ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA ("AES INDIANA") FOR (1) ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ACQUISITION OF HOOSIER WIND ("HOOSIER WIND PROJECT"); (2) APPROVAL OF THE HOOSIER WIND PROJECT AS A CLEAN ENERGY PROJECT AND ASSOCIATED ACCOUNTING AND RATEMAKING, INCLUDING TIMELY COST RECOVERY UNDER IND. CODE § 8-1-8.8-11.	)	**CAUSE NO. 45931** **APPROVED: JAN 24 2024**

ORDER OF THE COMMISSION

Presiding Officers:
Wesley R. Bennett, Commissioner
Ann Pagonis, Administrative Law Judge

On August 4, 2023, Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana" or "Petitioner") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission") initiating this Cause. Also on August 4, 2023, AES Indiana filed its prepared testimony and exhibits constituting its case-in-chief, as well as supporting workpapers of:

- G. Aaron Cooper, Chief Commercial Officer, AES US Utilities;
- Danielle S. Powers, Executive Vice President with Concentric Energy Advisors, Inc.; and
- Patrick J. Donlon, Director, AES US Director of Regulatory Accounting.

By docket entry dated August 10, 2023, the Presiding Officers requested AES Indiana to provide certain information, which AES Indiana complied with on August 14, 2023.

On September 29, 2023, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony of Wes R. Blakley, a Utility Analyst in the OUCC's Electric Division.

On October 11, 2023, Petitioner filed the rebuttal testimony and attachments of Mr. Cooper, Ms. Powers, and Mr. Donlon.

By docket entry dated October 24, 2023, the Presiding Officers requested AES Indiana to provide certain information, which AES Indiana complied with on October 25, 2023.

The Commission held an Evidentiary Hearing at 1:30 p.m. on October 31, 2023, in Hearing Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. AES Indiana and the OUCC participated in the Evidentiary Hearing by counsel. The testimony and exhibits of Petitioner and the OUCC were admitted without objection.

Based on the applicable law and the evidence presented, the Commission now finds:

1. **Commission Jurisdiction and Notice.** Notice of the hearing in this Cause was given and published by the Commission as required by law. AES Indiana is a public utility as that term is defined in Ind. Code §§ 8-1-2-1 and 8-1-8.5-1. AES Indiana is an "eligible business" as that term is defined in Ind. Code § 8-1-8.8-6. Under Ind. Code ch. 8-1-8.5, the Commission has the authority to issue a certificate of public convenience and necessity ("CPCN") for the purchase of an electric generation facility. The Commission also has the authority to approve financial incentives, including timely cost recovery, for clean energy projects under Ind. Code ch. 8-1-8.8. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** AES Indiana is a corporation organized and existing under the laws of the State of Indiana, with its principal office at One Monument Circle, Indianapolis, Indiana. AES Indiana renders electric public utility service in the State of Indiana and owns and operates plant and equipment within the State of Indiana used for the production, transmission, delivery, and furnishing of such service to the public.

3. **Background.** Hoosier Wind Project ("Project") is a 106 MW project located in Benton County, Indiana. The Project was developed and constructed by EDF Renewables Asset Holdings, Inc. ("EDFR") and reached commercial operation in 2009. AES Indiana has a Power Purchase Agreement ("PPA") with EDFR for the output of the Hoosier Wind Project, including associated accredited capacity and renewable energy credits ("Hoosier Wind PPA"). The PPA is set to expire in 2029. By order dated October 1, 2008, in Cause No. 43485, the Commission approved the 20-year PPA between AES Indiana and Hoosier Wind Project, LLC as a Clean Energy Project and authorized associated timely cost recovery through the full term of the PPA in accordance with Ind. Code § 8-1-2-42(a) and ch. 8-1-8.8. The Commission declined to exercise jurisdiction over Hoosier Wind Project by order dated October 1, 2008 in Cause No. 43484.

4. **Relief Requested.** AES Indiana proposes to acquire the Hoosier Wind Project prior to the expiration of the Hoosier Wind PPA. AES Indiana contends doing so is economically beneficial for AES Indiana customers and requests the Commission issue a CPCN for the acquisition of the Hoosier Wind Project, approve the Project as a "Clean Energy Project" and authorize associated accounting and ratemaking relief as further described below.

5. **Statutory Framework.** Ind. Code § 8-1-8.5-5 sets forth the conditions for receiving a CPCN. Ind. Code § 8-1-8.8-2 concerns the development of "Clean Energy Projects", including renewable energy projects. Per Ind. Code § 8-1-8.8-10, the definition of "renewable energy resource" includes energy from wind. Pursuant to Ind. Code § 8-1-8.8-11, a Clean Energy Project that is determined to be just and reasonable is eligible for Commission-approved financial incentives, including timely recovery of costs. Ind. Code § 8-1-2-42(a) also authorizes rate adjustment mechanisms for the recovery of costs incurred in the provision of retail service. House Enrolled Act 1007 sets forth five attributes (also referred to as "pillars") the Commission will also consider in deciding whether to issue a CPCN. Ind. Code § 8-1-8.5-4(b)(4).

6. Petitioner's Case-in-Chief. Mr. Cooper described the Hoosier Wind Project and the relief sought by AES Indiana in this proceeding. Mr. Cooper also explained the Project qualifies as a "Clean Energy Project" under Ind. Code § 8-1-8.8-2. He described the operational history of Hoosier Wind Project, discussed the economic analysis of the Project conducted by AES Indiana regarding the acquisition, discussed the terms of the Membership Interests Purchase and Sale Agreement and explained how AES Indiana will manage the Project.

