brickyard and Greensboro have agreed to (1) work together through an on-going operating committee process to establish automatic generation control set points that attempt to minimize any charges related to curtailments, and (2) collaborate on any disputes prior to any formal legal process.

Mr. Campbell testified that under the Brickyard PPA, Brickyard commits to provide NIPSCO energy generated from approximately 200 MW of installed solar panel capacity at a fixed price over a term of 20 years beginning at the commercial operation date in late 2022. He stated that the price includes the energy and RECs associated with the energy generated by the Brickyard Project and metered at the point of delivery. Mr. Campbell stated that Brickyard will receive and retain existing and future tax credits or tax benefits as the owner and operator of the solar energy project. He testified that the Brickyard PPA provides that if cost recovery is not approved by the Commission, then either NIPSCO or Brickyard may terminate the PPA.

Mr. Campbell testified that under the Greensboro PPA, Brickyard commits to provide NIPSCO energy generated from (a) approximately 100 MW of installed solar panel capacity, and (b) approximately 30 MW of installed battery storage capacity, both at a fixed price over a term of 20 years beginning at the commercial operation date in late 2022. He stated that the price includes the energy and RECs associated with the energy generated by the Greensboro Project and metered at the point of delivery. Mr. Campbell stated that Greensboro will receive and retain existing and future tax credits or tax benefits as the owner and operator of the solar energy project. He testified that the Greensboro PPA provides that if cost recovery is not approved by the Commission, then either NIPSCO or Greensboro may terminate the PPA. He explained that the battery storage component is intended to bolster energy production during peak periods as identified by MISO (currently the summer months) and that as a part of NextEra's operations and maintenance of the facility, a battery augmentation schedule will be maintained to ensure the battery storage component maintains availability for the duration of the Greensboro PPA.

Mr. Campbell testified that similar to NIPSCO's current wind projects, pre-construction activities will be ongoing until the third or fourth quarter in the year prior to the commercial operation date. He stated that at that point, project construction will begin and continue until winter fully sets in, and the following spring, construction ramps up quickly, with the majority of the construction activity occurring over the late spring, summer, and early fall. He said that generally, projects are expected to be complete in the fourth quarter of the year.

Mr. Campbell stated that as used in the Solar PPAs, the phrase "environmental or renewable characteristics or attributes" is contained within the definition of the term RECs and is intended to capture any changes to governmental rules, regulations or law, or changes to registration systems put in place over the term of the PPAs.³ He stated that NIPSCO anticipates the RECs it receives pursuant to the Solar PPAs will be tracked through the Midwest Renewable Energy Tracking System ("M-RETS"), a database that tracks relevant information about renewable energy produced and delivered in the Upper Midwest, including the MISO footprint, to

³ Environmental Attributes acquired pursuant to the Solar PPAs are referred to as RECs, which are tradable credits corresponding to each megawatt-hour of electricity generated by a renewable-fueled or environmentally friendly source.

verify for subscribers in states with mandatory or voluntary renewable portfolio standards or for utility and other participants the RECs made available to them through REC purchases and sales.

Mr. Campbell testified NIPSCO will monitor and evaluate the marketability for the RECs and that proceeds from the sale of the RECs NIPSCO chooses to sell will be passed back to NIPSCO's customers in NIPSCO's FAC proceedings.

Mr. Campbell testified that the decision to contract for the solar and battery energy was based upon NIPSCO's and CRA's analysis through the 2018 IRP that concluded that NIPSCO's customers would realize significant savings by retiring coal capacity in 2023 and replacing the capacity and energy with renewable resources. He stated that the Solar PPAs play a role in satisfying NIPSCO's electric planning goals and objectives from the 2018 IRP, and their ability to take advantage of the full 30% investment tax credit ("ITC") is a significant driver of their cost-effectiveness.

Mr. Campbell testified that federal tax incentives are currently in place for solar and paired solar plus storage resources. He said resources are eligible for an ITC, which provides a dollar-for-dollar reduction in the federal income taxes that a company claiming the credit would otherwise pay, which is based on the amount of investment in solar or paired storage property. Mr. Campbell stated that, to qualify for the ITC, projects need to commence construction by a certain date and be put into service by a certain date. He said the start of construction deadline can be met as long as certain equipment purchases and development costs have been "safe harbored" by federal tax authorities. According to Mr. Campbell, the safe harbor for beginning of construction is investment of at least 5% of the total project cost on or before the specified date. He indicated that safe harbored projects that commenced construction in 2019 are eligible for a 30% ITC, with a step-down over time. He stated both Brickyard and Greensboro are expected to qualify for the 30% ITC.

Mr. Campbell testified NIPSCO will take delivery of the energy from Brickyard and Greensboro at specified metering points. He stated NIPSCO will be the Market Participant and will make the energy available in the MISO energy market. He testified NIPSCO will pay Brickyard and Greensboro the contract price per MWh and count this energy as used in the NIPSCO system. He stated that NIPSCO will "settle" the sale price for the energy sold into MISO against the price paid for the solar energy. Mr. Campbell explained that NIPSCO offers its generation and bids its load into the MISO energy and ancillary services markets daily, along with other sales and purchases, in the end "settling" the costs against revenues. He said MISO treats these types of solar and solar plus battery storage projects as dispatchable intermittent resources and, as such, both Brickyard and Greensboro will be subject to real-time Revenue Sufficiency Guarantee and Uninstructed Deviation charges assessed under the Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff").

Mr. Campbell testified that NIPSCO will be able to designate the Solar PPAs as network resources under the MISO Tariff. He stated the MISO generator interconnection agreements ("GIA") related to the Greensboro and Brickyard Projects will have network resource interconnection service ("NRIS") available for their full injection once any required transmission system upgrades at their respective points of interconnection are complete. He explained that

having NRIS will allow NIPSCO to designate each generation facility as a network resource to receive Network Integration Transmission Service (“NITS”) without further study.

Mr. Campbell testified NIPSCO believes the Solar PPAs will provide NIPSCO’s customers with a more affordable and cleaner energy resource supported by the analysis performed in its 2018 IRP.

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

Mr. Campbell testified that consistent with the commitment made in his rebuttal testimony in Cause Nos. 45195 and 45196, which related to two separate wind PPAs, NIPSCO is willing to provide performance information and data for the Solar PPAs to the OUCC through the standard OUCC audit package in NIPSCO’s quarterly FAC filings for the duration of the Solar PPAs.

B. Patrick N. Augustine, Vice President in CRA’s Energy Practice. Mr. Augustine discussed the preferred portfolio from NIPSCO’s 2018 IRP and how the assumptions associated with the new solar (and solar plus battery storage) resource options modeled in the 2018 IRP compare with the cost of the Solar PPAs. He stated NIPSCO’s preferred portfolio from the 2018 IRP calls for the retirement of all four coal units at Schahfer in 2023 and the retirement of the Michigan City Generating Station coal plant in 2028. He noted the 2018 IRP was developed through substantial quantitative and qualitative analysis, including the use of an All-Source RFP. Mr. Augustine testified NIPSCO’s Short-Term Action Plan identified a phased approach to selecting and acquiring replacement resources needed to fill the capacity gap that develops as a result of the planned retirements, calling for initially prioritizing replacement resources with expiring or declining tax credits from the All-Source RFP, followed by additional RFPs to acquire resources to fill the remainder of the 2023 supply requirement.

Mr. Augustine stated the preferred portfolio includes the following capacity replacements over time: 125 MW of energy efficiency and demand side management peak load savings by 2023, growing to 370 MW by 2038; approximately 1,100 MW of installed capacity (“ICAP”)⁴ wind representing 157 MW of unforced capacity (“UCAP”)⁵ entering into service in 2020 and 2021; approximately 2,100 MW of ICAP solar representing about 1,050 MW of UCAP in 2023, along

⁴ 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.

⁵ 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.

with additional generic solar over the long-term; and 175 MW of ICAP solar plus storage capacity representing approximately 90 MW of UCAP in 2023. He noted that Section 9.3 of the 2018 IRP (Attachment 2-A) provides additional detail associated with the preferred replacement portfolio.

Mr. Augustine testified the plan was developed through substantial quantitative and qualitative analysis, including the use of the All-Source RFP to identify the most relevant types of resources available in the market, along with their associated costs. He stated that within the 2018 IRP, NIPSCO performed retirement and replacement assessments using robust scenario and risk-based (stochastic) analyses and scored the various portfolio alternatives against a number of cost, risk, environmental, and reliability metrics to arrive at the preferred portfolio. He stated that NIPSCO also evaluated the impact each of the retirement and replacement alternatives would have on local communities and NIPSCO's employees.

Mr. Augustine provided an overview of the Short-Term Action Plan and NIPSCO's implementation to date. He stated that in the Short-Term Action Plan detailed in Section 9.4 of the 2018 IRP (Attachment 2-A), NIPSCO identified a phased approach to selecting and acquiring replacement resources needed to fill the capacity gap that develops as a result of the planned retirements in 2023 in the preferred portfolio. Mr. Augustine said the plan called for initially prioritizing replacement resources with expiring or declining tax credits from the All-Source RFP, followed by additional RFPs to acquire resources to fill the remainder of the 2023 supply requirement. He stated the prioritized replacement resources were wind projects looking to qualify for the PTC, which is expiring over the next few years. He testified that in 2019, NIPSCO requested approvals to either purchase and acquire or enter into PPAs with a total of approximately 1,100 MW of nameplate wind power in Cause Nos. 45194, 45195, 45196,⁶ and 45310. He stated NIPSCO then conducted the Phase II RFPs to target primarily renewables and storage and acquire the remaining resources in the preferred portfolio.

Mr. Augustine testified the Phase II RFPs solicited bids for energy and capacity for many types of resources, including solar, storage, wind, and thermal plants, and included a specific target for solar and solar plus storage resources based on the conclusions of the 2018 IRP and the Short-Term Action Plan. He noted NIPSCO has been negotiating with the developers of several renewable and storage resources that were offered into the Phase II RFPs, including the Solar PPAs. He stated these solar and solar plus storage PPAs make up a component of the remaining replacement resources necessary to complete the Short-Term Action Plan associated with NIPSCO's preferred portfolio in its 2018 IRP.

Mr. Augustine described how NIPSCO used the All-Source RFP to determine the cost and operational performance assumptions of solar resources in its IRP. He said as part of the IRP input development process, CRA organized the various bids received in the 2018 All-Source RFP into groupings or tranches according to technology, whether the bid was for a PPA or an asset acquisition, the bid's commitment duration, and the bid's cost and operational characteristics. Mr. Augustine testified that this approach allowed for the efficient development of planning-level

⁶ Following approval by the Commission, on February 25, 2020, NIPSCO filed a Notice with the Commission that, due to unresolved local zoning issues, Roaming Bison Wind, LLC, was unable to meet its deadline associated with the acquisition of property. Thus, NIPSCO provided notice to Roaming Bison Wind, LLC, that the Wind Energy Purchase Agreement dated January 18, 2019 was being terminated due to Roaming Bison's inability to perform its obligations under the agreement.

assumptions that could be transparently shared with stakeholders and deployed in the IRP models. He stated this process resulted in the development of distinct solar asset sale and PPA tranches, which were eligible to be selected in the portfolio analysis in part or as a whole block of capacity.

Mr. Augustine described the specific assumptions used for the solar tranches from the All-Source RFP that were selected in the preferred portfolio in the 2018 IRP. He said the preferred portfolio from NIPSCO's 2018 IRP included solar and solar plus storage resources from six different tranches, including three asset acquisitions totaling 1,104 MW of ICAP (552 MW of UCAP) with a capacity weighted price of \$1,112/kilowatt ("kW") (in 2023 dollars) and a capacity factor of approximately 26%. Fixed operations and maintenance ("FOM") costs were assumed to be approximately \$16.89 kW-year (in 2017 dollars), with ongoing capital expenditures of \$5.11/kW-year (in 2017 dollars). Property taxes were assumed to be 2.16% of the net book value of the plant over time. He stated the three PPA tranches totaled 1,176 MW of ICAP (593 MW of UCAP) with an average contract duration of approximately 21 years, a capacity-weighted fixed nominal PPA price of \$30.24/MWh, and a capacity factor of approximately 25%.

Mr. Augustine testified he was able to compare the total cost of the Solar PPAs with the total costs of these tranche-level inputs used in the 2018 IRP modeling. He stated he made such a comparison through the development of a LCOE calculation for the 2018 IRP solar resource options and the Solar PPAs. Mr. Augustine said the LCOE develops a levelized, all-in cost of a given resource option over a pre-defined analysis period on a per MWh basis, allowing for a direct comparison of the costs of the different solar projects over an extended time frame by distilling all key parameters related to costs and operational performance into a single dollar per MWh number. Mr. Augustine also explained the inputs that are required to perform an LCOE calculation.

Mr. Augustine testified that for a PPA resource, the following input parameters are included: the PPA price in dollars per MWh or dollars per KW-month over the term of the contract; the expected generation output, inclusive of expected degradation, in MWh for the resource over time; and the expected market cost to replace the resource after the expiration of the PPA contract term if it falls within the thirty-year planning horizon. He said the expected difference between the nodal price at the project and NIPSCO's load node is an input for both owned and PPA resources to quantify the expected congestion risk over time.

Mr. Augustine explained the other costs associated with a PPA resource that are not accounted for in his LCOE calculation. He said PPAs are long-term financial commitments for a utility, and certain credit rating agencies view such contracts as debt-like financial obligations that represent substitutes for debt-financed investments in generation capacity. He explained these obligations are considered when evaluating the utility's capital structure and overall creditworthiness. He stated that to the extent that these obligations negatively impact the credit worthiness and capital structure of a utility, they could result in increased borrowing costs and/or a shift of financing from debt to equity, increasing the overall cost of financing and negatively impacting costs to customers. He stated that such potential costs associated with imputed debt, however, are not included in his LCOE calculations.

Mr. Augustine described the LCOE values calculated for the solar resource tranches incorporated in the 2018 IRP's preferred portfolio. He said the 30-year LCOE of the combined 2023 solar acquisition tranches was calculated to be \$52.62/MWh, based on the acquisition price,

capacity factor, FOM costs, ongoing capital expenditures, and property taxes summarized above and an assumed thirty-year project life. He said the 30-year LCOE of the combined 2023 solar and solar plus storage PPA tranches was calculated to be \$39.50/MWh based on the 21-year PPA price summarized above plus an additional nine years of market-based energy and capacity costs over the full planning horizon.

Mr. Augustine testified that the 30-year LCOE of the Solar PPAs were calculated based on a 20-year nominal fixed PPA price plus ten years of equivalent market-based energy and UCAP capacity costs after the expiration of the contract. He testified that the fixed charge for the 30 MW of storage capacity increases the LCOE for the Greensboro PPA. He stated the premium represents the cost associated with the extra capacity credit that can be achieved by shifting the resource's energy output to times that are more coincident with load peaks. He said the preferred portfolio from the 2018 IRP did incorporate one solar plus storage PPA tranche, although the ratio of storage to solar was lower than the 30 MW of storage associated with the Greensboro PPA but that NIPSCO's 2018 IRP preferred portfolio and Short-Term Action Plan were designed to be flexible and incorporate small changes in final resource selection based on evolving market conditions. He noted that in Section 9.3.4 of the 2018 IRP, NIPSCO stated that capacity credit rules may change and that a seasonal capacity construct may develop that would "expand resource adequacy from a single summer peak view to look at seasonal needs with greater emphasis on the ability of resources to provide energy all year around." He stated the IRP also emphasized that NIPSCO's preferred portfolio intentionally "leaves room to evaluate market and technology changes on a dynamic basis" and to adjust accordingly. He explained that as MISO's Resource Availability and Need initiative moves towards some type of seasonal construct⁷ and as the market anticipates more and more solar additions, which could impact future capacity credit, energy price volatility, and ancillary services prices, storage capacity will provide additional value to NIPSCO's portfolio. He testified the inclusion of some paired solar and storage resources, such as the Greensboro PPA, is one way NIPSCO is adjusting its preferred portfolio in response to market changes and the evolving technology options offered in the Phase II RFPs.

Mr. Augustine stated that since the addition of paired storage only shifts solar energy from certain hours to others, one major value associated with adding paired storage capacity is that it provides incremental UCAP. Thus, an adjusted IRP LCOE can be calculated by adding capacity costs that would result in an equivalent UCAP for a given amount of solar capacity. He stated that when accounting for additional capacity costs at the assumed market price of capacity from the 2018 IRP associated with the amount of storage in the Greensboro PPA, the 30-year LCOE of the combined 2023 solar acquisition tranches was calculated to be \$57.30/MWh, and the 30-year LCOE of the combined 2023 solar and solar plus storage PPA tranches was calculated to be \$44.20/MWh. He explained this adjustment may be considered conservative, since the long-term price of available capacity could be higher than the values assumed in the 2018 IRP (reaching only approximately \$2/kW-month in real dollars over the long-term forecast horizon), especially as market rules evolve, but that the adjustment also does not account for any future, long-term

⁷ MISO's Resource Availability and Need initiative is ongoing and incorporates multiple aspects of resource adequacy and capacity planning, with a recent focus on seasonal capacity credit rules changes and the impacts of growing levels of renewable penetration. More information is available here: <https://www.misoenergy.org/stakeholder-engagement/issue-tracking/resource-availability-and-need-ran/>.

potential ancillary services value nor the potential benefits associated with mitigation against energy price volatility that storage capacity may provide.

Mr. Augustine illustrated how the LCOE values of the solar resource tranches incorporated in the 2018 IRP's preferred portfolio compare to the LCOE of the Solar PPAs. He identified the expected impact of the premium for the Greensboro PPA versus the IRP tranche average on a net present value of revenue requirements ("NPVRR") basis and compared it to the cost savings calculated in the 2018 IRP for NIPSCO's preferred portfolio relative to retaining its existing fleet of generation resources.

Mr. Augustine testified how the relief requested in this proceeding supports the conclusions of the 2018 IRP and its Short-Term Action Plan. He testified the operational and cost characteristics of the Solar PPAs are generally consistent with the assumptions for new solar resources used in the 2018 IRP, which developed a preferred portfolio with approximately 2,300 MW (ICAP) of solar additions in the 2023 time period. He stated that on an LCOE basis, the cost of the Brickyard PPA is between the costs of the PPA and owned resource tranches evaluated in the 2018 IRP and provided a comparison to the average LCOE for all IRP solar resources. He stated that while the cost of the Greensboro PPA is higher than the LCOE of the two IRP solar resources, the NPVRR impact is small, and the storage capacity in the Greensboro PPA is likely to help NIPSCO minimize future market capacity credit risk and provide additional value in the energy and ancillary services markets. He stated the Short Term Action Plan called for acquiring such solar and solar plus storage projects by 2023 in order to produce substantial savings for NIPSCO's customers versus the alternatives. Thus, Mr. Augustine testified, the addition of the Solar PPAs to NIPSCO's portfolio in 2023 is fully supportive of and consistent with the conclusions of the 2018 IRP and the recommended Short-Term Action Plan.

C. Robert Lee, Vice President of CRA. Mr. Lee explained the analysis NIPSCO used to evaluate its various options for solar and solar plus storage energy and why the Solar PPAs are an economic choice for helping meet NIPSCO's retail electric load. He described the key findings outlined in the Opinion Letter provided from CRA to NIPSCO following the RFPs. He testified that through the Opinion Letter and its attachments, CRA recommended certain assets as potential projects to advance to a definitive agreement phase and that the assets recommended for advancement were selected based on the preferred portfolio in NIPSCO's 2018 IRP and the RFP's scoring criteria developed in advance of the RFP process.

Mr. Lee sponsored Confidential Attachment 3-D providing the detailed scoring results for each project bid into the RFP. He stated that consistent with the Phase II RFPs process rules, each project was evaluated based on development risk, reliability, asset-specific risk, and the estimated LCOE per MWh.

Mr. Lee provided an overview of NIPSCO's 2018 IRP and the All-Source RFP process. He said in 2016, NIPSCO conducted an IRP process that identified a potential capacity shortfall at or around 2023 and included tentative conclusions as to future resource options. He then noted that in 2018, NIPSCO updated the 2016 IRP to ensure that resource planning reflected the most current outlook for key market drivers. Mr. Lee testified that in 2018, NIPSCO conducted the All-Source RFP and, through that All-Source RFP, secured a portion of the capacity required to meet the needs of the resource requirement identified in the 2018 IRP.

Mr. Lee described his involvement in NIPSCO's IRP process, which began in February 2018 after the 2018 IRP process had been initiated. He explained that the Phase II RFPs were intended to secure the remainder of NIPSCO's capacity needs. He stated that his role was to help design and administer both the All-Source RFP and Phase II RFPs processes.

Mr. Lee stated the 2018 IRP considered a range of options around the potential retirement of existing NIPSCO fossil generation facilities and developed an optimal portfolio of assets based on detailed scenario and risk analysis and informed by comprehensive market modeling. He said the magnitude of the 2023 resource need was directly dependent on the conclusions derived from the 2018 IRP. He explained that NIPSCO's 2018 IRP results indicated that the optimal path forward includes the medium term retirement of Schahfer Units 14, 15, 17 and 18 by 2023 and the retirement of Michigan City Unit 12 by year end 2028. Given the retirement analysis conclusions included in the 2018 IRP, NIPSCO's resource requirements were greater than the ~600 MW (UCAP) initially identified in the 2016 IRP.

Mr. Lee also described NIPSCO's objectives for the Phase II RFPs and how NIPSCO considered a wide range of asset types, including physical generating assets and PPAs. Mr. Lee stated that through the process, NIPSCO received bids supported by renewable facilities, fossil resources, and energy storage options and that bids for both standalone assets and integrated facilities supported by energy storage were submitted. He stated that bidders offered assets under PPA arrangements and assets for sale. In addition, he said, while the 2018 IRP identified an anticipated capacity shortfall starting in 2023, NIPSCO considered bids with transfer dates or PPA start dates in advance of the identified need in 2023. Mr. Lee stated CRA served as an independent third party managing the RFP process.

Mr. Lee testified how the Phase II RFPs were designed and executed. He also explained how CRA and NIPSCO informed interested parties about the Phase II RFPs. Mr. Lee also testified about the openness of the RFP process and how bidders were informed throughout the process.

Mr. Lee testified the Phase II RFPs generated substantial interest from bidders. He said NIPSCO received a level of interest across the RFPs consistent with the level realized in NIPSCO's 2018 All-Source RFP. Mr. Lee noted that across the Phase II RFPs, CRA received 96 proposals supported by 93 individual projects by more than 40 bidders across 6 states. Mr. Lee characterized all of the Phase II RFPs as highly competitive with many of the PPA proposals including fixed or variable pricing arrangements or having options on the start date and contract term. He stated that several proposals included multiple options for facility configuration and resource sizes. Mr. Lee testified that in total, over 18 gigawatts ("GW") of ICAP was offered into the Phase II RFPs providing a wide range of capacity choices across technologies and deal structures.

Mr. Lee explained that CRA evaluated the economics and other scoring considerations related to each Proposal independent of NIPSCO or any NIPSCO affiliates. He said CRA reserved the right, in its sole and exclusive discretion, to reject any and all Proposals on the grounds that such Proposal did not conform to the terms and conditions of the RFP or on the grounds that the bidder did not comply with the provisions of the RFP.

Mr. Lee described the Proposal review and evaluation. He stated that CRA reviewed all proposals that met pre-determined qualifying criteria set forth in the RFP documentation and

evaluated each based on certain pre-specified evaluation criteria. He said for physical generating assets and storage assets offered under either a PPA or an asset sales structure, the evaluation considered: (1) the LCOE per MWh, (2) asset reliability and deliverability, (3) development risk, and (4) asset-specific benefits and risks.

Mr. Lee testified CRA evaluated the bids independent of NIPSCO. He stated that during the evaluation, NIPSCO was only made generally aware of CRA's progress and was only involved with bidder-specific issues if those issues required policy or technical guidance from NIPSCO subject matter experts.

Mr. Lee testified the Phase RFPs did not target the full required replacement capacity identified in the 2018 IRP because a portion of the resource needs were sourced through the All-Source RFP. He stated that through that process, NIPSCO identified approximately 1,100 MW (ICAP) of wind resources in support of their capacity needs.

Mr. Lee testified CRA recommended that NIPSCO advance a set of assets to the definitive agreement phase of the process. He testified the RFPs were performed in a transparent, fair and nondiscriminatory manner, and the processes used to solicit and evaluate proposals were executed consistent with the processes as defined and envisioned by NIPSCO and CRA at the outset and that no bidder was given an undue advantage or preference in any of the Phase II RFPs, nor was any advantage or preference alleged by any participant in the RFPs.

Mr. Lee described the first step in the two-party negotiations with the developers. He explained that after identifying the assets recommended for advancement to the definitive agreement phase of the process for NIPSCO, CRA communicated with each bidder, notifying them of the process status and next steps and then NIPSCO prioritized certain short-listed projects and initiated commercial negotiations with the highest priority counterparties.

Mr. Lee discussed his recommendation for NIPSCO with regard to the acquisition of solar power. He noted CRA identified a set of solar projects for advancement to the definitive agreement phase.

