

FILED
May 19, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN POWER)
COMPANY (I&M) FOR APPROVAL OF (1) ISSUANCE TO I&M)
OF CERTIFICATES OF PUBLIC CONVENIENCE AND)
NECESSITY UNDER IND. CODE § 8-1-8.5-2 FOR THE)
ACQUISITION AND DEVELOPMENT THROUGH PURCHASE)
SALE AGREEMENTS (PSA) OF TWO SOLAR POWER)
GENERATING FACILITIES TO BE KNOWN AS LAKE)
TROUT, AND MAYAPPLE (CLEAN ENERGY PSA)
PROJECTS); (2) TO THE EXTENT NECESSARY, ISSUANCE)
OF AN ORDER PURSUANT TO IND. CODE § 8-1-2.5-5)
DECLINING TO EXERCISE JURISDICTION UNDER. IND.)
CODE § 8-1-8.5-5(e) (3) APPROVAL OF EACH PSA PROJECT)
AS A CLEAN ENERGY PROJECT UNDER IND. CODE § 8-1-8.8-)
11; (4) APPROVAL OF TWO SOLAR RENEWABLE ENERGY)
PURCHASE AGREEMENTS FOR PROJECTS TO BE KNOWN)
AS ELKHART COUNTY AND SCULPIN (CLEAN ENERGY)
PPA PROJECTS) AS CLEAN ENERGY PROJECTS UNDER)
IND. CODE § 8-1-8.8-11; (5) ASSOCIATED TIMELY COST)
RECOVERY UNDER IND. CODE § 8-1-8.8-11 FOR ALL PSA)
AND PPA PROJECTS; AND (6) OTHER ACCOUNTING AND)
RATEMAKING AUTHORITY.)

IURC
PUBLIC'S
EXHIBIT NO. 6-21-23
DATE REPORTER

CAUSE NO. 45868

OFFICIAL
EXHIBITS

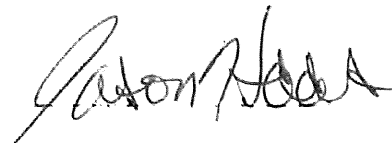
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

REDACTED PUBLIC'S EXHIBIT NO. 1

PUBLIC TESTIMONY OF OUCC WITNESS JOHN W. HANKS

MAY 19, 2023

Respectfully submitted,



T. Jason Haas

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Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS JOHN W. HANKS
CAUSE NO. 45868
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is John W. Hanks, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer
6 Counselor's ("OUCC") Electric Division. A summary of my educational
7 background and experience is included in Appendix A attached to my testimony.

8 **Q: What is the purpose of your testimony?**

9 A: My testimony introduces the other OUCC witnesses in this proceeding. I then
10 evaluate Indiana Michigan Power Company's ("I&M") request for the issuance of
11 Certificates of Public Convenience and Need ("CPCN") for two solar power
12 generating facilities, Lake Trout and Mayapple, acquired through purchase sale
13 agreements ("PSA"), approval of two solar renewable power purchase agreements
14 ("PPA") for the Elkhart County and Sculpin projects as Clean Energy Projects
15 under Ind. Code § 8-1-8.8-11, and associated cost recovery under Ind. Code § 8-1-
16 8.8-11 for all PSA and PPA Projects. I describe the OUCC's concerns regarding
17 project costs in relation to affordability. Then, I provide information regarding each
18 project's local approval process and status. I also address I&M's request for the

1 Commission to decline to exercise its jurisdiction over Indiana Code 8-1-8.5-5(e).
2 Next, I provide an analysis of the projects in relation to I&M's 2021 Integrated
3 Resource Plan ("IRP") and the 2022 Request for Proposals ("RFP"), in which these
4 projects were selected. I then introduce concerns related to capacity accreditation
5 for renewable generation in PJM. Ultimately, I recommend the Commission
6 approve the Petitioner's request for both purchase power agreements and the
7 request of the purchase sale agreement for the Mayapple solar project. However, I
8 recommend denial of the Lake Trout solar project PSA. As with any proposal for
9 new generation projects, affordability and reliability are critical factors the
10 Commission should consider. These considerations should be viewed not only with
11 regard to specific projects but also in light of the cumulative impact of all projects
12 in a utility's generation fleet.

13 **Q: Please describe the review and analysis you conducted in order to prepare**
14 **your testimony.**

15 A: I reviewed Petitioner's case-in-chief testimony and the workpapers of Witnesses
16 Gaul and Williamson. I also reviewed data requests sent by the OUCC and their
17 responses, and portions of the 2021 IRP. I also reviewed sections of PJM's technical
18 manuals 20 and 21A.