Mr. Cooper testified that the current PPA energy rate is above market and is subject to annual escalation. Mr. Cooper testified that terminating the PPA and owning and operating the asset would result in immediate savings to AES Indiana's customers – a $22.2 million reduction for AES Indiana customers through the original PPA term in 2029 and $19 million through the operational term (2039), as calculated in the Present Value Revenue Requirement ("PVRR") analysis. He said the acquisition of the Hoosier Wind Project by AES Indiana aligns with and reinforces AES Indiana's de-carbonization efforts consistent with its 2022 Integrated Resource Plan ("IRP"). He said the acquisition also creates the option for AES Indiana to repower the site at the end of the Project's life in 2039, although no option value for a repowering project was included in the purchase price or the PVRR analysis. He described the benefits of the existing interconnection and explained the residual value and avoided development and interconnection costs embedded in the site, substation, and the interconnection agreement are valued in the PVRR analysis.

Mr. Cooper testified that the Project acquisition is consistent with AES Indiana's 2022 IRP. He said the 2022 IRP includes the Hoosier Wind Project as an existing resource and assumes Hoosier Wind, or a similar resource, would be part of AES Indiana's resource portfolio beyond the current PPA period and through the IRP planning horizon. He testified that the 2022 IRP also identified a need for capacity in the winter season when solar resources may not be as effective and explained that considering the seasonal construct of the regional transmission operator, Midcontinent Independent System Operator ("MISO"), wind resources provide winter capacity. Mr. Cooper added that as evidenced in the recent MISO queues and responses to AES Indiana's 2022 All-Source Request for Proposals ("2022 All-Source RFP"), new wind resources located in Indiana are not abundant. He said having wind in the AES Indiana portfolio also maintains diversity of resources and added that AES Indiana evaluated the acquisition against continuing the PPA through its term and the PVRR analysis shows that owning the Hoosier Wind Project is a lower cost for customers than extending the PPA or entering into a similar PPA through the 2039 period.

Mr. Cooper testified that AES Indiana has the requisite managerial, operational, and financial ability to operate the Hoosier Wind Project, adding that AES Corporation owns and operates wind resources, including in the United States, and will be able to leverage its experience and expertise to inform AES Indiana in optimizing its operation.

Mr. Cooper presented the best estimate of the cost of the Hoosier Wind Project, explained how the confidential cost estimate was developed and discussed each component of the cost estimate. He explained AES Indiana considered resource alternatives and testified that the proposed Project and associated requests for relief are consistent with Indiana energy policy and reasonably consider each of the Five Pillars of electric utility service enumerated in Ind. Code § 8-1-2-0.6, namely: reliability, affordability; resiliency, stability; and environmental sustainability.

Mr. Cooper also explained how the Project acquisition benefits customers and why Commission approval of the Project serves the public convenience and necessity. Mr. Cooper concluded it is AES Indiana's judgment that the acquisition of the Hoosier Wind Project is a reasonable, least cost choice as compared to continuing the Hoosier Wind PPA, and he requested the Commission approve the relief sought by AES Indiana.

Ms. Powers explained the economic model used to assess the cost associated with continuing to purchase the output from the Facility under the Hoosier Wind PPA until the end of the contract term, compared to the cost of purchasing the Facility and continuing to operate it. She said the economic model compared the PVRR for the Hoosier Wind PPA versus the purchase of the Facility. Ms. Powers described the evaluation framework, inputs, and assumptions, and explained that a comparative analysis utilizing a PVRR measure is a reasonable way to estimate the relative costs or benefits of the two options.

Ms. Powers concluded that the Hoosier Wind PPA represents a higher cost to customers in the near term than the proposed acquisition (*i.e.*, the current PPA is more expensive than the depreciation, return, and fixed operating expenses of the acquisition on a year over year basis, through 2029) and said the PPA is more expensive on an overall PVRR basis through October of 2039, as compared to the acquisition. Ms. Powers testified that the PPA is also more expensive than a comparable wind proposal made in response to AES Indiana's 2022 All-Source RFP. She said the acquisition reasonably benefits customers on an economic basis and added that the acquisition provides renewable wind generation for AES Indiana customers for a longer time horizon (*i.e.*, 2039 vs. 2029).

Mr. Donlon presented the proposed accounting and ratemaking treatment for the acquisition of the Hoosier Wind Project, including timely cost recovery via AES Indiana's annual Environmental Compliance Cost Recovery Adjustment ("ECR") proceedings. Mr. Donlon said AES Indiana seeks recovery of the eligible revenue requirement amounts associated with the Hoosier Wind Project in the ECR, including costs associated with: (a) Purchase price; (b) Acquisition costs; (c) Depreciation expense; (d) On-going operation and maintenance ("O&M") expense; (e) Rate of Return; (f) Reconciliation of Revenue; (g) Carrying Costs; (h) Applicable taxes; and (i) Deferral of uncollected O&M costs, depreciation expense, and carrying costs. He said AES Indiana will include these costs in the ECR until they are included in future AES Indiana base rate cases.

Mr. Donlon testified at or about that same time that AES Indiana will purchase the Hoosier Wind Project, the separate corporate structure will be collapsed, and AES Indiana will then own the generating facility directly. He said the costs associated with the Hoosier Wind Project include the purchase price and additional acquisition costs related to the purchase and the approved rate of return on the investment. He said AES Indiana will record the original cost of the project less the project life to date accumulated depreciation in Federal Energy Regulatory Commission ("FERC") Account 101, and the remaining difference of the purchase price and all associated costs to purchase Hoosier Wind Project will be recorded as an acquisition adjustment in FERC Account 114. Mr. Donlon said AES Indiana will calculate the annual depreciation expense and the accumulated depreciation expense based on the purchase price of the Hoosier Wind Project and the associated acquisition costs recorded in FERC accounts 101 and 114 less the cost of removal divided by the approved expected useful life of the Hoosier Wind Project. He said AES Indiana is proposing to recognize the accumulated depreciation expense recorded in FERC account 111 for the Hoosier Wind Project through the ECR, until such time that it is rolled into a future basic rate case.