Mr. Lee testified the projects were selected consistent with the evaluation criteria that captured the project economics, project specific risks and benefits associated with each option. He said these projects offer NIPSCO customers low-cost, renewable energy, along with the associated RECs, and provide capacity in support of NIPSCO's needs.

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

Mr. Lee described how NIPSCO evaluated the contract term to be included in the Solar PPAs. He said that as part of the evaluation of the economics of each bid received, CRA calculated the levelized cost per MWh of each bid received. He stated the levelized cost was considered in two ways. First, the levelized cost was considered over the duration of the bid. This means that for a 15-year PPA, the 15-year LCOE was considered, while for a 20-year PPA, the 20-year LCOE

was considered. Next, the LCOE was considered for all assets over 30 years. He said that for shorter-term options, the balance of the 30 years was filled in with market purchases at market prices consistent with IRP modeling. He testified the two-phased LCOE analysis allowed CRA to compare all assets over a consistent time horizon without missing short-term opportunities that may offer a good value to customers.

Mr. Lee described how NIPSCO evaluated the fixed versus escalating pricing of the solar Proposals. He said the mechanics of the LCOE calculation were identical between fixed and escalating PPA proposals and that, in many cases, developers offered a single project under both fixed and escalating pricing structures at NIPSCO's option. He explained that in these cases, the LCOE was calculated both under fixed and variable pricing structures and the option that yielded the best LCOE per MWh was included in the scoring of the bid.

Mr. Lee testified each renewable facility's underlying dispatch into the MISO market was assumed to be the same under either a fixed or variable PPA structure. He said since wind, solar and other similar projects have zero or near-zero variable costs, it was assumed the facilities would dispatch into the market at their maximum level regardless of the PPA pricing structure.

Mr. Lee testified the proposed Solar PPAs are an economic option for meeting NIPSCO's retail electric load. He stated the 2018 IRP identified that based on the current market economics and outlook, solar power represents an excellent resource option for NIPSCO and its customers over the expected useful life of a new solar facility. He testified that of all the solar proposals that were submitted into the RFP, the Greensboro Project yielded 827 points, the highest overall score based on the evaluation criteria used for scoring the RFP bids. He stated the Greensboro Project is a mature development project and comes with limited development or asset specific risk. He stated the Brickyard Project also scored in the top ten, with 742 points, offering limited development or asset specific risk. He stated both projects scored favorably on an economic basis based on the LCOE metric. He noted that, of the potential counterparties for in-development solar resources, NextEra ad performed the most extensive transmission analysis for both facilities.⁸

5. OUCC's Case-in-Chief.

A. Lauren M. Aguilar, Utility Analyst, Electric. Ms. Aguilar stated NIPSCO failed to provide sufficient information upon which the Commission can decide if the purchase power agreements are reasonable and necessary. Therefore, NIPSCO has failed to meet its burden of proof. She also explained the OUCC is withholding support for NIPSCO's request until more information concerning the Projects can be obtained through the related declination of jurisdiction filings of Brickyard Solar, LLC in Cause No. 45424 and Greensboro Solar Center, LLC in Cause No. 42425 (the "declination filings"). She recommended the Commission delay its decision in this cause until it could also review the information submitted in the declination filings.

Ms. Aguilar testified that under Ind. Code § 8-1-8.8-11(a) projects must be found reasonable and necessary. She stated that with incomplete information it is difficult to determine if the Solar Projects are reasonable on three fronts: (1) if the Solar Projects will become

⁸ As explained in Joint Exhibit 2 (at p. 19 of 25), had the correct point of interconnection for the Brickyard Project been provided in the Phase II RFPs response by the developer, the Brickyard Project would have still been recommended for the definitive agreement phase by CRA.

commercially viable, (2) if Greensboro will provide the capacity credit value NIPSCO assigned to it, and (3) the Solar Projects' cost effectiveness given NIPSCO's Short-Term Action Plan to transition to more renewable energy. She stated that although the OUCC has supported increased use of renewable energy in a number of different cases and contexts, the OUCC has concerns regarding technical and financial issues of the proposed facilities irrespective of the projects being solar facilities.

Ms. Aguilar explained that NextEra has a plethora of regulatory approvals it must secure before a project can become commercially operational, including the declination filings. She noted that although NextEra filed its petitions for the Solar Projects on August 27, 2020, NextEra would not be filing its case-in-chief until October 1, 2020. She stated a renewable energy project cannot become commercially operational without Commission approval. She said the declination filings allow the OUCC and the Commission to review specific aspects of the project to ensure it will meet the public interest and that ensuring other regulatory approvals are received or reasonably expected is part of the review process.⁹

Ms. Aguilar explained why the Commission should care if the Projects become commercially operational. She testified that while NIPSCO would not be obligated to pay under the PPAs for the energy produced by the Projects if they do not become commercially operational, NIPSCO's transition path may no longer be in ratepayers' best interest. She said that NIPSCO's Short-Term Action Plan may consist of many individual filings; however, they are still related to a larger plan. She stated that ensuring the individual filings support and are consistent with NIPSCO's larger plan protects ratepayers' interests and that a pattern of losing projects¹⁰ due to an inability to reach commercial operation could cause NIPSCO to seek higher cost projects and, when project costs rise and the capacity credit lowers, the economics of the IRP preferred portfolio change, making it increasingly likely the IRP models may have selected different resources producing a different plan had that information been used in modeling. Ms. Aguilar testified that utility filings requesting review and approval of PPAs where the projects themselves have not been reviewed by the OUCC and Commission ties up limited resources and produces regulatory inefficiencies. She said that without a full evaluation of the evidence normally supplied in a developer's declination filing, there is not sufficient information to perform a complete review of the Projects, nor the PPAs, upon which a decision of reasonableness can be determined as required for approval by statute.

Ms. Aguilar explained that circumstances surrounding PPA approval have evolved to warrant additional scrutiny and protections including ensuring selected projects reach commercial operation and accurately represents costs modeling in the IRP. She said it is important as utilities transition to more renewable generation that projects are viable, and reliable to use during the transition, rather than just promised, which directly affects the reasonableness of a utility entering into a PPA. Ms. Aguilar testified that since NIPSCO was harmed when the Roaming Bison Project was unable to reach commercial operation, NIPSCO should have included convincing evidence in

⁹ The OUCC explained that there are typically at least 10 different kinds of regulatory approvals that are required for these types of renewable generation projects. See Joint Exhibit 2 (at p. 24 of 25).

¹⁰ According to the OUCC, and as explained in Joint Exhibit 2 (at p. 25 of 25), "As used in Ms. Aguilar's testimony, the term 'a pattern of losing projects' means 2 or more projects cancelled after obtaining one or more regulatory approvals, which would establish a pattern."

this filing to show additional research and steps were taken to evaluate the Projects beyond what it performed for the Roaming Bison Project filing.

Ms. Aguilar testified it is not the OUCC's position that utilities only enter into PPAs with turnkey projects but they should have a thorough vetting process with safeguards in place to ensure these negative experiences don't happen, avoiding situations such as Roaming Bison Project's failure to become commercially operational is paramount to ensuring the Short-Term Action Plan identified in the 2018 IRP can be carried out to ratepayer's best interests.

Ms. Aguilar testified that neither NIPSCO nor NextEra would be harmed by coordinating its Commission filing with the developer's declination of jurisdiction request. She explained that NIPSCO cannot purchase power from a project that does not become commercially operational, and projects cannot become commercially operational without Commission approval. Nor would an alignment of the filings preclude NIPSCO or NextEra from meeting the necessary milestones to secure investment tax credit for the Projects.

Ms. Aguilar testified NIPSCO did not provide enough evidence in its case-in-chief to allow the OUCC and the Commission to fully evaluate the Projects, which could have been alleviated, although not completely erased, by adjusting the timing of the filing.

Relying on the testimony of Mr. Alvarez and Dr. Boerger, Ms. Aguilar stated NIPSCO's petition and case-in-chief lack information to support the Projects' ability to become commercially operational, which directly relates to the Commission's finding of whether the Projects are reasonable and necessary. She stated that if NIPSCO was unable to provide this information because NextEra was providing it in its declination filings, NIPSCO should have waited to make its filing. Ms. Aguilar stated the OUCC issued discovery requests and had two teleconference meetings with NIPSCO seeking additional documents and specificity on the Projects' probability of reaching commercial operation.

Ms. Aguilar concluded that there is a lack of evidence to ensure the proposed Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a), some of which could be alleviated by adjusting the timing of the filing. She stated that without access to the additional information ensuring the Projects can become commercially operational, the OUCC is unable to provide an opinion regarding whether these Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a). Ms. Aguilar recommended the Commission withhold a final decision on NIPSCO's request until the related declination of jurisdiction filings can be reviewed. To allow adequate time to review, the OUCC also recommended the Commission alter the procedural schedule in this case to align with the declination filings. Further, the OUCC recommended the Commission direct NIPSCO and any utility making this type of filing to include sufficient information to aid in the OUCC and Commission's review and their determination whether the projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a).

B. Anthony A. Alvarez, Utility Analyst, Electric. Mr. Alvarez discussed the generator interconnection, deliverability, system impact and facility studies, engineering, and technical issues related to this filing. He summarized the results of his review as follows:

1. NIPSCO presents the Greensboro Project as a solar facility with an associated battery to provide capacity. However, the Greensboro Project NIPSCO identified and described in testimony was not the same project MISO evaluated and processed through the MISO Generator Interconnection (“GI”) Process and assigned the Queue number or identifier J903 dated May 9, 2019. It is essential the generator resource be: (a) NIPSCO-identified and described in testimony; (b) integral to the Greensboro Project; (c) subject to the Greensboro Solar PPA; and (d) it should be the same generator resource MISO evaluated in its facility study. Otherwise, there would be no foundation or underlying basis for any evaluation, assessment or review.

2. Because the 30 MW battery energy storage system (“battery storage”) was not included in the MISO interconnection request, adding it to the original project could trigger a *material change* that would result in the necessary withdrawal of the project from the MISO GI process. Adding a 30 MW battery storage may cause material and adverse impact or effect to the system and, therefore, subject to MISO’s determination before it can proceed through the interconnection process.

3. NIPSCO described the Greensboro Project as “a 100 MW solar energy project, paired with a 30 MW battery storage project,” and testified “MISO determined that the energy generated by Greensboro would be deliverable to the point of interconnection.” NIPSCO incorrectly states the deliverability determination MISO made on “the energy generated by Greensboro” in testimony because: (a) the original facility MISO evaluated did not include a 30 MW battery storage project, and (b) the system impact and facilities studies MISO performed did not include any 30 MW battery storage as a generator resource. It is incorrect for NIPSCO to represent the deliverability determination MISO made knowing the original facility MISO evaluated was different from the Greensboro Project NIPSCO presented in testimony.

4. NIPSCO did not provide any technical evaluation or technology assessment in its case-in-chief to support the utility-scale, grid-tied solar plus battery storage technology of the Greensboro Solar PPA. The lack of sufficient technical information hindered the OUCC’s ability to conduct its analysis and review of the Greensboro Solar PPA, which has a relatively new and untested technology in Indiana. It is premature for NIPSCO to seek and receive any Commission approval at this time.

5. Brickyard filed its petition requesting the Commission decline to exercise jurisdiction and authority over the construction and operation of the solar facility in Cause No. 45424. An order is expected in this Cause prior to an order in Cause No. 45424.

6. At the preliminary phase of its study cycle, MISO determined the original Brickyard Project (MISO Q#J993) required \$10.4 million of network upgrade costs and has yet to determine any network impacts on the PJM system (“PJM Affected System”), which would occur in later study cycles. NIPSCO indicates Brickyard is responsible for these costs outside of the PPA contract price. Interconnection is integral to the solar PPA between NIPSCO and Brickyard.

Consistent with Ms. Aguilar’s testimony, Ms. Alvarez recommended the Commission withhold approving NIPSCO’s proposed Solar PPAs until the Commission and the OUCC have the opportunity to review the declination filings.

C. Peter M. Boerger, Ph.D., Senior Utility Analyst, Electric. Dr. Boerger addressed the economic justification for NIPSCO's proposal to enter into the Solar PPAs concluding (1) NIPSCO significantly misjudged the rising cost trajectory for solar resources when it crafted the Short-Term Action Plan in its IRP two years ago stating that prices for solar resources, based on the results of NIPSCO's Phase II RFPs and related proposals in this filing, are much higher than NIPSCO could have obtained when it issued its 2018 IRP; (2) the higher solar costs NIPSCO is now seeing, compared to what it modeled in its IRP, along with revised MISO solar capacity accreditation expectations, increase the need to revisit NIPSCO's Short-Term Action Plan to consider whether a revised resource mix is appropriate; and (3) despite the higher costs, the OUCC is willing to accept the economic reasonableness of approving the projects in this case, given that the currently proposed projects represent a small share of all the solar projects proposed in NIPSCO's Short-Term Action Plan. He also stated that the prices under the Solar PPAs indicate that the market has largely priced the expiration of federal tax credits into these PPA prices.

Should the Commission approve NIPSCO's request despite the recommendations of Ms. Aguilar and Ms. Alvarez, Dr. Boerger recommended NIPSCO be required to incorporate the higher solar prices it now sees in a rerun of its IRP modeling, with that rerun also including expected effects from MISO's RIAA studies, which should be presented as part of evidence presented in any future petition to further implement its 2018 IRP Short-Term Action Plan.

D. Michael D. Eckert, Assistant Division Director, Electric. Mr. Eckert testified NIPSCO's requested cost recovery treatment is consistent with prior Commission energy PPA cost recovery treatment approval. Should the Commission approve NIPSCO's request despite the recommendations of Ms. Aguilar and Ms. Alvarez, Mr. Eckert recommended the Commission authorize recovery of associated power purchase costs from retail customers through NIPSCO's FAC proceedings, or successor mechanism, over the entire 20-year term of the Solar PPAs.

6. NIPSCO's Rebuttal Testimony.

A. Mr. Campbell. In response to the OUCC's recommendation that the Commission withhold a final decision until the Commission and the OUCC have reviewed the related declination filings, Mr. Campbell stated that the declination filings are separate and independent requests submitted by different parties under different statutes than NIPSCO's request in this proceeding. He noted that he was not aware of any such requirement, nor has the OUCC alleged that this is a requirement but simply recommends the delay without citing any rule or regulation that would support its recommendation.

In response to Ms. Aguilar's discussion of whether the Solar Projects will become commercially operational, Mr. Campbell noted that the Commission is not required to make a finding that the Solar Projects are going to become commercially operational to approve NIPSCO's request in this proceeding. He stated that a finding that the projects to which a power purchase agreement relates would become commercially operational has not been required in any of NIPSCO prior proceedings (Cause Nos. 43393, 45195, and 45196) and should not be required here. He noted that NIPSCO did take actions to address development risk and technical aspects of the projects.

In response to Ms. Aguilar's discussion of what the Commission is required to consider with reviewing new generation projects, Mr. Campbell stated that NIPSCO is requesting the Commission to approve the Solar PPAs and related cost recovery, as they will be a renewable energy resource utilized by NIPSCO to serve its customers.

In response to Ms. Aguilar's assertion that the evidence NIPSCO presented in its case-in-chief does not meet its burden of proof, Mr. Campbell testified that in Cause Nos. 45195 and 45196, NIPSCO submitted testimony by the same three witnesses that are testifying in this proceeding. He stated the Verified Petition and the other attachments to testimony, as well as the substance of testimony and attachments, submitted in those cases are the same types of evidence NIPSCO provided in this proceeding.¹¹ He stated that NIPSCO has also provided further information in response to OUCC discovery requests to provide any additional information the OUCC felt was necessary to review NIPSCO's request in this proceeding.

In response to Ms. Aguilar's statement that NIPSCO's petition and case-in-chief testimony lack information to support the Projects' ability to become commercially operational, Mr. Campbell stated that this is not something that NIPSCO has been required to do in the past, nor should it be required to do here. He explained that NIPSCO has far less control over the development of a project by a merchant generator compared to its own projects. He said that NIPSCO intends to create a portfolio of resources that mix owned projects (through joint venture structures) with PPAs and that in order to have PPAs as part of its portfolio, NIPSCO strives to negotiate reasonable terms and conditions to address development risks. It is those terms and conditions that are presented for the Commission's review. He explained that NIPSCO controls what it can control in terms of soliciting competitive bids, selecting projects that show strong evidence that they are reasonably anticipated to be developed, and securing terms to address risks that inherently exist when the utility is not the project developer, which has been sufficient to date, and represents what is achievable in presenting PPAs for approval.

Additionally, Mr. Campbell stated there is no value to be obtained by delaying approval of the Solar PPAs in this proceeding. He stated that assuming the underlying projects do not reach commercial operation, no power will be purchased pursuant to the PPAs, and NIPSCO and its customers will be in no worse position than if the PPAs had not been approved by the Commission. However, assuming the projects do reach commercial operation, the Commission's denial of approval of the Solar PPAs forecloses NIPSCO's ability to purchase this affordable, renewable power for the benefit of its customers. Furthermore, it could very well be that it is the denial of the approval of the PPA which causes the projects not to achieve commercial operation. So in this respect, Ms. Aguilar's new standard actually puts NIPSCO and its customers in a worse position.

In response to Ms. Aguilar's discussion of two examples of projects that were the subject of Commission proceedings that did not move forward to commercial operation, one of which was the Roaming Bison Project, Mr. Campbell testified that NIPSCO requested approval of a wind PPA with Roaming Bison in Cause No. 45196, which NIPSCO entered into based on the results of the 2018 All-Source RFP and the conclusions in its 2018 IRP. He stated that as part of the All-

¹¹ In discovery, as reflected in Attachment 1-R-B to Mr. Campbell's rebuttal testimony, the OUCC admitted that "NIPSCO provided the same types of evidence and documentation in its case-in-chief in this proceeding as NIPSCO did in its cases-in-chief in Cause Nos. 45195 (Jordan Creek) and 45196 (Roaming Bison)."

Source RFP process, this project was compared with similar projects and was found to be at a reasonable stage of development relative to its commercial operation date and relative to other bids received. Furthermore, after the conclusion of the aforementioned, NIPSCO engaged in further due diligence before coming to a decision to formalize PPA and Joint Venture agreements with various developers.

Specific to the Roaming Bison Project, Mr. Campbell testified the project did not move forward due to the exclusion of a grandfather clause in the local county permitting process. He stated this would not have been discovered during any technical or development status review in the RFP process but rather was a decision by a local government that was beyond the control of NIPSCO or the developer. Additionally and importantly, he noted this zoning issue that led to the cancellation of the Roaming Bison Project also would not have been discovered during a declination proceeding, as evidenced by the fact that the Roaming Bison Project received declination approval from the Commission in Cause No. 45207. Mr. Campbell stated the additional review the OUCC requests in this proceeding to “fix” the problem of possible project cancellation would not have had any impact on the Roaming Bison Project.

Mr. Campbell stated that Roaming Bison is a prime example that Ms. Aguilar’s new standard would provide no value for NIPSCO’s customers. He explained that Roaming Bison received a declination approval, so there is nothing magical about awaiting the results of a declination proceeding before addressing the merits of a PPA. He noted that had this been the standard in Roaming Bison, the PPA would have still been approved and NIPSCO would be sitting in precisely the same position today that it currently is – being the counterparty to a PPA which never took effect because the developer did not achieve all conditions to the agreement. He pointed out that had there not been the zoning issue with Roaming Bison (and if it had been the delay in receiving PPA approval requested by Ms. Aguilar which had caused that project not to reach commercial operation), then it would have been Ms. Aguilar’s new standard which caused an otherwise economic transaction to fail, thus causing harm to NIPSCO’s customers. Ms. Aguilar’s new standard adds no value to the process and in fact risks causing harm, contrary to her claims.

In responding to Ms. Aguilar’s claims that NIPSCO did not show additional research and steps were taken to evaluate the Solar Projects beyond what it performed for its Roaming Bison Project PPA filing, Mr. Campbell testified that NIPSCO increased the weight of the scoring related to “Development Risk” within the Phase II RFPs to identify the solar PPAs presented for approval in this proceeding. He explained that while this adjustment does not guarantee a selected project will enter commercial operation, it was an intentional decision by NIPSCO and CRA so that projects more advanced in development would receive credit in CRA’s project scoring. Furthermore, he said that more time has passed since the 2018 All-Source RFP and since NIPSCO entered into its wind PPAs, and NIPSCO now has a better sense of potential local opposition. He explained that from a technical evaluation perspective, NIPSCO performed the same transmission analysis to evaluate the potential for future congestion at the point of interconnection and any reliability constraints on the broader MISO system, which was performed with the most up-to-date MISO model to account for the MISO landscape of current and future projected generation assets.

Mr. Campbell testified that NIPSCO also retained Sargent & Lundy (“S&L”) to review the projects with associated PPAs and to perform the role of owner’s engineer for any projects NIPSCO may pursue through joint ventures. He noted that S&L is an industry leader as a qualified

and professional engineering firm, with experience in evaluating solar and solar plus storage projects. He explained that in addition to serving as an advisor and owner's engineer for NIPSCO and other utilities, S&L serves as a qualified independent engineer for solar and solar plus storage projects on behalf of tax equity investors. He said that NIPSCO leveraged S&L's expertise in the negotiation process with NextEra, which resulted in NIPSCO gaining additional comfort that the solar projects are commercially viable given the current status of development. Mr. Campbell testified that given the updated transmission analysis and the utilization of S&L's expertise, he is confident, based on the currently known information, that the Solar PPAs are commercially viable and will reach commercial operation.

Ms. Campbell testified that Roaming Bison Project not reaching commercial operation does not justify increasing the evidentiary burden on NIPSCO in this proceeding. He explained that the Roaming Bison Project is an example of a PPA that received Commission approval but did not reach commercial operation. He said Ms. Aguilar's position is an unjustified attempt to raise the bar for what should be required by NIPSCO in this proceeding (and others who may make similar filings), and, ironically, Roaming Bison underwent a full review by the OUCC in its declination filing (like it asks the Commission to require inside this PPA proceeding) and still did not reach commercial operation. Mr. Campbell stated again that as far as he was aware, the underlying statutes and regulations have not changed, and the Commission has not made any decision to place a higher or greater evidentiary burden on applicants who seek approval of a PPA. He testified that since NIPSCO's evidence in Cause Nos. 45195 and 45196 was sufficient to meet its evidentiary burden, as the Commission approved NIPSCO's requests in those proceedings, it should also be sufficient in this proceeding.

Mr. Campbell stated that there is, of course, a risk that the Solar Projects will not reach commercial operation but this risk has not previously prohibited the Commission from approving a PPA. He stated that given the number of projects required to facilitate the retirement of and replace the capacity from Schahfer, and the dynamic nature of the renewable generation industry, there is always a risk that a particular project may not achieve commercial operation. He noted that this is also part of the value associated with project diversification and entering into a portfolio of projects, rather than potentially putting emphasis on one or only a few projects, or even on a single technology. He stated NIPSCO's determination of the number of projects and total capacity needed coming out of the Phase II RFPs has been informed by the fact that Roaming Bison will not be moving forward.

Responding to Ms. Aguilar that a pattern of losing projects due to an inability to reach commercial operation could cause NIPSCO to seek higher cost projects, Mr. Campbell testified there is no such pattern, and that he is confident that no such pattern will develop with respect to NIPSCO's planned generation projects. He stated that any allegation of such a pattern existing or being likely to develop is an exaggeration and ignores an important fact – the risk that NIPSCO will need to seek higher-cost projects later in time because earlier, lower-cost projects have not reached commercial operation is the same regardless of whether the project fails to reach commercial operation because the Commission denies approval of the PPA request in this proceeding *or* fails for some other reason. He stated it would be inappropriate for the Commission to increase this risk by denying the relief NIPSCO seeks here on the grounds that some other contingency may not be satisfied.

Mr. Campbell testified to NextEra's ability to successfully execute the Solar Projects. He stated NextEra is the developer of both the Solar Projects, with extensive experience developing renewable projects generally, and solar and storage projects specifically. He stated NextEra's primary business objective is the development, construction, and operation of power plants. For the period 2019 to 2020, NextEra expects to add approximately 400 to 1,300 MW of new contracted solar generation. NextEra has also designed, constructed, and now operates over 160 MWs of energy storage projects across the United States and Canada and has over 600 MWs of additional energy storage projects with signed long-term contracts that are currently under development and will be installed by 2022. He concluded that NIPSCO has confidence in NextEra, as they are a preeminent developer of solar and battery storage projects.

Mr. Campbell testified it would not be feasible nor prudent for the Commission to require all regulatory approvals to be obtained¹² and all development risk to be eliminated for a project before approving a PPA related to that project. He stated that while NIPSCO acknowledges that with any project there is a risk it will not enter commercial operation, as there are many things outside of a developer's control, for projects to be commercially viable and project development to progress, commercial contracts must be executed and submitted for approval. He explained that this process necessarily must begin before all regulatory approvals and declinations are obtained and the project is 100% certain to enter commercial operation and certain milestones, such as entering into a PPA, are generally needed before a developer is willing to start construction of the project. He said that if the Commission were to increase the evidentiary burden, such as by requiring a demonstration of additional regulatory approvals, before it is willing to provide approval of a PPA, the developer would be required to expend more time and resources in project development, potentially increasing project costs and adding regulatory uncertainty to the development process, which could discourage future investment in Indiana by project developers.