19 **Q: To the extent you do not address a specific item in your testimony, should it be**
20 **construed to mean you agree with Petitioner's proposals?**

21 A: No. My silence on any topics, issues, or items Petitioner proposes does not indicate
22 my approval of these topics, issues, or items. Rather, the scope of my testimony is
23 limited to the specific topics discussed herein.

24 **Q: Please describe the additional OUCC witnesses providing testimony in this**
25 **proceeding and the issues they are addressing.**

1 A: The other OUCC witness are:

- 2 • Brian Latham: Mr. Latham's testimony discusses I&M's proposed tax
3 treatment for its two PSA projects, the Lake Trout and Mayapple projects.
- 4 • Greg Krieger: Mr. Krieger's testimony presents his analysis of I&M's
5 process of developing its costs of the proposed PSAs, discusses
6 Interconnection Costs, ratepayer responsibility for certain costs associated
7 with the PSAs, and overall project portfolio affordability.
- 8 • Wes Blakley: Mr. Blakley's testimony analyzes and makes
9 recommendations regarding specific accounting and ratemaking treatment
10 proposals made by I&M.

II. AFFORDABILITY

11 **Q: Does the OUCC have concerns about the affordability of I&M's proposal?**

12 A: Yes. Through Indiana Code § 8-1-2-0.5, the Indiana General Assembly established
13 the state's policy recognizing utility service affordability for present and future
14 generations. It stated affordability should be protected when utilities invest in
15 infrastructure necessary for system operation and maintenance.¹

16 **Q: What are the residential impacts of the Clean Energy Projects?**

17 A: The Clean Energy Projects will lead to a 2027 annualized net revenue requirement
18 increase of approximately \$29.11 million.² Approximately \$13.76 million of the
19 revenue requirement will be allocated to residential customers. I&M states this is a

¹ I.C. § 8-1-2-.05

² Direct Testimony of Andrew Williamson, Attachment AJW-4.

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1 revenue requirement increase of 2.04%.³ I&M did not provide an average customer
2 bill impact per 1000 kWh.

3 **Q: How does the issue of affordability tie into I&M's request?**

4 A: In light of the Indiana General Assembly's stated policy, affordability should be a
5 constant consideration for all Indiana jurisdictional utilities, as well as the
6 Commission as it deliberates its decisions. While the total average ratepayer impact
7 of these projects may not be large in isolation, the overall cumulative effect of
8 constant upward pressure on rates should always be considered. The concern is
9 especially profound considering Indiana's focus on emerging energy policy,
10 reliability, and the current state of the economy.

III. LOCAL APPROVAL OF THE PROPOSED PROJECTS

11 **Q: Briefly discuss the applicable county ordinance requirements for each solar**
12 **project.**

13 A: Each solar project in this case is located in a county with a commercial solar
14 ordinance. These ordinances require such things as setbacks from property lines
15 and structures, obtaining certain county permits and agreements, and
16 decommissioning requirements.

A. Lake Trout Project, Blackford County

18 **Q: What are the zoning requirements for the Lake Trout Project in Blackford**
19 **County?**

20 A: The Blackford County Zoning Ordinance sets requirements for all commercial solar
21 projects located in the county. The owner and/or operator of the project must sign
22 an economic development agreement with the county. An improved location permit

³ *Id.*

1 must be obtained, which includes a revegetation plan, fire protection plan, drainage
2 plan, and erosion control plan. The ordinance establishes setbacks from the property
3 line and certain structures. Finally, the project must have a decommissioning
4 agreement with the county.⁴

5 **B. Mayapple Project, Pulaski County**

6 **Q: What are the ordinance requirements for the Mayapple Project in Pulaski**
7 **County?**

8 **A:** The Pulaski County Unified Development Ordinance requires all commercial solar
9 projects have a signed decommissioning plan that includes financial assurances. In
10 addition, the developer must complete an economic development agreement,
11 drainage agreement, and road use and maintenance agreement. The ordinance also
12 sets certain standards for building of the project such as setbacks, vegetation screens
13 from other properties, and groundcover requirements.⁵

14 **C. Sculpin Project, DeKalb County**

15 **Q: What are the requirements for the Sculpin Project in DeKalb County?**

16 **A:** The DeKalb County requires any commercial solar farm to file a development plan
17 that must include items such as an economic development plan, road use agreement,
18 and decommissioning and site restoration plan with a surety bond. The ordinance

⁴ Blackford County, Indiana Zoning Ordinance, Article 11 – Commercial Solar Energy Conversion System (CSECS), <https://www.blackfordcounty.com/s/Zoning-Ordinance-Revised-October-2021-ptkd.pdf>.

⁵ Pulaski County, Indiana Unified Development Ordinance, Section 7 – Wind Energy Convergence and Solar Energy Systems, <http://gov.pulaskionline.org/wp-content/uploads/sites/4/2022/02/PCUDO-2021-Corrected.pdf>.