Mr. Donlon stated that AES Indiana requests approval to accrue carrying costs on the Hoosier Wind Project for the time period between the purchase and rates that reflect this cost being implemented through the ECR and explained that the carrying charges would be accrued and recorded in the regulatory asset in Account 182.3 and calculated using the lower of AES Indiana's Weighted Average Cost of Capital ("WACC") or Allowance for Funds used During Construction ("AFUDC") rate. He said these rates will be computed and compared quarterly, and any change will be implemented on a prospective basis and added that the proposed approach is consistent with that agreed to by AES Indiana in the CPCN docket for AES Indiana's Petersburg Energy Center Project (Cause No. 45832) and Hardy Hills Project (Cause No. 45493). Mr. Donlon discussed the accounting and ratemaking for carrying charges and explained that recovery of carrying charges in the ECR filings would be an efficient mechanism for this purpose and is consistent with Cause Nos. 45832 and 45493. He said AES Indiana is requesting deferral authority for the depreciation expense, O&M expense, and carrying costs for the time between the purchase of Hoosier Wind Project and the annual ECR rates going into effect. The deferral would be recorded in FERC account 182.3.

Mr. Donlon discussed the estimated customer rate impact of the proposed ratemaking treatment and the rate benefit for customers. Mr. Donlon testified that AES Indiana has calculated an estimated savings over the six years remaining of the PPA to all customers of $22.2 million. He said large commercial and industrial customers (PL and HL rate classes) will receive 47% of the estimated savings over the six years otherwise remaining of the PPA, which is approximately $10.5 million. He said a residential customer using 1,000 kWh will save an estimated $11.85 on their bills over the remaining term of the PPA. Mr. Donlon added that this is separate from the PVRR analysis of the useful life of the Project through 2039 as discussed by AES Indiana witness Powers.

Mr. Donlon stated that currently AES Indiana is recovering the costs of the Hoosier Wind PPA through Fuel Adjustment Clause proceedings ("FAC") as purchased power. He said once AES Indiana acquires the Hoosier Wind Project, the PPA agreement will be terminated, resulting in projected savings for customers. He said due to the timing difference between the quarterly FAC filings and the annual ECR filing there will be a period (approximately one year) in which customers will not be charged for the Hoosier Wind Project output. Mr. Donlon presented the following table showing the estimated ECR rate by customer class and the offsetting savings which will be realized by eliminating the Hoosier Wind PPA and associated costs within the FAC.

Table 1: Estimated First Year Rates by Rate Class ($ per 1,000 kWh)					
	Rate Class				
	Residential	Small C&I	Large C&I (PL, HL)	Large C&I (SL, PH)	Lighting
PPA Costs	1.60	1.60	1.60	1.60	1.60
ECR-38 Adjustment Factors	1.53	1.52	1.20	1.43	1.31
Saving	0.07	0.08	0.40	0.17	0.29

Mr. Donlon explained that consistent with Ind. Code § 8-1-8.8-11, AES Indiana's proposed accounting and ratemaking treatment would result in a gross financing cost savings over the life of the Project by providing AES Indiana recovery of and on the investment in the Hoosier Wind Project earlier, which it can employ without additional access to capital markets, and which will reduce interest expense over time. He added that timely cost recovery also enables rate impacts to be more gradual to help minimize customer rate shock. Finally, Mr. Donlon testified that the proposed accounting and ratemaking treatment reasonably considers affordability and is consistent with Ind. Code § 8-1-2-0.6.

7. **<u>OUCC's Evidence</u>.** The OUCC presented Public's Exhibit 1, the testimony of Wes R. Blakley, Senior Utility Analyst in its Electric Division. Mr. Blakley discussed AES Indiana's proposed accounting and ratemaking treatment as well as the customer bill impact calculation. He said there is no analysis of savings beyond the first year and added that a decision on the reasonableness of the transaction costs should not be based simply on the first year of operation. Mr. Blakley stated that from a revenue requirement basis, it is basically break-even and added that altering one of the variables slightly in the calculation can make the analysis move in the other direction to show that the PPA alternative is more economic.

Mr. Blakley testified that unlike a 20-year PPA in which the price of energy is competitive and a contractual agreement with a firm price, the Hoosier Wind Project investment when placed into the ECR tracking mechanism would include a rate calculation which provides a return on investment, depreciation, O&M costs, taxes, and any deferred costs, including carrying costs. He stated that AES Indiana over time can add capital maintenance which increases the value of the investment. Mr. Blakley said this exposes AES Indiana's customers to annual rate increases related to the Hoosier Wind Project which they would not have if the PPA continued.

Mr. Blakley said the Hoosier Wind Project is about 15 years old and discussed the potential cost for wind turbines to be replaced. After walking through a calculation of costs, he hypothesized that if approximately half of Hoosier Wind Project's wind turbines were replaced after 20 years of operation, the additional increase to the revenue requirement would be over $8.2 million. Mr. Blakley said AES Indiana's PVRR analysis does not include investment in capital that will occur with aging wind turbines and increases in O&M expenses and taxes, and therefore, does not fully reflect the rate impact to customers.

