

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)	
OF WABASH VALLEY POWER)	
ASSOCIATION, INC. FOR)	
AUTHORITY TO EXECUTE NOTES AS)	
EVIDENCE OF INDEBTEDNESS UP TO)	
\$330 MILLION PAYABLE AT PERIODS OF)	CAUSE NO. 45656
MORE THAN TWELVE MONTHS FOR THE)	
PURPOSE OF FUNDING THE CONSTRUCTION)	
OR IMPROVEMENT OF CERTAIN)	
TRANSMISSION, DISTRIBUTION, AND)	
GENERATION FACILITIES AND GENERAL)	
PLANT AND TO ENCUMBER ITS PROPERTY)	
TO SECURE THE INDEBTEDNESS)	

WABASH VALLEY POWER ASSOCIATION, INC.'S
NOTICE OF SUBSTITUTION OF WITNESS AND
SUBMISSION OF REVISIONS TO DIRECT TESTIMONY

Petitioner, Wabash Valley Power Association, Inc. d/b/a Wabash Valley Power Alliance (“Wabash Valley”), by counsel, hereby gives notice of witness substitution and revisions to its pre-filed case-in-chief.

1. Witness Substitution. Wabash Valley hereby notifies the Indiana Utility Regulatory Commission (the “Commission”) and the parties that Ms. Theresa Young is substituting for and is adopting the testimony previously filed by Wabash Valley witness Nisha A. Harke.

2. Revisions to Testimony of Substituted Witness. For the convenience of the Commission and the parties, Wabash Valley advises that introductory questions/answers 1, 2, 3 and 5 of the original pre-filed testimony of witness Nisha A. Harke have been replaced to reflect Ms. Young’s foundational information. The remaining questions/answers remain as originally pre-filed. For ease of reference, Wabash Valley’s pre-filed direct testimony and exhibits will not

be relabeled and are not being resubmitted. Redline and clean redacted copies of Ms. Young's redacted testimony and verification are attached hereto. Redline and clean unredacted, confidential copies of Ms. Young's testimony and verification will be submitted to the Commission pursuant to the Commission's requirements in its January 4, 2022 docket entry granting preliminary confidential treatment of certain portions of the adopted testimony.

Respectfully submitted,

By: /s/ Aleasha J. Boling

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*Attorneys for Wabash Valley Power
Association, Inc. d/b/a Wabash Valley
Power Alliance*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following by email

this 22nd day of February, 2022:

Office of Utility Consumer Counselor
Kelly Earls
infomgt@oucc.in.gov
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/s/ Aleasha J. Boling
Aleasha J. Boling

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1761248

DIRECT TESTIMONY

OF

NISHA A. HARKETHERESA YOUNG
On behalf of Wabash Valley

Q1. PLEASE STATE YOUR NAME, OCCUPATION, EMPLOYER, AND BUSINESS ADDRESS.

A1. My name is ~~Nisha A. Harke~~Theresa Young. I am ~~Manager of Finance and Rates at the~~
Chief Financial Officer of -Wabash Valley Power Association, Inc. dba Wabash Valley
Power Alliance ("Wabash Valley"), which is located at 6702 Intech Blvd., Indianapolis,
Indiana 46278. I have been employed by Wabash Valley since ~~April 1994~~2003.

**Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
PROFESSIONAL EXPERIENCE.**

A2. ~~I received a Bachelor of Science degree in Accounting from Indiana Institute of
Technology in 1989. I have also been a Certified Public Accountant in the state of
Indiana since December 1997 (currently not active). In September 1989, I went to work
for Indiana Michigan Power Company (a subsidiary of American Electric Power
Company) in Fort Wayne, Indiana, as an accountant. While there, my responsibilities
included the preparation of the monthly journal entries, general ledgers, and related
financial pages for four operating companies. In 1994, I was employed by Wabash Valley
as a Billing Accountant. In 1996, I was promoted to Lead Financial Analyst, where I was
responsible for the preparation of the monthly financial forecast and the annual operating
budget. In February of 2000, I was promoted to Financial Principal, and, in October~~

2005, I was promoted to my current position of Manager of Finance and Rates. I hold a Bachelor of Science degree in Accounting from the University of Indianapolis. I have 32 years of experience in the utility industry. I spent the first 14 years of my career in the investor-owned utility sector. My responsibilities ranged from Supervisor of General Accounting and Financial Reporting, with oversight of the daily accounting functions, to Director of Management Reporting and Analysis, which included internal management reporting and budgets and forecasts. I have been at Wabash Valley for 18 years, of which 13 years were spent in the role of Controller and two years in the role of Vice President of Financial Services. I was promoted to Chief Financial Officer in 2018.