Mr. Campbell testified that NIPSCO has not haphazardly entered into the Solar PPAs, but rather has done so after conducting the Phase II RFPs, having an independent third party evaluate and diligence project proposals, and engaging in commercial negotiations with the developer, with these negotiations also being informed by S&L. He said that if NIPSCO was not confident in the underlying projects, NIPSCO would not have entered into the PPAs, nor would it have submitted them to the Commission for approval. He explained that NIPSCO would not expend its money, time, and resources, or waste the time and resources of the Commission and parties to the proceeding, if NIPSCO did not have a solid basis for its belief that the Solar Projects will ultimately become operational.

Understanding there is some level of project development risk until a project enters commercial operation, Mr. Campbell explained that the risk of developing the Solar Projects is ultimately borne by the project developer, which is NextEra. He stated this is not to say that NIPSCO is not concerned about the risk that a project will not enter commercial operation, but it is something that is ultimately beyond NIPSCO's control. He explained that when CRA recommended potential projects to advance to a definitive agreement phase, it did so only after evaluating asset-specific risk and development risk for the recommended projects. Again, he stated

¹² As noted above, the OUCC explained that there are typically at least 10 different kinds of regulatory approvals that are required for these types of renewable generation projects, covering everything from zoning, environmental, aviation, transportation, and other kinds of matters. See Joint Exhibit 2 (at p. 24 of 25).

there is only so much NIPSCO can do when entering into a PPA, as its control of project development will necessarily be limited.

Mr. Campbell explained that to mitigate project development risks related to the Solar Projects, NIPSCO ensured there were protections for NIPSCO, and by extension its customers, when entering into the Solar PPAs. Mr. Campbell explained several of these non-public terms and testified this is not necessarily a complete list of all protections provided to NIPSCO in the Solar PPAs, but is representative of the types of protections NIPSCO ensured were included to mitigate project development risks. He finished by saying that the PPAs also include standard commercial terms to protect NIPSCO by ensuring NextEra continues to actively develop the project and must pay damages if it fails to do so.

In response to Mr. Alvarez's concerns, including that (1) the project NIPSCO described in testimony is "not the same project" MISO evaluated in its interconnection process; (2) the inclusion of a 30 MW battery storage system constitutes a "material change" that would require the project be withdrawn from MISO's generator interconnection process; (3) MISO has not made a determination that the energy generated by the Greensboro Project will be deliverable to NIPSCO; and (4) NIPSCO failed to provide a "technical evaluation or technology assessment" to support the use of a solar plus storage project, Mr. Campbell testified that Mr. Alvarez summarily asserts that NextEra's adjustments rise to the level of a "material modification" that will require a withdrawal of the Greensboro Project from MISO's interconnection process without providing any evidence that MISO has made such a determination. He stated that assuming MISO were to have some concerns with the project, Mr. Alvarez further assumes that NextEra will be unsuccessful in resolving those concerns with MISO. Mr. Campbell noted that in discovery the OUCC admitted that MISO has not made a determination that the project submitted into MISO's interconnection process by NextEra has been "materially modified," and that his assessment is not based on any communication with MISO staff related to the project.

Mr. Campbell testified that NextEra intends to submit a "surplus interconnection service" request to MISO related to the battery storage portion of the Greensboro Project that will potentially allow them to utilize the existing NRIS under a MISO GIA, as is currently permitted under Attachment X (Generator Interconnection Procedures) of the MISO Tariff. He explained that MISO will then make a determination of whether there would be a material, adverse impact on the transmission system. He said that based on discussions with NIPSCO's transmission planning team, NIPSCO does not expect this change to have a material, adverse impact, as the output of the project will at no time exceed the previously-approved NRIS.

Mr. Campbell stated that in some respects, adding 30 MWs of battery storage to a 100 MW solar generation facility does change the project configuration, as well as how the project will operate; but in other respects, it is still the same generation resource, even after adding 30 MWs of battery storage, as the output from the facility will not exceed 100 MWs, even with this addition. He concluded that in any event, this is MISO's determination to make, and NIPSCO is comfortable with the approach NextEra is taking to address the inclusion of the 30 MWs of battery storage.

In response to Mr. Alvarez's belief that MISO's deliverability determination for the project is not applicable to the Greensboro Project based on the inclusion of the battery storage and that NextEra needs to treat it as a completely new project and submit a new interconnection request,

Mr. Campbell noted that this is based on his opinion and not any determination that has been made by MISO. He stated that whether project deliverability is an issue at all will be determined by MISO, not NIPSCO or the OUCC. He said that even assuming MISO raises a concern, this is part of the project development risk to be addressed by NextEra, which NIPSCO is confident can be addressed, especially since the project is not set to begin commercial operation until late 2022.

Mr. Campbell clarified what occurred during the technical teleconference where Mr. Alvarez stated that NIPSCO informed the OUCC that the 30 MW battery energy storage system is a “behind-the-meter generation asset” and that “[t]his may be a mischaracterization of the 30 MW battery storage[.]” He explained that NIPSCO and the OUCC did have a technical teleconference, and in that discussion, he referred to the 30 MW battery storage as being “located behind the meter” in an attempt to explain how the Greensboro Project would be physically designed. He stated that in discovery NIPSCO unequivocally stated the 30 MW battery storage at the Greensboro Project is not a “behind-the-meter generation” asset, and referred them to a more thorough explanation in another discovery response provided on the same day. Thus, if there was any confusion about whether the 30 MW battery storage is a behind-the-meter-generation asset, this should have clarified that it is not and why this is the case.

Mr. Campbell explained the circumstances surrounding the incorrect interconnection point being evaluated for the Brickyard Project. He stated there was a transmission analysis performed to evaluate the interconnection of all projects and that NextEra inadvertently included the incorrect interconnection point within their response to NIPSCO’s Phase II RFPs related to solar projects. As a result, the incorrect interconnection point was modeled by NIPSCO. He felt it was unfortunate that NIPSCO did not catch this error sooner, but that after its identification by Mr. Alvarez, NIPSCO updated the transmission analysis. He stated the results of this adjusted modeling are discussed in Mr. Augustine’s rebuttal testimony and do not show any cause for concern related to the point of interconnection and, regardless of any such results, the first indication of a problematic point of interconnection is the costs to interconnect. He stated that neither point shows a need for significant network upgrades to interconnect, although ordinary work such as fixed substation and generation lead lines will be required to physically connect the asset to the MISO system. He said the updated congestion costs associated with the point of interconnection have been incorporated into the updated LCOE calculations supported in Mr. Augustine’s rebuttal testimony.

B. Mr. Augustine. In response to concerns regarding the viability of NIPSCO’s Short-Term Action Plan from the 2018 IRP, Mr. Augustine testified NIPSCO’s Short-Term Action Plan from the 2018 IRP was designed to allow for a phased transition towards renewables over a multi-year period, allowing for flexibility in resource procurement within the framework established by the IRP’s preferred portfolio. He stated the Solar PPAs are consistent with that framework, and any deviations from the 2018 IRP’s pricing assumptions are not material enough to disprove that the Solar PPAs are in the public interest and should be approved.

Mr. Augustine stated the Short-Term Action Plan did not require NIPSCO to acquire all resources identified in the preferred portfolio immediately. Instead, it called for additional requests for proposals to procure the resources necessary to meet the 2023 capacity need beyond those that could be acquired from the 2018 All-Source RFP. He explained that in parallel to conducting additional RFPs, the Short-Term Action Plan also called for NIPSCO to actively monitor technology and MISO market trends, while engaging with project developers. He explained that

NIPSCO is doing just that as it reviews projects and pursues additions to its portfolio, such as the two Solar PPAs in this Cause.

Mr. Augustine described the interplay between the IRP and the RFPs that NIPSCO conducted in 2018 and 2019-20. He testified NIPSCO used the All-Source RFP from 2018 to develop tranche-level cost and operational assumptions for resource additions for use in the IRP analysis. The IRP analysis then used these assumptions to develop a preferred portfolio direction with respect to technology and ownership structures. Once the robust risk-based analysis pointed towards a direction of primarily renewable resources, NIPSCO then selected projects from the All-Source RFP to add to its portfolio, with the priority being wind resources subject to declining tax credits. The Phase II RFPs were then launched in 2019 in order to continue to identify the next round of projects for selection. Given the multi-phased nature of implementing NIPSCO's preferred portfolio and the large number of replacement resources required, a single solicitation could not be relied upon to fill the full capacity need associated with retiring Schahfer in 2023. Hence, NIPSCO's plan involved conducting multiple RFPs to implement the preferred portfolio's generation resource transition.

In response to Dr. Boerger's assertion that since there are differences in costs between the Solar PPAs and the assumptions used in the 2018 IRP, NIPSCO's Short-Term Action Plan may need to be revisited, Mr. Augustine explained the reasons why selected project costs from any of the RFPs may not align directly with the tranche assumptions deployed in the IRP. He stated that the tranches used in the IRP were developed through a cost-based analysis to establish planning assumptions, while the RFP evaluation also considered other metrics, such as development risk, reliability and deliverability, and other project-specific risk, as discussed in more detail by NIPSCO Witness Lee in his direct and rebuttal testimony and by NIPSCO Witness Campbell in his rebuttal testimony. Such broadened criteria could result in a potentially different selection of resources than what might occur if cost was the only metric, and Mr. Lee has provided detail on the rationale for NIPSCO's scoring and ultimate project selection. In addition, market developments associated with a range of factors such as trends in materials costs, federal and local policy, and the overall competitive landscape for new power projects can impact pricing across RFPs conducted at different points in time. Finally, he noted that any one single bid from an RFP will necessarily be different than the average of a set of tranches used for IRP modeling. As NIPSCO has evaluated specific projects since the 2018 IRP, a range of deviations from the IRP assumptions has been evident, with some lower cost and some higher cost.

Mr. Augustine disagreed with Dr. Boerger's characterizations regarding the magnitude of the cost increases for the Solar PPAs. He stated Dr. Boerger's cost comparisons are incomplete and are provided without proper context regarding NIPSCO's larger planning process and preferred portfolio.

Mr. Augustine did not believe that Dr. Boerger's assertions that the cost calculations are not reasonable because they "are not comparing the cost of projects with the same types of ownership" and are hence like "comparing apples and oranges" was a fair criticism. He explained that within the section of his direct testimony that Dr. Boerger cites, he made comparisons between the Solar PPAs with both the PPA and asset acquisition tranches from the 2018 IRP, noting explicitly that the PPA project costs are higher than the PPA tranches from the IRP and summarizing this comparison in a graphic. He stated that while Dr. Boerger's focus on comparing

PPA costs is one reasonable way of looking at the data, his additional comparison to the weighted average cost of all solar from the IRP provides a portfolio-level perspective, since NIPSCO's preferred portfolio was developed through an integrated review of all resource types and ownership structures and not simply an isolated review of one-off projects.

In response to Dr. Boerger's comparison of PPA prices over a 20-year time horizon and suggestion that the calculations that use the "far-in-the-future" costs for years 20 through 30 serve to make any cost differences look smaller, Mr. Augustine testified that NIPSCO has consistently provided 30-year cost assessments in its 2018 IRP and throughout the series of filings associated with its Short-Term Action Plan to reflect the long-lived nature of new potential resources and to ensure consistent comparison between different resource types. He stated that while Dr. Boerger's comparisons of 20-year PPA price terms are certainly one valid means of comparing PPA resource types, it is important to account for the additional ten-year period when assessing relative performance of contracted versus owned assets and in the context of NIPSCO's IRP findings. He said NIPSCO is developing a portfolio with varying commitment durations to provide a balanced cost and risk profile for its customers over the short-term and the long-term, and this can only be done with a perspective beyond 20 years. Therefore, he believes that the 30-year LCOE comparison is appropriate.

Mr. Augustine disagreed with Dr. Boerger's adjusted cost delta based on what he views as the "proper LCOE difference." He stated that Dr. Boerger notes that by comparing costs directly to the IRP PPA tranches, the Greensboro Project NPVRR difference would double compared to the difference referenced in Question / Answer 24 of Mr. Augustine's direct testimony. Mr. Augustine stated that while larger than the portfolio-level comparison he presented, Dr. Boerger's NPVRR delta remains less than 1% of the total savings NIPSCO calculated for retiring all units at Schahfer by 2023 and approximately 3% or less of the total savings NIPSCO calculated for various other permutations associated with continued operations of certain units at the Schahfer facility beyond 2023. He stated that similar deltas would result if Dr. Boerger's approach for the comparison were to be applied to the Brickyard PPA. He indicated these changes are not significant, and Dr. Boerger acknowledges this himself when he notes that "the OUCC is willing to accept the economic reasonableness of approving the projects in this case, given that the currently proposed projects represent a small share of all the Solar Projects proposed in NIPSCO's Short-Term Action Plan." Mr. Augustine provided an illustration that the costs per MWh of the Solar PPAs, regardless of how they are presented, are significantly lower than the LCOEs of continuing to operate the coal-fired units at Schahfer.

Mr. Augustine disagreed with Dr. Boerger's suggestion that the Brickyard and Greensboro PPA prices indicate the market has largely priced the expiration of federal tax credits into these PPA prices, leading Dr. Boerger to conclude that the urgency associated with procuring projects for its Short-Term Action Plan has decreased. He stated that both projects associated with the Solar PPAs are eligible to receive the full 30% ITC if they enter into service before the end of 2023. He testified the developer's bid into the Phase II RFPs and the PPA price obtained by NIPSCO both incorporate such benefits. Therefore, these PPAs provide NIPSCO's customers with an efficient way to take advantage of this credit. He said that since current tax law dictates that solar projects entering into service after the end of 2023 are only eligible for a 10% ITC, urgency associated with acquiring solar projects in the near-term still exists. He stated that a project procurement delay beyond 2023 could raise costs for customers. He testified NIPSCO's Short-Term Action Plan has

been staged to prioritize resource procurement as tax credits step-down, which is why several wind projects were pursued in 2019 prior to the initial step-down in the production tax credit after 2020 and why solar and solar plus storage projects are being pursued now.

Mr. Augustine disagreed with Dr. Boerger's summary conclusion that NIPSCO made a misjudgment in its Short-Term Action Plan that solar resource prices would not substantially increase in the short term. He believed that Dr. Boerger is making an overly-broad conclusion regarding the changes in solar prices based on a review of only two PPAs, which Dr. Boerger admits are a small portion of the overall anticipated 2023 capacity need, and an unsubstantiated claim regarding the expiration of tax credits influencing prices. Mr. Augustine provided a simple comparison of the RFP summaries NIPSCO published in 2018 (related to the All-Source RFP) and in 2020 (related to the Phase II RFPs) to illustrate how average pricing has changed from 2018 to 2019/2020, illustrating that Dr. Boerger's claim of a substantial increase in pricing for all solar resources is not borne out by the facts. Furthermore, some cost differentials with the assumptions made in the IRP are to be expected, and the impacts of higher costs for these particular PPAs represent a small portion of the projected savings associated with NIPSCO's preferred portfolio, using either his original calculations on a portfolio-weighted basis or the adjustments that Dr. Boerger proposes.

In response to Dr. Boerger's questions whether the resource mix called for under the Short-Term Action Plan should be reevaluated in light of the price of the Solar PPAs, Mr. Augustine stated Dr. Boerger's question is really addressed to future capacity additions and not the PPAs that are before the Commission in this Cause, noting that even Dr. Boerger recognizes that the OUCC is willing to accept the economics of the Solar PPAs, which seems an implicit recognition that these projects are in the public interest. He stated that NIPSCO recognizes that the Solar PPAs presented for approval in this proceeding are somewhat higher than the tranche level price assumptions from the 2018 IRP, but that change does not undercut the value of these two PPAs, and it does not cause NIPSCO to depart from the preferred resource mix called for in the Short-Term Action Plan. He concluded that NIPSCO's preferred portfolio remains flexible and able to adapt to changing circumstances over time.

Mr. Augustine noted that NIPSCO's preferred portfolio was estimated to save NIPSCO's customers more than \$4 billion over 30 years compared to the portfolio that retained coal-fired generation. Furthermore, he stated that the preferred portfolio performed better than the alternatives on the Environmental and Fuel Security metrics on NIPSCO's 2018 IRP scorecard and provides better flexibility and resource diversification than relying on a large combined cycle asset. He testified that NIPSCO understands that, as time progresses, it must be observant of and responsive to changing circumstances, which is the nature of integrated resource planning; but it appears all parties agree there have not been changed circumstances that would warrant the rejection of the Solar PPAs.

In response to Ms. Aguilar's questions about whether NIPSCO's transition path is still in ratepayers' best interest, based on his involvement in NIPSCO's 2018 IRP and subsequent activities, including the Phase II RFPs, and his knowledge of NIPSCO's IRP findings since 2016, Mr. Augustine testified he has a high level of confidence that the Solar PPAs are prudent resource procurement decisions that are in the best interest of NIPSCO's customers. He explained that since 2016, NIPSCO has consistently found that coal retirements and replacement with a wide range of

potential alternatives provide cost savings for customers and to maximize those savings, the 2018 IRP identified tax advantaged renewable resources as the best replacement option by 2023, and the Solar PPAs are consistent with this plan.

In response to Dr. Boerger's suggestion that NIPSCO's Short-Term Action Plan may need to be revisited due to the potential for revised solar capacity accreditations in MISO, particularly in light of MISO's Renewable Integration Impact Assessment ("RIIA") initiative, Mr. Augustine stated NIPSCO's Short-Term Action Plan was designed to be flexible in order to address evolving market and technology developments, including MISO's RIIA initiative that Dr. Boerger references. In fact, he stated the Phase II RFPs identified significantly more paired solar plus storage capacity that could serve to mitigate capacity accreditation risk in case large amounts of solar in the market drive down solar UCAP credit, and NIPSCO has incorporated such resource additions in its project selection. He stated the Greensboro solar plus storage PPA is one such project that will provide NIPSCO with the ability to realize higher capacity accreditation than a stand-alone solar resource in the future. He said that, furthermore, to reflect the likelihood of solar capacity accreditation levels declining over time, NIPSCO's LCOE analysis incorporates an expected decline in solar UCAP over the long-term to 30% of a facility's ICAP level.

Mr. Augustine addressed Dr. Boerger's argument that a reduction in the amount of capacity accreditation for each MW of solar ICAP should be considered and that this would reduce the attractiveness of solar in NIPSCO's Short-Term Action Plan. He stated there remains uncertainty regarding the evolution of the generating mix in MISO and the corresponding adjustments to market rules that may be made. He testified NIPSCO's preferred portfolio allows for flexibility to respond to such changes over time, but relies on current MISO market rules to guide the initial assumptions. He explained that current market rules give new solar resources a UCAP rating equal to 50% of its ICAP, with the credit adjusting after 30 days of metered data during MISO's peak hours are recorded. He said that while Dr. Boerger focuses only on the potential for future capacity credit declines, NIPSCO has in fact been conservative with its assumption that solar resources will realize 50% capacity credit in the early years of their operation. He said that it is quite possible that generation output during MISO peak hours will be higher than 50%, *increasing* the attractiveness of solar in the Short-Term Action Plan.

Mr. Augustine explained that several bids into NIPSCO's Phase II RFPs assumed capacity credit for solar resources above 50% and that an analysis of the projected hourly output of the Brickyard PPA during MISO's accreditation hours (hours ending 15, 16, and 17 EST for June, July, and August) would result in a capacity accreditation of 75%. He noted that other utilities in MISO have recently applied for solar project approvals to state regulators with an assumption that new solar resources will achieve capacity credit much greater than 50% after initial operations.

Given this information and MISO's current rules, Mr. Augustine disagreed that NIPSCO's assumptions regarding PPA UCAP credit are invalid or that NIPSCO's Short-Term Action Plan might be different if solar capacity credit assumptions were evaluated differently, as suggested by Dr. Boerger. He stated that while he believed Dr. Boerger is identifying a valid market uncertainty that will continue to require flexibility in NIPSCO's evolving resource plan, the assumptions NIPSCO used to evaluate capacity credit for solar resources are reasonable, especially for the resources required as part of the Short-Term Action Plan to fill NIPSCO's anticipated capacity need in 2023. He stated that over the longer term, NIPSCO will continue to re-assess its resource

plan in light of market developments associated with solar capacity accreditation and a number of other key uncertainties.

Mr. Augustine testified he incorporated the updated congestion analysis associated with a correction to the modeled interconnection point for the Brickyard PPA into the LCOE projection for the Brickyard PPA. He stated the resulting LCOE increases by approximately \$3/MWh. He testified that even with this increase, the Brickyard PPA's LCOE still represents a resource option consistent with NIPSCO's preferred portfolio and in the interests of its customers.

C. Mr. Lee. Mr. Lee explained the analysis CRA performed on NIPSCO's behalf in evaluating the Solar Projects as part of the Phase II RFPs, including specifically the evaluation of solar plus storage technology and the development status of the Greensboro Project. Mr. Lee testified Mr. Alvarez is correct that solar plus storage projects are relatively new in Indiana, but this is not a new or unproven technology. He explained there were 23 bids into the Phase II RFPs supported by integrated solar plus storage totaling over 4,500 MW of installed capacity. He stated that all or virtually all the solar projects proposed by NextEra included an option for integrated storage as part of the bid. He said that in the United States, storage has emerged as a critical technology to help support the increased penetration of solar capacity by providing a mechanism to manage the daily ramp in electricity demand and avoid curtailment risks. He stated that while NIPSCO wants to provide information to ensure there is an understanding of the technology and the power that will be produced and purchased by NIPSCO under the PPA, simply because a proven technology is new in Indiana is no reason to deny approval of NIPSCO's request.

In response to Ms. Aguilar's statement that NIPSCO did not show additional research and steps that were taken to evaluate the Solar Projects beyond what was done for the Roaming Bison Project, Mr. Lee testified CRA and NIPSCO have continuously looked to improve the RFP process and noted that under the All-Source RFP projects were awarded up to 200 points related to the Development Risk evaluation category with the points being equally split across the specific milestones met towards the Commercial-in-Service date and the experience of the developer in MISO. For the Phase II RFPs, CRA increased the points available for that evaluation category to 250 points, with all of the incremental 50 points assigned to the development milestones element of the scoring. He stated the effect of this change was to favor existing projects or projects further along the path towards their commercial operation date. Additionally, a greater number of points were awarded in the Phase II RFPs for the Asset Specific Benefits and Risks evaluation category to provide greater flexibility in selecting projects based on any unique issues related to a given project.

Mr. Lee testified CRA was very comfortable in recommending a PPA related to a solar plus storage project. He explained the Solar PPAs were the result of the very competitive Phase II RFPs and that as part of the Phase II RFPs, CRA performed extensive review and diligence on all submissions and scored each proposal based on development risk, reliability, asset-specific risk, and the estimated LCOE per megawatt hour. With respect to the development risk and asset-specific risk, CRA evaluated projects related to their progress towards their commercial-in-service date, the experience the developer has in MISO, and any unique issues or benefits a given project may have had. The development risk category was very clearly defined. Mr. Lee testified the following five milestones were considered, and points were awarded to projects that achieved one or more of them: (1) executed a pro-forma MISO Service Agreement and Interconnection

Construction Services Agreement, (2) completed a MISO Facilities Study, (3) completed a MISO System Impact Study, (4) site control, zoning requirements, and permitting status, and (5) Engineering, Procurement, and Construction (“EPC”) Contract awarded. In addition, scoring recognized that some developers may have more experience with developing projects in MISO than others and that experience may mitigate some development risk even if all milestones have not yet been achieved. He said that as a result, scoring considered the MWs of developer experience in the region, an area where NextEra was particularly strong given its experience in the region and across the United States.

Mr. Lee stated that, by design, the asset-specific risks and benefits category of scoring was less proscriptive since it was intended to provide flexibility on scoring. He said that given the wide range of projects and the various counterparty issues that can arise in a broad solicitation like NIPSCO’s All-Source and Phase II RFPs, it is critical to include a mechanism to maintain flexibility. However, the RFP Appendix F identified certain issues that could be considered through the category, including minority business enterprise considerations or any material cost or regulatory uncertainty associated with a specific asset. He stated that for solar plus storage projects, CRA evaluated the projects versus standalone solar based on the project economics and the evaluation criteria. He stated project economics relied on an LCOE framework, and project risks were considered through each of the Evaluation Criteria categories. He said the RFP advanced projects to a final Definitive Agreement Phase, and during that phase a final determination was made on any optional project aspects like storage flexibility.

Mr. Lee testified the Greensboro Project was considered to be in advanced development based on the development milestones met to date. He explained that NextEra had achieved four of the five milestones, with only the awarding of an EPC contract remaining. He said NextEra indicated they typically execute EPC agreements fifteen (15) months prior to construction. He stated that although it was not considered explicitly as an element of development risk, NextEra intended to “balance sheet finance” the project, which reduces the risk of development delays versus projects that require outside funding. Mr. Lee testified CRA determined the Greensboro Project was a mature development project and came with limited development or asset-specific risk. He stated the Greensboro Project had the highest overall score of the RFP bids, which speaks volumes about the project.