Mr. Blakley stated that in general, adding unreliable wind energy to rate base is not a good idea because in the end, more capital must be invested for reliable energy to cover the variability of the intermittent wind resource. He said this adds unnecessary costs for AES Indiana customers to bear and will contribute to affordability concerns regarding electric utility rates. Mr. Blakley noted AES Indiana had recently filed for other renewable projects that will eventually be recovered in base rates and said AES Indiana also announced plans to convert Petersburg Units 3 and 4 to natural gas. He opined that AES Indiana customers, and the affordability of Petitioner's rates, would be better off if the Hoosier Wind Project remained at its current rate with slight escalation through 2029. He said this takes into account all the new investment in generation of different types and efficiencies and the risk explained in his testimony that the Hoosier Wind Project will increase rates if included in AES Indiana's rate base.

Ultimately, Mr. Blakley recommended denial of Petitioner's request so that the Hoosier Wind PPA can continue. He said however, if the Commission approves the purchase, then cost recovery for the Hoosier Wind Project should be included in the ECR tracker using the lower of the AFUDC or WACC rate as a carrying charge.

8. **<u>Petitioner's Rebuttal</u>.** Mr. Cooper responded to Mr. Blakley's assertions that costs are unknown in future years but are likely to rise due to capital projects that will cancel out the savings and that adding unreliable wind energy to rate base is not a good idea. Mr. Cooper testified that the Hoosier Wind PPA does not have a competitive price for energy in the current market and that is why acquiring the project and terminating the PPA is a value for customers. Mr. Cooper and Ms. Powers testified that the PVRR reasonably includes the post-acquisition operating cost and the PVRR shows significant savings for the benefit of customers.

Mr. Cooper testified that the Clean Energy Project Statute encourages renewable resources. He said that, presumably, the cost of operating Hoosier Wind under the PPA reflects the operating cost in the price. He added it would be unreasonable for the Commission to disallow the recovery of these costs on a going forward basis, as doing so would allow customers to receive the benefits of the acquisition without reasonably recognizing the operating cost to achieve these benefits. Mr. Cooper said OUCC witness Blakley speculates that the operating costs might increase imprudently, but he offers no support for this position. Mr. Cooper said it is not necessary for the Commission to determine this issue based on a hypothetical. He stated that if the OUCC has a concern about future operating cost increases the issue could be addressed in the ECR proceedings.

Mr. Cooper recognized that no one can predict the future, but he said the suggestion that AES Indiana knows nothing about future costs is not accurate. He explained that AES Indiana performed a detailed review of the Project, including historical costs. He said that based on this review of the specific project, the detailed review of maintenance done to-date, and industry experience with the make and model of turbines, AES Indiana estimated future project costs reflecting the condition of the Project. He reiterated that these costs were used in the PVRR analysis for this Project.

Mr. Cooper testified that Mr. Blakley's assumption that half of the 53 wind turbines at Hoosier Wind Project will need to be replaced after 20 years of operation is not realistic. He explained that AES Indiana considered the vintage of turbines as part of its acquisition decision. He explained that the costs to repair or replace these components, as well as on-going maintenance costs, are all included in the PVRR modeling. He testified that good maintenance practices have been followed by the current owner and based on the maintenance plan AES Indiana will implement, it is AES Indiana's opinion that Hoosier Wind Project will continue to operate beyond the 20-year period of the PPA through 2039 without significant investment not contemplated in the PVRR modeling.

Mr. Cooper and Mr. Donlon testified that AES Indiana does not seek authority to recover capital investment beyond the acquisition costs identified in Petitioner's Exhibit 1 through the ECR. Mr. Donlon testified that AES Indiana will record additional capital costs and associated depreciation through the normal accounting process which will be included in AES Indiana's subsequent base rate cases.

Mr. Cooper disagreed with the OUCC's suggestion that the Hoosier Wind Project is an "unreliable" resource, explaining that wind is an intermittent resource. He said a dispatchable intermittent resource is not the same as an unreliable resource. He testified that over the Project's 14-year period of operation, it has had a net capacity factor of 31.2 excluding curtailment and an average production-based availability of 93.1%. He added that, unlike most conventional generation sites, the wind facility doesn't have to come offline long for maintenance and the owner typically takes only one turbine out at a time. Mr. Cooper testified that while a wind resource provides capacity in all four seasons, it is important to recognize that wind resources provide needed winter capacity resulting from the MISO Planning Reserve Margin Requirement for the season. He said this attribute distinguishes renewable wind resources from renewable solar resources.

Mr. Cooper testified that the Hoosier Wind Project is already part of the AES Indiana portfolio and reflects AES Indiana's efforts to diversify the resource mix. He demonstrated that wind is hard to find, build, and site in the State of Indiana.

Mr. Cooper said the Hoosier Wind Project acquisition is the first acquisition of an existing asset AES Indiana has requested the Commission approve. He explained the reason AES Indiana wants to acquire this existing asset is because by doing so, AES Indiana reduces near-term costs for customers, and acquires a very valuable interconnection site. Mr. Cooper said ownership versus PPA may be relevant when acquiring new capacity, but in this case, where AES Indiana is proposing to acquire an asset that it has a materially above market PPA with, ownership should not be a reason to reject the reduced PVRR and other benefits of the acquisition.

Mr. Cooper disagreed with Mr. Blakley's assertion that, on a revenue requirements basis, the proposed acquisition of the Hoosier Wind Project is basically equivalent to continuing the PPA. Mr. Cooper testified that, on a PVRR basis, the PPA termination and proposed accounting and ratemaking treatment for the acquisition results in savings to AES Indiana's customers totaling $22.2 million through the original PPA term in 2029 and $19 million through the operational term of 2039. Mr. Cooper and Mr. Donlon distinguished the PVRR analysis from the bill impact analysis presented by Mr. Donlon, which demonstrated that customer rates will decrease in year one compared to continuing with the PPA.

