FILED
February 1, 2019
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED DIRECT TESTIMONY OF ANGELA CAMP

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

A1. My name is Angela Camp. My business address is 801 East 86th Avenue, Merrillville, Indiana 46410. I am a NiSource Corporate Services Company employee and serve as Controller for Northern Indiana Public Service Company ("NIPSCO""). I am filing this testimony on behalf of Joint Petitioners NIPSCO and RoseWater Wind Generation LLC ("Joint Venture").

Q2. Please briefly describe your responsibilities as NIPSCO's Controller.

A2. I serve as NIPSCO's Controller and have overall responsibility for the financial books and records of NIPSCO, including general accounting and financial reporting.

Q3. Please summarize your educational and employment qualifications.

A3. I hold a Bachelor of Science Degree from Purdue University in Accounting and a Master of Business Administration Degree from Purdue University, North Central. I began my employment with KPMG LLP in 2005 in the firm's Audit practice. In this role I served as staff auditor and senior auditor. In 2008, I took a position as a Lead Financial Analyst at NiSource Corporate Services where I was primarily responsible for the preparation of the NiSource Form 10-K and Form 10-Q and accounting research. In 2012, I accepted a role as Financial Reporting Manager for NIPSCO and have assumed roles of increasing responsibility within the NIPSCO Accounting department and am currently the NIPSCO Controller.

Q4. Do you hold any professional designations?

A4. I am a Certified Public Accountant ("CPA"), holding a license in the State of Indiana.

Q5. Are you a member of any industry or professional organizations?

A5. I am a member of the Indiana CPA Society.

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

A6. The purpose of my direct testimony is to support NIPSCO's alternative regulatory plan. As a part of that plan, I discuss NIPSCO's proposed accounting and ratemaking treatment for (1) its investment under the joint venture, (2) costs associated with the wind power purchase agreements ("PPAs"); (3) approval of NIPSCO's request for deferral of amortization and accrual of post-in service carrying charges ("PISCC") related to regulatory asset balances; and (4) NIPSCO's request, as needed, for approval of financing.

Q7. Are you familiar with the structure of the NIPSCO transaction with EDP Renewables North America, LLC ("EDPR") to acquire 102 megawatts ("MW") of wind capacity?

A7. Yes.

Q8. Please explain the structure as you understand it.

A8. As explained in more detail by Witness Campbell, EDPR is planning to build a wind farm in White County, Indiana ("Rosewater Project"). EDPR has formed Rosewater Wind Farm, LLC ("Rosewater ProjectCo"), which will build and own the Rosewater Project.

NIPSCO has formed Joint Venture, which will purchase Rosewater ProjectCo from EDPR in late 2020. Prior to this purchase, EDPR and one or more tax equity partners ("TEPs") will purchase interests in Joint Venture. TEPs will be large, sophisticated financial institutions able to use the losses and production tax credits as soon as they are generated by Rosewater Project. NIPSCO has not yet entered into an agreement with one or more TEPs that will purchase interests in Joint Venture

NIPSCO will manage, control, and operate Rosewater ProjectCo after Joint Venture purchases it from EDPR. NIPSCO will be the managing member of Joint Venture and will initially own 1% of Joint Venture.

On January 23, 2019, EDPR and Joint Venture signed a Build Transfer Agreement (the "BTA"), under which Joint Venture will purchase Rosewater ProjectCo from EDPR once Rosewater Project is substantially complete. There are two PPAs, described by Witness Campbell as the BTA PPA and the Back-Stop PPA, which I will collectively refer to as the "Wind PPAs."

In 2023, NIPSCO will purchase EDPR's interest in Joint Venture. The TEPs' interests in Joint Venture will be entitled to 99 percent of Rosewater ProjectCo's production tax credits and losses until the TEPs have achieved their agreed upon internal rate of return, at which time NIPSCO will have the option to purchase TEPs' interest in the Joint Venture at fair market value. If this option is exercised, the TEPs will cease to be members.

Q9. What is NIPSCO's proposed alternative regulatory plan ("ARP")?