Q3. PLEASE SUMMARIZE YOUR DUTIES AND RESPONSIBILITIES AT WABASH VALLEY.

A3. I am currently responsible for: leading the development of Wabash Valley's wholesale rate strategies and subsequent rate case development and implementation process, filing quarterly reports with the Federal Energy Regulatory Commission ("FERC"), maintaining corporate compliance for the indenture of trust and for Wabash Valley's lenders, maintaining the accuracy of the monthly wholesale power bills to Wabash Valley member systems, and working with lenders to obtain financing for capital project costs for Wabash Valley. My responsibilities as Chief Financial Officer include oversight of all financial and accounting functions, budgeting, long-term forecasting, financial and management reporting to the Board of Directors, short-term and long-term financing needs of the company, member rates, billing and corporate records.

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY ON BEHALF OF WABASH VALLEY IN THIS PROCEEDING?

A4. The purpose of my testimony in this proceeding is to support Wabash Valley's request for a Certificate of Authority to execute promissory notes as evidence of indebtedness for financing up to \$330 million for various capital projects relating to Wabash Valley's facilities and services.

Q5. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

A5. Yes. I am sponsoring:

Petitioner's Exhibit No. 1 (Redacted):

Redacted Direct Testimony of ~~Nisha A. Harke~~ Theresa Young

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Petitioner's Exhibit No. 2:

Verified Petition of Wabash Valley Power Association, Inc. in this proceeding¹

Petitioner's Exhibit No. 3 (Confidential):

Capital Project Cost Estimates by Year 2022 to 2024

Petitioner's Exhibit No. 4 (Confidential):

Estimated Annual Debt Service Payments 2022 through 2024

Petitioner's Exhibit No. 5 (Confidential):

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Pro Forma Consolidated Balance Sheets as of December 31, 2020, 2021, 2022,
2023 and 2024

Petitioner's Exhibit No.6 (Confidential):

Pro Forma Consolidated Income Statements (including proposed capital project
expenditures) for the Periods Ending December 31, 2020, 2021, 2022, 2023 and
2024

Petitioner's Exhibit No. 7 (Confidential)

Pro Forma Consolidated Income Statements and Balance Sheet Work Papers

Petitioner's Exhibit No. 8

S&P Credit Rating Report

**Q6. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR
DIRECTION?**

A6. With the exception of Petitioner's Exhibit No. 8, yes. However, Petitioner's Exhibit No. 3
(Confidential) is a compilation of capital projects and the respective estimated costs of
the various planned capital projects, and it was created with the assistance of other
personnel at Wabash Valley.

**Q7. PLEASE PROVIDE A BRIEF DESCRIPTION OF WABASH VALLEY
TRANSMISSION ASSETS.**

A7. Wabash Valley jointly owns certain transmission property and local facilities with Duke
Energy Indiana ("Duke Indiana") and Indiana Municipal Power Agency ("IMPA").
These facilities are part of the Joint Transmission System ("JTS"). As a joint owner,
Wabash Valley has ownership investment and cost responsibilities within the JTS.

Wabash Valley also owns various other transmission assets throughout its member service territory. In the past several years, Wabash Valley has seen an increase in the amount of capital expenditures related to transmission due to a focus on reliability and the need for upgrades to the aging transmission infrastructure.

Q8. PLEASE PROVIDE A GENERAL OVERVIEW OF WABASH VALLEY'S GENERATION ASSETS.