Mr. Donlon clarified that AES Indiana does not seek to justify the acquisition based on the year one bill impact analysis presented in his direct testimony. He said the year one analysis illustrates the immediate impact on customers. He said that while this type of presentation is consistent with that taken by AES Indiana in similar dockets, the first-year rate savings are not intended to evaluate the long-term savings. He said long term savings are addressed in the PVRR analysis presented by AES Indiana witnesses Cooper and Powers.

Mr. Cooper testified AES Indiana's rate case and other recent, pending, or expected IRP related dockets are not valid reasons to deny the proposed acquisition. Mr. Cooper said AES Indiana's 2022 IRP includes Hoosier Wind as an existing resource and assumed Hoosier Wind, or a similar resource, would be part of AES Indiana's resource portfolio beyond the current PPA period and through the IRP planning horizon (2023 - 2042). He added that the 2022 IRP also included the Hardy Hills and Petersburg Energy Center projects as existing parts of the resource portfolio because these resources had already been approved by the Commission in the 2019 IRP Process. Mr. Cooper said the PVRR analysis showed that owning the Hoosier Wind Project is a lower cost for customers than extending the PPA or entering into a similar PPA through the 2039 period. He said that at the end of this period, the Project would provide a valuable interconnection site, which facilitates flexibility for AES Indiana to meet customer needs going forward.

Mr. Cooper testified that Mr. Blakley's affordability concerns disregard the savings shown by the PVRR analysis. He argues that Mr. Blakley is incorrect to suggest that Project ownership, may negate the savings if, for example, nearly one half of the turbines fail during the expected asset life. Mr. Cooper said the existence of other AES Indiana-owned projects does not negate the savings achieved by acquiring the Project and terminating the PPA. He said this acquisition improves affordability.

Mr. Cooper testified the acquisition provides AES Indiana flexibility to repower the site at the end of the Project's life in 2039 and reduces near term costs for customers. He stated that if the acquisition is rejected, the PPA will continue at a higher cost to customers through 2029 and AES Indiana will lose the proposed opportunity to (1) include this wind resource in its portfolio beyond the end of the PPA term in 2029; (2) continue to utilize this wind resource through the end of the Project life in 2039; and (3) control the site and interconnection thereafter. Mr. Cooper said it is appropriate to recognize that AES Indiana's proposal maintains important winter capacity while preserving optionality for the future.

Mr. Donlon testified that trackers provide benefits for both utilities and customers. Mr. Donlon noted that his direct testimony proposed the ECR tracker use the lower of AFUDC or WACC rate as a carrying charge and thus, Mr. Blakley's recommendation on this issue is consistent with AES Indiana's proposal.

Ms. Powers testified the PVRR analysis is meant to replicate the economic impact to customers of the Hoosier Wind PPA compared to a purchase of the Facility. She said the PVRR analysis is an economic decision-making tool used to estimate each option's impact relative to another option, irrespective of AES Indiana's portfolio, and considers the ultimate net cost or benefit of each option over the life of asset.

Ms. Powers testified that Mr. Blakley's contention that AES Indiana did not include investment capital or increases in O&M expenses in its assessment of the acquisition is not correct. Ms. Powers agreed that rate stability is an important customer benefit and a core principle of fair and effective ratemaking and added that both a PPA and facility ownership offer rate stability either through the price of the output under the PPA, or the cost of operating the facility. She said the more important consideration is the cost of the output from the facility versus the cost of purchasing needed energy and capacity from the market. She said a PPA does not guarantee the competitiveness of the contract price against market purchases, nor does ownership guarantee competitiveness. However, she stated facility ownership provides other important benefits. Ms. Powers testified that ownership of a generating facility provides greater control and autonomy to the owner, who has the ability to manage operations, maintenance, and upgrades according to the facility's specific needs and priorities. She said this control translates into more predictable costs over the long term, as there are no variable fees or escalations often associated with PPAs. Ms. Powers testified that purchasing a generating facility also provides a hedge against future energy price volatility. She said with a PPA, a company typically agrees to buy power at a predetermined rate over a fixed period, leaving it vulnerable to fluctuations in market prices once the contract expires. She said in contrast, owning a generating facility allows the buyer to lock in its own cost structure, reducing exposure to price swings in the electricity market and added that this can be especially beneficial in the long run, as it provides stability and predictability in energy costs.

9. Commission Discussion and Findings.

A. CPCN. Ind. Code §§ 8-1-8.5-4 and 8-1-8.5-5 set forth the criteria for approval of a utility-specific generation proposal. The Commission must consider the items set forth in Ind. Code § 8-1-8.5-4 and, pursuant to Ind. Code § 8-1-8.5-5, must make a finding as to the best estimate of the cost of the project based on the evidence of record, a finding whether the proposal is consistent with the statewide analysis or a utility-specific proposal, and a finding whether the public convenience and necessity requires a proposed project. We address each of these provisions below.

1. Best Cost Estimate. Ind. Code § 8-1-8.5-5(b)(1) requires Commission approval of the best estimate of the purchase costs. AES Indiana Witness Cooper presented AES Indiana's best estimate of the cost of the proposed acquisition of the Hoosier Wind Project. The OUCC did not challenge this cost estimate but raised concerns about future capital and operating costs. On rebuttal AES Indiana showed future costs were reasonably included in its PVRR analysis and acquisition decision process.