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1 also sets certain standards for building of the project such as setbacks, vegetation
2 screens from other properties, and groundcover requirements.⁶

3 **D. Elkhart County Project, Elkhart County**

4 **Q: What are the ordinance requirements for the Elkhart County Project in**
5 **Elkhart County?**

6 **A:** The Elkhart County ordinance requires a commercial solar developer to seek
7 approval to re-zone the area of the project as an Alternative Energy Use. The county
8 commissioners may require as part of the re-zoning for the developer to submit
9 certain plans and agreements including a decommissioning and restoration plan.
10 There is a signed decommission agreement with the county for the Elkhart County
11 Project.⁷

12 **Q: Are you aware of any difficulties the project developers have had with getting**
13 **local approval?**

14 **A:** Yes. The Sculpin Project was denied a tax abatement by the DeKalb County
15 Council. According to the developer, this decision will affect the project budget
16 and as a result, the project "will not be competing on a level playing field as
17 between the other solar projects that we have in our portfolio across the state."⁸

18 **IV. DECLINATION OF JURISDICTION**

19 **Q: Does the Petition in this cause include a request relating to the Commission's**
20 **jurisdiction?**

⁶ DeKalb County Unified Development Ordinance, Section 3.09 – Commercial Solar Energy Systems Overlay District, <https://www.co.dekalb.in.us/egov/apps/document/center.egov?view=item&id=686>

⁷ IURC Cause No. 45837, Direct Testimony of Sean Flannery, p. 8, line 16.

⁸ "Council votes 'no' on initial step in solar tax abatement request, The Star, Muncie, Indiana, March 14, 2023, https://www.kpcnews.com/thestar/article_5a8c7d13-5e32-53c2-8b2a-51ce9929de35.html, included as Attachment JWH-1.

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1 A: Yes. Ind. Code § 8-1-8.5-5(e) includes provisions relating to procuring competitive
2 factors, including that the Commission must find that estimated costs associated
3 with proposed projects are the result of competitively bid engineering,
4 procurement, or construction contracts. As an alternative, I&M requests the
5 Commission decline jurisdiction under this section.⁹ However, in its testimony
6 supporting its case-in-chief, Petitioner does not support or even mention the reasons
7 the Commission should decline jurisdiction. Therefore, this request should be
8 denied. Further, I.C. 8-1-8.5-5(e) is a required finding the Commission, not the
9 utility, must make to issue a CPCN for new generation. OUCC Witness Greg
10 Krieger addresses whether the bids were competitively procured.

V. CAPACITY REQUIREMENT AND PJM

11 **Q: Why are the Clean Energy Projects in this cause being proposed at this time?**

12 A: I&M requires new capacity due to the planned retirements of Rockport Units 1 and
13 2 by the end of 2028. I&M Witness David Lucas writes: "These coal-fired resources
14 represent nearly one-half of the Company's generation fleet and the retirement of
15 these units provides a significant opportunity for I&M to transition to more
16 renewable resources, further diversify I&M's generation portfolio, and reduce its
17 carbon emissions."¹⁰

18 **Q: How much capacity is required to replace Rockport Units 1 and 2?**

19 A: Together, as of December 2020, when I&M's most recent IRP was developed,
20 Rockport Units 1 and 2 provided 2,132 MW of PJM unforced capacity ("UCAP").¹¹

⁹ Petition, paragraph 21.

¹⁰ Direct Testimony of David Lucas, p. 5, lines 19-23.

¹¹ Direct Testimony of Mark Becker, Attachment MAB-1, p. 59.

CONFIDENTIAL INFORMATION IS HIGHLIGHTED IN [REDACTED]

I&M assumes Rockport Unit 1 will operate through 2028, while Unit 2 will be used a capacity only resource through May 31, 2024, after which it will transition to a merchant resource in the PJM wholesale market until retirement.¹² Following the planning year 2023-2024, I&M's capacity shortfall is greater than 300 MW as Rockport Unit 2 will no longer be a capacity resource.¹³ Once Rockport Unit 1 retires in 2028, the capacity shortfall increases to approximately 1,500 MW.¹⁴

Q: How is capacity accredited to PJM members?

A: The accredited UCAP for a resource is described within Attachment BT-1 of Mr. Bartley Teberner's testimony: "Calculation of an accredited UCAP for the facility is the product of the effective nameplate capacity ("ICAP"), the applicable effective Load Carrying Capability ("ELCC") class rating, and the ELCC performance adjustment. The ELCC rating and performance vary by year."¹⁵ This can be represented by the simple equation:

$$ICAP * ELCC \text{ class rating} * ELCC \text{ performance adjustment} = \text{accredited UCAP}$$

The ELCC class rating is publicly released by PJM in advance of auctions for a particular planning year. The ELCC performance adjustment is not publicly available and reflects the performance of a particular generating unit relative to the class of all units that are the same resource type.¹⁶

Q: How much accredited capacity is Petitioner expecting from the projects in this cause?