A8. Wabash Valley's generation assets consist of the following:

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Wabash Valley has a 25% undivided ownership in Gibson Unit 5, which Wabash Valley jointly owns with Duke Indiana and IMPA. Gibson Unit 5, located in southwestern Indiana, is a 625 MW coal-fired generating facility operated by Duke Indiana. Operating under the Gibson Unit 5 Joint Ownership, Participation, Operation, and Maintenance Agreement, each party is responsible for paying its proportionate share of operating costs for the plant. In return, Wabash Valley is entitled to approximately 156 MW of capacity and related energy output of the plant. Gibson Unit 5 is equipped with "scrubbers" to be in compliance with the Clean Air Act. Duke Indiana also installed Selective Catalytic Reduction (SCR) equipment on Gibson Unit 5 for compliance with NOx emission regulations. Duke Indiana is currently evaluating options for compliance with and monitoring litigations concerning the final Emission Guidelines for Greenhouse Gas Emissions from Existing Electric Generating Units rule and other significant environmental regulations.

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Holland Energy

Wabash Valley is a 50% owner of Holland Energy. Hoosier Energy is the other 50% owner. Holland Energy is an approximately 627 MW combined cycle generating facility comprised of two GE 7FA combustion turbines, two Nooter-Eriksen Heat Recovery Steam Generators (HRSGs), and a single Toshiba steam turbine. Both combustion turbines are equipped with a dry low NOx combustion burner system and inlet-air evaporative cooling. The HRSGs are equipped with SCRs and large natural gas-fired duct burners to supplement steam production. The HRSGs both supply a single 344 MW Toshiba steam turbine. The facility is equipped with Continuous Emission Monitoring Systems (CEMS) to monitor the NOx emission from both HRSG stacks. Holland Energy

is located on a combined 220-acre tract north of Effingham, Illinois and is operated by NAES.

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Wabash Valley owns one-third of the Lawrence generating station, which consists of six GE LM6000 simple cycle generating units. Hoosier Energy owns the other two-thirds of the facility. Each of these gas-fired units has a summer capacity rating of 43 MW. The Lawrence facility was jointly constructed by Hoosier Energy and Wabash Valley and went into commercial operation in May 2005.

Landfill Gas

Wabash Valley has installed landfill gas-fired internal combustion (IC) generating units at existing solid waste landfill sites in central and northern Indiana and central Illinois. To date, Wabash Valley has installed fifty-one Caterpillar 3516 engine-generators and eight Caterpillar 3520 engine-generators at eight Waste Management (WM) landfill sites and one Peoria Disposal Company (PDC) landfill site, which in aggregate are capable of generating 53.6 MW. The IC generators at each site are operated and maintained under

contracts with Waste Management of Indiana, Inc. and MacAllister Machinery Company, Inc.

Prairie State Energy Campus

Wabash Valley owns a 5.06 % interest in the 1,650 MW Prairie State Energy Campus (PSEC) located in Marissa, Illinois. PSEC consists of two supercritical pulverized coal fueled units (Prairie State 1 and Prairie State 2) and an on-site captive coal mine that produces bituminous coal from the Illinois Basin. Prairie State units 1 and 2 are equipped with modern environmental control systems that consist of low-NOx burners and Selective Catalytic Reduction (SCR) equipment for NOx control, mercury extraction using calcium bromide and activated carbon injection, a wet flue gas desulfurization (WFGD) system for sulfur dioxide emissions control, and wet and dry electrostatic precipitators for the capture of particulate. Wabash Valley is one of nine co-owners in the PSEC facility, the other owners being regional municipalities and member-owned, not-for-profit electric generation and transmission cooperatives.

Q9. IS WABASH VALLEY RATED BY ANY CREDIT AGENCIES?

A9. Yes, Wabash Valley is rated by S&P, and the latest S&P report is attached hereto as Petitioner's Exhibit No. 8. Wabash Valley's A rating/Stable Outlook was affirmed on October 12, 2021.

Q10. PLEASE IDENTIFY THE CAPITAL PROJECTS THAT WABASH VALLEY EXPECTS TO FINANCE WITH FUNDS OBTAINED FROM THE \$330 MILLION FINANCING.

A10. Wabash Valley requests a Certificate of Authority to issue up to \$330 million in long-term debt to finance various types of projects including, but not limited to: transmission and distribution projects (including substations and transmission lines and joint ownership projects with Duke Indiana and IMPA), Gibson Unit 5 improvements, Prairie State Energy Campus improvements, Wabash River Highland improvements, Holland Energy improvements, Vermillion improvements, capital investments for Wabash Valley's demand response program and SCADA systems, and other general capital projects. Reliability of electric service continues to be a top priority for Wabash Valley, and higher levels of transmission investments are expected to continue in the near term as aging electric utility infrastructure is updated.