The record evidence shows the acquisition agreement is the result of arms' length negotiations. The evidence of record also demonstrates the Hoosier Wind PPA is above market PPA price and AES Indiana considered alternatives to the purchase that were based on its 2022 All-Source RFP. The PVRR analysis used to assess the Hoosier Wind Project acquisition compared the acquisition price to the price for a PPA that was offered in the 2022 All-Source RFP for the period after expiration of the existing PPA. As discussed by Ms. Powers, the Hoosier Wind PPA would result in a higher cost to customers in the near term than the proposed acquisition and the PPA is also more expensive on an overall PVRR basis through October of 2039, as compared to the acquisition. Additionally, Ms. Powers noted the PPA is also more expensive than a comparable wind proposal received in response to AES Indiana's 2022 All-Source RFP. This evidence of record supports the conclusion that the acquisition reasonably benefits customers on an economic basis and provides renewable wind generation for AES Indiana customers for a longer time horizon (i.e., 2039 vs. 2029).

The Commission finds the PVRR analysis was a practicable way to ensure that the Project best estimate is credible and reflects a competitive procurement. Thus, based upon the evidence, the Commission finds that AES Indiana has provided the best cost estimate of the acquisition of the Hoosier Wind Project and approves the best estimate. To the extent Petitioner incurs costs to acquire Hoosier Wind Project that are above the best estimate approved herein and for which it requests cost recovery, Petitioner shall initiate a subdocket under this Cause.

2. Consistency with the Statewide Analysis or AES Indiana's Utility-Specific Proposal. Ind. Code § 8-1-8.5-5(b)(2) requires the proposed construction, purchase, or lease of a facility for the generation of electricity be consistent with either the Commission's analysis for expansion of electric generating capacity or with a utility-specific proposal consistent with the AES Indiana 2022 IRP. In addition, Ind. Code § 8-1-8.5-4(b) requires the Commission to consider alternative resource options.

AES Indiana's 2022 IRP includes the Hoosier Wind Project as an existing resource. The IRP assumed Hoosier Wind, or a similar resource, would be part of AES Indiana's resource portfolio beyond the current Hoosier Wind PPA period and through the IRP planning horizon. The 2022 IRP also identified a need for capacity in the winter season. Considering MISO's seasonal construct, wind resources provide winter capacity, unlike solar resources. Based on the evidence of record, we find that AES Indiana's acquisition of the Hoosier Wind Project is consistent with its 2022 IRP.

3. Public Convenience and Necessity. Ind. Code § 8-1-8.5-5(b)(3) requires the Commission find the public convenience and necessity requires or will require the proposed acquisition.

The OUCC opposes the acquisition partially because of concern about future cost recovery via the ECR. On rebuttal, AES Indiana agreed that it would not seek to recover through the ECR capital investment and associated depreciation beyond the acquisition costs identified in Mr. Cooper's direct testimony. Mr. Donlon testified that AES Indiana will record additional capital costs and associated depreciations through the normal accounting process, which will be included in AES Indiana's subsequent base rate cases. Furthermore, the record shows the PVRR analysis reasonably includes future capital and operating costs. The PVRR analysis demonstrates that the acquisition of Hoosier Wind Project and termination of the Hoosier Wind PPA would result in savings to AES Indiana's customers of $22.2 million through the original PPA term and $19 million through the operational term. After acquisition, the Hoosier Wind Project would provide winter capacity while preserving optionality for the future. If AES Indiana acquires the Hoosier Wind Project, AES Indiana will own the site and interconnection rights. The acquisition would provide AES Indiana flexibility to repower the site at the expected end of the Project's life in 2039. As we have previously noted, "[a] key consideration in long-term resource planning is the need to retain maximum flexibility in utility resource decisions to minimize risks." *S. Ind. Gas & Elec. Co.*, Cause No. 45052, at 24 (Apr. 24, 2019) (citation omitted). We find AES Indiana's proposal in this Cause preserves optionality and flexibility.

Therefore, based on the evidence of record, the Commission finds AES Indiana's proposed acquisition of Hoosier Wind Project is reasonable and necessary, and the public interest and convenience will be served by AES Indiana being granted a CPCN for its acquisition and the associated relief sought in the Petition being approved.

4. Ind. Code § 8-1-8.5-5(e). Ind. Code § 8-1-8.5-5(e) applies if an applicant proposes to "construct a facility with a generating capacity of more than 80 MW". In this case, AES Indiana proposes to acquire an existing facility. Consequently, it is unnecessary for the Commission to make a finding under this statutory provision.

5. Ind. Code § 8-1-8.5-4.

a. Alternatives. The testimony of Mr. Cooper and Ms. Powers demonstrated that AES Indiana has reasonably considered alternatives to the proposed acquisition. The OUCC recommended the Commission reject the proposed acquisition and leave the PPA in place. The record shows the PPA pricing is above market and subject to annual escalation. AES Indiana evaluated the acquisition against continuing the PPA through its term using a PVRR analysis which demonstrated that owning the Hoosier Wind Project is a lower cost for customers than extending the PPA or entering into a similar wind PPA through 2039. Having an owned wind generation facility in the AES Indiana portfolio also maintains diversity of resources. As evidenced in the recent MISO queue, and responses to AES Indiana's 2022 All-Source RFP, new wind resources located in Indiana are limited. The proposed acquisition would also align with and reinforce AES Indiana's de-carbonization efforts consistent with its 2022 IRP. Finally, the acquisition would create the option for AES Indiana to repower the site at the end of the Project's life in 2039.