A9. NIPSCO is proposing the following four alternative practices, procedures and mechanisms in connection with the Joint Venture:

(a) Since the Rosewater Project arose out of the All-Source Request for Proposals, NIPSCO seeks to be relieved of or otherwise found to have complied with the obligations to receive a certificate of public convenience and necessity established under Ind. Code § 8-1-8.5-5(e). Witness Campbell discusses this aspect.

(b) NIPSCO will not be the owner of the generating assets that make up the Rosewater Project. Instead, NIPSCO will own an interest in Joint Venture, which will own Rosewater ProjectCo, which will own the wind generating assets. NIPSCO seeks to record its interest in the Joint Venture as a regulatory asset in Account 182.3 and to amortize the amounts so recorded using the amortization rates sought to be approved for Rosewater Project. NIPSCO requests to include in net original cost rate base and in the value of its utility property for purposes of Ind. Code § 8-1-2-6 and for ratemaking purposes the balance of the regulatory asset NIPSCO has recorded for the Joint Venture. This would include any later potential cash infusions as described by Witness Campbell.

(c) NIPSCO seeks to recover its payments made to Rosewater ProjectCo pursuant to the Wind PPAs through the FAC without regard to Ind. Code

§ 8-1-2-42(d)(1) through (4) and without regard to any benchmarks established by the Commission for PPAs. As to the payments received by NIPSCO from ProjectCo, as described by Witness Campbell, NIPSCO seeks authority to record such payments as regulatory liabilities and to reflect such regulatory liabilities through the FAC.

(d) To the extent necessary, NIPSCO is seeking approval of financing. To the extent financing approval is sought and obtained herein, NIPSCO seeks to be relieved of the technical requirements set forth in Ind. Code §§ 8-1-2-79 and 80. These include corporate officer signatures and verifications, the elements in Ind. Code § 8-1-2-79(a)(1) through (6), and the specific provisions to be set forth in the Commission's certificate of authority.

Q10. Please explain NIPSCO's proposed accounting treatment for its investment in Joint Venture.

A10. NIPSCO proposes that its investment in Joint Venture be recorded as a regulatory asset, which would be included in its rate base in subsequent rate case proceedings, including a return of and return on. In addition, NIPSCO requests that any investments made in Joint Venture, which are recorded as a regulatory asset, would be amortized over the life of the Rosewater Project, which is currently estimated to be 30 years. Amortization of the regulatory asset would begin as of the closing on the BTA.

Q11. The Joint Petition states that NIPSCO is seeking deferral of amortization expense and the accrual of post-in-service carrying charges ("PISCC"). Can you describe what authority is sought with respect to the deferral of amortization?

A11. The regulatory asset will consist of NIPSCO's investment in the Joint Venture. Over time, NIPSCO will make different capital contributions to Joint Venture. For instance, one contribution will be made at or about the closing on the BTA. Another will be made in 2023 when NIPSCO buys out EDPR's interest. As Witness Campbell describes, there could be others. Amortization of the regulatory asset will commence as of the in-service date of the Rosewater Project. NIPSCO requests that with respect to each capital contribution it makes to Joint Venture, it be authorized to defer amortization of the regulatory asset corresponding to that contribution until such time as the recovery of the amortization of that portion of the regulatory asset balance is reflected in NIPSCO's rates and charges. NIPSCO requests authority to record the deferral in Account 182.3 and that the amounts so recorded be included in NIPSCO's rate base for ratemaking purposes and amortized over the remaining life of the Rosewater Project.

Q12. What authority is sought with respect to PISCC?

A12. Similar to the deferral of amortization, NIPSCO seeks to accrue PISCC with respect to each capital investment that it makes to Joint Venture, with such PISCC accrued at NIPSCO's weighted average cost of capital until a return on that particular investment is recovered through NIPSCO's rates and charges. Again, the amount so accrued would be recorded in Account 182.3, included in NIPSCO's rate base for ratemaking purposes, and amortized over the remaining life of the Rosewater Project.

Q13. Why is the accounting and ratemaking treatment for NIPSCO's investment in Joint Venture, including the deferral of amortization and accrual of PISCC, in the public interest?