Petitioner's Exhibit No. 3 (Confidential) provides a list of expected capital expenditures by type for 2022, 2023, and 2024 of approximately \$423 million. Wabash Valley will not be requesting authority to borrow for all expected capital expenditures; instead, it is requesting to borrow \$330 million for capital expenditures.

While the expected capital expenditures shown on Petitioner's Exhibit No. 3 (Confidential) have presently been budgeted by Wabash Valley, other projects to serve the electric needs of Wabash Valley's members may arise that could take priority over these listed projects. The need for transmission and distribution projects is driven by member system demand, timing requirements for serving load additions, and available alternatives. All of these elements can change from time to time, which may result in the need for other capital projects to take priority over those listed. JTS assignments can also impact Wabash Valley's capital budget. Additionally, the project financing costs

requested in this Cause are the same type of expenditures year over year (capital investment needed to serve our member load). Further, transmission costs have been growing over the years as well, due to aging electric utility infrastructure. The capital costs have been bundled for a three-year period instead of seeking approval each year from the Indiana Utility Regulatory Commission (the "Commission").

Wabash Valley is seeking approval for financing up to \$330 million for 2022, 2023, and 2024 capital projects including, without limitation, those listed on Petitioner's Exhibit No. 3 (Confidential). Wabash Valley intends to fund all of the capital expenditures in excess of \$330 million out of its cash from operations.

Q11. HOW ARE THE CAPITAL PROJECTS LISTED ON PETITIONER'S EXHIBIT NO. 3 (CONFIDENTIAL) BENEFICIAL TO WABASH VALLEY'S MEMBERS?

A11. The capital projects listed on Petitioner's Exhibit No. 3 (Confidential) are needed to meet member load growth, provide reliable delivery of electric service for Wabash Valley's members and customers, maintain Wabash Valley's generating assets, and meet Wabash Valley's members' electric needs. Securing long-term fixed rate debt to fund capital projects creates rate stability for Wabash Valley's members.

Q12. HAS THE WABASH VALLEY BOARD OF DIRECTORS APPROVED WABASH VALLEY TO SEEK COMMISSION AUTHORITY FOR LONG-TERM FINANCING?

A12. Yes. On November 3, 2021, the Wabash Valley Board of Directors approved Wabash Valley to petition the Commission for authority to issue up to \$330 million in debt securities related to planned capital projects.

Q13. HOW DOES WABASH VALLEY PROPOSE TO FINANCE THE CAPITAL PROJECTS?

A13. Wabash Valley proposes to finance \$330 million of the estimated costs related to these capital projects through competitive lenders such as the National Rural Utility Cooperative Finance Corporation ("CFC"), CoBank, or private placement lenders, which typically include life insurance companies.

Wabash Valley projects in its financial study to finance [REDACTED] in 2022, [REDACTED] in 2023, and the remaining [REDACTED] in 2024. Wabash Valley intends to sign several promissory notes to finance these projects for up to 30 years at an estimated interest rate of [REDACTED] for 2022, [REDACTED] for 2023 and [REDACTED] for 2024. The financing facility could be a multi-draw facility and each note would have a different interest rate based on market conditions and the prevailing rate with the lending institution at the time of draw. In addition to obtaining a competitive interest rate from CFC and CoBank, Wabash Valley, as a member of CFC and CoBank, will be eligible for patronage capital. Consequently, after return of patronage capital and other interest rate discounts that may be available to Wabash Valley, the effective interest rate will likely be less than the stated interest rates on the promissory notes. Wabash Valley will always seek to obtain the lowest cost financing for its members.

Q14. PLEASE DESCRIBE HOW THE INTEREST RATE FOR THE NOTES WILL BE DETERMINED.