7. Commission Discussion and Findings. Ind. Code § 8-1-8.8-11 provides that “[a]n eligible business must file an application to the commission for approval of a clean energy project” and that “[t]he commission shall encourage clean energy projects by creating [certain] financial incentives for clean energy projects, if the projects are found to be reasonable and necessary.” In addition, “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. These statutes provide the basis for NIPSCO’s request for Commission approval to enter into the Solar PPAs and for assurance of purchased power cost recovery through the full terms of the Solar PPAs. Ind. Code § 8-1-2-42(a) also authorizes recovery of purchased electricity.

An eligible business includes an energy utility, such as NIPSCO, that “undertakes a project to develop alternative energy resources, including renewable energy projects....” Ind. Code § 8-1-8.8-6(3). The evidence demonstrates that the Solar Projects will provide energy from solar, thus

qualifying as a renewable energy project under Ind. Code § 8-1-8.8-10. While NIPSCO is not actually constructing, and will not own, the physical facilities that comprise the Solar Projects, it is proposing to enter into the Solar PPAs for the purchase of the energy from those facilities and is therefore contributing to the development of the projects. Accordingly, we find that NIPSCO is an eligible business for purposes of reviewing its request for the creation of financial incentives under Ind. Code § 8-1-8.8-11. Our determination herein is consistent with prior Commission Orders concerning similar requests for approval of power purchase agreements and the creation of financial incentives under Ind. Code ch. 8-1-8.8. *See N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC Jun. 5, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 45196 (IURC Jun. 5, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 43393 (IURC July 24, 2008); *Ind. Mich. Power Co.*, Cause No. 44362 (IURC Nov. 25, 2013); *Duke Energy Ind. Inc.*, Cause No. 44444 (IURC May 7, 2014); *Indianapolis Power & Light Co.*, Cause No. 43740 (IURC Jan. 27, 2020).

A. Applicable Statutes and Evidentiary Burden. According to Ind. Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects, if found to be “reasonable and necessary.” While Chapter 8.8 does not set forth specific factors the Commission should consider in determining the reasonableness and necessity of a clean energy project, the Commission has considered some of the factors outlined in Chapters 8.5 and 8.7 (Chapter 8.5 factors relevant for clean energy solar pilot project); *see also*, *Ind. Mich. Power Co.*, Cause No. 44182, at 53-54 (IURC July 17, 2013) (Chapter 8.7 factors relevant for Life Cycle Management Project under Chapter 8.8).

The OUCC argues NIPSCO failed to meet its burden of proof that the proposed Solar Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11. Specifically, Ms. Aguilar states that NIPSCO’s case lacks “information to support the Projects’ ability to become commercially operational.” The OUCC also recommended that we withhold a final decision on NIPSCO’s request until the declination filings for the underlying Solar Projects can be reviewed.

With respect to the OUCC’s recommendation to essentially suspend a decision in this proceeding, we note that there is nothing in Ind. Code § 8-1-8.8-11 requiring the Commission to find that the projects to which the PPAs relate will, in fact, become commercially operational.¹³ However, we also note that in previous proceedings involving both utility authorizations and associated declination of jurisdiction petitions, the declination proceedings have occurred before or generally concurrently with the utility proceeding.¹⁴

Ms. Aguilar correctly identifies an important issue – whether this generation facility will become commercially viable. Mr. Campbell states that there is no harm to NIPSCO if a project does not become operational, stating that “no power will be purchased pursuant to the PPAs, and NIPSCO and its customers will be in no worse position than if the PPAs had not been approved

¹³ *See N. Ind. Pub. Serv. Co.*, Cause No. 43393 (IURC July 24, 2008); *N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC June 5, 2019); *N. Ind. Pub. Serv. Co.*, Cause No. 45196 (IURC June 5, 2019).

¹⁴ *See Jordan Creek Wind Farm*, Cause No. 44987 (IURC Dec. 20, 2017) with *N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC June 5, 2019); *Rosewater Wind Farm, LLC*, Cause No. 45197 (IURC June 5, 2019) with *N. Ind. Pub. Serv. Co. and Rosewater Wind Generation, LLC*, Cause No. 45194 (IURC Aug. 7, 2019); and *Indiana Crossroads Wind Farm LLC*, Cause No. 45320 (IURC March 18, 2020) with *N. Ind. Pub. Serv. Co. and Indiana Crossroads Wind Generation, LLC*, Cause No. 45310 (IURC Feb. 19, 2020).

by the Commission.”¹⁵ However, as noted by Dr. Boerger, prices for solar resources have increased since NIPSCO modeled its 2018 IRP, and Ms. Aguilar is correct that if a generation project does not reach commercial operation, it may force NIPSCO to obtain a higher-priced replacement which would be inconsistent with the IRP model or increase prices to be recovered from consumers. Additionally, NIPSCO incurs costs, both in time and resources, to evaluate generation projects in its RFP, to negotiate the PPA, and then proceed with a petition at the Commission., which would be wasted if a generation project does not reach commercial operation.

Therefore, the Commission understands the OUCC’s concern to ensure that a project is commercially viable. The Commission also understands that generation projects require review and approval from many different government jurisdictions, which we do evaluate in the declination proceedings. Mr. Campbell points out that issues which lead to a project being cancelled may not be discovered in a declination proceeding. However, this does not preclude us from carefully evaluating the associated proceedings to determine if a project is likely to move forward. Additionally, it is wasteful of the Commission’s time and resources for entities to submit applications in which these reviews are at early stages in their respective processes.

In this proceeding, the OUCC has noted a potential inconsistency with the testimony filed by NIPSCO and the testimony filed by NextEra in Cause No. 45425.¹⁶ While NIPSCO was able to address the inconsistency, it is helpful to have the proceedings occurring at the same time in order to avoid these types of issues in the future.

In the proceedings associated with NIPSCO’s petition, Cause Nos. 45424 and 45425, we take notice that the associated declination petitions were not filed until August 27, 2020, initial testimony was not filed until October 1, 2020, and under the current procedural schedule, OUCC testimony is not due until December 10, 2020, rebuttal testimony is due January 7, 2021, and the hearings are currently scheduled for January 28, 2021.

NIPSCO’s agreement with NextEra cannot go forward until the facilities are commercially operational. At this point, Commission approval of the declination proceedings, which are required before the facilities can become commercially operational, will not occur until February 2021, at a minimum. If the Commission declined to make a decision at this time on NIPSCO’s petition, there would not be harm to NIPSCO as the Commission has not made a decision in the declination proceedings.

While this proceeding is separate from the declination proceedings, and are evaluated based on different statutes and standards, these proceedings are related, and the PPAs raised in this proceeding cannot go forward without the Commission declining to extend its jurisdiction over the facilities. It is reasonable for our analysis in this proceeding to take into account issues in the declination proceeding that may affect the outcome of the generation facility’s commercial operation. Based on issues raised by the OUCC and the current procedural schedule in the associated declination proceedings, we decline to make a decision in this proceeding until the associated declination proceedings have reached us for a final decision. Our decision is not a rejection of NIPSCO’s petition; rather, it is an acknowledgement that this proceeding and the

¹⁵ Petitioner’s Exhibit 1-R, Rebuttal Testimony of Andrew S. Campbell, page 8, line 17 – page 9, line 1.

¹⁶ Joint Exhibit No. 3, NIPSCO Response to OUCC Request 7-010.

declination proceedings should occur concurrently to ensure that our evaluation addresses all potential issues.

8. Confidential Information. On July 17, 2020, NIPSCO filed a motion for protective order, which was supported by affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Indiana Code §§ 5-14-3-4(a)(4) and (9) and Indiana Code § 24-2-3-2. On July 30, 2020, the Presiding Officers issued a Docket Entry finding the information described in the request for confidentiality to be confidential on a preliminary basis. After reviewing the designated confidential information, we find all such information qualifies as confidential trade secret information pursuant to Indiana Code § 5-14-3-4 and Indiana Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. NIPSCO takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to NIPSCO. Therefore, we affirm the preliminary ruling and find this information should be exempted from the public access requirements contained in Indiana Code Ch. 5-14-3 and Indiana Code § 8-1-2-29, and held confidential and protected from public disclosure by this Commission.

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

1. The Commission will hold its decision on NIPSCO's application in abeyance at this time. The Commission will reopen this proceeding upon the completion of Cause Nos. 45424 and 45425.

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

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

Mary M. Schneider
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)	
PUBLIC SERVICE COMPANY LLC FOR)	
APPROVAL PURSUANT TO IND. CODE §§ 8-1-2-)	CAUSE NO. 45403
42(a), 8-1-8.8-11, OF TWO RENEWABLE ENERGY)	
POWER PURCHASE AGREEMENTS,)	APPROVED:
INCLUDING TIMELY COST RECOVERY.)	

ORDER OF THE COMMISSION

Presiding Officers:

Stefanie N. Krevda, Commissioner

Brad J. Pope, Administrative Law Judge

On July 17, 2020, Northern Indiana Public Service Company LLC (“NIPSCO” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause for approval and associated cost recovery of (1) a Solar Energy Purchase Agreement between NIPSCO and Brickyard Solar, LLC (“Brickyard”) dated June 30, 2020 (“Brickyard PPA”), and (2) a Solar Generation and Energy Storage Energy Purchase Agreement between NIPSCO and Greensboro Solar Center, LLC (“Greensboro”) dated June 30, 2020 (“Greensboro PPA”), collectively referred to as the “Solar PPAs.” On July 17, 2020, NIPSCO filed its prepared testimony and exhibits constituting its case-in-chief. NIPSCO filed corrections to Mr. Campbell’s direct testimony on September 2, 2020.

On August 31, 2020, Citizens Action Coalition of Indiana, Inc. (“CAC”) filed its Petition to Intervene, which the Presiding Officers granted in a docket entry dated September 11, 2020.

In accordance with the July 30, 2020 Docket Entry setting the procedural schedule for this Cause, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed testimony and exhibits constituting its case-in-chief on September 8, 2020. NIPSCO filed its rebuttal testimony on September 18, 2020.

On October 15, 2020, NIPSCO filed joint exhibits to be offered into the record at the October 19, 2020 evidentiary hearing. The OUCC filed joint exhibits to be offered into the record at the October 19, 2020 evidentiary on October 16, 2020.

The Commission set this matter for an evidentiary hearing to be held at 10:30 a.m. on October 19, 2020, in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. A Docket Entry was issued on October 16, 2020, advising that in accordance with ongoing COVID-19 pandemic, the hearing would be conducted via WebEx and providing related participation information. NIPSCO, the OUCC, and CAC, by counsel, participated in the evidentiary hearing via WebEx video or audio, and the testimony and exhibits of NIPSCO and the

OUCG were admitted into the record without objection. NIPSCO and the OUCG Joint Exhibits 1, 2, 2-C, 3, and 3-C, were also admitted into the record without objection.

Having considered the evidence presented and the applicable law, the Commission finds:

1. Notice and Commission Jurisdiction. Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. NIPSCO is a public utility within the meaning of that term as used in Ind. Code § 8-1-2-1 and an “eligible business” as that term is defined in Ind. Code § 8-1-8.8-6. The Commission may establish financial incentives to encourage clean energy projects pursuant to Ind. Code ch. 8-1-8.8 and approve certain fuel costs pursuant to Ind. Code § 8-1-2-42(a). Therefore, the Commission has jurisdiction over NIPSCO and the subject matter of this proceeding.

2. NIPSCO’s Characteristics. NIPSCO is a limited liability company organized and existing under the laws of the State of Indiana with its principal office and place of business at 801 East 86th Avenue, Merrillville, Indiana. NIPSCO is authorized by the Commission to provide electric utility service to the public in all or part of Benton, Carroll, DeKalb, Elkhart, Fulton, Jasper, Kosciusko, LaGrange, Lake, LaPorte, Marshall, Newton, Noble, Porter, Pulaski, Saint Joseph, Starke, Steuben, Warren and White Counties in northern Indiana. NIPSCO owns, operates, manages, and controls electric generating, transmission, and distribution plant and equipment and related facilities, which are used and useful in the production, transmission, distribution, and furnishing of electric energy, heat, light and power to the public. Pursuant to the Commission’s Order dated September 24, 2003 in Cause No. 42349, NIPSCO has transferred functional control of its transmission facilities to the Midcontinent Independent System Operator, Inc. (“MISO”), a regional transmission organization operated under the authority of the Federal Energy Regulatory Commission, which administers the use of NIPSCO’s transmission system and the economic dispatching of NIPSCO’s generating units pursuant to approved tariff provisions. NIPSCO also engages in power purchase transactions through MISO as necessary to meet the demands of its customers.

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

¹ The Brickyard Project is being developed in Boone County, Indiana and has an installed capacity of approximately 200 megawatts (“MW”) (nameplate capacity, alternating current). The Greensboro Project is being developed in Henry County, Indiana and has an installed capacity of approximately 100 MW (nameplate capacity, alternating current), as well as an attached battery with installed capacity of approximately 30 MW (nameplate capacity, alternating current). The Brickyard Project and Greensboro Project are collectively referred to as the “Solar Projects.”

4. NIPSCO's Case-in-Chief.

A. Andrew S. Campbell, Director of Regulatory Support and Planning for NIPSCO. Mr. Campbell provided testimony to support NIPSCO's request for approval of the Solar PPAs. The Solar PPAs provide NIPSCO with 100% of the electrical output of the Solar Projects, and any environmental attributes associated with the project for a term of 20 years beginning at the commercial operation date. He described the process NIPSCO followed that led to the execution of the Solar PPAs and discussed how NIPSCO will integrate the Solar PPAs into NIPSCO's and MISO's operations. He also discussed the viability of solar energy resources generally, and the terms of the Solar PPAs outlining NIPSCO's rights to the solar energy projects' production, capacity, and environmental attributes, and the benefits associated with the environmental attributes in the form of Renewable Energy Credits ("RECs"), and NIPSCO's proposal for recovering the costs associated with the Solar PPAs.

Mr. Campbell testified the Solar PPAs are for products generated from a solar energy project – a clean energy resource under Ind. Code § 8-1-37-4, a renewable energy resource under Ind. Code § 8-1-8.8-10, and a clean energy project under Ind. Code § 8-1-8.8-2(2).

Mr. Campbell testified NIPSCO retained CRA International d/b/a Charles River Associates, Inc. ("CRA") in the fourth quarter of 2019 to assist in the design, administration and bid evaluation of three separate requests for proposals, one for wind resources, one for solar resources, and one for thermal/other capacity resources (the "Phase II RFPs"). He said the purpose of the Phase II RFPs was to solicit bids for energy and capacity for many types of resources, including solar, storage, wind, and thermal plants, with a specific target for solar and solar plus storages resources based on the conclusions of the 2018 IRP and the Short-Term Action Plan. Mr. Campbell stated that through the process, NIPSCO received bids supported by renewable facilities, fossil resources, and energy storage options and that bids for both standalone assets and integrated facilities comprised of different resource types or supported by energy storage were submitted. He stated that bidders offered power purchase agreements ("PPAs") for the output of existing and proposed assets and assets for sale. He stated that his involvement in the Phase II RFPs process was to ensure the process conformed to NIPSCO's intent to competitively bid and secure additional electric energy and capacity in the amount needed to serve NIPSCO's retail customers in the future, and to assure that CRA conducted the process in a fair and transparent manner.

Mr. Campbell testified that solar is a renewable, indigenous, and clean energy source. He stated that solar energy projects do not use fossil or nuclear fuel in operation, which means no mining or drilling for fuel, no radioactive or hazardous wastes, no use of water for steam or cooling, and no emissions of greenhouse gases or other pollutants. He said the absence of fossil or nuclear fuel also means the price of solar power is not impacted by the volatility of commodities. He stated that due to meteorological and resource diversity, the location of solar projects influences the capacity accreditation and available solar energy. Mr. Campbell stated that both the Solar Projects are located in Indiana and are expected to have production levels consistent with their respective geographic location. He noted that in a general sense, within the continental United States, solar production improves the further south and west a project is located. He said that with advances in solar technology in areas such as solar panel availability, capacity factor, efficiency, and design and size, solar energy has become a viable source of renewable energy resources on a per megawatt-hour ("MWh") basis in the Midwest.

Mr. Campbell provided information on NIPSCO's path to replace the retiring R.M. Schahfer Generating Station ("Schahfer"), which is retiring in 2023, as outlined in the IRP's Short-Term Action Plan. He noted that in 2018, in conjunction with CRA, NIPSCO issued an All-Source RFP. He said the results of the All-Source RFP led NIPSCO to negotiate with developers of the four most viable projects, which in that instance were wind energy projects. He explained that after negotiations were complete, NIPSCO executed four wind agreements for a total purchase of approximately 1,100 MW of nameplate wind power. NIPSCO received approval from the Commission for the four wind agreements in Cause Nos. 45194, 45195, 45196, and 45310.

Mr. Campbell testified that NIPSCO, again in conjunction with CRA, negotiated with developers of the most viable energy projects with preferred or "short-listed" projects being identified from the scoring of the Phase II RFPs. He stated that during the course of negotiations, NIPSCO and CRA engaged in due diligence and negotiations for the short-listed projects. Mr. Campbell testified that after completion of negotiations over the terms, conditions and price, NIPSCO executed two PPAs for a total purchase of approximately 300 MWs of nameplate solar power and 30 MWs of battery storage, and noted that the size of each project may change slightly as engineering and technical specifications are finalized. He testified the two agreements presented in this Cause are the first agreements of many being contemplated from the Phase II RFPs to round out the portfolio that supports the retirement of Schahfer in 2023.

Mr. Campbell described that Brickyard and Greensboro are both Delaware limited liability companies with their principal place of business in Juno Beach, Florida. They are both also an indirect, wholly owned subsidiary of NextEra Energy Resources, LLC ("NextEra"), which is the renewable energy subsidiary of NextEra Energy, Inc. He stated that NextEra (together with its affiliated entities) is a clean energy leader and is one of the largest wholesale generators of electric power, with more than 21,000 megawatts of generating capacity, in the United States and Canada as of year-end 2018. Mr. Campbell testified that NextEra is the world's largest operator of renewable energy from the wind and sun and that the business operates clean, emissions-free nuclear power generation facilities in New Hampshire, Iowa and Wisconsin as part of the NextEra Energy nuclear fleet, which is one of the largest in the United States. He explained that one of NextEra's primary business objectives is the development, construction and operation of renewable generation facilities and that NextEra has been generating clean energy for more than 25 years and currently owns and operates approximately 15% of the installed base of U.S. wind power production capacity and 9% of the installed base of U.S. solar power production capacity. He noted that NextEra is also the parent company for the Jordan Creek Wind Energy Project, for which NIPSCO entered into a PPA that was approved by the Commission in Cause No. 45195.

Mr. Campbell testified that as outlined in the Solar PPAs, Brickyard and Greensboro are contractually obligated to file with the Commission their respective declination filings within 60 days of the agreement execution, or by August 31, 2020.

Mr. Campbell testified that as part of NIPSCO's due diligence when evaluating the creditworthiness of potential counterparties, NIPSCO gathered and reviewed credit information during the pre-qualification process in the Phase II RFPs. He stated counterparties that were investment grade based on their unsecured senior debt rating met the credit requirements and that if a bidder did not meet the debt rating requirement or did not have a rating, they were required to post collateral upon executing a definitive agreement. Mr. Campbell testified that both Brickyard

and Greensboro satisfy this collateral posting requirement and that the financial ability to complete construction of the solar projects, along with the ability to continue successful operation of the projects during the term of the Solar PPAs, is key to NIPSCO. He stated that NIPSCO has taken this into consideration by including performance security provisions in the Solar PPAs. Mr. Campbell stated that the Solar PPAs require Brickyard and Greensboro to provide to NIPSCO such performance security, no later than 30 days after NIPSCO receives state regulatory approval of the respective PPA, in the form of either: (1) a guaranty from a qualified guarantor; (2) a letter of credit from a qualified financial institution; or (3) cash (collectively “Security Fund”). He also noted that, in the event Brickyard or Greensboro are in default of any obligation under the respective PPA or NIPSCO is otherwise entitled to indemnification or damages under the PPA, NIPSCO has a right to access the Security Fund directly to reimburse NIPSCO for any damages or costs incurred as a result of Brickyard’s or Greensboro’s failure to comply with their obligations under the respective PPA.

Mr. Campbell testified Brickyard expects to construct, own, and operate a 200 MW solar energy project in Boone County, Indiana that will interconnect via a line tap to the 230 kV New London – Frankfort transmission line owed by Wabash Valley Power Association and operated by Duke Energy Indiana.² He stated the Brickyard Project will be within the footprint of MISO. Mr. Campbell testified that during the Definitive Planning Phase I of the MISO Generation Interconnection process, MISO performed system impact studies and Facility Studies to determine whether transmission upgrades would be necessary, which were completed in 2020. Mr. Campbell stated MISO determined that the energy generated by Brickyard would be deliverable to the point of interconnection.

Mr. Campbell testified Greensboro expects to construct, own, and operate a 100 MW solar energy project, paired with a 30 MW battery storage project, in Henry County, Indiana that will interconnect to Duke Energy Indiana’s Cayuga 138 kV Greensboro substation. He stated the Greensboro Project will be within the footprint of MISO. Mr. Campbell testified that during the Definitive Planning Phase I of the MISO Generation Interconnection process, MISO performed system impact studies and Facility Studies to determine whether transmission upgrades would be necessary, which were completed in 2019. Mr. Campbell said MISO determined that the energy generated by Greensboro would be deliverable to the point of interconnection.

Mr. Campbell stated that congestion risks were assessed using MISO’s future year ProMod models, which are capable of simulating hourly market operations for a given study year. He said the output was then used to determine the expected curtailments, total revenue, congestion, and loss charges for each site under consideration. Mr. Campbell stated that sites with greater congestion risk have been appropriately discounted in NIPSCO’s site analysis. He indicated that consistent with the All-Source RFP project evaluations, CRA has incorporated expected congestion impacts (positive or negative) to the Locational Margin Price (LMP) of the Phase II projects into the Levelized Cost of Energy (“LCOE”) calculations. He stated that NIPSCO will continue to dispatch its steam and gas fleet and available wind generation, as well as purchase power from MISO to meet customer demand and reliability needs throughout the term of the Solar

² In his rebuttal testimony (at pp. 28-29), Mr. Campbell explained that the incorrect interconnection point had been included in the response to the Phase II RFPs, but that NIPSCO had updated its transmission analysis, as provided in Mr. Augustine’s rebuttal testimony.

PPAs, which ensures that when the sun is not shining customers will continue to receive reliable service every hour of every day. He stated that NIPSCO and both Brickyard and Greensboro have agreed to (1) work together through an on-going operating committee process to establish automatic generation control set points that attempt to minimize any charges related to curtailments, and (2) collaborate on any disputes prior to any formal legal process.

Mr. Campbell testified that under the Brickyard PPA, Brickyard commits to provide NIPSCO energy generated from approximately 200 MW of installed solar panel capacity at a fixed price over a term of 20 years beginning at the commercial operation date in late 2022. He stated that the price includes the energy and RECs associated with the energy generated by the Brickyard Project and metered at the point of delivery. Mr. Campbell stated that Brickyard will receive and retain existing and future tax credits or tax benefits as the owner and operator of the solar energy project. He testified that the Brickyard PPA provides that if cost recovery is not approved by the Commission, then either NIPSCO or Brickyard may terminate the PPA.

Mr. Campbell testified that under the Greensboro PPA, Brickyard commits to provide NIPSCO energy generated from (a) approximately 100 MW of installed solar panel capacity, and (b) approximately 30 MW of installed battery storage capacity, both at a fixed price over a term of 20 years beginning at the commercial operation date in late 2022. He stated that the price includes the energy and RECs associated with the energy generated by the Greensboro Project and metered at the point of delivery. Mr. Campbell stated that Greensboro will receive and retain existing and future tax credits or tax benefits as the owner and operator of the solar energy project. He testified that the Greensboro PPA provides that if cost recovery is not approved by the Commission, then either NIPSCO or Greensboro may terminate the PPA. He explained that the battery storage component is intended to bolster energy production during peak periods as identified by MISO (currently the summer months) and that as a part of NextEra's operations and maintenance of the facility, a battery augmentation schedule will be maintained to ensure the battery storage component maintains availability for the duration of the Greensboro PPA.

Mr. Campbell testified that similar to NIPSCO's current wind projects, pre-construction activities will be ongoing until the third or fourth quarter in the year prior to the commercial operation date. He stated that at that point, project construction will begin and continue until winter fully sets in, and the following spring, construction ramps up quickly, with the majority of the construction activity occurring over the late spring, summer, and early fall. He said that generally, projects are expected to be complete in the fourth quarter of the year.