¹² Lucas Direct, p. 5, lines 11-15.

¹³ Becker Direct, p. 7, lines 20-22.

¹⁴ *Id.*, p. 7, lines 22-23.

¹⁵ Direct Testimony of Bartley Taberner, Attachment BT-1, page 2 of 2.

¹⁶ PJM Manual 21A, pp. 14-15.

1 A: A table with the accredited capacity for the first year of the four solar projects¹⁷ and
2 when the project is expected to be operational¹⁸ is provided below.

Project Name	Accredited UCAP	Date of Operation
Lake Trout	125 MW	End of April, 2026
Mayapple	113 MW	End of May, 2026
Elkhart County	51 MW	End of December, 2025
Sculpin	92 MW	End of December, 2025
Total:	381 MW	

3 This corresponds to an ELCC class rating of 51% for the first year that the projects
4 are in operation.

5 **Q: Is the ELCC class rating of solar projects expected to decline?**

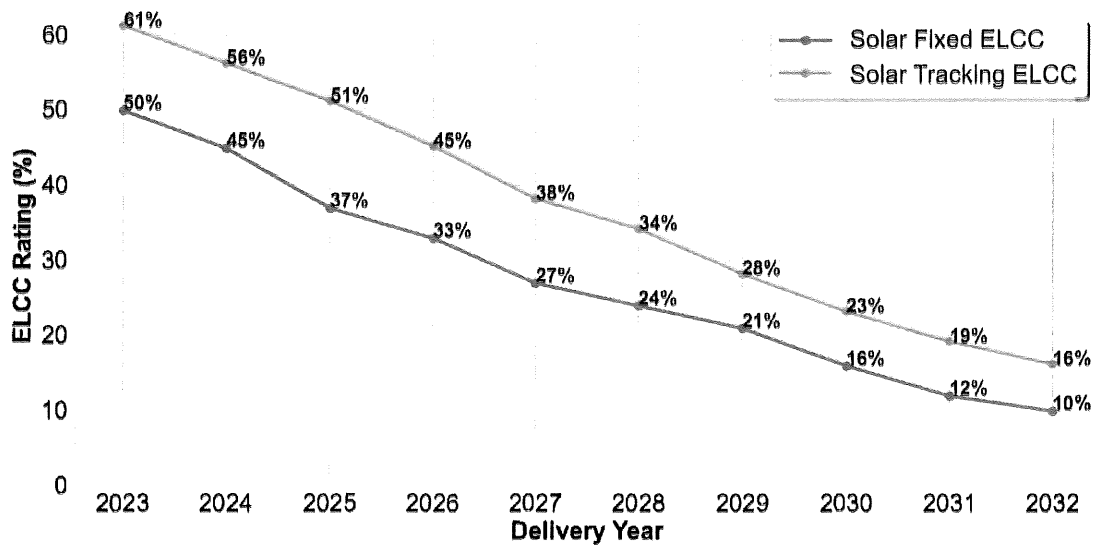
6 A: Yes. As more renewables are added to the electric grid, the accredited capacity for
7 solar and wind projects is expected to decline. In January 2023, PJM released a
8 report with the ELCC class ratings of intermittent resources and battery storage.
9 When describing fixed and tracking solar panels, the report indicates “[the] ratings
10 for both classes exhibit a steep decline as the penetration level of each class
11 increases.”¹⁹ A graph illustrating this trend taken from the report is reproduced
12 below:

¹⁷ Taberner Direct, Attachments BT-1 and BT-2.

¹⁸ Lucas Direct, p. 7, line 19 to p. 8, line 19.

¹⁹ “December 2022 Effective Load Carrying Capability (ELCC) Report,” P. 7, 6 Jan. 2023,
<https://www.pjm.com/-/media/planning/res-adeq/elcc/elcc-report-december-2022.ashx>

Figure 3 2023-2032 ELCC Class Ratings for Solar Fixed Panel & Solar Tracking Panel



This shows that for each year, PJM forecasts reductions in the amount of capacity for solar generation facilities that counts toward PJM's Planning Reserve Margin requirement.

Q: How much capacity would the Clean Energy Projects provide when Rockport Unit 1 retires in 2028?

A: Using an ELCC class rating of 34% for Solar tracking panels in 2028, the following Table provides estimates of each project's accredited capacity.

<u>Project Name</u>	<u>Accredited Capacity (approximate)</u>
Lake Trout	83 MW
Mayapple	76 MW
Elkhart County	34 MW
Sculpin	61 MW
<u>Total:</u>	254 MW

CONFIDENTIAL INFORMATION IS HIGHLIGHTED IN [REDACTED]

1 This represents an approximately 33% decrease of accredited capacity provided by
2 the Clean Energy Projects from their first year of operation to when Rockport Unit
3 1 retires.