A14. For purposes of preparing the pro forma exhibits in this Cause, an annual fixed interest rate of [REDACTED] for notes issued in 2022, an annual fixed rate of [REDACTED] for the notes issued

in 2023 and an annual fixed rate of [REDACTED] for the notes issued in 2024 was assumed. The [REDACTED] interest rate is based on recent 30-year treasury rates plus recent credit spreads. A 30-year treasury rate of [REDACTED] plus a credit spread of [REDACTED] was used during the Wabash Valley 2022 budget process (September 2021 rate environment) to derive the interest rate of [REDACTED]. For 2023 and 2024, Wabash Valley expects a rate increase based on recent economic indicators. As such, the rates for 2023 and 2024 were increased to [REDACTED] and [REDACTED], respectively, to reflect this expectation.

The actual interest rate applicable to the notes will be determined based on the prevailing market rate at the time of issuance. Consistent with the commitment required of Wabash Valley in its last financing under Cause No. 45325, any issuances made pursuant to the authority that Wabash Valley is seeking in this Cause, provided such authority is granted, will be at competitive market rates.

Q15. ARE THERE ANY OTHER COSTS THAT WABASH VALLEY IS SEEKING BORROWING APPROVAL FOR?

A15. No.

Q16. WHAT WOULD BE THE ANNUAL DEBT SERVICE OBLIGATION OF WABASH VALLEY TO REPAY THE NOTES FOR THIS PROJECT FINANCING?

A16. As depicted on Petitioner's Exhibit No. 4 (Confidential), under the estimated calculations of interest expense and principal payments, the annual debt service payment for all of the notes related to these capital projects would be approximately [REDACTED] for a loan with a [REDACTED] weighted average rate and an aggregate loan amount of \$330 million. In the

financial study, Wabash Valley has assumed to repay these notes with quarterly level principal payments over a 30 year term. Under this type of amortization schedule, the principal amount repaid each year would be [REDACTED]. The interest payment amount will vary each quarter and gradually decrease over the life of the loan. The funds requested in this Cause are projected to be used in 2022, 2023, and 2024 in accordance with Wabash Valley's financial study. However, if Wabash Valley believes it is in the best interest of its members, Wabash Valley would consider financing the entire \$330 million sooner than 2024.

Q17. WILL THE LOANS BE SECURED?

A17. Yes. The loans will be secured by property owned by Wabash Valley, under Wabash Valley's existing Mortgage and Indenture of Trust ("Master Indenture").

Q18. DOES WABASH VALLEY HAVE SUFFICIENT REVENUES TO REPAY THIS DEBT?

A18. Yes. Wabash Valley's current rates will generate adequate revenues to repay the debt service obligations. Further, the pro forma balance sheet and income statement, attached hereto as Petitioner's Exhibits No. 4 (Confidential) and No. 5 (Confidential), demonstrate that the amount of Wabash Valley's outstanding long-term debt will be reasonable in aggregate amount. Wabash Valley's Master Indenture requires a TIER of 1.0 or better and a Debt Service Coverage Ratio of 1.1 or better. Petitioner's Exhibit No. 5 (Confidential) shows that minimum financial covenants of the Master Indenture would still be met. Wabash Valley became FERC regulated on July 1, 2004, and under that structure, Wabash Valley can recover all costs needed to meet the margin approved by

the Wabash Valley Board of Directors. If costs are in excess of the amount of revenue collected, those costs are 'trued up' and collected over the next twelve month period. In addition, Wabash Valley's Board of Directors has the authority to increase rates during the course of the year.

Q19. ARE ANY OTHER REQUIREMENTS OR AUTHORIZATIONS NECESSARY FOR THE FINANCING OF THESE CAPITAL PROJECTS?

A19. Yes. Any capital projects financed using long-term debt by Wabash Valley need to meet the requirements of the Master Indenture and any notes issued will require the authorization from the Trustee under the Master Indenture and approval by the lender.

Q20. WHEN DOES WABASH VALLEY NEED TO BEGIN DRAWING ON THE PROPOSED FINANCING?

A20. If Wabash Valley's request for a Certificate of Authority is approved in this Cause, Wabash Valley expects to begin drawing on the proposed financing in the third or fourth quarter of 2022.

Q21. SHOULD FINANCING AUTHORITY BE GRANTED, IS WABASH VALLEY AMENABLE TO FILING REPORTS REGARDING TERMS OF THE PROPOSED FINANCING WITH THE COMMISSION AND THE OFFICE OF THE UTILITY CONSUMER COUNSELOR (OUCC)?