The Commission has indicated in previous CPCN orders that "'least-cost planning' is an essential component of our [CPCN] law." *Indianapolis Power & Light Co.*, Cause No. 44339, at 20 (May 14, 2014) (citation omitted). We have also defined "least-cost planning" as a "'planning approach' which will find the set of options most likely to provide utility services at the lowest cost once appropriate service and reliability levels are determined." *Id.* (citation omitted). The Commission has noted that the CPCN statute "does not require the utility to automatically select the least cost alternative. Nor does the statute require the utility to ignore its obligation to provide reliable service or to disregard its exercise of reasonable judgment as to how best to meet its obligation to serve." *Id.* (citation omitted). We have also previously stated that, "[i]f an Indiana utility reasonably considers and evaluates the statutorily required options for providing reliable, efficient, and economic service, then the utility should, in recognition that it bears the service obligations of [Ind. Code §] 8-1-2-4, be given some discretion to exercise its reasonable judgment in selecting the option or options to implement which minimize the cost of providing such service." *Id.* (citations omitted).

The OUCC recommended the Commission deny the Hoosier Wind Project acquisition on the grounds that AES Indiana customers would be better served if the Hoosier Wind Project remained at its current trajectory. OUCC Witness Blakely stated that AES Indiana Witness Donlon only calculated savings in the first year of operation of the Project and that from a revenue requirement basis, if AES Indiana acquired the Project, it would break even. In rebuttal, Mr. Donlon stated that the year one bill impact analysis illustrates the immediate impact on customers and the long-term savings are addressed in the PVRR analysis presented by AES Indiana Witnesses Powers and Cooper. Mr. Donlon testified that AES Indiana has calculated an estimated savings over the six years remaining of the PPA to all customers of $22.2 million and explained that the large commercial and industrial customers (PL and HL rate classes) will receive 47% of the estimated savings over the six years otherwise remaining of the PPA.

The evidence of record shows the existing Hoosier Wind PPA is part of AES Indiana's existing reasonable least cost plan. The Hoosier Wind PPA (or similar resource) is also part of AES Indiana's forward-looking reasonable least cost plan. The affordability of AES Indiana's resource decisions is based on the process of creating an IRP, which, as explained in Mr. Cooper's rebuttal testimony, includes the other resource actions noted in the OUCC testimony. AES Indiana's PVRR analysis utilized a competitive offer price for a PPA offered in the 2022 All-Source RFP for the period after expiration of the existing Hoosier Wind PPA. As corroborated by AES Indiana's PVRR, the acquisition provides all attributes included in the IRP, plus improved affordability. The Commission finds the OUCC testimony does not warrant the rejection of the proposed acquisition.

b. <u>Five Pillars</u>. Ind. Code § 8-1-8.5-4(b)(4) requires the Commission to consider whether the proposed purchase will result in the provision of each of the five pillars enumerated in Ind. Code § 8-1-2-0.6, namely: reliability; affordability; resiliency; stability; and environmental sustainability.

As discussed by Mr. Cooper, the scorecard process AES Indiana used during the IRP process to determine its Preferred Portfolio was very closely aligned with the five pillars, given the primary objectives of affordability, sustainability, reliability, and resource diversification. The record shows the proposed acquisition provides all attributes included in the IRP and will improve affordability as described in AES Indiana's testimony and summarized above. Regarding affordability, AES Indiana Witnesses Cooper, Powers, and Donlon showed that while the first-year savings are modest for residential customers, longer term savings and associated optionality are significant.

The resiliency pillar recognizes that Indiana's electric infrastructure should be appropriately invested in, and the necessary resources are provided to enable the system to adapt to changing conditions and to withstand and rapidly recover from disruptions or off-nominal events. Similarly, the stability pillar considers the ability of the system to maintain a state of equilibrium during normal and abnormal conditions or disturbances and to deliver a stable source of electricity. The Hoosier Wind Project is an existing resource and is important to portfolio diversity, as well as resiliency. As discussed above, AES Indiana's 2022 All-Source RFP demonstrated that relatively few wind resources are being developed or are available in Indiana. AES Indiana's proposal in this case seeks to acquire the Hoosier Wind Project to continue to meet the identified need for capacity, particularly winter capacity. Acquiring the Hoosier Wind Project supports the ability of the system to reliably supply the demand and energy requirements of AES Indiana's customers. The Commission finds allowing AES Indiana to move forward with the proposed acquisition better positions AES Indiana to provide a resilient system and deliver a source of electricity, which is important to Indiana's economy.

The environmental sustainability pillar considers the impact of environmental regulations on the cost of providing electric utility service and demand from consumers for environmentally sustainable sources of electric generation. AES Indiana's IRP reasonably considered these matters. Mr. Cooper testified that during the IRP public advisory process, stakeholders expressed a strong preference for cleaner sources of energy. AES Indiana's acquisition of the Hoosier Wind Project is consistent with that preference.

The Commission has considered the five pillars enumerated in reaching our decision in this proceeding. The Commission finds AES Indiana's proposals are consistent with the legislative directives.

6. Conclusion. Based upon the evidence presented, the Commission finds AES Indiana has met the requirements of Ind. Code §§ 8-1-8.5-4 and 5. A CPCN for AES Indiana's acquisition of the Hoosier Wind Project through the Membership Interests Purchase and Sale Agreement and associated agreements described in and included with Mr. Cooper's direct testimony is approved.