Mr. Campbell stated that as used in the Solar PPAs, the phrase "environmental or renewable characteristics or attributes" is contained within the definition of the term RECs and is intended to capture any changes to governmental rules, regulations or law, or changes to registration systems put in place over the term of the PPAs.³ He stated that NIPSCO anticipates the RECs it receives pursuant to the Solar PPAs will be tracked through the Midwest Renewable Energy Tracking System ("M-RETS"), a database that tracks relevant information about renewable energy produced and delivered in the Upper Midwest, including the MISO footprint, to

³ Environmental Attributes acquired pursuant to the Solar PPAs are referred to as RECs, which are tradable credits corresponding to each megawatt-hour of electricity generated by a renewable-fueled or environmentally friendly source.

verify for subscribers in states with mandatory or voluntary renewable portfolio standards or for utility and other participants the RECs made available to them through REC purchases and sales.

Mr. Campbell testified NIPSCO will monitor and evaluate the marketability for the RECs and that proceeds from the sale of the RECs NIPSCO chooses to sell will be passed back to NIPSCO's customers in NIPSCO's FAC proceedings.

Mr. Campbell testified that the decision to contract for the solar and battery energy was based upon NIPSCO's and CRA's analysis through the 2018 IRP that concluded that NIPSCO's customers would realize significant savings by retiring coal capacity in 2023 and replacing the capacity and energy with renewable resources. He stated that the Solar PPAs play a role in satisfying NIPSCO's electric planning goals and objectives from the 2018 IRP, and their ability to take advantage of the full 30% investment tax credit ("ITC") is a significant driver of their cost-effectiveness.

Mr. Campbell testified that federal tax incentives are currently in place for solar and paired solar plus storage resources. He said resources are eligible for an ITC, which provides a dollar-for-dollar reduction in the federal income taxes that a company claiming the credit would otherwise pay, which is based on the amount of investment in solar or paired storage property. Mr. Campbell stated that, to qualify for the ITC, projects need to commence construction by a certain date and be put into service by a certain date. He said the start of construction deadline can be met as long as certain equipment purchases and development costs have been "safe harbored" by federal tax authorities. According to Mr. Campbell, the safe harbor for beginning of construction is investment of at least 5% of the total project cost on or before the specified date. He indicated that safe harbored projects that commenced construction in 2019 are eligible for a 30% ITC, with a step-down over time. He stated both Brickyard and Greensboro are expected to qualify for the 30% ITC.

Mr. Campbell testified NIPSCO will take delivery of the energy from Brickyard and Greensboro at specified metering points. He stated NIPSCO will be the Market Participant and will make the energy available in the MISO energy market. He testified NIPSCO will pay Brickyard and Greensboro the contract price per MWh and count this energy as used in the NIPSCO system. He stated that NIPSCO will "settle" the sale price for the energy sold into MISO against the price paid for the solar energy. Mr. Campbell explained that NIPSCO offers its generation and bids its load into the MISO energy and ancillary services markets daily, along with other sales and purchases, in the end "settling" the costs against revenues. He said MISO treats these types of solar and solar plus battery storage projects as dispatchable intermittent resources and, as such, both Brickyard and Greensboro will be subject to real-time Revenue Sufficiency Guarantee and Uninstructed Deviation charges assessed under the Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff").

Mr. Campbell testified that NIPSCO will be able to designate the Solar PPAs as network resources under the MISO Tariff. He stated the MISO generator interconnection agreements ("GIA") related to the Greensboro and Brickyard Projects will have network resource interconnection service ("NRIS") available for their full injection once any required transmission system upgrades at their respective points of interconnection are complete. He explained that

having NRIS will allow NIPSCO to designate each generation facility as a network resource to receive Network Integration Transmission Service (“NITS”) without further study.

Mr. Campbell testified NIPSCO believes the Solar PPAs will provide NIPSCO’s customers with a more affordable and cleaner energy resource supported by the analysis performed in its 2018 IRP.

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

Mr. Campbell testified that consistent with the commitment made in his rebuttal testimony in Cause Nos. 45195 and 45196, which related to two separate wind PPAs, NIPSCO is willing to provide performance information and data for the Solar PPAs to the OUCC through the standard OUCC audit package in NIPSCO’s quarterly FAC filings for the duration of the Solar PPAs.

B. Patrick N. Augustine, Vice President in CRA’s Energy Practice. Mr. Augustine discussed the preferred portfolio from NIPSCO’s 2018 IRP and how the assumptions associated with the new solar (and solar plus battery storage) resource options modeled in the 2018 IRP compare with the cost of the Solar PPAs. He stated NIPSCO’s preferred portfolio from the 2018 IRP calls for the retirement of all four coal units at Schahfer in 2023 and the retirement of the Michigan City Generating Station coal plant in 2028. He noted the 2018 IRP was developed through substantial quantitative and qualitative analysis, including the use of an All-Source RFP. Mr. Augustine testified NIPSCO’s Short-Term Action Plan identified a phased approach to selecting and acquiring replacement resources needed to fill the capacity gap that develops as a result of the planned retirements, calling for initially prioritizing replacement resources with expiring or declining tax credits from the All-Source RFP, followed by additional RFPs to acquire resources to fill the remainder of the 2023 supply requirement.

Mr. Augustine stated the preferred portfolio includes the following capacity replacements over time: 125 MW of energy efficiency and demand side management peak load savings by 2023, growing to 370 MW by 2038; approximately 1,100 MW of installed capacity (“ICAP”)⁴ wind representing 157 MW of unforced capacity (“UCAP”)⁵ entering into service in 2020 and 2021; approximately 2,100 MW of ICAP solar representing about 1,050 MW of UCAP in 2023, along

⁴ 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.

⁵ 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.

with additional generic solar over the long-term; and 175 MW of ICAP solar plus storage capacity representing approximately 90 MW of UCAP in 2023. He noted that Section 9.3 of the 2018 IRP (Attachment 2-A) provides additional detail associated with the preferred replacement portfolio.

Mr. Augustine testified the plan was developed through substantial quantitative and qualitative analysis, including the use of the All-Source RFP to identify the most relevant types of resources available in the market, along with their associated costs. He stated that within the 2018 IRP, NIPSCO performed retirement and replacement assessments using robust scenario and risk-based (stochastic) analyses and scored the various portfolio alternatives against a number of cost, risk, environmental, and reliability metrics to arrive at the preferred portfolio. He stated that NIPSCO also evaluated the impact each of the retirement and replacement alternatives would have on local communities and NIPSCO's employees.

Mr. Augustine provided an overview of the Short-Term Action Plan and NIPSCO's implementation to date. He stated that in the Short-Term Action Plan detailed in Section 9.4 of the 2018 IRP (Attachment 2-A), NIPSCO identified a phased approach to selecting and acquiring replacement resources needed to fill the capacity gap that develops as a result of the planned retirements in 2023 in the preferred portfolio. Mr. Augustine said the plan called for initially prioritizing replacement resources with expiring or declining tax credits from the All-Source RFP, followed by additional RFPs to acquire resources to fill the remainder of the 2023 supply requirement. He stated the prioritized replacement resources were wind projects looking to qualify for the PTC, which is expiring over the next few years. He testified that in 2019, NIPSCO requested approvals to either purchase and acquire or enter into PPAs with a total of approximately 1,100 MW of nameplate wind power in Cause Nos. 45194, 45195, 45196,⁶ and 45310. He stated NIPSCO then conducted the Phase II RFPs to target primarily renewables and storage and acquire the remaining resources in the preferred portfolio.

Mr. Augustine testified the Phase II RFPs solicited bids for energy and capacity for many types of resources, including solar, storage, wind, and thermal plants, and included a specific target for solar and solar plus storage resources based on the conclusions of the 2018 IRP and the Short-Term Action Plan. He noted NIPSCO has been negotiating with the developers of several renewable and storage resources that were offered into the Phase II RFPs, including the Solar PPAs. He stated these solar and solar plus storage PPAs make up a component of the remaining replacement resources necessary to complete the Short-Term Action Plan associated with NIPSCO's preferred portfolio in its 2018 IRP.

Mr. Augustine described how NIPSCO used the All-Source RFP to determine the cost and operational performance assumptions of solar resources in its IRP. He said as part of the IRP input development process, CRA organized the various bids received in the 2018 All-Source RFP into groupings or tranches according to technology, whether the bid was for a PPA or an asset acquisition, the bid's commitment duration, and the bid's cost and operational characteristics. Mr. Augustine testified that this approach allowed for the efficient development of planning-level

⁶ Following approval by the Commission, on February 25, 2020, NIPSCO filed a Notice with the Commission that, due to unresolved local zoning issues, Roaming Bison Wind, LLC, was unable to meet its deadline associated with the acquisition of property. Thus, NIPSCO provided notice to Roaming Bison Wind, LLC, that the Wind Energy Purchase Agreement dated January 18, 2019 was being terminated due to Roaming Bison's inability to perform its obligations under the agreement.

assumptions that could be transparently shared with stakeholders and deployed in the IRP models. He stated this process resulted in the development of distinct solar asset sale and PPA tranches, which were eligible to be selected in the portfolio analysis in part or as a whole block of capacity.

Mr. Augustine described the specific assumptions used for the solar tranches from the All-Source RFP that were selected in the preferred portfolio in the 2018 IRP. He said the preferred portfolio from NIPSCO's 2018 IRP included solar and solar plus storage resources from six different tranches, including three asset acquisitions totaling 1,104 MW of ICAP (552 MW of UCAP) with a capacity weighted price of \$1,112/kilowatt ("kW") (in 2023 dollars) and a capacity factor of approximately 26%. Fixed operations and maintenance ("FOM") costs were assumed to be approximately \$16.89 kW-year (in 2017 dollars), with ongoing capital expenditures of \$5.11/kW-year (in 2017 dollars). Property taxes were assumed to be 2.16% of the net book value of the plant over time. He stated the three PPA tranches totaled 1,176 MW of ICAP (593 MW of UCAP) with an average contract duration of approximately 21 years, a capacity-weighted fixed nominal PPA price of \$30.24/MWh, and a capacity factor of approximately 25%.

Mr. Augustine testified he was able to compare the total cost of the Solar PPAs with the total costs of these tranche-level inputs used in the 2018 IRP modeling. He stated he made such a comparison through the development of a LCOE calculation for the 2018 IRP solar resource options and the Solar PPAs. Mr. Augustine said the LCOE develops a levelized, all-in cost of a given resource option over a pre-defined analysis period on a per MWh basis, allowing for a direct comparison of the costs of the different solar projects over an extended time frame by distilling all key parameters related to costs and operational performance into a single dollar per MWh number. Mr. Augustine also explained the inputs that are required to perform an LCOE calculation.

Mr. Augustine testified that for a PPA resource, the following input parameters are included: the PPA price in dollars per MWh or dollars per KW-month over the term of the contract; the expected generation output, inclusive of expected degradation, in MWh for the resource over time; and the expected market cost to replace the resource after the expiration of the PPA contract term if it falls within the thirty-year planning horizon. He said the expected difference between the nodal price at the project and NIPSCO's load node is an input for both owned and PPA resources to quantify the expected congestion risk over time.

Mr. Augustine explained the other costs associated with a PPA resource that are not accounted for in his LCOE calculation. He said PPAs are long-term financial commitments for a utility, and certain credit rating agencies view such contracts as debt-like financial obligations that represent substitutes for debt-financed investments in generation capacity. He explained these obligations are considered when evaluating the utility's capital structure and overall creditworthiness. He stated that to the extent that these obligations negatively impact the credit worthiness and capital structure of a utility, they could result in increased borrowing costs and/or a shift of financing from debt to equity, increasing the overall cost of financing and negatively impacting costs to customers. He stated that such potential costs associated with imputed debt, however, are not included in his LCOE calculations.

Mr. Augustine described the LCOE values calculated for the solar resource tranches incorporated in the 2018 IRP's preferred portfolio. He said the 30-year LCOE of the combined 2023 solar acquisition tranches was calculated to be \$52.62/MWh, based on the acquisition price,

capacity factor, FOM costs, ongoing capital expenditures, and property taxes summarized above and an assumed thirty-year project life. He said the 30-year LCOE of the combined 2023 solar and solar plus storage PPA tranches was calculated to be \$39.50/MWh based on the 21-year PPA price summarized above plus an additional nine years of market-based energy and capacity costs over the full planning horizon.

Mr. Augustine testified that the 30-year LCOE of the Solar PPAs were calculated based on a 20-year nominal fixed PPA price plus ten years of equivalent market-based energy and UCAP capacity costs after the expiration of the contract. He testified that the fixed charge for the 30 MW of storage capacity increases the LCOE for the Greensboro PPA. He stated the premium represents the cost associated with the extra capacity credit that can be achieved by shifting the resource's energy output to times that are more coincident with load peaks. He said the preferred portfolio from the 2018 IRP did incorporate one solar plus storage PPA tranche, although the ratio of storage to solar was lower than the 30 MW of storage associated with the Greensboro PPA but that NIPSCO's 2018 IRP preferred portfolio and Short-Term Action Plan were designed to be flexible and incorporate small changes in final resource selection based on evolving market conditions. He noted that in Section 9.3.4 of the 2018 IRP, NIPSCO stated that capacity credit rules may change and that a seasonal capacity construct may develop that would "expand resource adequacy from a single summer peak view to look at seasonal needs with greater emphasis on the ability of resources to provide energy all year around." He stated the IRP also emphasized that NIPSCO's preferred portfolio intentionally "leaves room to evaluate market and technology changes on a dynamic basis" and to adjust accordingly. He explained that as MISO's Resource Availability and Need initiative moves towards some type of seasonal construct⁷ and as the market anticipates more and more solar additions, which could impact future capacity credit, energy price volatility, and ancillary services prices, storage capacity will provide additional value to NIPSCO's portfolio. He testified the inclusion of some paired solar and storage resources, such as the Greensboro PPA, is one way NIPSCO is adjusting its preferred portfolio in response to market changes and the evolving technology options offered in the Phase II RFPs.

Mr. Augustine stated that since the addition of paired storage only shifts solar energy from certain hours to others, one major value associated with adding paired storage capacity is that it provides incremental UCAP. Thus, an adjusted IRP LCOE can be calculated by adding capacity costs that would result in an equivalent UCAP for a given amount of solar capacity. He stated that when accounting for additional capacity costs at the assumed market price of capacity from the 2018 IRP associated with the amount of storage in the Greensboro PPA, the 30-year LCOE of the combined 2023 solar acquisition tranches was calculated to be \$57.30/MWh, and the 30-year LCOE of the combined 2023 solar and solar plus storage PPA tranches was calculated to be \$44.20/MWh. He explained this adjustment may be considered conservative, since the long-term price of available capacity could be higher than the values assumed in the 2018 IRP (reaching only approximately \$2/kW-month in real dollars over the long-term forecast horizon), especially as market rules evolve, but that the adjustment also does not account for any future, long-term

⁷ MISO's Resource Availability and Need initiative is ongoing and incorporates multiple aspects of resource adequacy and capacity planning, with a recent focus on seasonal capacity credit rules changes and the impacts of growing levels of renewable penetration. More information is available here: <https://www.misoenergy.org/stakeholder-engagement/issue-tracking/resource-availability-and-need-ran/>.

potential ancillary services value nor the potential benefits associated with mitigation against energy price volatility that storage capacity may provide.

Mr. Augustine illustrated how the LCOE values of the solar resource tranches incorporated in the 2018 IRP's preferred portfolio compare to the LCOE of the Solar PPAs. He identified the expected impact of the premium for the Greensboro PPA versus the IRP tranche average on a net present value of revenue requirements ("NPVRR") basis and compared it to the cost savings calculated in the 2018 IRP for NIPSCO's preferred portfolio relative to retaining its existing fleet of generation resources.

Mr. Augustine testified how the relief requested in this proceeding supports the conclusions of the 2018 IRP and its Short-Term Action Plan. He testified the operational and cost characteristics of the Solar PPAs are generally consistent with the assumptions for new solar resources used in the 2018 IRP, which developed a preferred portfolio with approximately 2,300 MW (ICAP) of solar additions in the 2023 time period. He stated that on an LCOE basis, the cost of the Brickyard PPA is between the costs of the PPA and owned resource tranches evaluated in the 2018 IRP and provided a comparison to the average LCOE for all IRP solar resources. He stated that while the cost of the Greensboro PPA is higher than the LCOE of the two IRP solar resources, the NPVRR impact is small, and the storage capacity in the Greensboro PPA is likely to help NIPSCO minimize future market capacity credit risk and provide additional value in the energy and ancillary services markets. He stated the Short Term Action Plan called for acquiring such solar and solar plus storage projects by 2023 in order to produce substantial savings for NIPSCO's customers versus the alternatives. Thus, Mr. Augustine testified, the addition of the Solar PPAs to NIPSCO's portfolio in 2023 is fully supportive of and consistent with the conclusions of the 2018 IRP and the recommended Short-Term Action Plan.

C. Robert Lee, Vice President of CRA. Mr. Lee explained the analysis NIPSCO used to evaluate its various options for solar and solar plus storage energy and why the Solar PPAs are an economic choice for helping meet NIPSCO's retail electric load. He described the key findings outlined in the Opinion Letter provided from CRA to NIPSCO following the RFPs. He testified that through the Opinion Letter and its attachments, CRA recommended certain assets as potential projects to advance to a definitive agreement phase and that the assets recommended for advancement were selected based on the preferred portfolio in NIPSCO's 2018 IRP and the RFP's scoring criteria developed in advance of the RFP process.

Mr. Lee sponsored Confidential Attachment 3-D providing the detailed scoring results for each project bid into the RFP. He stated that consistent with the Phase II RFPs process rules, each project was evaluated based on development risk, reliability, asset-specific risk, and the estimated LCOE per MWh.

Mr. Lee provided an overview of NIPSCO's 2018 IRP and the All-Source RFP process. He said in 2016, NIPSCO conducted an IRP process that identified a potential capacity shortfall at or around 2023 and included tentative conclusions as to future resource options. He then noted that in 2018, NIPSCO updated the 2016 IRP to ensure that resource planning reflected the most current outlook for key market drivers. Mr. Lee testified that in 2018, NIPSCO conducted the All-Source RFP and, through that All-Source RFP, secured a portion of the capacity required to meet the needs of the resource requirement identified in the 2018 IRP.

Mr. Lee described his involvement in NIPSCO's IRP process, which began in February 2018 after the 2018 IRP process had been initiated. He explained that the Phase II RFPs were intended to secure the remainder of NIPSCO's capacity needs. He stated that his role was to help design and administer both the All-Source RFP and Phase II RFPs processes.

Mr. Lee stated the 2018 IRP considered a range of options around the potential retirement of existing NIPSCO fossil generation facilities and developed an optimal portfolio of assets based on detailed scenario and risk analysis and informed by comprehensive market modeling. He said the magnitude of the 2023 resource need was directly dependent on the conclusions derived from the 2018 IRP. He explained that NIPSCO's 2018 IRP results indicated that the optimal path forward includes the medium term retirement of Schahfer Units 14, 15, 17 and 18 by 2023 and the retirement of Michigan City Unit 12 by year end 2028. Given the retirement analysis conclusions included in the 2018 IRP, NIPSCO's resource requirements were greater than the ~600 MW (UCAP) initially identified in the 2016 IRP.

Mr. Lee also described NIPSCO's objectives for the Phase II RFPs and how NIPSCO considered a wide range of asset types, including physical generating assets and PPAs. Mr. Lee stated that through the process, NIPSCO received bids supported by renewable facilities, fossil resources, and energy storage options and that bids for both standalone assets and integrated facilities supported by energy storage were submitted. He stated that bidders offered assets under PPA arrangements and assets for sale. In addition, he said, while the 2018 IRP identified an anticipated capacity shortfall starting in 2023, NIPSCO considered bids with transfer dates or PPA start dates in advance of the identified need in 2023. Mr. Lee stated CRA served as an independent third party managing the RFP process.

Mr. Lee testified how the Phase II RFPs were designed and executed. He also explained how CRA and NIPSCO informed interested parties about the Phase II RFPs. Mr. Lee also testified about the openness of the RFP process and how bidders were informed throughout the process.

Mr. Lee testified the Phase II RFPs generated substantial interest from bidders. He said NIPSCO received a level of interest across the RFPs consistent with the level realized in NIPSCO's 2018 All-Source RFP. Mr. Lee noted that across the Phase II RFPs, CRA received 96 proposals supported by 93 individual projects by more than 40 bidders across 6 states. Mr. Lee characterized all of the Phase II RFPs as highly competitive with many of the PPA proposals including fixed or variable pricing arrangements or having options on the start date and contract term. He stated that several proposals included multiple options for facility configuration and resource sizes. Mr. Lee testified that in total, over 18 gigawatts ("GW") of ICAP was offered into the Phase II RFPs providing a wide range of capacity choices across technologies and deal structures.

Mr. Lee explained that CRA evaluated the economics and other scoring considerations related to each Proposal independent of NIPSCO or any NIPSCO affiliates. He said CRA reserved the right, in its sole and exclusive discretion, to reject any and all Proposals on the grounds that such Proposal did not conform to the terms and conditions of the RFP or on the grounds that the bidder did not comply with the provisions of the RFP.

Mr. Lee described the Proposal review and evaluation. He stated that CRA reviewed all proposals that met pre-determined qualifying criteria set forth in the RFP documentation and

evaluated each based on certain pre-specified evaluation criteria. He said for physical generating assets and storage assets offered under either a PPA or an asset sales structure, the evaluation considered: (1) the LCOE per MWh, (2) asset reliability and deliverability, (3) development risk, and (4) asset-specific benefits and risks.

Mr. Lee testified CRA evaluated the bids independent of NIPSCO. He stated that during the evaluation, NIPSCO was only made generally aware of CRA's progress and was only involved with bidder-specific issues if those issues required policy or technical guidance from NIPSCO subject matter experts.

Mr. Lee testified the Phase RFPs did not target the full required replacement capacity identified in the 2018 IRP because a portion of the resource needs were sourced through the All-Source RFP. He stated that through that process, NIPSCO identified approximately 1,100 MW (ICAP) of wind resources in support of their capacity needs.

Mr. Lee testified CRA recommended that NIPSCO advance a set of assets to the definitive agreement phase of the process. He testified the RFPs were performed in a transparent, fair and nondiscriminatory manner, and the processes used to solicit and evaluate proposals were executed consistent with the processes as defined and envisioned by NIPSCO and CRA at the outset and that no bidder was given an undue advantage or preference in any of the Phase II RFPs, nor was any advantage or preference alleged by any participant in the RFPs.

Mr. Lee described the first step in the two-party negotiations with the developers. He explained that after identifying the assets recommended for advancement to the definitive agreement phase of the process for NIPSCO, CRA communicated with each bidder, notifying them of the process status and next steps and then NIPSCO prioritized certain short-listed projects and initiated commercial negotiations with the highest priority counterparties.

Mr. Lee discussed his recommendation for NIPSCO with regard to the acquisition of solar power. He noted CRA identified a set of solar projects for advancement to the definitive agreement phase.

Mr. Lee testified the projects were selected consistent with the evaluation criteria that captured the project economics, project specific risks and benefits associated with each option. He said these projects offer NIPSCO customers low-cost, renewable energy, along with the associated RECs, and provide capacity in support of NIPSCO's needs.

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

Mr. Lee described how NIPSCO evaluated the contract term to be included in the Solar PPAs. He said that as part of the evaluation of the economics of each bid received, CRA calculated the levelized cost per MWh of each bid received. He stated the levelized cost was considered in two ways. First, the levelized cost was considered over the duration of the bid. This means that for a 15-year PPA, the 15-year LCOE was considered, while for a 20-year PPA, the 20-year LCOE

was considered. Next, the LCOE was considered for all assets over 30 years. He said that for shorter-term options, the balance of the 30 years was filled in with market purchases at market prices consistent with IRP modeling. He testified the two-phased LCOE analysis allowed CRA to compare all assets over a consistent time horizon without missing short-term opportunities that may offer a good value to customers.

Mr. Lee described how NIPSCO evaluated the fixed versus escalating pricing of the solar Proposals. He said the mechanics of the LCOE calculation were identical between fixed and escalating PPA proposals and that, in many cases, developers offered a single project under both fixed and escalating pricing structures at NIPSCO's option. He explained that in these cases, the LCOE was calculated both under fixed and variable pricing structures and the option that yielded the best LCOE per MWh was included in the scoring of the bid.

Mr. Lee testified each renewable facility's underlying dispatch into the MISO market was assumed to be the same under either a fixed or variable PPA structure. He said since wind, solar and other similar projects have zero or near-zero variable costs, it was assumed the facilities would dispatch into the market at their maximum level regardless of the PPA pricing structure.