A21. Consistent with the commitment required of Wabash Valley in its last financing under Cause No. 45325, within thirty days of exercising any of the financing authority that Wabash Valley is seeking in this Cause, provided such authority is granted, Wabash Valley is agreeable to filing under this Cause, a written report to both the OUCC and the

Commission including all the terms of the debt, which include: the amount of debt, maturity period, interest rate, premiums/discounts, and repayment terms.

Q22. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CAUSE?

A22. Yes.

VERIFICATION

I, Theresa Young, Chief Financial Officer of Wabash Valley Power Association, Inc.
d/b/a Wabash Valley Power Alliance, affirm under the penalties of perjury that the facts stated in
the foregoing testimony are true and correct to the best of my knowledge, information and belief.


Theresa Young

DIRECT TESTIMONY
OF
THERESA YOUNG
On behalf of Wabash Valley

Q1. PLEASE STATE YOUR NAME, OCCUPATION, EMPLOYER, AND BUSINESS ADDRESS.

A1. My name is Theresa Young. I am the Chief Financial Officer of Wabash Valley Power Association, Inc. dba Wabash Valley Power Alliance ("Wabash Valley"), which is located at 6702 Intech Blvd., Indianapolis, Indiana 46278. I have been employed by Wabash Valley since 2003.

Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

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DIRECTION?**

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(Confidential) is a compilation of capital projects and the respective estimated costs of
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one Peoria Disposal Company (PDC) landfill site, which in aggregate are capable of generating 53.6 MW. The IC generators at each site are operated and maintained under contracts with Waste Management of Indiana, Inc. and MacAllister Machinery Company, Inc.

Prairie State Energy Campus

Wabash Valley owns a 5.06 % interest in the 1,650 MW Prairie State Energy Campus (PSEC) located in Marissa, Illinois. PSEC consists of two supercritical pulverized coal fueled units (Prairie State 1 and Prairie State 2) and an on-site captive coal mine that produces bituminous coal from the Illinois Basin. Prairie State units 1 and 2 are equipped with modern environmental control systems that consist of low-NO_x burners and Selective Catalytic Reduction (SCR) equipment for NO_x control, mercury extraction using calcium bromide and activated carbon injection, a wet flue gas desulfurization (WFGD) system for sulfur dioxide emissions control, and wet and dry electrostatic precipitators for the capture of particulate. Wabash Valley is one of nine co-owners in the PSEC facility, the other owners being regional municipalities and member-owned, not-for-profit electric generation and transmission cooperatives.

Q9. IS WABASH VALLEY RATED BY ANY CREDIT AGENCIES?

A9. Yes, Wabash Valley is rated by S&P, and the latest S&P report is attached hereto as Petitioner's Exhibit No. 8. Wabash Valley's A rating/Stable Outlook was affirmed on October 12, 2021.

Q10. PLEASE IDENTIFY THE CAPITAL PROJECTS THAT WABASH VALLEY EXPECTS TO FINANCE WITH FUNDS OBTAINED FROM THE \$330 MILLION FINANCING.

A10. Wabash Valley requests a Certificate of Authority to issue up to \$330 million in long-term debt to finance various types of projects including, but not limited to: transmission and distribution projects (including substations and transmission lines and joint ownership projects with Duke Indiana and IMPA), Gibson Unit 5 improvements, Prairie State Energy Campus improvements, Wabash River Highland improvements, Holland Energy improvements, Vermillion improvements, capital investments for Wabash Valley's demand response program and SCADA systems, and other general capital projects. Reliability of electric service continues to be a top priority for Wabash Valley, and higher levels of transmission investments are expected to continue in the near term as aging electric utility infrastructure is updated.

Petitioner's Exhibit No. 3 (Confidential) provides a list of expected capital expenditures by type for 2022, 2023, and 2024 of approximately \$423 million. Wabash Valley will not be requesting authority to borrow for all expected capital expenditures; instead, it is requesting to borrow \$330 million for capital expenditures.