4 **Q: Does a rapid and dramatic shift in a generation portfolio raise concerns about**
5 **reliability and other matters?**

6 A: Yes. Based on its IRP, I&M is moving from only 35 MW of solar generation to
7 more than 1,500 MW of solar generation in a short time frame of five years due to
8 the retirement of Rockport Units 1 and 2.²⁰ Solar generation is most effective in the
9 summer, meaning a portfolio with a large amount of solar runs the risk of not
10 meeting winter peaks, forcing the utility to rely on market purchases. Such risks
11 can be mitigated with intermittent resources like wind, which has a higher capacity
12 in the winter.²¹ But as discussed below, there may be challenges in acquiring the
13 amount of wind generation targeted in the IRP.

14 In addition, there is uncertainty about how PJM will change its capacity
15 accreditation standards. On February 24, 2023, the PJM Board of Managers
16 initiated a Critical Issue Fast Path stakeholder process to address resource
17 adequacy. These discussions are not publicly available, and the outcome is
18 unknown until the PJM Board submits a filing with the Federal Energy Regulatory
19 Commission. This filing is expected by October 1, 2023. However, if PJM moves
20 closer to a seasonal capacity construct, solar projects will have less accredited

²⁰ 745 MW of solar generation presented in this proceeding plus approximately 850 MW sought in the 2023 I&M All-Source RFP issued on March 31, 2023, *see* <https://imallsourcerfp.com/>.

²¹ "December 2022 Effective Load Carrying Capability (ELCC) Report." PJM.Com, 6 Jan. 2023, www.pjminterconnection.com/-/media/planning/res-adeq/elcc/elcc-report-december-2022.ashx.

1 capacity during winter. This raises the risk that I&M will not meet its capacity
2 reserve requirements for winter and will be forced to rely on spot purchases.

VI. 2021 INTEGRATED RESOURCE PLAN (IRP)

3 **Q: What short term actions were identified in I&M most recent IRP?**

4 A: In part, the IRP included the following activities for I&M's Short-Term Action
5 Plan²²:

- 6 • Issue an All-Source RFP in the first quarter of 2022 to seek resources to
7 satisfy the 2025 and 2026 needs (in service by the end of 2024 and 2025),
8 which the preferred portfolio identified as 800 MW of wind and 500 MW
9 of solar.
- 10 • Issue an All-Source RFP in 2023 and 2024 to satisfy identified needs,
11 targeting 2027 and 2028 renewables, storage, and gas additions (in-service
12 by the end of 2026 and 2027), totaling 800 MW of solar, 60 MW of storage
13 as a hybrid resource, and 1,000 MW of gas peaking.

14 The MWs described above reflect installed capacity ("ICAP").

15 **Q: What has I&M done to meet its Short-Term Action Plan?**

16 A: The projects presented in this proceeding are the result of the 2022 RFP process.²³
17 On March 31, I&M released another All Source RFP for 2023 for additional
18 capacity resource needs through 2028, including approximately 800 MW wind and
19 850 MW solar.²⁴

20 **Q: How does the IRP's next actions relate to the Petition in this cause?**

²² Direct Testimony of Mark Becker, Attachment MAB-1, p. 156.

²³ Direct Testimony of Timothy Gaul, p. 5, l. 9 to p. 6, l. 7.

²⁴ <https://imallsourcerfp.com/>.

1 A: Petitioner is requesting approval of four projects whose ICAP totals approximately
2 750 MW of solar generation, 250 more MW than identified in the IRP's Short-Term
3 Action Plan for the 2022 All-Source RFP. This increase in the amount of solar
4 generation requested is due to no wind capacity making it to the short-list within
5 the RFP process. Petitioner witness Mark Becker addresses the substitution of solar
6 for wind in this proceeding, writing: "The additional 250 MW of Clean Energy
7 Project solar capacity added by 2026, when compared to the Preferred Portfolio,
8 will have an initial PJM capacity value of approximately 100 MW when it comes
9 on-line."²⁵ However, renewable capacity resources are not interchangeable when
10 planning for resource adequacy, as solar is most effective in summer and wind in
11 winter. In part due to these considerations, PJM is considering changes to how it
12 accredits capacity to reflect performance differences of resources across the year,
13 discussed below.

14 **Q: Has Petitioner had difficulty acquiring wind generation?**

15 A: Yes. [REDACTED]
16 [REDACTED]
17 [REDACTED].²⁶ While
18 describing the responses I&M received from the 2022 RFP, Petitioner witness
19 David Lucas writes that "[t]he responses for wind projects were less than the
20 amount originally targeted in the RFP, notwithstanding I&M's efforts to reach a
21 broader set of wind resources in neighboring states in Midcontinent Independent

²⁵ Becker Direct, p. 14, l. 25 to p. 15, l. 2.