Mr. Lee testified the proposed Solar PPAs are an economic option for meeting NIPSCO's retail electric load. He stated the 2018 IRP identified that based on the current market economics and outlook, solar power represents an excellent resource option for NIPSCO and its customers over the expected useful life of a new solar facility. He testified that of all the solar proposals that were submitted into the RFP, the Greensboro Project yielded 827 points, the highest overall score based on the evaluation criteria used for scoring the RFP bids. He stated the Greensboro Project is a mature development project and comes with limited development or asset specific risk. He stated the Brickyard Project also scored in the top ten, with 742 points, offering limited development or asset specific risk. He stated both projects scored favorably on an economic basis based on the LCOE metric. He noted that, of the potential counterparties for in-development solar resources, NextEra ad performed the most extensive transmission analysis for both facilities.⁸

5. OUCC's Case-in-Chief.

A. Lauren M. Aguilar, Utility Analyst, Electric. Ms. Aguilar stated NIPSCO failed to provide sufficient information upon which the Commission can decide ~~and therefore~~ if the purchase power agreements are reasonable and necessary. Therefore, NIPSCO has failed to meet its burden of proof. She also explained the OUCC is withholding support for NIPSCO's request until more information concerning the Projects can be obtained through the related declination of jurisdiction filings of Brickyard Solar, LLC in Cause No. 45424 and Greensboro Solar Center, LLC in Cause No. 42425 (the "declination filings"). She recommended the Commission delay its decision in this cause until it could also review the information submitted in the declination filings.

Ms. Aguilar testified that under Ind. Code § 8-1-8.8-11(a) projects must be found reasonable and necessary. She stated that with incomplete information it is difficult to determine if the Solar Projects are reasonable on three fronts: (1) if the Solar Projects will become

⁸ As explained in Joint Exhibit 2 (at p. 19 of 25), had the correct point of interconnection for the Brickyard Project been provided in the Phase II RFPs response by the developer, the Brickyard Project would have still been recommended for the definitive agreement phase by CRA.

commercially viable, (2) if Greensboro will provide the capacity credit value NIPSCO assigned to it, and (3) the Solar Projects' cost effectiveness given NIPSCO's Short-Term Action Plan to transition to more renewable energy. She stated that although the OUCC has supported increased use of renewable energy in a number of different cases and contexts, the OUCC has concerns regarding technical and financial issues of the proposed facilities irrespective of the projects being solar facilities.

Ms. Aguilar explained that NextEra has a plethora of regulatory approvals it must secure before a project can become commercially operational, including the declination filings. She noted that although NextEra filed its petitions for the Solar Projects on August 27, 2020, NextEra would not be filing its case-in-chief until October 1, 2020. She stated a renewable energy project cannot become commercially operational without Commission approval. She said the declination filings allow the OUCC and the Commission to review specific aspects of the project to ensure it will meet the public interest and that ensuring other regulatory approvals are received or reasonably expected is part of the review process.⁹

Ms. Aguilar ~~opined~~explained why the Commission should care if the Projects become commercially operational. She testified that while NIPSCO would not be obligated to pay under the PPAs for the energy produced by the Projects if they do not become commercially operational, NIPSCO's transition path may no longer be in ratepayers' best interest. She said that NIPSCO's Short-Term Action Plan may consist of many individual filings; however, they are still related to a larger plan. She stated that ensuring the individual filings support and are consistent with NIPSCO's larger plan protects ratepayers' interests and that a pattern of losing projects¹⁰ due to an inability to reach commercial operation could cause NIPSCO to seek higher cost projects and, when project costs rise and the capacity credit lowers, the economics of the IRP preferred portfolio change, making it increasingly likely the IRP models may have selected different resources producing a different plan had that information been used in modeling. Ms. Aguilar testified that utility filings requesting review and approval of PPAs where the projects themselves have not been reviewed by the OUCC and Commission ties up limited resources and produces regulatory inefficiencies. She said that without a full evaluation of the evidence normally supplied in a developer's declination filing, there is not sufficient information to perform a complete review of the Projects, nor the PPAs, upon which a decision of reasonableness can be determined as required for approval by statute.

Ms. Aguilar explained that circumstances surrounding PPA approval have evolved to warrant additional scrutiny and protections including ensuring selected projects reach commercial operation and accurately represents costs modeling in the IRP. She said it is important as utilities transition to more renewable generation that projects are viable, and reliable to use during the transition, rather than just promised, which directly affects the reasonableness of a utility entering into a PPA. Ms. Aguilar testified that since NIPSCO was harmed when the Roaming Bison Project was unable to reach commercial operation, NIPSCO should have included convincing evidence in

⁹ The OUCC explained that there are typically at least 10 different kinds of regulatory approvals that are required for these types of renewable generation projects. See Joint Exhibit 2 (at p. 24 of 25).

¹⁰ According to the OUCC, and as explained in Joint Exhibit 2 (at p. 25 of 25), "As used in Ms. Aguilar's testimony, the term 'a pattern of losing projects' means 2 or more projects cancelled after obtaining one or more regulatory approvals, which would establish a pattern."

this filing to show additional research and steps were taken to evaluate the Projects beyond what it performed for the Roaming Bison Project filing.

Ms. Aguilar testified it is not the OUCC's position that utilities only enter into PPAs with turnkey projects but they should have a thorough vetting process with safeguards in place to ensure these negative experiences don't happen, avoiding situations such as Roaming Bison Project's failure to become commercially operational is paramount to ensuring the Short-Term Action Plan identified in the 2018 IRP can be carried out to ratepayer's best interests.

Ms. Aguilar testified that neither NIPSCO nor NextEra would be harmed by coordinating its Commission filing with the developer's declination of jurisdiction request. She explained that NIPSCO cannot purchase power from a project that does not become commercially operational, and projects cannot become commercially operational without Commission approval. Nor would an alignment of the filings preclude NIPSCO or NextEra from meeting the necessary milestones to secure investment tax credit for the Projects.

Ms. Aguilar testified NIPSCO did not provide enough evidence in its case-in-chief to allow the OUCC and the Commission to fully evaluate the Projects, which could have been alleviated, although not completely erased, by adjusting the timing of the filing.

Relying on the testimony of Mr. Alvarez and Dr. Boerger, Ms. Aguilar stated NIPSCO's petition and case-in-chief lack information to support the Projects' ability to become commercially operational, which directly relates to the Commission's finding of whether the Projects are reasonable and necessary. She stated that if NIPSCO was unable to provide this information because NextEra was providing it in its declination filings, NIPSCO should have waited to make its filing. Ms. Aguilar stated the OUCC issued discovery requests and had two teleconference meetings with NIPSCO seeking additional documents and specificity on the Projects' probability of reaching commercial operation.

Ms. Aguilar concluded that there is a lack of evidence to ensure the proposed Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a), some of which could be alleviated by adjusting the timing of the filing. She stated that without access to the additional information ensuring the Projects can become commercially operational, the OUCC is unable to provide an opinion regarding whether these Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a). Ms. Aguilar recommended the Commission withhold a final decision on NIPSCO's request until the related declination of jurisdiction filings can be reviewed. To allow adequate time to review, the OUCC also recommended the Commission alter the procedural schedule in this case to align with the declination filings. Further, the OUCC recommended the Commission direct NIPSCO and any utility making this type of filing to include sufficient information to aid in the OUCC and Commission's review and their determination whether the projects are reasonable and necessary under Ind. Code § 8-1-8.8-11(a).

B. Anthony A. Alvarez, Utility Analyst, Electric. Mr. Alvarez discussed the generator interconnection, deliverability, system impact and facility studies, engineering, and technical issues related to this filing. He summarized the results of his review as follows:

1. NIPSCO presents the Greensboro Project as a solar facility with an associated battery to provide capacity. However, the Greensboro Project NIPSCO identified and described in testimony was not the same project MISO evaluated and processed through the MISO Generator Interconnection (“GI”) Process and assigned the Queue number or identifier J903 dated May 9, 2019. It is essential the generator resource be: (a) NIPSCO-identified and described in testimony; (b) integral to the Greensboro Project; (c) subject to the Greensboro Solar PPA; and (d) it should be the same generator resource MISO evaluated in its facility study. Otherwise, there would be no foundation or underlying basis for any evaluation, assessment or review.

2. Because the 30 MW battery energy storage system (“battery storage”) was not included in the MISO interconnection request, adding it to the original project could trigger a *material change* that would result in the necessary withdrawal of the project from the MISO GI process. Adding a 30 MW battery storage may cause material and adverse impact or effect to the system and, therefore, subject to MISO’s determination before it can proceed through the interconnection process.

3. NIPSCO described the Greensboro Project as “a 100 MW solar energy project, paired with a 30 MW battery storage project,” and testified “MISO determined that the energy generated by Greensboro would be deliverable to the point of interconnection.” NIPSCO incorrectly states the deliverability determination MISO made on “the energy generated by Greensboro” in testimony because: (a) the original facility MISO evaluated did not include a 30 MW battery storage project, and (b) the system impact and facilities studies MISO performed did not include any 30 MW battery storage as a generator resource. It is incorrect for NIPSCO to represent the deliverability determination MISO made knowing the original facility MISO evaluated was different from the Greensboro Project NIPSCO presented in testimony.

4. NIPSCO did not provide any technical evaluation or technology assessment in its case-in-chief to support the utility-scale, grid-tied solar plus battery storage technology of the Greensboro Solar PPA. The lack of sufficient technical information hindered the OUCC’s ability to conduct its analysis and review of the Greensboro Solar PPA, which has a relatively new and untested technology in Indiana. It is premature for NIPSCO to seek and receive any Commission approval at this time.

5. Brickyard filed its petition requesting the Commission decline to exercise jurisdiction and authority over the construction and operation of the solar facility in Cause No. 45424. An order is expected in this Cause prior to an order in Cause No. 45424.

6. At the preliminary phase of its study cycle, MISO determined the original Brickyard Project (MISO Q#J993) required \$10.4 million of network upgrade costs and has yet to determine any network impacts on the PJM system (“PJM Affected System”), which would occur in later study cycles. NIPSCO indicates Brickyard is responsible for these costs outside of the PPA contract price. Interconnection is integral to the solar PPA between NIPSCO and Brickyard.

Consistent with Ms. Aguilar’s testimony, Ms. Alvarez recommended the Commission withhold approving NIPSCO’s proposed Solar PPAs until the Commission and the OUCC have the opportunity to review the declination filings.

C. Peter M. Boerger, Ph.D., Senior Utility Analyst, Electric. Dr. Boerger addressed the economic justification for NIPSCO's proposal to enter into the Solar PPAs concluding (1) NIPSCO significantly misjudged the rising cost trajectory for solar resources when it crafted the Short-Term Action Plan in its IRP two years ago stating that prices for solar resources, based on the results of NIPSCO's Phase II RFPs and related proposals in this filing, are much higher than NIPSCO could have obtained when it issued its 2018 IRP; (2) the higher solar costs NIPSCO is now seeing, compared to what it modeled in its IRP, along with revised MISO solar capacity accreditation expectations, increase the need to revisit NIPSCO's Short-Term Action Plan to consider whether a revised resource mix is appropriate; and (3) despite the higher costs, the OUCC is willing to accept the economic reasonableness of approving the projects in this case, given that the currently proposed projects represent a small share of all the solar projects proposed in NIPSCO's Short-Term Action Plan. He also stated that the prices under the Solar PPAs indicate that the market has largely priced the expiration of federal tax credits into these PPA prices.

Should the Commission approve NIPSCO's request despite the recommendations of Ms. Aguilar and Ms. Alvarez, Dr. Boerger recommended NIPSCO be required to incorporate the higher solar prices it now sees in a rerun of its IRP modeling, with that rerun also including expected effects from MISO's RIAA studies, which should be presented as part of evidence presented in any future petition to further implement its 2018 IRP Short-Term Action Plan.

D. Michael D. Eckert, Assistant Division Director, Electric. Mr. Eckert testified NIPSCO's requested cost recovery treatment is consistent with prior Commission energy PPA cost recovery treatment approval. Should the Commission approve NIPSCO's request despite the recommendations of Ms. Aguilar and Ms. Alvarez, Mr. Eckert recommended the Commission authorize recovery of associated power purchase costs from retail customers through NIPSCO's FAC proceedings, or successor mechanism, over the entire 20-year term of the Solar PPAs.

6. NIPSCO's Rebuttal Testimony.

A. Mr. Campbell. In response to the OUCC's recommendation that the Commission withhold a final decision until the Commission and the OUCC have reviewed the related declination filings, Mr. Campbell stated that the declination filings are separate and independent requests submitted by different parties under different statutes than NIPSCO's request in this proceeding. He noted that he was not aware of any such requirement, nor has the OUCC alleged that this is a requirement but simply recommends the delay without citing any rule or regulation that would support its recommendation.

In response to Ms. Aguilar's discussion of whether the Solar Projects will become commercially operational, Mr. Campbell noted that the Commission is not required to make a finding that the Solar Projects are going to become commercially operational to approve NIPSCO's request in this proceeding. He stated that a finding that the projects to which a power purchase agreement relates would become commercially operational has not been required in any of NIPSCO prior proceedings (Cause Nos. 43393, 45195, and 45196) and should not be required here. He noted that NIPSCO did take actions to address development risk and technical aspects of the projects.

In response to Ms. Aguilar's discussion of what the Commission is required to consider with reviewing new generation projects, Mr. Campbell stated that NIPSCO is requesting the Commission to approve the Solar PPAs and related cost recovery, as they will be a renewable energy resource utilized by NIPSCO to serve its customers.

In response to Ms. Aguilar's assertion that the evidence NIPSCO presented in its case-in-chief does not meet its burden of proof, Mr. Campbell testified that in Cause Nos. 45195 and 45196, NIPSCO submitted testimony by the same three witnesses that are testifying in this proceeding. He stated the Verified Petition and the other attachments to testimony, as well as the substance of testimony and attachments, submitted in those cases are the same types of evidence NIPSCO provided in this proceeding.¹¹ He stated that NIPSCO has also provided further information in response to OUCC discovery requests to provide any additional information the OUCC felt was necessary to review NIPSCO's request in this proceeding.

In response to Ms. Aguilar's statement that NIPSCO's petition and case-in-chief testimony lack information to support the Projects' ability to become commercially operational, Mr. Campbell stated that this is not something that NIPSCO has been required to do in the past, nor should it be required to do here. He explained that NIPSCO has far less control over the development of a project by a merchant generator compared to its own projects. He said that NIPSCO intends to create a portfolio of resources that mix owned projects (through joint venture structures) with PPAs and that in order to have PPAs as part of its portfolio, NIPSCO strives to negotiate reasonable terms and conditions to address development risks. It is those terms and conditions that are presented for the Commission's review. He explained that NIPSCO controls what it can control in terms of soliciting competitive bids, selecting projects that show strong evidence that they are reasonably anticipated to be developed, and securing terms to address risks that inherently exist when the utility is not the project developer, which has been sufficient to date, and represents what is achievable in presenting PPAs for approval.

Additionally, Mr. Campbell stated there is no value to be obtained by delaying approval of the Solar PPAs in this proceeding. He stated that assuming the underlying projects do not reach commercial operation, no power will be purchased pursuant to the PPAs, and NIPSCO and its customers will be in no worse position than if the PPAs had not been approved by the Commission. However, assuming the projects do reach commercial operation, the Commission's denial of approval of the Solar PPAs forecloses NIPSCO's ability to purchase this affordable, renewable power for the benefit of its customers. Furthermore, it could very well be that it is the denial of the approval of the PPA which causes the projects not to achieve commercial operation. So in this respect, Ms. Aguilar's new standard actually puts NIPSCO and its customers in a worse position.

In response to Ms. Aguilar's discussion of two examples of projects that were the subject of Commission proceedings that did not move forward to commercial operation, one of which was the Roaming Bison Project, Mr. Campbell testified that NIPSCO requested approval of a wind PPA with Roaming Bison in Cause No. 45196, which NIPSCO entered into based on the results of the 2018 All-Source RFP and the conclusions in its 2018 IRP. He stated that as part of the All-

¹¹ In discovery, as reflected in Attachment 1-R-B to Mr. Campbell's rebuttal testimony, the OUCC admitted that "NIPSCO provided the same types of evidence and documentation in its case-in-chief in this proceeding as NIPSCO did in its cases-in-chief in Cause Nos. 45195 (Jordan Creek) and 45196 (Roaming Bison)."

Source RFP process, this project was compared with similar projects and was found to be at a reasonable stage of development relative to its commercial operation date and relative to other bids received. Furthermore, after the conclusion of the aforementioned, NIPSCO engaged in further due diligence before coming to a decision to formalize PPA and Joint Venture agreements with various developers.

Specific to the Roaming Bison Project, Mr. Campbell testified the project did not move forward due to the exclusion of a grandfather clause in the local county permitting process. He stated this would not have been discovered during any technical or development status review in the RFP process but rather was a decision by a local government that was beyond the control of NIPSCO or the developer. Additionally and importantly, he noted this zoning issue that led to the cancellation of the Roaming Bison Project also would not have been discovered during a declination proceeding, as evidenced by the fact that the Roaming Bison Project received declination approval from the Commission in Cause No. 45207. Mr. Campbell stated the additional review the OUCC requests in this proceeding to “fix” the problem of possible project cancellation would not have had any impact on the Roaming Bison Project.

Mr. Campbell stated that Roaming Bison is a prime example that Ms. Aguilar’s new standard would provide no value for NIPSCO’s customers. He explained that Roaming Bison received a declination approval, so there is nothing magical about awaiting the results of a declination proceeding before addressing the merits of a PPA. He noted that had this been the standard in Roaming Bison, the PPA would have still been approved and NIPSCO would be sitting in precisely the same position today that it currently is – being the counterparty to a PPA which never took effect because the developer did not achieve all conditions to the agreement. He pointed out that had there not been the zoning issue with Roaming Bison (and if it had been the delay in receiving PPA approval requested by Ms. Aguilar which had caused that project not to reach commercial operation), then it would have been Ms. Aguilar’s new standard which caused an otherwise economic transaction to fail, thus causing harm to NIPSCO’s customers. Ms. Aguilar’s new standard adds no value to the process and in fact risks causing harm, contrary to her claims.

In responding to Ms. Aguilar’s claims that NIPSCO did not show additional research and steps were taken to evaluate the Solar Projects beyond what it performed for its Roaming Bison Project PPA filing, Mr. Campbell testified that NIPSCO increased the weight of the scoring related to “Development Risk” within the Phase II RFPs to identify the solar PPAs presented for approval in this proceeding. He explained that while this adjustment does not guarantee a selected project will enter commercial operation, it was an intentional decision by NIPSCO and CRA so that projects more advanced in development would receive credit in CRA’s project scoring. Furthermore, he said that more time has passed since the 2018 All-Source RFP and since NIPSCO entered into its wind PPAs, and NIPSCO now has a better sense of potential local opposition. He explained that from a technical evaluation perspective, NIPSCO performed the same transmission analysis to evaluate the potential for future congestion at the point of interconnection and any reliability constraints on the broader MISO system, which was performed with the most up-to-date MISO model to account for the MISO landscape of current and future projected generation assets.

Mr. Campbell testified that NIPSCO also retained Sargent & Lundy (“S&L”) to review the projects with associated PPAs and to perform the role of owner’s engineer for any projects NIPSCO may pursue through joint ventures. He noted that S&L is an industry leader as a qualified

and professional engineering firm, with experience in evaluating solar and solar plus storage projects. He explained that in addition to serving as an advisor and owner's engineer for NIPSCO and other utilities, S&L serves as a qualified independent engineer for solar and solar plus storage projects on behalf of tax equity investors. He said that NIPSCO leveraged S&L's expertise in the negotiation process with NextEra, which resulted in NIPSCO gaining additional comfort that the solar projects are commercially viable given the current status of development. Mr. Campbell testified that given the updated transmission analysis and the utilization of S&L's expertise, he is confident, based on the currently known information, that the Solar PPAs are commercially viable and will reach commercial operation.

Ms. Campbell testified that Roaming Bison Project not reaching commercial operation does not justify increasing the evidentiary burden on NIPSCO in this proceeding. He explained that the Roaming Bison Project is an example of a PPA that received Commission approval but did not reach commercial operation. He said Ms. Aguilar's position is an unjustified attempt to raise the bar for what should be required by NIPSCO in this proceeding (and others who may make similar filings), and, ironically, Roaming Bison underwent a full review by the OUCC in its declination filing (like it asks the Commission to require inside this PPA proceeding) and still did not reach commercial operation. Mr. Campbell stated again that as far as he was aware, the underlying statutes and regulations have not changed, and the Commission has not made any decision to place a higher or greater evidentiary burden on applicants who seek approval of a PPA. He testified that since NIPSCO's evidence in Cause Nos. 45195 and 45196 was sufficient to meet its evidentiary burden, as the Commission approved NIPSCO's requests in those proceedings, it should also be sufficient in this proceeding.

Mr. Campbell stated that there is, of course, a risk that the Solar Projects will not reach commercial operation but this risk has not previously prohibited the Commission from approving a PPA. He stated that given the number of projects required to facilitate the retirement of and replace the capacity from Schahfer, and the dynamic nature of the renewable generation industry, there is always a risk that a particular project may not achieve commercial operation. He noted that this is also part of the value associated with project diversification and entering into a portfolio of projects, rather than potentially putting emphasis on one or only a few projects, or even on a single technology. He stated NIPSCO's determination of the number of projects and total capacity needed coming out of the Phase II RFPs has been informed by the fact that Roaming Bison will not be moving forward.

Responding to Ms. Aguilar that a pattern of losing projects due to an inability to reach commercial operation could cause NIPSCO to seek higher cost projects, Mr. Campbell testified there is no such pattern, and that he is confident that no such pattern will develop with respect to NIPSCO's planned generation projects. He stated that any allegation of such a pattern existing or being likely to develop is an exaggeration and ignores an important fact – the risk that NIPSCO will need to seek higher-cost projects later in time because earlier, lower-cost projects have not reached commercial operation is the same regardless of whether the project fails to reach commercial operation because the Commission denies approval of the PPA request in this proceeding *or* fails for some other reason. He stated it would be inappropriate for the Commission to increase this risk by denying the relief NIPSCO seeks here on the grounds that some other contingency may not be satisfied.

Mr. Campbell testified to NextEra's ability to successfully execute the Solar Projects. He stated NextEra is the developer of both the Solar Projects, with extensive experience developing renewable projects generally, and solar and storage projects specifically. He stated NextEra's primary business objective is the development, construction, and operation of power plants. For the period 2019 to 2020, NextEra expects to add approximately 400 to 1,300 MW of new contracted solar generation. NextEra has also designed, constructed, and now operates over 160 MWs of energy storage projects across the United States and Canada and has over 600 MWs of additional energy storage projects with signed long-term contracts that are currently under development and will be installed by 2022. He concluded that NIPSCO has confidence in NextEra, as they are a preeminent developer of solar and battery storage projects.

Mr. Campbell testified it would not be feasible nor prudent for the Commission to require all regulatory approvals to be obtained¹² and all development risk to be eliminated for a project before approving a PPA related to that project. He stated that while NIPSCO acknowledges that with any project there is a risk it will not enter commercial operation, as there are many things outside of a developer's control, for projects to be commercially viable and project development to progress, commercial contracts must be executed and submitted for approval. He explained that this process necessarily must begin before all regulatory approvals and declinations are obtained and the project is 100% certain to enter commercial operation and certain milestones, such as entering into a PPA, are generally needed before a developer is willing to start construction of the project. He said that if the Commission were to increase the evidentiary burden, such as by requiring a demonstration of additional regulatory approvals, before it is willing to provide approval of a PPA, the developer would be required to expend more time and resources in project development, potentially increasing project costs and adding regulatory uncertainty to the development process, which could discourage future investment in Indiana by project developers.

Mr. Campbell testified that NIPSCO has not haphazardly entered into the Solar PPAs, but rather has done so after conducting the Phase II RFPs, having an independent third party evaluate and diligence project proposals, and engaging in commercial negotiations with the developer, with these negotiations also being informed by S&L. He said that if NIPSCO was not confident in the underlying projects, NIPSCO would not have entered into the PPAs, nor would it have submitted them to the Commission for approval. He explained that NIPSCO would not expend its money, time, and resources, or waste the time and resources of the Commission and parties to the proceeding, if NIPSCO did not have a solid basis for its belief that the Solar Projects will ultimately become operational.

Understanding there is some level of project development risk until a project enters commercial operation, Mr. Campbell explained that the risk of developing the Solar Projects is ultimately borne by the project developer, which is NextEra. He stated this is not to say that NIPSCO is not concerned about the risk that a project will not enter commercial operation, but it is something that is ultimately beyond NIPSCO's control. He explained that when CRA recommended potential projects to advance to a definitive agreement phase, it did so only after evaluating asset-specific risk and development risk for the recommended projects. Again, he stated

¹² As noted above, the OUCC explained that there are typically at least 10 different kinds of regulatory approvals that are required for these types of renewable generation projects, covering everything from zoning, environmental, aviation, transportation, and other kinds of matters. See Joint Exhibit 2 (at p. 24 of 25).

there is only so much NIPSCO can do when entering into a PPA, as its control of project development will necessarily be limited.

Mr. Campbell explained that to mitigate project development risks related to the Solar Projects, NIPSCO ensured there were protections for NIPSCO, and by extension its customers, when entering into the Solar PPAs. Mr. Campbell explained several of these non-public terms and testified this is not necessarily a complete list of all protections provided to NIPSCO in the Solar PPAs, but is representative of the types of protections NIPSCO ensured were included to mitigate project development risks. He finished by saying that the PPAs also include standard commercial terms to protect NIPSCO by ensuring NextEra continues to actively develop the project and must pay damages if it fails to do so.