B. Clean Energy Project. Ind. Code § 8-1-8.8-11 provides that "[t]he commission shall encourage clean energy projects by creating . . . financial incentives for clean energy projects, if the projects are found to be just and reasonable[.]" An "eligible business" is an energy utility that "undertakes a project to develop alternative energy sources, including renewable energy projects[.]" Ind. Code § 8-1-8.8-6(3). As stated above, AES Indiana is an "energy utility." A "Clean Energy Project" includes "[p]rojects to develop alternative energy sources, including renewable energy projects[.]" Ind. Code § 8-1-8.8-2(2). Wind is specifically listed as a clean energy resource in Ind. Code § 8-1-37-4(a), thus making it a "renewable energy resource" under Ind. Code § 8-1-8.8-10. As noted above, the Commission previously approved the PPA between AES Indiana and Hoosier Wind as a Clean Energy Project. The Commission finds AES Indiana is undertaking the proposed acquisition and is eligible for the relief provided in Ind. Code § 8-1-8.8-11.

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 just and reasonable. While Ind. Code ch. 8-1-8.8 does not set forth specific factors the Commission should consider in determining whether a Clean Energy Project is just and reasonable, the Commission has considered some of the factors outlined in Ind. Code chs. 8-1-8.5 and 8-1-8.7 in other cases. We have found it appropriate to consider: (1) the cost of the project; (2) the consistency of the project with Petitioner's IRP; (3) the need for the project; and (4) the competitive solicitation of the project.

We concluded above that a CPCN will be issued for AES Indiana's proposed acquisition of the Hoosier Wind Project and find this discussion demonstrates the acquisition is a just and reasonable Clean Energy Project. As discussed above, the evidence demonstrates AES Indiana has a need for this capacity and the proposed acquisition provides optionality for the future while reducing costs. As also found above, the proposed acquisition is consistent with AES Indiana's 2022 IRP and the best estimate of the cost of the acquisition is reasonable.

Therefore, the Commission finds AES Indiana's proposed acquisition of the Hoosier Wind Project is just and reasonable and the Project is approved as a Clean Energy Project.

C. Financial Incentives. We now turn to AES Indiana's proposed accounting and ratemaking for the acquisition of the Hoosier Wind Project, including timely cost recovery via AES Indiana's annual ECR. As stated above, the future costs of concern to the OUCC were reasonably included in AES Indiana's PVRR analysis, which shows substantial long-term savings to customers. Mr. Blakley did not take specific issue with AES Indiana's requested accounting and ratemaking treatment. He recommended that "if the Commission approves AES Indiana's proposed acquisition of the Hoosier Wind Project, then cost recovery for Hoosier Wind Project should be included in the ECR tracker using the lower of the AFUDC or WACC rate as a carrying charge." Public's Exhibit 1 at Page 2. In Petitioner's Exhibit 5, Mr. Donlon testified that AES Indiana proposes the ECR use the lower of AFUDC or WACC rate as a carrying charge. Thus, the OUCC recommendation is consistent with AES Indiana's proposal, as Mr. Donlon confirmed on rebuttal. Also on rebuttal, AES Indiana agreed that it would not seek to recover through the ECR additional capital investment beyond the acquisition costs identified in Mr. Cooper's direct testimony. Mr. Donlon testified that AES Indiana will record additional capital costs and associated depreciation on the assets through the normal accounting process, which will be included in AES Indiana's subsequent base rate cases.

Accordingly, the Commission finds AES Indiana's proposed accounting and ratemaking should be approved as modified in AES Indiana's rebuttal.

D. Conclusion. AES Indiana has an established a current and on-going need for capacity, particularly winter capacity. The acquisition of the Hoosier Wind Project proposed in this proceeding is consistent with AES Indiana's most recent IRP and with Indiana energy policy, as articulated in Ind. Code §§ 8-1-2-0.5 and -0.6, Ind. Code ch. 8-1-8.5, and Ind. Code § 8-1-8.8-11. We find that the evidence presented in this proceeding supports approval of the acquisition of the Hoosier Wind Project and associated cost recovery as proposed by AES Indiana. Therefore, AES Indiana's request for a CPCN, approval of the Hoosier Wind Project as a Clean Energy Project and associated relief are approved.

10. Confidential Information. On August 4, 2023, AES Indiana filed a motion seeking a determination that designated confidential information involved in this proceeding be exempt from public disclosure under Ind. Code § 8-1-2-29 and Ind. Code ch. 5-14-3. The request was supported by an affidavit showing the designated documents comprised trade secret information within the scope of Ind. Code § 5-14-3-4(a)(4) and Ind. Code § 24-2-3-2. On September 7, 2023, the Presiding Officers issued a docket entry finding such information confidential on a preliminary basis. The parties subsequently submitted designated confidential information in accordance with this finding.

After reviewing the designated confidential information, the Commission finds all such information qualifies as confidential trade secret information pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. AES Indiana takes reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to AES Indiana. Therefore, we affirm the preliminary ruling and find this information should be exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29 and held confidential and protected from public disclosure by this Commission.

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

1. AES Indiana is issued a certificate of public convenience and necessity for the acquisition of the Hoosier Wind Project. This Order constitutes the certificate.

2. The Hoosier Wind Project Membership Interests Purchase and Sale Agreement is approved.

3. The Hoosier Wind Project is approved as a Clean Energy Project.

4. The best estimate for acquisition of the Hoosier Wind Project is approved. To the extent Petitioner pays an increased cost to acquire Hoosier Wind Project above the best estimate approved herein for which it seeks cost recovery, Petitioner shall initiate a subdocket under this Cause.

5. AES Indiana's proposed accounting and ratemaking for acquisition of the Hoosier Wind Project as modified on rebuttal is approved.

6. The Confidential Information filed under seal in this Cause shall continue to be treated by the Commission as confidential and not subject to public disclosure.

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

<u>HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR</u>:

APPROVED: JAN 24 2024

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

Dana Kosco Digitally signed by Dana Kosco Date: 2024.01.24 10:09:35 -05'00'

Dana Kosco
Secretary of the Commission