²⁶ Gaul Direct, Attachment, TBG-2.

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1 System Operator, Inc.”²⁷ Within the next step action plan in the IRP, referred to
2 above, I&M did not include wind capacity in the RFPs for 2023-2024.²⁸ However,
3 in the RFP issued on March 31, 2023, proposals for 800 MW of wind generation
4 are solicited. This indicates the ongoing challenge of acquiring wind resources
5 identified in the preferred portfolio selected by the IRP.

6 **Q: Is the proposal in this Cause consistent with the IRP?**

7 **A:** The proposal is not consistent with the Short-Term Action Plan. As stated above,
8 the Short-Term Action Plan identified the issuance of the 2022 RFP seeking 800
9 MW of wind and 500 MW of solar generation. In contrast, this proceeding includes
10 approximately 750 MW of solar and no wind. The next step in the Short-Term
11 Action Plan is the issuance of the 2023 RFP seeking 800 MW of solar, 60 MW of
12 storage as a hybrid resource, and 1,000 MW of gas peaking.²⁹ Based on this
13 inconsistency, along with the other reasons in my testimony and that of the other
14 OUC witnesses, the OUC recommends the Commission deny approval of the
15 Lake Trout project.

16 **Q: How does the estimated levelized cost of energy (“LCOE”) of projects**
17 **presented in this Cause compare to assumptions within I&M’s most recent**
18 **IRP?**

19 **A:** The IRP estimates the price of solar resources to be approximately \$80/MWh.³⁰

20 The following is a chart with the LCOE of the Clean Energy projects in MWh,
21 along with the percentage difference from the estimated price³¹:

²⁷ Lucas Direct, p. 13, lines 9-13.

²⁸ Becker Direct, Attachment MAB-1, p. 156.

²⁹ *Id.*

³⁰ Becker Direct, p. 15, lines 25-28.

³¹ *Id.*, p. 16, Figure MAB-4.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

1 [REDACTED]
2 [REDACTED] OUCC witness Greg Krieger discusses additional concerns with the
3 Lake Trout project.

4 **Q: What is your understanding of the IRP process?**

5 A: The submission of an IRP is not a formally docketed proceeding; the Commission
6 does not approve a utility's IRP. Rather, the Director of the Commission's Research
7 Policy & Planning Division issues a report on the IRP. After the IRP process,
8 specific utility requests are then compared with the needs and solutions identified
9 in the IRP for meeting the utility's generation, reliability, and reserve capacity
10 obligations.

11 **Q: How much of I&M's generation will rely on renewable resources under the**
12 **utility's current projection?**

13 A: I&M is proposing approximately 750 MW of solar generation in this proceeding.
14 Under the RFP issued on March 31, 2023, I&M will seek to obtain another 850
15 MW of solar generation in addition to solar resources requested in this Cause. Five
16 years is a very short time frame for I&M to shift from solar representing a negligible
17 amount to almost a third of its total generation capacity. As explained above, there

CONFIDENTIAL INFORMATION IS HIGHLIGHTED IN [REDACTED]

1 are significant reliability risks with having such a large percentage of renewable
2 generation.

3 **Q: What does the OUCC recommend for the proposed PPAs and PSA projects in**
4 **this Cause?**

5 **A:** When all factors are considered, the OUCC supports a measured approach to I&M's
6 acquisition of solar energy resources that is consistent with its 2021 IRP's Short
7 Term Action Plan. Accordingly, I recommend approval of the Sculpin Solar PPA,
8 Elkhart County Solar PPA, and the Mayapple PSA Project. However, the Lake
9 Trout PSA should be denied due to [REDACTED], inconsistency with the IRP, and other
10 project issues Mr. Krieger highlights in his testimony. The comparison of the
11 LCOEs of the PPA and PSA projects to the LCOE of solar I&M modeled in its IRP
12 is an important consideration. If costs of solar have significantly increased from
13 those modeled in the 2021 IRP, the IRP may have selected other competitive
14 resource options that are more efficient for meeting customer's reliability needs.
15 The LCOEs of the Sculpin Solar and Elkhart County Solar PPAs are [REDACTED]
16 [REDACTED]
17 [REDACTED]. While the Mayapple PSA's
18 [REDACTED], the OUCC finds it is
19 reasonable within the overall context of the proposal. The PPAs together with
20 Mayapple's addition provides I&M with the approximately 500 MW of solar
21 resources identified in its 2021 IRP Short Term Action Plan. Mayapple would also
22 provide I&M with the experience of managing a larger utility scale solar project
23 than its current owned solar resources. [REDACTED]
24 [REDACTED]

CONFIDENTIAL INFORMATION IS HIGHLIGHTED IN [REDACTED]

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VII. OUCC RECOMMENDATIONS

4 **Q: Please summarize the OUCC's recommendations to the Commission in this**
5 **cause.**

6 **A: Based on my testimony and the testimony of the OUCC's additional witnesses, the**
7 **OUCC recommends the following:**

8 1. The Commission should approve Petitioner's request for both PPA projects and the
9 Mayapple project.