In response to Mr. Alvarez's concerns, including that (1) the project NIPSCO described in testimony is "not the same project" MISO evaluated in its interconnection process; (2) the inclusion of a 30 MW battery storage system constitutes a "material change" that would require the project be withdrawn from MISO's generator interconnection process; (3) MISO has not made a determination that the energy generated by the Greensboro Project will be deliverable to NIPSCO; and (4) NIPSCO failed to provide a "technical evaluation or technology assessment" to support the use of a solar plus storage project, Mr. Campbell testified that Mr. Alvarez summarily asserts that NextEra's adjustments rise to the level of a "material modification" that will require a withdrawal of the Greensboro Project from MISO's interconnection process without providing any evidence that MISO has made such a determination. He stated that assuming MISO were to have some concerns with the project, Mr. Alvarez further assumes that NextEra will be unsuccessful in resolving those concerns with MISO. Mr. Campbell noted that in discovery the OUC admitted that MISO has not made a determination that the project submitted into MISO's interconnection process by NextEra has been "materially modified," and that his assessment is not based on any communication with MISO staff related to the project.

Mr. Campbell testified that NextEra intends to submit a "surplus interconnection service" request to MISO related to the battery storage portion of the Greensboro Project that will potentially allow them to utilize the existing NRIS under a MISO GIA, as is currently permitted under Attachment X (Generator Interconnection Procedures) of the MISO Tariff. He explained that MISO will then make a determination of whether there would be a material, adverse impact on the transmission system. He said that based on discussions with NIPSCO's transmission planning team, NIPSCO does not expect this change to have a material, adverse impact, as the output of the project will at no time exceed the previously-approved NRIS.

Mr. Campbell stated that in some respects, adding 30 MWs of battery storage to a 100 MW solar generation facility does change the project configuration, as well as how the project will operate; but in other respects, it is still the same generation resource, even after adding 30 MWs of battery storage, as the output from the facility will not exceed 100 MWs, even with this addition. He concluded that in any event, this is MISO's determination to make, and NIPSCO is comfortable with the approach NextEra is taking to address the inclusion of the 30 MWs of battery storage.

In response to Mr. Alvarez's belief that MISO's deliverability determination for the project is not applicable to the Greensboro Project based on the inclusion of the battery storage and that NextEra needs to treat it as a completely new project and submit a new interconnection request,

Mr. Campbell noted that this is based on his opinion and not any determination that has been made by MISO. He stated that whether project deliverability is an issue at all will be determined by MISO, not NIPSCO or the OUCC. He said that even assuming MISO raises a concern, this is part of the project development risk to be addressed by NextEra, which NIPSCO is confident can be addressed, especially since the project is not set to begin commercial operation until late 2022.

Mr. Campbell clarified what occurred during the technical teleconference where Mr. Alvarez stated that NIPSCO informed the OUCC that the 30 MW battery energy storage system is a “behind-the-meter generation asset” and that “[t]his may be a mischaracterization of the 30 MW battery storage[.]” He explained that NIPSCO and the OUCC did have a technical teleconference, and in that discussion, he referred to the 30 MW battery storage as being “located behind the meter” in an attempt to explain how the Greensboro Project would be physically designed. He stated that in discovery NIPSCO unequivocally stated the 30 MW battery storage at the Greensboro Project is not a “behind-the-meter generation” asset, and referred them to a more thorough explanation in another discovery response provided on the same day. Thus, if there was any confusion about whether the 30 MW battery storage is a behind-the-meter-generation asset, this should have clarified that it is not and why this is the case.

Mr. Campbell explained the circumstances surrounding the incorrect interconnection point being evaluated for the Brickyard Project. He stated there was a transmission analysis performed to evaluate the interconnection of all projects and that NextEra inadvertently included the incorrect interconnection point within their response to NIPSCO’s Phase II RFPs related to solar projects. As a result, the incorrect interconnection point was modeled by NIPSCO. He felt it was unfortunate that NIPSCO did not catch this error sooner, but that after its identification by Mr. Alvarez, NIPSCO updated the transmission analysis. He stated the results of this adjusted modeling are discussed in Mr. Augustine’s rebuttal testimony and do not show any cause for concern related to the point of interconnection and, regardless of any such results, the first indication of a problematic point of interconnection is the costs to interconnect. He stated that neither point shows a need for significant network upgrades to interconnect, although ordinary work such as fixed substation and generation lead lines will be required to physically connect the asset to the MISO system. He said the updated congestion costs associated with the point of interconnection have been incorporated into the updated LCOE calculations supported in Mr. Augustine’s rebuttal testimony.

B. Mr. Augustine. In response to concerns regarding the viability of NIPSCO’s Short-Term Action Plan from the 2018 IRP, Mr. Augustine testified NIPSCO’s Short-Term Action Plan from the 2018 IRP was designed to allow for a phased transition towards renewables over a multi-year period, allowing for flexibility in resource procurement within the framework established by the IRP’s preferred portfolio. He stated the Solar PPAs are consistent with that framework, and any deviations from the 2018 IRP’s pricing assumptions are not material enough to disprove that the Solar PPAs are in the public interest and should be approved.

Mr. Augustine stated the Short-Term Action Plan did not require NIPSCO to acquire all resources identified in the preferred portfolio immediately. Instead, it called for additional requests for proposals to procure the resources necessary to meet the 2023 capacity need beyond those that could be acquired from the 2018 All-Source RFP. He explained that in parallel to conducting additional RFPs, the Short-Term Action Plan also called for NIPSCO to actively monitor technology and MISO market trends, while engaging with project developers. He explained that

NIPSCO is doing just that as it reviews projects and pursues additions to its portfolio, such as the two Solar PPAs in this Cause.

Mr. Augustine described the interplay between the IRP and the RFPs that NIPSCO conducted in 2018 and 2019-20. He testified NIPSCO used the All-Source RFP from 2018 to develop tranche-level cost and operational assumptions for resource additions for use in the IRP analysis. The IRP analysis then used these assumptions to develop a preferred portfolio direction with respect to technology and ownership structures. Once the robust risk-based analysis pointed towards a direction of primarily renewable resources, NIPSCO then selected projects from the All-Source RFP to add to its portfolio, with the priority being wind resources subject to declining tax credits. The Phase II RFPs were then launched in 2019 in order to continue to identify the next round of projects for selection. Given the multi-phased nature of implementing NIPSCO's preferred portfolio and the large number of replacement resources required, a single solicitation could not be relied upon to fill the full capacity need associated with retiring Schahfer in 2023. Hence, NIPSCO's plan involved conducting multiple RFPs to implement the preferred portfolio's generation resource transition.

In response to Dr. Boerger's assertion that since there are differences in costs between the Solar PPAs and the assumptions used in the 2018 IRP, NIPSCO's Short-Term Action Plan may need to be revisited, Mr. Augustine explained the reasons why selected project costs from any of the RFPs may not align directly with the tranche assumptions deployed in the IRP. He stated that the tranches used in the IRP were developed through a cost-based analysis to establish planning assumptions, while the RFP evaluation also considered other metrics, such as development risk, reliability and deliverability, and other project-specific risk, as discussed in more detail by NIPSCO Witness Lee in his direct and rebuttal testimony and by NIPSCO Witness Campbell in his rebuttal testimony. Such broadened criteria could result in a potentially different selection of resources than what might occur if cost was the only metric, and Mr. Lee has provided detail on the rationale for NIPSCO's scoring and ultimate project selection. In addition, market developments associated with a range of factors such as trends in materials costs, federal and local policy, and the overall competitive landscape for new power projects can impact pricing across RFPs conducted at different points in time. Finally, he noted that any one single bid from an RFP will necessarily be different than the average of a set of tranches used for IRP modeling. As NIPSCO has evaluated specific projects since the 2018 IRP, a range of deviations from the IRP assumptions has been evident, with some lower cost and some higher cost.

Mr. Augustine disagreed with Dr. Boerger's characterizations regarding the magnitude of the cost increases for the Solar PPAs. He stated Dr. Boerger's cost comparisons are incomplete and are provided without proper context regarding NIPSCO's larger planning process and preferred portfolio.

Mr. Augustine did not believe that Dr. Boerger's assertions that the cost calculations are not reasonable because they "are not comparing the cost of projects with the same types of ownership" and are hence like "comparing apples and oranges" was a fair criticism. He explained that within the section of his direct testimony that Dr. Boerger cites, he made comparisons between the Solar PPAs with both the PPA and asset acquisition tranches from the 2018 IRP, noting explicitly that the PPA project costs are higher than the PPA tranches from the IRP and summarizing this comparison in a graphic. He stated that while Dr. Boerger's focus on comparing

PPA costs is one reasonable way of looking at the data, his additional comparison to the weighted average cost of all solar from the IRP provides a portfolio-level perspective, since NIPSCO's preferred portfolio was developed through an integrated review of all resource types and ownership structures and not simply an isolated review of one-off projects.

In response to Dr. Boerger's comparison of PPA prices over a 20-year time horizon and suggestion that the calculations that use the "far-in-the-future" costs for years 20 through 30 serve to make any cost differences look smaller, Mr. Augustine testified that NIPSCO has consistently provided 30-year cost assessments in its 2018 IRP and throughout the series of filings associated with its Short-Term Action Plan to reflect the long-lived nature of new potential resources and to ensure consistent comparison between different resource types. He stated that while Dr. Boerger's comparisons of 20-year PPA price terms are certainly one valid means of comparing PPA resource types, it is important to account for the additional ten-year period when assessing relative performance of contracted versus owned assets and in the context of NIPSCO's IRP findings. He said NIPSCO is developing a portfolio with varying commitment durations to provide a balanced cost and risk profile for its customers over the short-term and the long-term, and this can only be done with a perspective beyond 20 years. Therefore, he believes that the 30-year LCOE comparison is appropriate.

Mr. Augustine disagreed with Dr. Boerger's adjusted cost delta based on what he views as the "proper LCOE difference." He stated that Dr. Boerger notes that by comparing costs directly to the IRP PPA tranches, the Greensboro Project NPVRR difference would double compared to the difference referenced in Question / Answer 24 of Mr. Augustine's direct testimony. Mr. Augustine stated that while larger than the portfolio-level comparison he presented, Dr. Boerger's NPVRR delta remains less than 1% of the total savings NIPSCO calculated for retiring all units at Schahfer by 2023 and approximately 3% or less of the total savings NIPSCO calculated for various other permutations associated with continued operations of certain units at the Schahfer facility beyond 2023. He stated that similar deltas would result if Dr. Boerger's approach for the comparison were to be applied to the Brickyard PPA. He indicated these changes are not significant, and Dr. Boerger acknowledges this himself when he notes that "the OUCC is willing to accept the economic reasonableness of approving the projects in this case, given that the currently proposed projects represent a small share of all the Solar Projects proposed in NIPSCO's Short-Term Action Plan." Mr. Augustine provided an illustration that the costs per MWh of the Solar PPAs, regardless of how they are presented, are significantly lower than the LCOEs of continuing to operate the coal-fired units at Schahfer.

Mr. Augustine disagreed with Dr. Boerger's suggestion that the Brickyard and Greensboro PPA prices indicate the market has largely priced the expiration of federal tax credits into these PPA prices, leading Dr. Boerger to conclude that the urgency associated with procuring projects for its Short-Term Action Plan has decreased. He stated that both projects associated with the Solar PPAs are eligible to receive the full 30% ITC if they enter into service before the end of 2023. He testified the developer's bid into the Phase II RFPs and the PPA price obtained by NIPSCO both incorporate such benefits. Therefore, these PPAs provide NIPSCO's customers with an efficient way to take advantage of this credit. He said that since current tax law dictates that solar projects entering into service after the end of 2023 are only eligible for a 10% ITC, urgency associated with acquiring solar projects in the near-term still exists. He stated that a project procurement delay beyond 2023 could raise costs for customers. He testified NIPSCO's Short-Term Action Plan has

been staged to prioritize resource procurement as tax credits step-down, which is why several wind projects were pursued in 2019 prior to the initial step-down in the production tax credit after 2020 and why solar and solar plus storage projects are being pursued now.

Mr. Augustine disagreed with Dr. Boerger's summary conclusion that NIPSCO made a misjudgment in its Short-Term Action Plan that solar resource prices would not substantially increase in the short term. He believed that Dr. Boerger is making an overly-broad conclusion regarding the changes in solar prices based on a review of only two PPAs, which Dr. Boerger admits are a small portion of the overall anticipated 2023 capacity need, and an unsubstantiated claim regarding the expiration of tax credits influencing prices. Mr. Augustine provided a simple comparison of the RFP summaries NIPSCO published in 2018 (related to the All-Source RFP) and in 2020 (related to the Phase II RFPs) to illustrate how average pricing has changed from 2018 to 2019/2020, illustrating that Dr. Boerger's claim of a substantial increase in pricing for all solar resources is not borne out by the facts. Furthermore, some cost differentials with the assumptions made in the IRP are to be expected, and the impacts of higher costs for these particular PPAs represent a small portion of the projected savings associated with NIPSCO's preferred portfolio, using either his original calculations on a portfolio-weighted basis or the adjustments that Dr. Boerger proposes.

In response to Dr. Boerger's questions whether the resource mix called for under the Short-Term Action Plan should be reevaluated in light of the price of the Solar PPAs, Mr. Augustine stated Dr. Boerger's question is really addressed to future capacity additions and not the PPAs that are before the Commission in this Cause, noting that even Dr. Boerger recognizes that the OUCC is willing to accept the economics of the Solar PPAs, which seems an implicit recognition that these projects are in the public interest. He stated that NIPSCO recognizes that the Solar PPAs presented for approval in this proceeding are somewhat higher than the tranche level price assumptions from the 2018 IRP, but that change does not undercut the value of these two PPAs, and it does not cause NIPSCO to depart from the preferred resource mix called for in the Short-Term Action Plan. He concluded that NIPSCO's preferred portfolio remains flexible and able to adapt to changing circumstances over time.

Mr. Augustine noted that NIPSCO's preferred portfolio was estimated to save NIPSCO's customers more than \$4 billion over 30 years compared to the portfolio that retained coal-fired generation. Furthermore, he stated that the preferred portfolio performed better than the alternatives on the Environmental and Fuel Security metrics on NIPSCO's 2018 IRP scorecard and provides better flexibility and resource diversification than relying on a large combined cycle asset. He testified that NIPSCO understands that, as time progresses, it must be observant of and responsive to changing circumstances, which is the nature of integrated resource planning; but it appears all parties agree there have not been changed circumstances that would warrant the rejection of the Solar PPAs.

In response to Ms. Aguilar's questions about whether NIPSCO's transition path is still in ratepayers' best interest, based on his involvement in NIPSCO's 2018 IRP and subsequent activities, including the Phase II RFPs, and his knowledge of NIPSCO's IRP findings since 2016, Mr. Augustine testified he has a high level of confidence that the Solar PPAs are prudent resource procurement decisions that are in the best interest of NIPSCO's customers. He explained that since 2016, NIPSCO has consistently found that coal retirements and replacement with a wide range of

potential alternatives provide cost savings for customers and to maximize those savings, the 2018 IRP identified tax advantaged renewable resources as the best replacement option by 2023, and the Solar PPAs are consistent with this plan.

In response to Dr. Boerger's suggestion that NIPSCO's Short-Term Action Plan may need to be revisited due to the potential for revised solar capacity accreditations in MISO, particularly in light of MISO's Renewable Integration Impact Assessment ("RIIA") initiative, Mr. Augustine stated NIPSCO's Short-Term Action Plan was designed to be flexible in order to address evolving market and technology developments, including MISO's RIIA initiative that Dr. Boerger references. In fact, he stated the Phase II RFPs identified significantly more paired solar plus storage capacity that could serve to mitigate capacity accreditation risk in case large amounts of solar in the market drive down solar UCAP credit, and NIPSCO has incorporated such resource additions in its project selection. He stated the Greensboro solar plus storage PPA is one such project that will provide NIPSCO with the ability to realize higher capacity accreditation than a stand-alone solar resource in the future. He said that, furthermore, to reflect the likelihood of solar capacity accreditation levels declining over time, NIPSCO's LCOE analysis incorporates an expected decline in solar UCAP over the long-term to 30% of a facility's ICAP level.

Mr. Augustine addressed Dr. Boerger's argument that a reduction in the amount of capacity accreditation for each MW of solar ICAP should be considered and that this would reduce the attractiveness of solar in NIPSCO's Short-Term Action Plan. He stated there remains uncertainty regarding the evolution of the generating mix in MISO and the corresponding adjustments to market rules that may be made. He testified NIPSCO's preferred portfolio allows for flexibility to respond to such changes over time, but relies on current MISO market rules to guide the initial assumptions. He explained that current market rules give new solar resources a UCAP rating equal to 50% of its ICAP, with the credit adjusting after 30 days of metered data during MISO's peak hours are recorded. He said that while Dr. Boerger focuses only on the potential for future capacity credit declines, NIPSCO has in fact been conservative with its assumption that solar resources will realize 50% capacity credit in the early years of their operation. He said that it is quite possible that generation output during MISO peak hours will be higher than 50%, *increasing* the attractiveness of solar in the Short-Term Action Plan.

Mr. Augustine explained that several bids into NIPSCO's Phase II RFPs assumed capacity credit for solar resources above 50% and that an analysis of the projected hourly output of the Brickyard PPA during MISO's accreditation hours (hours ending 15, 16, and 17 EST for June, July, and August) would result in a capacity accreditation of 75%. He noted that other utilities in MISO have recently applied for solar project approvals to state regulators with an assumption that new solar resources will achieve capacity credit much greater than 50% after initial operations.

Given this information and MISO's current rules, Mr. Augustine disagreed that NIPSCO's assumptions regarding PPA UCAP credit are invalid or that NIPSCO's Short-Term Action Plan might be different if solar capacity credit assumptions were evaluated differently, as suggested by Dr. Boerger. He stated that while he believed Dr. Boerger is identifying a valid market uncertainty that will continue to require flexibility in NIPSCO's evolving resource plan, the assumptions NIPSCO used to evaluate capacity credit for solar resources are reasonable, especially for the resources required as part of the Short-Term Action Plan to fill NIPSCO's anticipated capacity need in 2023. He stated that over the longer term, NIPSCO will continue to re-assess its resource

plan in light of market developments associated with solar capacity accreditation and a number of other key uncertainties.

Mr. Augustine testified he incorporated the updated congestion analysis associated with a correction to the modeled interconnection point for the Brickyard PPA into the LCOE projection for the Brickyard PPA. He stated the resulting LCOE increases by approximately \$3/MWh. He testified that even with this increase, the Brickyard PPA's LCOE still represents a resource option consistent with NIPSCO's preferred portfolio and in the interests of its customers.

C. Mr. Lee. Mr. Lee explained the analysis CRA performed on NIPSCO's behalf in evaluating the Solar Projects as part of the Phase II RFPs, including specifically the evaluation of solar plus storage technology and the development status of the Greensboro Project. Mr. Lee testified Mr. Alvarez is correct that solar plus storage projects are relatively new in Indiana, but this is not a new or unproven technology. He explained there were 23 bids into the Phase II RFPs supported by integrated solar plus storage totaling over 4,500 MW of installed capacity. He stated that all or virtually all the solar projects proposed by NextEra included an option for integrated storage as part of the bid. He said that in the United States, storage has emerged as a critical technology to help support the increased penetration of solar capacity by providing a mechanism to manage the daily ramp in electricity demand and avoid curtailment risks. He stated that while NIPSCO wants to provide information to ensure there is an understanding of the technology and the power that will be produced and purchased by NIPSCO under the PPA, simply because a proven technology is new in Indiana is no reason to deny approval of NIPSCO's request.

In response to Ms. Aguilar's statement that NIPSCO did not show additional research and steps that were taken to evaluate the Solar Projects beyond what was done for the Roaming Bison Project, Mr. Lee testified CRA and NIPSCO have continuously looked to improve the RFP process and noted that under the All-Source RFP projects were awarded up to 200 points related to the Development Risk evaluation category with the points being equally split across the specific milestones met towards the Commercial-in-Service date and the experience of the developer in MISO. For the Phase II RFPs, CRA increased the points available for that evaluation category to 250 points, with all of the incremental 50 points assigned to the development milestones element of the scoring. He stated the effect of this change was to favor existing projects or projects further along the path towards their commercial operation date. Additionally, a greater number of points were awarded in the Phase II RFPs for the Asset Specific Benefits and Risks evaluation category to provide greater flexibility in selecting projects based on any unique issues related to a given project.

Mr. Lee testified CRA was very comfortable in recommending a PPA related to a solar plus storage project. He explained the Solar PPAs were the result of the very competitive Phase II RFPs and that as part of the Phase II RFPs, CRA performed extensive review and diligence on all submissions and scored each proposal based on development risk, reliability, asset-specific risk, and the estimated LCOE per megawatt hour. With respect to the development risk and asset-specific risk, CRA evaluated projects related to their progress towards their commercial-in-service date, the experience the developer has in MISO, and any unique issues or benefits a given project may have had. The development risk category was very clearly defined. Mr. Lee testified the following five milestones were considered, and points were awarded to projects that achieved one or more of them: (1) executed a pro-forma MISO Service Agreement and Interconnection

Construction Services Agreement, (2) completed a MISO Facilities Study, (3) completed a MISO System Impact Study, (4) site control, zoning requirements, and permitting status, and (5) Engineering, Procurement, and Construction (“EPC”) Contract awarded. In addition, scoring recognized that some developers may have more experience with developing projects in MISO than others and that experience may mitigate some development risk even if all milestones have not yet been achieved. He said that as a result, scoring considered the MWs of developer experience in the region, an area where NextEra was particularly strong given its experience in the region and across the United States.

Mr. Lee stated that, by design, the asset-specific risks and benefits category of scoring was less proscriptive since it was intended to provide flexibility on scoring. He said that given the wide range of projects and the various counterparty issues that can arise in a broad solicitation like NIPSCO’s All-Source and Phase II RFPs, it is critical to include a mechanism to maintain flexibility. However, the RFP Appendix F identified certain issues that could be considered through the category, including minority business enterprise considerations or any material cost or regulatory uncertainty associated with a specific asset. He stated that for solar plus storage projects, CRA evaluated the projects versus standalone solar based on the project economics and the evaluation criteria. He stated project economics relied on an LCOE framework, and project risks were considered through each of the Evaluation Criteria categories. He said the RFP advanced projects to a final Definitive Agreement Phase, and during that phase a final determination was made on any optional project aspects like storage flexibility.

Mr. Lee testified the Greensboro Project was considered to be in advanced development based on the development milestones met to date. He explained that NextEra had achieved four of the five milestones, with only the awarding of an EPC contract remaining. He said NextEra indicated they typically execute EPC agreements fifteen (15) months prior to construction. He stated that although it was not considered explicitly as an element of development risk, NextEra intended to “balance sheet finance” the project, which reduces the risk of development delays versus projects that require outside funding. Mr. Lee testified CRA determined the Greensboro Project was a mature development project and came with limited development or asset-specific risk. He stated the Greensboro Project had the highest overall score of the RFP bids, which speaks volumes about the project.

7. **Commission Discussion and Findings.** Ind. Code § 8-1-8.8-11 provides that “[a]n eligible business must file an application to the commission for approval of a clean energy project” and that “[t]he commission shall encourage clean energy projects by creating [certain] financial incentives for clean energy projects, if the projects are found to be reasonable and necessary.” In addition, “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. ~~This framework provides~~ These statutes provide the basis for NIPSCO’s request for Commission approval to enter into the Solar PPAs and for assurance of purchased power cost recovery through the full terms of the Solar PPAs. Ind. Code § 8-1-2-42(a) also authorizes recovery of purchased electricity.

An eligible business includes an energy utility, such as NIPSCO, that “undertakes a project to develop alternative energy resources, including renewable energy projects....” Ind. Code § 8-1-8.8-6(3). The evidence demonstrates that the Solar Projects will provide energy from solar, thus

qualifying as a renewable energy project under Ind. Code § 8-1-8.8-10. While NIPSCO is not actually constructing, and will not own, the physical facilities that comprise the Solar Projects, it is proposing to enter into the Solar PPAs for the purchase of the energy from those facilities and is therefore contributing to the development of the projects. Accordingly, we find that NIPSCO is an eligible business for purposes of reviewing its request for the creation of financial incentives under Ind. Code § 8-1-8.8-11. Our determination herein is consistent with prior Commission Orders concerning similar requests for approval of power purchase agreements and the creation of financial incentives under Ind. Code ch. 8-1-8.8. *See N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC Jun. 5, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 45196 (IURC Jun. 5, 2020); *N. Ind. Pub. Serv. Co.*, Cause No. 43393 (IURC July 24, 2008); *Ind. Mich. Power Co.*, Cause No. 44362 (IURC Nov. 25, 2013); *Duke Energy Ind. Inc.*, Cause No. 44444 (IURC May 7, 2014); *Indianapolis Power & Light Co.*, Cause No. 43740 (IURC Jan. 27, 2020).