While the expected capital expenditures shown on Petitioner's Exhibit No. 3 (Confidential) have presently been budgeted by Wabash Valley, other projects to serve the electric needs of Wabash Valley's members may arise that could take priority over these listed projects. The need for transmission and distribution projects is driven by member system demand, timing requirements for serving load additions, and available

alternatives. All of these elements can change from time to time, which may result in the need for other capital projects to take priority over those listed. JTS assignments can also impact Wabash Valley's capital budget. Additionally, the project financing costs requested in this Cause are the same type of expenditures year over year (capital investment needed to serve our member load). Further, transmission costs have been growing over the years as well, due to aging electric utility infrastructure. The capital costs have been bundled for a three-year period instead of seeking approval each year from the Indiana Utility Regulatory Commission (the "Commission").

Wabash Valley is seeking approval for financing up to \$330 million for 2022, 2023, and 2024 capital projects including, without limitation, those listed on Petitioner's Exhibit No. 3 (Confidential). Wabash Valley intends to fund all of the capital expenditures in excess of \$330 million out of its cash from operations.

Q11. HOW ARE THE CAPITAL PROJECTS LISTED ON PETITIONER'S EXHIBIT NO. 3 (CONFIDENTIAL) BENEFICIAL TO WABASH VALLEY'S MEMBERS?

A11. The capital projects listed on Petitioner's Exhibit No. 3 (Confidential) are needed to meet member load growth, provide reliable delivery of electric service for Wabash Valley's members and customers, maintain Wabash Valley's generating assets, and meet Wabash Valley's members' electric needs. Securing long-term fixed rate debt to fund capital projects creates rate stability for Wabash Valley's members.

Q12. HAS THE WABASH VALLEY BOARD OF DIRECTORS APPROVED WABASH VALLEY TO SEEK COMMISSION AUTHORITY FOR LONG-TERM FINANCING?

A12. Yes. On November 3, 2021, the Wabash Valley Board of Directors approved Wabash Valley to petition the Commission for authority to issue up to \$330 million in debt securities related to planned capital projects.

Q13. HOW DOES WABASH VALLEY PROPOSE TO FINANCE THE CAPITAL PROJECTS?

A13. Wabash Valley proposes to finance \$330 million of the estimated costs related to these capital projects through competitive lenders such as the National Rural Utility Cooperative Finance Corporation ("CFC"), CoBank, or private placement lenders, which typically include life insurance companies.

Wabash Valley projects in its financial study to finance [REDACTED] in 2022, [REDACTED] in 2023, and the remaining [REDACTED] in 2024. Wabash Valley intends to sign several promissory notes to finance these projects for up to 30 years at an estimated interest rate of [REDACTED] for 2022, [REDACTED] for 2023 and [REDACTED] for 2024. The financing facility could be a multi-draw facility and each note would have a different interest rate based on market conditions and the prevailing rate with the lending institution at the time of draw. In addition to obtaining a competitive interest rate from CFC and CoBank, Wabash Valley, as a member of CFC and CoBank, will be eligible for patronage capital. Consequently, after return of patronage capital and other interest rate discounts that may be available to Wabash Valley, the effective interest rate will likely be less than the stated interest rates on the promissory notes. Wabash Valley will always seek to obtain the lowest cost financing for its members.

Q14. PLEASE DESCRIBE HOW THE INTEREST RATE FOR THE NOTES WILL BE DETERMINED.

A14. For purposes of preparing the pro forma exhibits in this Cause, an annual fixed interest rate of [REDACTED] for notes issued in 2022, an annual fixed rate of [REDACTED] for the notes issued in 2023 and an annual fixed rate of [REDACTED] for the notes issued in 2024 was assumed. The [REDACTED] interest rate is based on recent 30-year treasury rates plus recent credit spreads. A 30-year treasury rate of [REDACTED] plus a credit spread of [REDACTED] was used during the Wabash Valley 2022 budget process (September 2021 rate environment) to derive the interest rate of [REDACTED]. For 2023 and 2024, Wabash Valley expects a rate increase based on recent economic indicators. As such, the rates for 2023 and 2024 were increased to [REDACTED] and [REDACTED], respectively, to reflect this expectation.

The actual interest rate applicable to the notes will be determined based on the prevailing market rate at the time of issuance. Consistent with the commitment required of Wabash Valley in its last financing under Cause No. 45325, any issuances made pursuant to the authority that Wabash Valley is seeking in this Cause, provided such authority is granted, will be at competitive market rates.