10 2. The Lake Trout project should not be approved based on the [REDACTED] and
11 other concerns expressed by OUCC witness Greg Krieger.

12 3. Denial of [REDACTED]
13 [REDACTED] which is discussed by OUCC Witness Greg Krieger.

14 4. Denial of any project costs in PSAs or PPAs related to The Uyghur Forced Labor
15 Prevention Act (UFLPA) of 2021 and Section 307 of the Tariff Act of 1930.

16 5. As explained by OUCC witness Brian Latham, the PTC should be credited to
17 ratepayers over eleven years instead of the twenty-year period proposed by I&M.

18 6. Both I&M and AEP's taxable income should be considered when valuing PTC
19 amounts. If either I&M or AEP has taxable income at a level that allows full
20 recovery of the PTCs, ratepayers should receive the full value of the PTCs. This
21 eliminates the possibility that Indiana ratepayers do not receive full credit because
22 operations outside Indiana are not profitable for AEP.

1 7. The estimated PTC should be returned to ratepayers each year with any over or
2 under recovery netted against the following year's estimated recovery. Year Eleven
3 would be the final reconciling year that would materially make both Petitioner and
4 ratepayers whole.

5 8. If approved, the SPR tracker should only track the return "on" plant investment of
6 I&M's solar power projects and no other rate base elements such as materials and
7 supplies and working capital, as discussed in the testimony of OUCC witness Wes
8 Blakley.

9 9. The calculation of return "on" and return "of" should be on the actual incurred costs
10 of the solar power project investments and not the average costs of the investment.

11 10. Pre-tax gross-ups should not be included in carrying charges that are applied to
12 deferred regulatory assets because there is no income tax on the deferred costs until
13 those costs are included in rates.

14 11. I&M should not include any forecasted or estimated non-cash expensed asset
15 retirement obligation ("ARO") costs that reside on its balance sheet in its SPR
16 tracker. The proper ratemaking treatment for ARO decommissioning cost estimates
17 is to be included in I&M depreciation rates and net salvage calculations along with
18 all the other existing asset decommissioning costs, and at the time of retirement of
19 the assets, the actual removal costs incurred be charged to accumulated
20 depreciation.

21 **Q: Does this conclude your testimony?**

22 **A: Yes.**

APPENDIX A
QUALIFICATIONS OF JOHN W. HANKS

1 **Q: Please describe your background and experience.**

2 A: I graduated from Indiana University-Purdue University Indianapolis with a
3 Bachelor of Arts in Quantitative Economics, with minors in math and philosophy.
4 I began my career with the OUCC in 2022 as a Utility Analyst II, focusing on
5 economics and finance in the Electric Division. In the summer of 2022, I attended
6 the Institute of Public Utilities' Annual Program on Regulatory Fundamentals. In
7 fall of 2022, I participated in the Indiana Energy Conference organized by Indiana
8 Industrial Energy Consumers. In March of 2023, I completed a 12-week course
9 with Scott Hempling about Regulating Utility Performance.

10 **Q: Have you previously filed testimony in other Commission proceedings?**

11 A: Yes.

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https://www.kpcnews.com/thestar/article_5a8c7d13-5e32-53c2-8b2a-51ce9929de35.html

BREAKING

FEATURED

Council votes 'no' on initial step in solar tax abatement request

By KATHRYN BASSETT kbassett@kpcmedia.com

Mar 14, 2023



AUBURN — The DeKalb County Council Tuesday “pretty much put ... to bed” the question of whether a tax abatement request from solar company Sculpin Solar LLC will be considered.

The council voted against moving forward with an initial step that must have been taken before a tax abatement request from the solar company could be considered.

Sculpín Solar has submitted an application for tax phase-in on a project they hope to develop in DeKalb County.

However, before a tax abatement request can be considered by the council, the site must be declared an economic revitalization area. The first step would be for the council to request its attorney, Donald Stuckey, to create a declaratory ERA resolution for its consideration.

The council delayed a decision on the initial step at its December meeting.

The issue came back for consideration at January’s council meeting but stalled due to a lack of a second on the motion to move forward with a vote.

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During Tuesday's county council meeting, Council President Rick Ring said that as the matter did not get voted on in January, he would like to see a motion and a second on requesting Stuckey to create a declaratory Economic Revitalization Area resolution so it could be discussed, followed by a roll call vote.