A. Applicable Statutes and Evidentiary Burden. According to Ind. Code § 8-1-8.8-11, the Commission shall encourage clean energy projects by creating financial incentives for such projects, if found to be “reasonable and necessary.” While Chapter 8.8 does not set forth specific factors the Commission should consider in determining the reasonableness and necessity of a clean energy project, the Commission has considered some of the factors outlined in Chapters 8.5 and 8.7 (Chapter 8.5 factors relevant for clean energy solar pilot project); *see also*, *Ind. Mich. Power Co.*, Cause No. 44182, at 53-54 (IURC July 17, 2013) (Chapter 8.7 factors relevant for Life Cycle Management Project under Chapter 8.8).

The OUC ~~alleged-argues~~ NIPSCO failed to meet its burden of proof that the proposed Solar Projects are reasonable and necessary under Ind. Code § 8-1-8.8-11. Specifically, Ms. Aguilar states that NIPSCO’s case lacks “information to support the Projects’ ability to become commercially operational.” The OUC also recommended that we withhold a final decision on NIPSCO’s request until the declination filings for the underlying Solar Projects can be reviewed.

With respect to the OUC’s recommendation to essentially suspend a decision in this proceeding, we note that there is nothing in Ind. Code § 8-1-8.8-11 requiring the Commission to find that the projects to which the PPAs relate will, in fact, become commercially operational.¹³ ~~Further, a declination proceeding will not necessarily provide us any further insight into the question whether a project is commercially reasonable. Regardless, we acknowledge that NIPSCO did take actions to address development risk and technical aspects of the projects, as explained in rebuttal by Messrs. Lee and Campbell. While NIPSCO, as the off-taker for the Solar PPAs, does not have the same level of control as it would have if it were self-building or ultimately owning the Solar Projects, NIPSCO has taken commercially reasonable efforts in terms of soliciting competitive bids, selecting projects that show strong evidence that they are reasonably anticipated to be developed, and securing terms to address risks that inherently exist when the utility is not the project developer. The evidence of record also reflects that NIPSCO ensured there were protections for NIPSCO, and by extension its customers, when entering into the Solar PPAs. However, we also note that in previous proceedings involving both utility authorizations and~~

¹³ *See N. Ind. Pub. Serv. Co.*, Cause No. 43393 (IURC July 24, 2008); *N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC June 5, 2019); *N. Ind. Pub. Serv. Co.*, Cause No. 45196 (IURC June 5, 2019).

associated declination of jurisdiction petitions, the declination proceedings have occurred before or generally concurrently with the utility proceeding.¹⁴

~~The OUCC also conflates this proceeding, filed under Ind. Code § 8-1-8.8-11, which focuses on the underlying project, with the developer's separate request for declination of jurisdiction, filed under Ind. Code § 8-1-2.5-5. The relevant determination to be made here is whether "the projects are found to be reasonable and necessary" (Ind. Code § 8-1-8.8-11(a)), while the relevant determination to be made in the declination proceedings is whether "the public interest requires the commission to commence an orderly process to decline to exercise, in whole or in part, its jurisdiction over either the energy utility or the retail energy service of the energy utility, or both." Ind. Code § 8-1-2.5-5(a). Unlike Chapter 8.8's focus on the "project," Chapter 2.5 is focused on the "energy utility," which is the entity engaged in the energy business. In short, these are two separate proceedings, under two separate and distinct statutes, with two separate purposes. Both may be preconditions to the PPA; however, the nature of the two cases must not be confused.~~¹⁵

~~NIPSCO has provided evidence in this proceeding that is substantially similar to the evidence provided to the Commission in Cause Nos. 45195 and 45196, a fact that has been admitted by the OUCC.¹⁶ There is nothing in Ind. Code § 8-1-8.8-11 requiring that we must, or even suggesting that we should, delay approval of a PPA if the declination filings for the related projects have not been resolved, and we decline to do so here. We agree with Mr. Campbell that our denial of approval of the Solar PPAs could be the cause of the ultimate cancellation or failure of the projects. On the other hand, if we approve the Solar PPAs, as we do here, and the underlying projects do not reach commercial operation, NIPSCO will never be required to make payments pursuant to the PPAs. Moreover, the OUCC's apparent premise that the developer's securing declination of jurisdiction provides assurance of operational viability has already proven to not be the case, given the ultimate demise of the Roaming Bison Project due to local siting issues outside the control of NIPSCO or the developer.~~

~~Although the declination filings related to the Solar Projects have not been fully adjudicated, as set forth below, the evidence before us in this Cause is sufficient to allow us to make a decision on the Solar PPAs, and this evidence also supports a finding that the energy to be obtained from the Solar PPAs is needed by NIPSCO, is reasonably priced compared to other alternatives, and provides other material benefits. The Solar PPAs will provide emission-free electric generation and allow for the development of additional local renewable resources that will further diversify NIPSCO's generation resources. Notwithstanding the recommendations made by the OUCC that we delay a decision in this Cause, we find the terms of the Solar PPAs to be~~

¹⁴ See *Jordan Creek Wind Farm*, Cause No. 44987 (IURC Dec. 20, 2017) with *N. Ind. Pub. Serv. Co.*, Cause No. 45195 (IURC June 5, 2019); *Rosewater Wind Farm, LLC*, Cause No. 45197 (IURC June 5, 2019) with *N. Ind. Pub. Serv. Co. and Rosewater Wind Generation, LLC*, Cause No. 45194 (IURC Aug. 7, 2019); and *Indiana Crossroads Wind Farm LLC*, Cause No. 45320 (IURC March 18, 2020) with *N. Ind. Pub. Serv. Co. and Indiana Crossroads Wind Generation, LLC*, Cause No. 45310 (IURC Feb. 19, 2020).

¹⁵ The status of the projects to which the PPAs relate is relevant to our determination if the projects are "reasonable and necessary," but finding that an underlying project is "likely to enter commercial operation" has never been a required finding in these kinds of PPA proceedings.

¹⁶ Attachment 1 R-B to Mr. Campbell's rebuttal testimony.

reasonable and necessary, and we approve the Solar PPAs and authorize NIPSCO to recover those PPA costs from retail customers.

~~B. — Project Specific Technical Concerns. Mr. Alvarez discussed the generator interconnection, deliverability, system impact and facility studies, engineering, and technical issues related to this filing. His six conclusions resulting from his review of the Solar Projects are outlined in Section 5.B above, and will not be repeated here. His concerns regarding the Greensboro Project include that (1) the project NIPSCO described in testimony is “not the same project” MISO evaluated in its interconnection process; (2) the inclusion of a 30 MW battery storage system constitutes a “material change” that would require the project be withdrawn from MISO’s generator interconnection process; (3) MISO has not made a determination that the energy generated by the Greensboro Project will be deliverable to NIPSCO; and (4) NIPSCO failed to provide a “technical evaluation or technology assessment” to support the use of a solar plus storage project. Based on his concerns, the OUCC again recommends that we delay a decision as to whether the Solar PPAs are “reasonable and necessary.”~~

~~While it is possible there may be an issue that NextEra will need to address with MISO, whether project deliverability is an issue at all will be addressed by MISO, not NIPSCO or the OUCC. Even assuming MISO raises a concern, this is part of the project development risk to be addressed by NextEra pursuant to the PPA terms, and can be remedied prior to commercial operation in late 2022. These concerns are evidence that we may consider in our determination of whether the Solar Projects and Solar PPAs are reasonable and necessary, but they do not rise to the level that would require us to deny approval of the Solar PPAs, or even delay approval. Additionally, there are non-public provisions contained in the Greensboro PPA that provide some protection to NIPSCO and its customers if the ultimate commercial operation date is delayed~~

~~Although Mr. Alvarez was concerned that the incorrect interconnection point for the Brickyard Project was originally modeled by NIPSCO, NIPSCO updated its transmission analysis, revealing that no significant network upgrades are required for this interconnection. NIPSCO conducted an updated congestion analysis associated with the point of interconnection and incorporated this analysis into updated LCOE calculations. These calculations did indicate an increase in the LCOE for the Brickyard Project, but the Brickyard PPA’s LCOE still represents a resource option consistent with NIPSCO’s preferred portfolio and in the interests of its customers, as more fully discussed below.~~

~~C. — Need for the Solar PPAs. NIPSCO relies on its 2018 IRP to support its request for approval of the capacity and energy that will be provided by the Solar PPAs. We must determine whether to approve NIPSCO’s chosen resource, the Solar PPAs, and in doing so, consider whether those chosen resources are supported by a well-developed IRP.~~

~~The evidence demonstrates that NIPSCO made significant improvements to its 2018 IRP (as compared to its 2016 IRP), which has resulted in an IRP that is more technically sound and provides a reasonable basis for assessing NIPSCO’s request. NIPSCO has proven a need for additional resources in 2023, and the 2018 IRP developed a multi-step process to be implemented over a few years that provides a reasonable transition to acquire replacement resources and diversify its resource portfolio. The proposed Solar PPAs allow NIPSCO to continue execution of the Short-Term Action Plan and also enable effective use of the ITC to reduce the cost of solar~~

resources beyond those cost decreases that can be anticipated from technological improvements if the solar resources were instead to be acquired at a later date.

~~The “Final Director’s Report for Northern Indiana Public Service Company (NIPSCO’s) 2018 Integrated Resource Plan,” dated February 10, 2020 (“Director’s Report”),¹⁷ stated (at p. 4) that NIPSCO “submitted a very well developed IRP that includes a [RFP] from all types of resources without [predetermining] specific resources.” The Director’s Report further complimented NIPSCO’s combination of the IRP and RFP, by saying it “demonstrates an important evolution of state of the art long term resource planning” as it “enables NIPSCO to understand the uncertainties to help maintain a high degree of optionality and minimize adverse risks.”¹⁸ Further, the Director’s Report (at p. 5) was particularly complimentary of the All Source RFP, stating that it “provided vast amounts of credible data on the cost of resource [alternatives]. This empirical information enhances the credibility of NIPSCO’s IRP. More than any other Indiana utility to date, NIPSCO has conducted a robust and transparent analysis of the wholesale market opportunities, uncertainties, and risks that confront its company. NIPSCO’s efforts to integrate the RFP information into its IRP was well done.”¹⁹ Referring to the IRP process, the Director’s Report continued (at p. 6) by saying that “NIPSCO’s transparent process was appropriate and sets a high standard for other utilities.” Finally, the Director’s Report “commend[ed] NIPSCO for retaining outside experts and state of the art planning tools to augment NIPSCO’s expertise. The collaboration between NIPSCO and Charles River Associates in developing well reasoned scenarios, sensitivities, portfolios, and the RFP, was particularly noteworthy.”²⁰~~

~~The evidence demonstrates that the Solar PPAs are consistent with NIPSCO’s 2018 IRP and Short Term Action Plan, including being selected pursuant to a competitive RFP that was contemplated under the Short Term Action Plan. The record reflects that NIPSCO conducted the Phase II RFPs and considered 96 proposals supported by 93 individual projects by more than 40 bidders across six states. The Phase II RFPs were conducted using best practices and utilizing the third party expertise of CRA. In fact, as explained by Messrs. Campbell and Lee, the Phase II RFPs were adjusted to give greater weight to project development risk, which was intended to further ensure projects further along in commercial development received the appropriate credit.~~

~~The evidence also demonstrates that NIPSCO has a need for capacity by 2023, which is supported by its 2018 IRP. NIPSCO has prepared an IRP that demonstrates the acquisition of replacement resources over a period of time, with particular focus on solar and battery storage facilities in the near term to maximize the benefits of the ITC while it remains available. The Short Term Action Plan was designed to allow for a phased transition towards~~

¹⁷ ——— Joint Exhibit 1.

¹⁸ ——— Director’s Report at p. 4. Later, it also stated (at p. 31), “The resource costs from the actionable RFP were reasonably integrated into the IRP. This provided a more realistic valuation of resource costs and a good vehicle for minimizing NIPSCO’s investment in capital intensive resources while maintaining adequate reliability.”

¹⁹ ——— Further, on page 29, the Director’s Report stated that “NIPSCO’s integration of an actionable Request for Proposals was very farsighted and added significant credibility to the IRP. As a result of the combination IRP and RFP, NIPSCO appropriately recognized that for NIPSCO’s future resource mix, maintaining maximum flexibility was a reasonable pursuit, based on the information available at the time.”

²⁰ ——— Director’s Report at p. 6.

renewables over a multi-year period, allowing for flexibility in resource procurement within the framework established by the 2018 IRP's preferred portfolio. The Solar PPAs are consistent with that framework, and any deviations from the 2018 IRP's pricing assumptions are not material enough to depart from execution of the Short Term Action Plan. As established by the 2018 IRP, obtaining resources by 2023 in order to retire coal-fired units not only diversifies the resources relied upon, but results in significant economic savings for NIPSCO's customers compared to continued operation of its coal-fired units. Based upon the evidence presented, the Commission finds that NIPSCO has shown a need for the requested Solar PPAs and the PPAs are reasonable and in the public interest.

D. — Reasonableness of the Terms of the Solar PPAs. OUCC witness Dr. Boerger expressed concerns regarding the economic terms of the Solar PPAs. First, he alleges NIPSCO significantly misjudged the rising cost trajectory for solar resources when it crafted the Short Term Action Plan in its 2018 IRP. He further claims prices for solar resources, based on the results of NIPSCO's Phase II RFP and related proposals in this proceeding, are much higher than NIPSCO could have obtained when it issued its 2018 IRP. Second, he claims that the higher solar costs NIPSCO is now seeing, compared to what it modeled in its 2018 IRP, along with revised MISO solar capacity accreditation expectations, increase the need to revisit NIPSCO's Short Term Action Plan to consider whether a revised resource mix is appropriate. However, despite the Solar PPA prices being higher than the estimated costs in the 2018 IRP, Dr. Boerger explained that the OUCC is willing to accept the economic reasonableness of approving the projects in this case, given that the currently proposed projects represent a small share of all the Solar Projects proposed in NIPSCO's Short Term Action Plan.

The price difference between the 2018 IRP tranches and the Solar PPAs was the subject of much discussion by Dr. Boerger and Mr. Augustine. NIPSCO, through Mr. Augustine, presented fair and accurate descriptions of the cost differences when comparing the Solar PPAs to the 2018 IRP's assumptions, and explained the broader context in which NIPSCO viewed this cost differential. Dr. Boerger chose to use a different cost comparison, focused more specifically on the two Solar PPAs as compared to the one IRP tranche that looked only at PPA-based pricing assumptions. NIPSCO also presented pricing based on a 30-year horizon, filling in the final 10 years after expiration of the PPAs with expected market-based purchases, while the OUCC focused on the 20-year term of the Solar PPAs. Ultimately, we do not take a position on which method of cost comparison may be preferred, but we do find that NIPSCO's cost comparison was a reasonable means of presenting the costs of the Solar PPAs for evaluation. Additionally, as explained by Mr. Augustine, the tranches used in the IRP were developed through a cost-based analysis to establish planning assumptions, while the RFP evaluation also considered other metrics, such as development risk, reliability and deliverability, and other project-specific risk. Cost was not, and should not have been, the sole factor on which NIPSCO's resource decision was based.

The price of the Solar PPAs are, in fact, higher than the tranche-level assumptions assumed in NIPSCO's 2018 IRP. As the Director's Report recognized, "[t]he IRP process is a point-in-time forecast over the next 20 years, which is always evolving..."²¹ Price differentials between the Solar PPAs (coming out of an RFP conducted nearly two years after the IRP) and the IRP's assumptions

²¹ — Joint Exhibit 1 at p. 4 of 53.

are, therefore, not unexpected. Furthermore, whether utilizing Mr. Augustine's or Dr. Boerger's cost analysis, the Solar PPAs represent a small portion of the projected savings associated with NIPSCO's preferred portfolio.

Additionally, the uncontroverted record evidence establishes that the Solar PPAs are the result of a thorough, highly competitive RFP process, which reflect current market conditions.²² The Phase II RFPs also evaluated various technological options and different transactional structures, and NIPSCO relied upon a qualified third party to evaluate the RFP responses and recommend projects for commercial negotiations. The record further demonstrates that the terms of the Solar PPAs, including pricing, were reached after arms-length negotiations. NIPSCO will only pay for the energy it receives at a set price established by the Solar PPAs. Brickyard and Greensboro retain the responsibility for the construction, ownership, and operation and maintenance of the facilities. The OUC also concedes that it is ultimately willing to accept the economic reasonableness of approving the Solar PPAs, given that they represent a small share of all solar projects proposed in NIPSCO's Short Term Action Plan. The OUC also does not allege that retention of legacy coal resources beyond 2023 would be more economic than the Solar PPAs presented for approval in this proceeding.

NIPSCO's request in this Cause involves approximately 330 MW of solar resources, which represents a minority fraction of the resources that may need to be developed over the IRP planning period. Approval of these near-term resources leaves open the type and timing of additional resources to be added to NIPSCO's resource portfolio. The Solar PPAs represent a small portion of NIPSCO's capacity needs and have a 20-year term, which provides for some flexibility and reduced risk to customers. NIPSCO's 2018 IRP was explicitly developed to maintain optionality, in part through staggered resource commitments, to enable making adjustments and modifications as circumstances warrant.

Record evidence established that NIPSCO reasonably modeled the Solar PPAs. NIPSCO Witness Lee also demonstrated that the LCOE analysis showed that acquiring the solar energy from Brickyard and Greensboro was superior to other options available to NIPSCO, including not acquiring solar.

Accordingly, we find that the energy provided through the Solar PPAs is a reasonable and necessary addition to NIPSCO's portfolio of generating resources to meet the need for electricity within NIPSCO'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 that the addition of the Solar PPAs to NIPSCO's resource mix will provide needed energy and capacity.

E. — Cost Recovery. NIPSCO proposed timely cost recovery be administered through NIPSCO's FAC proceedings (or successor mechanism). Ind. Code § 8-1-8.8-11 provides that renewable energy projects, such as the Solar PPAs, are eligible for incentives, including timely recovery of costs. We find that the costs to be incurred pursuant to the Solar PPAs are reasonable throughout the term of the Solar PPAs. Based on the record evidence, the Commission finds that the recovery of all of the purchased power costs related to the purchase over the full term of the Solar PPAs should be approved. We further find that NIPSCO should recover the Solar PPAs'

²² — Joint Exhibit 2 at p. 22 of 25.

costs through its FAC proceeding (or successor mechanism). Based on the record evidence and consistent with prior Commission decisions in other PPA proceedings, we find that NIPSCO's recovery of its Solar PPAs costs should not be subject to the Section 42(d)(1) test or any other benchmarks.

F. ~~Reporting Requirements.~~ NIPSCO proposed to report the following information as part of its FAC filings for the duration of the Solar PPAs beginning with the commercial operation date: (1) the actual solar energy delivered on an hourly basis; (2) the corresponding NIPSCO Summer and Winter On Peak and Off Peak delivery hours identified; and (3) any and all curtailments, including specific dates, times, and reason for or cause of curtailment (the "Reporting Information"). We find that NIPSCO shall include the Reporting Information in its FAC filings in Cause No. 38706-FAC-XX for the duration of the Solar PPAs, commencing at the commercial operation date of the Solar Projects.

G. ~~Conclusion.~~ We find the evidence of record in this proceeding supports approval of the Solar PPAs and the proposed method of cost recovery. The Solar PPAs terms and costs are reasonable, they provide needed energy, diversify NIPSCO's supply portfolio, provide environmental benefits, and defend against fuel cost volatility. They are also consistent with the implementation of NIPSCO's 2018 IRP which sets forth a reasonable plan for the transition of NIPSCO's resource portfolio. These attributes provide direct benefits to all stakeholders. We find the Solar PPAs costs should be recovered through a Section 42(a) tracking mechanism to be administered through NIPSCO's quarterly FACs.

Ms. Aguilar correctly identifies an important issue – whether this generation facility will become commercially viable. Mr. Campbell states that there is no harm to NIPSCO if a project does not become operational, stating that “no power will be purchased pursuant to the PPAs, and NIPSCO and its customers will be in no worse position than if the PPAs had not been approved by the Commission.”²³ However, as noted by Dr. Boerger, prices for solar resources have increased since NIPSCO modeled its 2018 IRP, and Ms. Aguilar is correct that if a generation project does not reach commercial operation, it may force NIPSCO to obtain a higher-priced replacement which would be inconsistent with the IRP model or increase prices to be recovered from consumers. Additionally, NIPSCO incurs costs, both in time and resources, to evaluate generation projects in its RFP, to negotiate the PPA, and then proceed with a petition at the Commission., which would be wasted if a generation project does not reach commercial operation.

Therefore, the Commission understands the OUCC's concern to ensure that a project is commercially viable. The Commission also understands that generation projects require review and approval from many different government jurisdictions, which we do evaluate in the declination proceedings. Mr. Campbell points out that issues which lead to a project being cancelled may not be discovered in a declination proceeding. However, this does not preclude us from carefully evaluating the associated proceedings to determine if a project is likely to move forward. Additionally, it is wasteful of the Commission's time and resources for entities to submit applications in which these reviews are at early stages in their respective processes.

²³ Petitioner's Exhibit 1-R, Rebuttal Testimony of Andrew S. Campbell, page 8, line 17 – page 9, line 1.

In this proceeding, the OUCC has noted a potential inconsistency with the testimony filed by NIPSCO and the testimony filed by NextEra in Cause No. 45425.²⁴ While NIPSCO was able to address the inconsistency, it is helpful to have the proceedings occurring at the same time in order to avoid these types of issues in the future.

In the proceedings associated with NIPSCO's petition, Cause Nos. 45424 and 45425, we take notice that the associated declination petitions were not filed until August 27, 2020, initial testimony was not filed until October 1, 2020, and under the current procedural schedule, OUCC testimony is not due until December 10, 2020, rebuttal testimony is due January 7, 2021, and the hearings are currently scheduled for January 28, 2021.

NIPSCO's agreement with NextEra cannot go forward until the facilities are commercially operational. At this point, Commission approval of the declination proceedings, which are required before the facilities can become commercially operational, will not occur until February 2021, at a minimum. If the Commission declined to make a decision at this time on NIPSCO's petition, there would not be harm to NIPSCO as the Commission has not made a decision in the declination proceedings.

While this proceeding is separate from the declination proceedings, and are evaluated based on different statutes and standards, these proceedings are related, and the PPAs raised in this proceeding cannot go forward without the Commission declining to extend its jurisdiction over the facilities. It is reasonable for our analysis in this proceeding to take into account issues in the declination proceeding that may affect the outcome of the generation facility's commercial operation. Based on issues raised by the OUCC and the current procedural schedule in the associated declination proceedings, we decline to make a decision in this proceeding until the associated declination proceedings have reached us for a final decision. Our decision is not a rejection of NIPSCO's petition; rather, it is an acknowledgement that this proceeding and the declination proceedings should occur concurrently to ensure that our evaluation addresses all potential issues.

8. Confidential Information. On July 17, 2020, NIPSCO filed a motion for protective order, which was supported by affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Indiana Code §§ 5-14-3-4(a)(4) and (9) and Indiana Code § 24-2-3-2. On July 30, 2020, the Presiding Officers issued a Docket Entry finding the information described in the request for confidentiality to be confidential on a preliminary basis. After reviewing the designated confidential information, we find all such information qualifies as confidential trade secret information pursuant to Indiana Code § 5-14-3-4 and Indiana Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. NIPSCO takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to NIPSCO. Therefore, we affirm the preliminary ruling and find this information should be exempted from the public access requirements contained in Indiana Code Ch. 5-14-3 and Indiana Code § 8-1-2-29, and held confidential and protected from public disclosure by this Commission.

²⁴ Joint Exhibit No. 3, NIPSCO Response to OUCC Request 7-010.

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

~~1. NIPSCO is authorized to engage in the Solar Energy Purchase Agreement with Brickyard or its assigns and successors.~~

~~2. NIPSCO is authorized to engage in the Solar Generation and Energy Storage Energy Purchase Agreement with Greensboro or its assigns and successors.~~

~~3. NIPSCO's Solar Energy Purchase Agreement with Brickyard, or its assigns or successors, is approved as a renewable energy project.~~

~~4. NIPSCO's Solar Generation and Energy Storage Energy Purchase Agreement with Greensboro, or its assigns or successors, is approved as a renewable energy project.~~

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

~~6. NIPSCO shall include the Reporting Information in its FAC proceedings, as set out in Paragraph 7(F) above.~~

~~7. NIPSCO's request for confidential trade secret treatment is granted, and such Confidential Information shall be excepted from public disclosure.~~

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

1. The Commission will hold its decision on NIPSCO's application in abeyance at this time. The Commission will reopen this proceeding upon the completion of Cause Nos. 45424 and 45425.

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

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

Mary M. Schneider
Secretary of the Commission

CERTIFICATE OF SERVICE

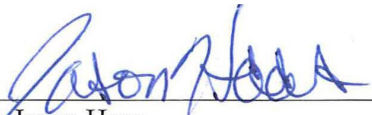
This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Submission of Proposed Order* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 13, 2020.

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