A13. It is similar to the regulatory treatment that would be afforded NIPSCO if NIPSCO were the initial owner of the asset. This results in a glide path when ownership is ultimately transferred to NIPSCO. The transaction is being pursued through the Joint Venture to provide value to customers by monetizing the production tax credits. That can only be done by structuring the transaction in this fashion, but it will result in NIPSCO having an investment in the Joint Venture rather than an investment in utility plant. NIPSCO needs the opportunity to earn a full return on its investment in order for this to be possible. Otherwise, NIPSCO would purchase the generation the traditional way, which would undoubtedly be used and useful utility plant, but the value of the production tax credits would be significantly diminished. NIPSCO's investment in the Rosewater Project under the traditional approach would be higher, reflecting the full purchase price under the BTA.

Q14. Please explain NIPSCO's proposed accounting treatment for the recovery of costs associated with the Wind PPAs.

A14. NIPSCO requests that the retail jurisdictional portion of the costs incurred pursuant to the Wind PPAs be recovered on a timely basis through retail rates over the term of the Wind PPAs. Witness Campbell describes that NIPSCO will receive payments as an owner of Joint Venture. NIPSCO requests authority to defer such payments it receives as a regulatory liability that will offset the costs that NIPSCO incurs pursuant to the Wind PPAs through the FAC. NIPSCO requests the Commission authorize NIPSCO to recover the costs of the Wind PPAs, including all associated Midcontinent Independent System Operator, Inc. ("MISO") costs, from retail customers through the full term of the Wind PPAs via a rate adjustment mechanism in accordance with Ind. Code §§ 8-1-2-42(a) ("Section 42(a)") and 8-1-8.8-11. NIPSCO proposes this recovery be accomplished through the tracking provision of Section 42(a) by treating the costs of the Wind PPAs as a cost to be recovered in a fashion similar to the FAC mechanism, where the cost is recovered based on the estimated cost for a particular quarter and trued-up in a subsequent quarter.

Initially, NIPSCO proposes to seek recovery of the costs of the Wind PPAs in conjunction with and contemporaneous with its quarterly FAC proceedings. The quarterly FAC filings would show, on both a projected and actual basis, costs associated with the Wind PPAs as a separate line item for easy identification. Although NIPSCO is initially proposing to have the cost recovery administered through its FAC, this cost recovery should not be subject to the Section 42(d) tests or any FAC benchmarks, including benchmarks set forth in Cause No. 43526. Essentially, NIPSCO proposes the same recovery mechanism as the Commission approved for NIPSCO in Cause No. 43393. To the extent necessary to be relieved of these conditions, this is part of NIPSCO's proposed ARP.

Q15. Will the rate adjustment mechanism NIPSCO is proposing for the costs of the Wind PPAs be affected by future rate cases?

A15. NIPSCO currently has no plans to change the recovery mechanism, but acknowledges that such a change would be possible in a subsequent electric rate case.

Q16. Please describe the proposed financing and the aspect of the ARP related to the financing.

A16. It is possible that generally accepted accounting principles ("GAAP") will require the Joint Venture's financial statements to be consolidated with NIPSCO's and that, in consolidation, debt will be created on the consolidated financial statements as a result of the Joint Venture. NIPSCO seeks Commission approval of such financing to the extent it results purely from GAAP requirements. But the statutes under which financing approval is obtained, Ind. Code §§ 8-1-2-79 and 80, include several requirements that are unnecessary to this particular transaction. These include corporate officer signatures and verifications, the elements in Ind. Code § 8-1-2-79(a)(1) through (6), and the specific provisions to be set forth in the Commission's certificate of authority.

Q17. Why do you believe the ARP as you have presented it should be approved?

A17. Each of the proposals that I have described are in the public interest. Granting approval will be beneficial for NIPSCO to be able to implement its 2018 IRP and will thereby enhance value for NIPSCO's customers.

Q18. Does this conclude your prefiled direct testimony?

A18. Yes.

VERIFICATION

I, Angela Camp, a NiSource Corporate Services Company employee serving as NIPSCO's Controller, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge.

Angela Camp

Angela Camp

Date: February 1, 2019