Councilwoman Amy Demske made a motion "for discussion purposes" and Councilman William VanWye seconded the motion to allow for discussion "so we can end this one way or move on."

The council voted against having Stuckey draw up a resolution by a vote of 5-1. Demske voted in favor of the motion, but again clarified it was to keep the issue on the table and to allow the council to continue to weigh its options.

Sculpin's proposed project would be located on 1,800 acres in Stafford and Wilmington townships, according to a project introduction.

In its tax abatement application, Sculpin said the estimated project cost, not including land acquisition, is \$192 million.

Project developer Sarah Massara spoke on behalf of the Sculpin project during Tuesday's meeting, asking the council to instruct Stuckey to draft a resolution.

She asked the council to realize the project is a significant investment in the county and said Sculpin has not been given a full opportunity to be heard by the full council.

Massara also faced questions on whether Sculpin still would bring its project to DeKalb County if it did not receive a tax abatement.

"Solar has said at two public meetings that they are coming to our county, regardless," said audience member Jessica Shull.

Council member and tax abatement committee member Dave Yarde noted that when asked at the beginning of the process whether Sculpin still would come to the county without receiving a tax abatement, company representatives, including Massara, "pretty much did not hesitate in saying 'yes,'" Yarde said.

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“My concern now is, now we are into this, now there are qualifying statements here with this where two meetings there wasn’t there,” he said.

“During the tax abatement committee meetings — Sculpin Solar had two — the committee posed the question, ‘Will Sculpin Solar proceed with this project if not granted an abatement?’ And I believe part of that question was driven by the scoring form that the tax abatement committee uses, kind of requires that yes, no, binary answer, so they can proceed with the scoring process of our tax abatement application,” Massara said.

“During the meeting and in a brief discussion, we communicated that while it was possible that the project proceeds without a granted abatement. It’s not a decision we can firmly stand here today and say, ‘Yes, we’re coming if we’re not granted an abatement,’ but ultimately the committee needed a ‘Yes,’ ‘No,’ right? So because it’s not an absolute ‘No,’ we thought that the best and most transparent thing to say was ‘Yes.’”

“But I’d like to add a bit more context and clarity as to why we answered that way,” Massara added.

“If we’re not granted a tax abatement, (parent company) EDF Renewables will have to balance this impact to the project across our regional portfolio in the state of Indiana. To date, no solar project of EDF Renewables has not been granted an abatement. So if Sculpin Solar does not receive this abatement, it will not be competing on a level playing field as between the other solar projects that we have in our portfolio across the state.”

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“If not granted a tax abatement, we’ll have to seriously consider the viability of our investment and our ability to be able to proceed with this project,” Massara said.

“Again, I can’t stand here today and give you a binary ‘yes’ ‘no’ because it’s not a simple answer and it does impact our project economics.”

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Massara said despite any future granted tax abatement, the reassessment of the land at the higher solar base rate is between six and seven times the current land assessment.

“The project pays these non-abatable taxes at that higher six- to seven-times assessed value beginning on day one of the project’s operations through the life of the project,” she added.

Also during Tuesday’s meeting, the council heard information on tax increment financing and the possibility of creating a TIF area where solar developments will be.

TIF is used to fund economic development and investment in infrastructure by “capturing” future increased tax dollars that are generated due to the development. Creation of a TIF district starts with the redevelopment commission, the council heard.

“I believe that even if we don’t give a tax abatement, then the road use agreement, the decommissioning agreement, and the economic development agreement will still happen,” Ring said.

“I think we pretty much put this one to bed,” Ring said after the vote.

“I think our part in this is done.”

Councilwoman Amy Prosser noted the issue has brought forth a lot of emotion.

“I’ve been very disappointed in some of our elected officials, some of our staff, who have sent across inappropriate emails, who today I watched in the meeting roll their eyes, shake their head, make negative comments about people from our community who we represent.

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“Hopefully as we go forward, we won’t have to deal with those issues any more,” she said. “I expect better from elected officials. I expect better from people who work here at the county government. And yeah, I hope we do better.”

“My no vote does not at all indicate how I feel about tax abatement. I still feel that tax abatement is a very important tool that this council can have,” Ring said.

“Personally, I’m glad this one is past us because it caused too much controversy.”

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KATHRYN BASSETT

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in black ink, appearing to read "John W. Hanks", is written over a horizontal line.

John W. Hanks
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45868
Indiana Michigan Power Co.

May 19, 2023
Date

CERTIFICATE OF SERVICE

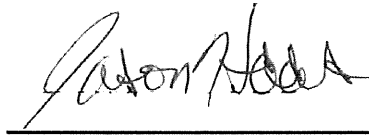
This is to certify that a copy of the *OUCC's Testimony Public's Exhibit No. 1 John W. Hanks* has been served upon the following parties of record in the captioned proceeding by electronic service on May 19, 2023.

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