Q15. ARE THERE ANY OTHER COSTS THAT WABASH VALLEY IS SEEKING BORROWING APPROVAL FOR?

A15. No.

Q16. WHAT WOULD BE THE ANNUAL DEBT SERVICE OBLIGATION OF WABASH VALLEY TO REPAY THE NOTES FOR THIS PROJECT FINANCING?

A16. As depicted on Petitioner's Exhibit No. 4 (Confidential), under the estimated calculations of interest expense and principal payments, the annual debt service payment for all of the notes related to these capital projects would be approximately [REDACTED] for a loan with a [REDACTED] weighted average rate and an aggregate loan amount of \$330 million. In the financial study, Wabash Valley has assumed to repay these notes with quarterly level principal payments over a 30 year term. Under this type of amortization schedule, the principal amount repaid each year would be [REDACTED]. The interest payment amount will vary each quarter and gradually decrease over the life of the loan. The funds requested in this Cause are projected to be used in 2022, 2023, and 2024 in accordance with Wabash Valley's financial study. However, if Wabash Valley believes it is in the best interest of its members, Wabash Valley would consider financing the entire \$330 million sooner than 2024.

Q17. WILL THE LOANS BE SECURED?

A17. Yes. The loans will be secured by property owned by Wabash Valley, under Wabash Valley's existing Mortgage and Indenture of Trust ("Master Indenture").

Q18. DOES WABASH VALLEY HAVE SUFFICIENT REVENUES TO REPAY THIS DEBT?

A18. Yes. Wabash Valley's current rates will generate adequate revenues to repay the debt service obligations. Further, the pro forma balance sheet and income statement, attached hereto as Petitioner's Exhibits No. 4 (Confidential) and No. 5 (Confidential), demonstrate that the amount of Wabash Valley's outstanding long-term debt will be reasonable in aggregate amount. Wabash Valley's Master Indenture requires a TIER of 1.0 or better

and a Debt Service Coverage Ratio of 1.1 or better. Petitioner's Exhibit No. 5

(Confidential) shows that minimum financial covenants of the Master Indenture would still be met. Wabash Valley became FERC regulated on July 1, 2004, and under that structure, Wabash Valley can recover all costs needed to meet the margin approved by the Wabash Valley Board of Directors. If costs are in excess of the amount of revenue collected, those costs are 'trued up' and collected over the next twelve month period. In addition, Wabash Valley's Board of Directors has the authority to increase rates during the course of the year.

Q19. ARE ANY OTHER REQUIREMENTS OR AUTHORIZATIONS NECESSARY FOR THE FINANCING OF THESE CAPITAL PROJECTS?

A19. Yes. Any capital projects financed using long-term debt by Wabash Valley need to meet the requirements of the Master Indenture and any notes issued will require the authorization from the Trustee under the Master Indenture and approval by the lender.

Q20. WHEN DOES WABASH VALLEY NEED TO BEGIN DRAWING ON THE PROPOSED FINANCING?

A20. If Wabash Valley's request for a Certificate of Authority is approved in this Cause, Wabash Valley expects to begin drawing on the proposed financing in the third or fourth quarter of 2022.

Q21. SHOULD FINANCING AUTHORITY BE GRANTED, IS WABASH VALLEY AMENABLE TO FILING REPORTS REGARDING TERMS OF THE PROPOSED FINANCING WITH THE COMMISSION AND THE OFFICE OF THE UTILITY CONSUMER COUNSELOR (OUCC)?

A21. Consistent with the commitment required of Wabash Valley in its last financing under Cause No. 45325, within thirty days of exercising any of the financing authority that Wabash Valley is seeking in this Cause, provided such authority is granted, Wabash Valley is agreeable to filing under this Cause, a written report to both the OUCC and the Commission including all the terms of the debt, which include: the amount of debt, maturity period, interest rate, premiums/discounts, and repayment terms.

Q22. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CAUSE?

A22. Yes.

VERIFICATION

I, Theresa Young, Chief Financial Officer of Wabash Valley Power Association, Inc.
d/b/a Wabash Valley Power Alliance, affirm under the penalties of perjury that the facts stated in
the foregoing testimony are true and correct to the best of my knowledge, information and belief.


Theresa Young